

**IKONICS**  
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# NEWS RELEASE

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**For Immediate Release**  
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## **IKONICS Reports 40% Increase In Profits On Record Third Quarter Sales**

DULUTH, MN - IKONICS Corporation, a Duluth based imaging technology company, reported record third quarter sales of \$3,462,000, a 4% increase over the third quarter of 2004. Earnings for the third quarter of 2005 increased by 40% over the same period in 2004 to \$287,000, or \$0.14 per diluted share.

Bill Ulland, IKONICS CEO, said that the strong earnings reflect higher margins related to an improved product mix and reduced expenses. He added, "I am pleased with these bottom line results in an environment of increasing raw material costs, and I am optimistic for the rest of the year."

IKONICS recently introduced a new patent applied for photoresist film called UltraVinyl targeted at the monument and architectural markets. According to Ulland, UltraVinyl opens up new market opportunities for the company and market tests here and in Europe have been very encouraging.

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 (Unaudited)

For the Three Months and Nine Months Ended September 30, 2005 and 2004

|   | <b>Three Months Ended</b> |                       | <b>Nine Months Ended</b> |                       |
|---|---------------------------|-----------------------|--------------------------|-----------------------|
|   | <b><u>9/30/05</u></b>     | <b><u>9/30/04</u></b> | <b><u>9/30/05</u></b>    | <b><u>9/30/04</u></b> |
| Net sales                                 | \$ 3,462,253              | \$ 3,324,135          | \$10,532,775             | \$10,390,348          |
| Costs and expenses net of interest income | <u>3,045,639</u>          | <u>3,045,228</u>      | <u>9,702,465</u>         | <u>9,520,748</u>      |
| Income before income taxes                | 416,614                   | 278,907               | 830,310                  | 869,600               |
| Income tax expense                        | <u>129,150</u>            | <u>73,672</u>         | <u>243,929</u>           | <u>229,294</u>        |
| Net income                                | <u>\$ 287,464</u>         | <u>\$ 205,235</u>     | <u>\$ 586,381</u>        | <u>\$ 640,306</u>     |
| Earnings per common share-diluted         | <u>\$ .14</u>             | <u>\$ .10</u>         | <u>\$ .30</u>            | <u>\$ .32</u>         |
| Average shares outstanding-diluted        | 1,986,033                 | 2,014,707             | 1,980,151                | 2,008,202             |

## Condensed Balance Sheets

As of September 30, 2005 and December 31, 2004

|  | <b><u>9/30/05</u></b> | <b><u>12/31/04</u></b> |
|--|-----------------------|------------------------|
| <b>Assets</b>                                  | <b>(unaudited)</b>    |                        |
| Current assets                                 | \$ 7,373,868          | \$ 6,906,349           |
| Property, plant and equipment, net             | 899,502               | 1,028,830              |
| Intangible assets                              | 304,034               | 292,349                |
| Deferred income taxes                          | 65,000                | 65,000                 |
| Investment in non-marketable equity securities | <u>450,790</u>        | <u>197,460</u>         |
|  | <u>\$9,093,194</u>    | <u>\$ 8,489,988</u>    |
| <b>Liabilities and Stockholders' Equity</b>    |                       |                        |
| Current liabilities                            | \$1,008,707           | \$1,075,772            |
| Long term debt                                 | 0                     | 0                      |
| Stockholders' equity                           | <u>8,084,487</u>      | <u>7,414,216</u>       |
|  | <u>\$9,093,194</u>    | <u>\$ 8,489,988</u>    |

## Condensed Statements of Cash Flow (Unaudited)

For Nine Months Ended September 30, 2005 and 2004

|  | <b><u>9/30/05</u></b> | <b><u>9/30/04</u></b> |
|--|-----------------------|-----------------------|
| Cash flows provided by operating activities      | \$ 606,004            | \$1,079,265           |
| Cash flows used in investing activities          | (334,476)             | (152,410)             |
| Cash flows provided by financing activities      | <u>55,094</u>         | <u>182,372</u>        |
| Net increase in cash and cash equivalents        | 326,622               | 1,109,227             |
| 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>\$3,064,082</u>    | <u>\$2,617,021</u>    |