

2007 THIRD QUARTER REPORT



Common Stock

IKONICS Corporation common stock is traded on the Nasdaq Capital Market under the symbol IKNX.

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.

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Summary of Quarterly Statements
(Thousands of Dollars, Except Per Share Information)

Quarter Ended	2007			2006			2005		
	Net Sales	Net Income	Earnings Per Share	Net Sales	Net Income	Earnings Per Share	Net Sales	Net Income	Earnings Per Share
March 31	\$3,508	\$139	\$0.07	\$3,372	\$98	\$0.05	\$3,329	\$24	\$0.01
June 30	4,375	331	0.16	4,100	347	0.17	3,742	275	0.14
September 30	4,017	354	0.17	3,674	285	0.14	3,462	287	0.14
December 31				3,744	393	0.19	3,438	322	0.16
	\$11,899	\$824	\$0.40	\$14,889	\$1,124	\$0.55	\$13,971	\$908	\$0.46

Unaudited Interim Financial Statements
(Some columns may not add due to rounding)

IKONICS Corporation



November 14, 2007

To Our Shareholders:

I am pleased to report earnings of \$354,000 or \$0.17 per share, a 24% increase over the third quarter of 2006. Sales were 9% over the comparable quarter to \$4,017,000. Both figures are third quarter records.

Sales growth was led by our screen print photochemical and ink jet receptive substrate products. Although these results were aided by the Imagemate® acquisition of December 2006, we also experienced growth in our traditional Chromaline® brand. We also began to see sales contributions from our new business ventures, and I expect those to increase in the fourth quarter as production is ramped up.

During the quarter we entered into an option agreement to buy a 15 acre brown field site from the City of Duluth. If we consummate the purchase, we will initially move shipping, warehousing and some manufacturing to a new 35,000 square foot facility to be built on the site, which is in an economic development zone carrying significant tax benefits. This move will give us space to grow our business as well as to eventually consolidate our activities in one location.

For the Board of Directors,

William C. Ulland
Chairman, President & CEO

CONDENSED STATEMENTS OF OPERATIONS (unaudited)

For the Three Months and Nine Months Ended September 30, 2007 and 2006

	Three Months Ended		Nine Months Ended	
	9/30/07	9/30/06	9/30/07	9/30/06
Net Sales	\$4,016,923	\$3,673,830	\$11,899,367	\$11,145,304
Costs and expenses	3,531,922	3,294,559	10,978,072	10,169,468
Income from operations	485,001	379,271	921,295	975,836
Gain on sale of investment	-	-	55,159	-
Interest income	40,616	32,492	110,247	82,639
Income before income taxes	525,617	411,763	1,086,701	1,058,475
Income tax expense	171,692	126,810	262,277	327,751
Net income	\$353,925	\$284,953	\$824,424	\$730,724
Earnings per common share-diluted	\$ 0.17	\$0.14	\$0.40	\$0.36
Average shares outstanding-diluted	2,074,569	2,043,981	2,061,400	2,029,732

Condensed Balance Sheets

As of September 30, 2007 and December 31, 2006

	9/30/07 (unaudited)	12/31/06
Assets		
Current assets	\$8,910,277	\$8,229,210
Property, plant and equipment, net	1,329,280	991,920
Investment in non-marketable equity securities	855,201	988,910
Intangible assets	485,074	485,421
Deferred income taxes	48,000	48,000
	<u>\$11,627,832</u>	<u>\$10,743,461</u>
Liabilities and Stockholders' Equity		
Current liabilities	\$945,897	\$879,362
Long term debt	-	-
Stockholders' equity	10,681,935	9,864,099
	<u>\$11,627,832</u>	<u>\$10,743,461</u>

CONDENSED STATEMENTS OF CASH FLOW (unaudited)

For Nine Months Ended September 30, 2007 and 2006

	9/30/07	9/30/06
Net cash provided by operating activities	\$1,384,262	\$797,419
Net cash used in investing activities	(385,067)	(446,247)
Net cash provided by financing activities	103,719	223,047
Net increase in cash and cash equivalents	1,102,914	574,219
Cash and cash equivalents at beginning of period	3,428,186	3,412,072
Cash and cash equivalents at end of period	<u>\$4,531,100</u>	<u>\$3,986,291</u>

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

The preceding letter contains statements regarding future financial results, new products, and other matters 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 most recent Form 10-KSB and most recent Form 10-QSB on file with the SEC.