



imaging technologies for global markets

Common Stock

IKONICS Corporation common stock is traded on the Nasdaq SmallCap market under the symbol IKNX. A market in IKONICS Corporation common stock is maintained by:

Van Clemens & Co. Inc.

527 Marquette Ave. S
Suite 2000
Minneapolis, MN 55402
612-758-9140

Monroe Securities

47 State Street
Rochester, NY 14614
716-546-5560 • 1-800-566-5560

Howe Barnes Investments

135 So. LaSalle Ave.
Chicago, IL 60603
1-800-275-4693

Transfer Agent

Wells Fargo Shareowner Services

PO Box 64854
St. Paul, MN 55164-0854

Shareholders with questions on stock holdings, transfer requirements and address changes contact Wells Fargo Bank at 651-450-4064 or 800-468-9716.

Additional Financial Information

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IKONICS CORPORATION

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Summary of Quarterly Statements

(Thousands of Dollars)

Quarter Ended	2004			2003			2002		
	Sales	Net Income	Earnings Per Share	Sales	Net Income	Earnings Per Share	Sales	Net Income	Earnings Per Share
March 31	\$ 3,383	\$ 161	\$.12	\$ 2,831	\$ 30	\$.02	\$ 2,782	\$ 23	\$.02
June 30				3,162	156	.13	3,164	131	.11
September 30				3,062	139	.11	2,971	86	.07
December 31				3,051	178	.14	2,880	120	.10
	<u>\$ 3,383</u>	<u>\$ 161</u>	<u>\$.12</u>	<u>\$ 12,105</u>	<u>\$ 503</u>	<u>\$.40</u>	<u>\$ 11,797</u>	<u>\$ 360</u>	<u>\$.29</u>

Unaudited interim financial information
(Some columns may not add due to rounding)

2004

first quarter report

April 29, 2004

To Our Stockholders:

We are pleased to announce record sales for the first quarter of 2004 of \$3,383,000, a 20% increase over the first quarter of 2003. Earnings were \$161,000, or \$0.12 per share, compared to \$0.02 per share for the comparable quarter of 2003. The company also generated \$254,000 in cash flow from operations compared to \$49,000 in the first quarter of 2003.

Sales growth was experienced across all product groups and market areas. New products, increased market share, a strong Euro, and economic growth in Asia and North America all contributed to these results. This performance is in line with our plan for 2004.

During the quarter, we launched LaserTape, extending IKONICS' imaging technology to the growing market of laser etching; and we introduced AccuArt 2, a premium addition to our successful AccuArt family of inkjettable substrates.

We are making excellent progress with our new RapidMask photoresist and, during the quarter, introduced a new generation of equipment complementing this technology and further securing our leadership position in the abrasive etching industry. We continue to make progress with our IKONMetal products and remain enthusiastic about the future of this new technology.

We have begun 2004 on a very strong note and, although some unseen challenges and opportunities certainly lie ahead, I am optimistic about our prospects for the year.

For the Board of Directors,



William C. Ulland
Chairman, President & CEO

This letter contains statements regarding future sales, potential acquisitions 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 on file with the SEC.

IKONICS CORPORATION

Statements of Operations

For the Three Month Periods Ended March 31, 2004 and 2003

	Three Months Ending	
	3/31/04	3/31/03
Sales	\$ 3,382,798	\$ 2,830,649
Costs and expenses, net of interest income	<u>3,163,173</u>	<u>2,784,991</u>
Income before income taxes	\$ 219,625	\$ 45,658
Federal and state income tax expense	<u>58,967</u>	<u>15,980</u>
Net income	<u>\$ 160,658</u>	<u>\$ 29,678</u>
Earnings per common share - diluted	<u>\$.12</u>	<u>\$.02</u>
Average shares outstanding - diluted	1,288,369	1,254,045

Balance Sheets

as of March 31, 2004 and December 31, 2003

Assets	3/31/04	12/31/03
Current Assets	\$ 5,971,876	\$ 5,597,674
Property, Plant and Equipment	1,087,783	1,110,159
Investment	112,834	112,834
Intangible Assets	302,350	308,017
Deferred Taxes	<u>66,000</u>	<u>66,000</u>
	<u>\$ 7,540,843</u>	<u>\$ 7,194,684</u>
Liabilities and Equity		
Current Liabilities	\$ 932,387	\$ 826,334
Long Term Debt	0	0
Stockholders' Equity	<u>6,608,456</u>	<u>6,368,350</u>
	<u>\$ 7,540,843</u>	<u>\$ 7,194,684</u>

Statements of Cash Flow

For Three Months Ending March 31, 2004 and 2003

	3/31/04	3/31/03
Cash flows from operating activities	\$ 253,516	\$ 49,251
Cash flows provided by (used in) investing activities	6,857	(58,498)
Cash flows provided by financing activities	<u>75,445</u>	<u>0</u>
Net increase (decrease) in cash and cash equivalents	335,818	(9,247)
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>\$ 1,843,612</u>	<u>\$ 374,860</u>

Unaudited interim financial information
(Some columns may not add due to rounding.)