



4842 Grand Ave., Duluth, MN 55807
Phone: 218-628-2217 Fax: 218-628-3245
www.ikonics.com info@ikonics.com

NEWS RELEASE

News Contact: Bill Ulland
Chairman, President & CEO
(218) 628-2217

For Immediate Release
July 31, 2008

IKONICS POSTS RECORD SECOND QUARTER PROFITS

DULUTH, MN - IKONICS Corporation, a Duluth based imaging technology company, announced today record second quarter profits of \$358,000, or \$0.17 per share, an 8% increase over the second quarter of 2007. Second quarter sales were down 1% to \$4,330,000 compared to the second quarter of 2007. Income from operations was up 23% for the quarter and 34% for the six month period compared to the same periods in 2007. Compared to the first quarter of 2008, sales were up 15% and earnings up 23%.

Bill Ulland, Ikonics CEO, said that, given the softening economy, these results are encouraging. Both sales and earnings for the company were the second best quarterly results on record.

Ulland added, "In July we took delivery of production equipment for our new Digital Texturing enterprise. The fluid deposition machine is being tested for production and is currently meeting our expectations. We also continue to make progress with our Photo-Machining technology and expect that business to continue to grow in the second half."

Ulland also said, "Our investment in new technologies is beginning to translate into sales which should help offset the current weak domestic demand for our traditional products, and we believe these new technologies will position us for significant growth in the future."

During the quarter, the company broke ground on a 35,000 square foot facility to house its new technologies. The project is on budget, and the company plans to take occupancy before the end of the year.

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 10-Q, and other reports on file with the SEC.

IKONICS Corporation

Condensed STATEMENTS OF OPERATIONS (unaudited) For the Three Months and Six Months Ended June 30, 2008 and 2007

| | Three Months Ended | | Six Months Ended | |
|------------------------------------|---------------------------|-----------------------|-------------------------|-----------------------|
| | <u>6/30/08</u> | <u>6/30/07</u> | <u>6/30/08</u> | <u>6/30/07</u> |
| Net Sales | \$4,330,059 | \$4,374,677 | \$8,110,907 | \$7,882,444 |
| Costs and expenses | <u>3,791,173</u> | <u>3,934,716</u> | <u>7,524,901</u> | <u>7,446,150</u> |
| Income from operations | 538,886 | 439,961 | 586,006 | 436,294 |
| Gain on sale of investment | - | - | - | 55,159 |
| Interest income | <u>23,697</u> | <u>36,724</u> | <u>67,372</u> | <u>69,631</u> |
| Income before income taxes | 562,583 | 476,685 | 653,378 | 561,084 |
| Federal and state tax expense | <u>204,146</u> | <u>145,283</u> | <u>189,303</u> | <u>90,585</u> |
| Net income | <u>\$ 358,437</u> | <u>\$ 331,402</u> | <u>\$ 464,075</u> | <u>\$ 470,499</u> |
| Earnings per common share-diluted | <u>\$ 0.17</u> | <u>\$ 0.16</u> | <u>\$ 0.22</u> | <u>\$ 0.23</u> |
| Average shares outstanding-diluted | 2,080,617 | 2,064,698 | 2,068,292 | 2,056,762 |

Condensed Balance Sheets

As of June 30, 2008 and December 31, 2007

| | <u>6/30/08</u> | <u>12/31/07</u> |
|---|-----------------------|------------------------|
| Assets | | |
| (unaudited) | | |
| Current assets | \$ 9,300,221 | \$ 9,315,737 |
| Property, plant and equipment, net | 2,391,985 | 1,320,591 |
| Investment in non-marketable equity securities | 855,201 | 855,201 |
| Intangible assets | 486,163 | 479,888 |
| Deferred income taxes | 11,000 | 11,000 |
| | <u>\$13,044,570</u> | <u>\$11,982,417</u> |
| Liabilities and Stockholders' Equity | | |
| Current liabilities | \$ 1,376,334 | \$ 936,703 |
| Long term debt | - | - |
| Stockholders' equity | <u>11,668,236</u> | <u>11,045,714</u> |
| | <u>\$13,044,570</u> | <u>\$11,982,417</u> |