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NEWS RELEASE

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For Immediate Release
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IKONICS Updates Second Quarter Results—Reports Strong Rebound in Sales and Earnings

DULUTH, MN - IKONICS Corporation, a Duluth based imaging technology company, reported sales for the second quarter of 2005 of \$3,742,000 and earnings of \$275,000. Sales improved by 12% over the first quarter of the year and were slightly above the record second quarter of 2004. Earnings for the second quarter of 2005 were \$275,000, or \$0.14 per share, compared to \$0.01 per share for the first quarter of 2005, and slightly ahead of the second quarter of 2004.

Bill Ulland, IKONICS CEO, said, "I am pleased that sales have rebounded to a record level and earnings, in spite of costs associated with a new product line start-up and an unfavorable \$54,000 inflation related LIFO inventory adjustment, matched our strong 2004 second quarter performance."

IKONICS was recently named one of the fastest growing small public companies in America by Fortune magazine.

This press release contains forward-looking statements regarding sales, net earnings, and new products that involve risks and uncertainties. The Company's actual results could differ materially as a result of domestic and global economic conditions, competitive market conditions, acceptance of new products, the ability to identify and make suitable acquisitions, as well as the factors described in the Company's Form 10-KSB, Forms 10-QSB and other reports on file with the SEC.

IKONICS Corporation

Condensed Statements of Operations

For the Three Months and Six Months Ended June 30, 2005 and 2004

	Three Months Ended		Six Months Ended	
	<u>6/30/05</u>	<u>6/30/04</u>	<u>6/30/05</u>	<u>6/30/04</u>
Net sales	\$ 3,741,995	\$ 3,683,415	\$ 7,070,522	\$ 7,066,213
Costs and expenses net of interest income	<u>3,343,065</u>	<u>3,312,347</u>	<u>6,656,826</u>	<u>6,475,520</u>
Income before income taxes	398,930	371,068	413,696	590,693
Income tax expense	<u>123,668</u>	<u>96,655</u>	<u>114,779</u>	<u>155,622</u>
Net income	<u>\$ 275,262</u>	<u>\$ 274,413</u>	<u>\$ 298,917</u>	<u>\$ 435,071</u>
Earnings per common share-diluted	<u>\$.14</u>	<u>\$.14</u>	<u>\$.15</u>	<u>\$.22</u>
Average shares outstanding-diluted	1,964,166	2,016,595	1,964,218	2,004,158

Condensed Balance Sheets

As of June 30, 2005 and December 31, 2004

	<u>6/30/05</u>	<u>12/31/04</u>
Assets		
Current assets	\$6,593,319	\$6,906,349
Property, plant and equipment, net	924,436	1,028,830
Intangible assets	288,286	292,349
Deferred income taxes	65,000	65,000
Investment in non-marketable equity securities	<u>450,790</u>	<u>197,460</u>
	<u>\$8,321,831</u>	<u>\$8,489,988</u>
Liabilities and Stockholders' Equity		
Current liabilities	\$ 581,301	\$1,075,772
Long term debt	0	0
Stockholders' equity	<u>7,740,530</u>	<u>7,414,216</u>
	<u>\$ 8,321,831</u>	<u>\$ 8,489,988</u>

Condensed Statements of Cash Flow

For the Six Months Ended June 30, 2005 and 2004

	<u>6/30/05</u>	<u>6/30/04</u>
Cash flows provided by operating activities	\$ 125,237	\$ 498,851
Cash flows used in investing activities	(\$272,362)	(95,643)
Cash flows provided by financing activities	<u>13,214</u>	<u>165,736</u>
Net increase (decrease) in cash and cash equivalents	(133,911)	568,944
Cash and cash equivalents at beginning of period	<u>2,737,460</u>	<u>1,507,794</u>
Cash and cash equivalents at end of period	<u>\$2,603,549</u>	<u>\$2,076,738</u>