



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

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IKONICS POSTS RECORD THIRD QUARTER SALES, WHILE NEW PRODUCT EXPENSES FLATTEN EARNINGS

DULUTH, MN - IKONICS Corporation, a Duluth based imaging technology company, announced today record third quarter 2006 sales of \$3,674,000, a 6% increase over the third quarter of 2005. Earnings were \$285,000, or \$0.14 cents per share, down slightly from 2005 third quarter earnings of \$287,000, or \$0.14 per share. Year to date sales are up 6% and earnings are up 25% over the first three quarters of 2005.

Bill Ulland, Ikonics CEO, said that the flat earnings for the quarter reflected heavy new product development and launch expenses in addition to expenses related to IKONICS' bi-annual screen print trade show

"Our new product initiatives, particularly our industrial ink jet and industrial etching technologies, continue to show considerable promise while requiring significant R&D and product launch expenses. I anticipate these expenses to lessen in the fourth quarter," said Ulland. Ulland also added that earnings could be negatively impacted in the fourth quarter as IKONICS incurs expenses related to Sarbanes Oxley compliance.

This press release contains forward-looking statements regarding sales, expenses, 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, 2006 and 2005

	Three Months Ended		Nine Months Ended	
	<u>9/30/06</u>	<u>9/30/05</u>	<u>9/30/06</u>	<u>9/30/05</u>
Net Sales	\$ 3,673,830	\$ 3,462,253	\$ 11,145,304	\$ 10,532,775
Costs and expenses net of interest income	<u>3,262,067</u>	<u>3,045,639</u>	<u>10,086,829</u>	<u>9,702,465</u>
Income before income taxes	411,763	416,614	1,058,475	830,310
Income tax expense	<u>126,810</u>	<u>129,150</u>	<u>327,751</u>	<u>243,929</u>
Net income	<u><u>\$ 284,953</u></u>	<u><u>\$ 287,464</u></u>	<u><u>\$ 730,724</u></u>	<u><u>\$ 586,381</u></u>
Earnings per common share-diluted	<u>\$ 0.14</u>	<u>\$ 0.14</u>	<u>\$ 0.36</u>	<u>\$ 0.30</u>
Average shares outstanding-diluted	2,043,981	1,986,033	2,029,732	1,980,151

CONDENSED BALANCE SHEETS As of September 30, 2006 and December 31, 2005

	<u>9/30/06</u>	<u>12/31/05</u>
Assets		
	(unaudited)	
Current assets	\$ 8,464,823	\$ 7,728,358
Property, plant and equipment, net	862,987	951,565
Investment in non-marketable equity securities	865,160	450,790
Intangible assets	283,868	279,086
Deferred taxes	<u>61,000</u>	<u>61,000</u>
	<u><u>\$10,537,838</u></u>	<u><u>\$9,470,799</u></u>
Liabilities and Stockholders' Equity		
Current liabilities	\$ 1,073,382	\$ 992,294
Long term debt	-	-
Stockholders' equity	<u>9,464,456</u>	<u>8,478,505</u>
	<u><u>\$10,537,838</u></u>	<u><u>\$ 9,470,799</u></u>

CONDENSED STATEMENTS OF CASH FLOW (unaudited) For Nine Months Ended September 30, 2006 and 2005

	<u>9/30/06</u>	<u>9/30/05</u>
Net cash provided by operating activities	\$ 797,419	\$ 606,004
Net cash used in investing activities	(\$446,247)	(334,476)
Net cash provided by financing activities	<u>\$223,047</u>	<u>55,094</u>
Net increase in cash and cash equivalents	\$574,219	326,622
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><u>\$ 3,986,291</u></u>	<u><u>\$3,064,082</u></u>