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# NEWS RELEASE

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**For Immediate Release**  
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## **IKONICS Posts 20% Increase In Earnings on Record 2005 Sales**

DULUTH, MN - IKONICS Corporation, a Duluth based imaging technology company, announced today record sales and earnings for 2005. Sales were \$13,971,000, a 2% increase over 2004. Earnings increased 20% to \$908,000, or \$0.46 per diluted share.

Said Bill Ulland, IKONICS CEO, "I am pleased to report that we recovered from a weak first quarter to post record sales and earnings for 2005. Earnings improved due to increased sales and reduced expenses. Sales failed to meet expectations, in part because of delays in bringing our IKONMetal™ product to market. This unique, etchable metal matrix composite has now been reengineered to increase performance and reduce cost."

"The new metal was introduced successfully at a recent trade show for FastSign® franchisees and resulted in IKONSign Etch being given vendor status to the 466 worldwide FastSign franchises," said Ulland.

"Also in 2005, we entered into a joint development project with inkjet technology company iTi to create a unique inkjet system. We have filed a patent application on the technology," Ulland said. "We believe this project has very significant sales and profit potential; but success is far from assured and any revenue is unlikely before 2007. We continue to investigate new markets for our imaging technologies and anticipate sales from these efforts in 2006."

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

For the Three Months and Twelve Months Ended December 31, 2005 and 2004

	<b>Three Months Ended</b>		<b>Twelve Months Ended</b>	
	<b><u>12/31/05</u></b>	<b><u>12/31/04</u></b>	<b><u>12/31/05</u></b>	<b><u>12/31/04</u></b>
Net sales	\$ 3,438,442	\$ 3,292,101	\$13,971,217	\$13,682,449
Costs and expenses net of interest income	<u>3,012,583</u>	<u>3,130,350</u>	<u>12,715,048</u>	<u>12,651,098</u>
Income before income taxes	425,859	161,751	1,256,169	1,031,351
Federal and State income taxes	<u>104,071</u>	<u>43,706</u>	<u>348,000</u>	<u>273,000</u>
Net income	<u>\$ 321,788</u>	<u>\$ 118,045</u>	<u>\$ 908,169</u>	<u>\$ 758,351</u>
Earnings per common share-diluted	<u>\$ .16</u>	<u>\$ .06</u>	<u>\$ .46</u>	<u>\$ .38</u>
Average shares outstanding-diluted	2,001,988	2,008,226	1,986,885	1,982,814

## Condensed Balance Sheets

As of December 31, 2005 and December 31, 2004

	<b><u>12/31/05</u></b>	<b><u>12/31/04</u></b>
<b>Assets</b>		
Current assets	\$ 7,728,358	\$ 6,906,349
Property, plant and equipment, net	951,565	1,028,830
Intangible assets	279,086	292,349
Deferred income taxes	61,000	65,000
Investment in non-marketable equity securities	<u>450,790</u>	<u>197,460</u>
	<b><u>\$9,470,799</u></b>	<b><u>\$ 8,489,988</u></b>
<b>Liabilities and Stockholders' Equity</b>		
Current liabilities	\$ 992,294	\$1,075,772
Long term debt	0	0
Stockholders' equity	<u>8,478,505</u>	<u>7,414,216</u>
	<b><u>\$ 9,470,799</u></b>	<b><u>\$ 8,489,988</u></b>

## Condensed Statements of Cash Flow

For Twelve Months Ended December 31, 2005 and 2004

	<b><u>12/31/05</u></b>	<b><u>12/31/04</u></b>
Cash flows provided by operating activities	\$ 980,047	\$1,261,855
Cash flows used in investing activities	(422,562)	(255,125)
Cash flows provided by financing activities	<u>117,127</u>	<u>222,936</u>
Net increase in cash and cash equivalents	674,612	1,229,666
Cash and cash equivalents at beginning of year	<u>2,737,460</u>	<u>1,507,794</u>
Cash and cash equivalents at end of year	<b><u>\$3,412,072</u></b>	<b><u>\$2,737,460</u></b>