

IKONICS
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NEWS RELEASE

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IKONICS REPORTS 51% INCREASE IN PROFITS AND RECORD SALES FOR 2004

DULUTH, MN - IKONICS Corporation, a Duluth based imaging technology company, reported today 2004 earnings of \$758,000 or \$0.38 per share, a 51% increase over 2003. Sales grew by 13% to a record level of \$13,682,000.

The earnings growth came despite startup costs associated with two new business units. These costs were particularly heavy in the fourth quarter and, combined with a lifo inventory reserve adjustment, resulted in a decline of fourth quarter earnings from 2003.

Bill Ulland, IKONICS CEO, said "I anticipate continued growth in 2005 and that the drag on earnings caused by launching new businesses and Sarbanes-Oxley compliance will be overcome by increased sales from our new and long-established businesses." Ulland added that the new IKONSign Etch business unit is off to an encouraging start.

This press release contains forward-looking statements regarding sales, 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 Twelve Months Ending December 31, 2004 and 2003

	Three Months Ended		Twelve Months Ended	
	<u>12/31/04</u>	<u>12/31/03</u>	<u>12/31/04</u>	<u>12/31/03</u>
Sales	\$ 3,292,101	\$ 3,051,246	\$13,682,449	\$12,105,127
Costs and expenses net of interest income	3,130,350	2,829,797	12,651,098	11,398,045
Loss on investment	<u>0</u>	<u>0</u>	<u>0</u>	<u>74,666</u>
Income before income taxes	\$ 161,751	\$ 221,449	\$ 1,031,351	\$ 632,416
Federal and state income tax expense	<u>43,706</u>	<u>43,032</u>	<u>273,000</u>	<u>129,000</u>
Net income	<u>\$ 118,045</u>	<u>\$ 178,417</u>	<u>\$ 758,351</u>	<u>\$ 503,416</u>
Earnings per common share-diluted	<u>\$.06</u>	<u>\$.09</u>	<u>\$.38</u>	<u>\$.27</u>
Average shares outstanding-diluted	2,008,226	1,917,824	1,982,814	1,895,106

Condensed Balance Sheets

As of December 31, 2004 and 2003

	<u>12/31/04</u>	<u>12/31/03</u>
Assets		
Current assets	\$6,906,349	\$5,597,674
Property, plant and equipment	1,028,830	1,110,159
Investment	197,460	112,834
Intangible assets	292,349	308,017
Deferred taxes	<u>65,000</u>	<u>66,000</u>
	<u>\$8,489,988</u>	<u>\$7,194,684</u>
 Liabilities and Equity		
Current liabilities	\$1,075,772	\$ 826,334
Long term debt	0	0
Stockholders' equity	<u>7,414,216</u>	<u>6,368,350</u>
	<u>\$8,489,988</u>	<u>\$ 7,194,684</u>

Condensed Statements of Cash Flow

For the Twelve Months Ended December 31, 2004 and 2003

	<u>12/31/04</u>	<u>12/31/03</u>
Cash flows from operating activities	\$ 1,261,855	\$ 1,400,756
Cash flows used in investing activities	\$ (255,125)	\$ (277,069)
Cash flows provided by financing activities	<u>\$ 222,936</u>	<u>\$ 0</u>
Net increase in cash and cash equivalents	\$ 1,229,666	\$ 1,123,687
Cash and cash equivalents at beginning of period	<u>\$ 1,507,794</u>	<u>\$ 384,107</u>
Cash and cash equivalents at end of period	<u>\$ 2,737,460</u>	<u>\$ 1,507,794</u>