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NEWS RELEASE

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For Immediate Release
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IKONICS POSTS 26% INCREASE IN EARNINGS ON RECORD SALES

DULUTH, MN - IKONICS Corporation, a Duluth based imaging technology company, announced today net income of \$347,000 or \$0.17 per share, a 26% increase over the second quarter of 2005. Second quarter sales were \$4,100,000, a 10% increase over the 2005 period. 2006 second quarter profit and sales were both record highs for the company. For the first six months of 2006, sales were up 6% and net income 49% over the same 2005 period resulting in \$0.22 per share.

All markets grew during the second quarter, with exports to Asia being particularly strong.

Bill Ulland, Ikonics CEO, reported continued progress with the company's new business initiatives. "An inkjet technology lab has been established in Duluth to expedite the development of products for industrial markets, we have learned that IKONMetal can be laser engraved to make very handsome images; and our industrial etching technology will be featured in an upcoming issue of Machine Design, a leading publication for the industrial machining industry."

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 Six Months Ended June 30, 2006 and 2005

	Three Months Ended		Six Months Ended	
	<u>6/30/06</u>	<u>6/30/05</u>	<u>6/30/06</u>	<u>6/30/05</u>
Net Sales	\$4,099,674	\$3,741,995	\$7,471,474	\$7,070,522
Costs and expenses net of interest income	<u>3,598,752</u>	<u>3,343,065</u>	<u>6,824,762</u>	<u>6,656,826</u>
Income before income taxes	500,922	398,930	646,712	413,696
Income tax expense	<u>153,453</u>	<u>123,668</u>	<u>200,941</u>	<u>114,779</u>
Net income	<u>\$ 347,469</u>	<u>\$ 275,262</u>	<u>\$ 445,771</u>	<u>\$ 298,917</u>
Earnings per common share-diluted	<u>\$ 0.17</u>	<u>\$ 0.14</u>	<u>\$ 0.22</u>	<u>\$ 0.15</u>
Average shares outstanding-diluted	2,048,958	1,964,166	2,030,068	1,964,218

Condensed Balance Sheets

As of June 30, 2006 and December 31, 2005

	<u>6/30/06</u>	<u>12/31/05</u>
Assets	(unaudited)	
Current assets	\$7,910,786	\$7,728,358
Property, plant and equipment, net	882,390	951,565
Investment in Non-Marketable Equity Securities	775,788	450,790
Intangible assets	297,638	279,086
Deferred taxes	<u>61,000</u>	<u>61,000</u>
	<u>\$ 9,927,602</u>	<u>\$9,470,799</u>
Liabilities and Stockholder's Equity		
Current liabilities	\$ 754,701	\$ 992,294
Long term debt	-	-
Stockholders' equity	<u>9,172,901</u>	<u>8,478,505</u>
	<u>\$ 9,927,602</u>	<u>\$ 9,470,799</u>

CONDENSED STATEMENTS OF CASH FLOW (unaudited)

For Six Months Ended June 30, 2006 and 2005

	<u>6/30/06</u>	<u>6/30/05</u>
Net cash provided by operating activities	\$ 472,969	\$ 125,237
Net cash used in investing activities	(325,405)	(272,362)
Net cash flows provided by financing activities	<u>223,047</u>	<u>13,214</u>
Net increase (decrease) in cash and cash equivalents	370,611	(133,911)
Cash and cash equivalents at beginning of period	<u>3,412,072</u>	<u>2,737,460</u>
Cash and cash equivalents at end of period	<u>\$3,782,683</u>	<u>\$2,603,549</u>