



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	2008			2007			2006		
	Net Sales	Net Income	Earnings Per Share	Net Sales	Net Income	Earnings Per Share	Net Sales	Net Income	Earnings Per Share
March 31	\$3,781	\$106	\$0.05	\$3,508	\$139	\$0.07	\$3,372	\$98	\$0.05
June 30	4,330	358	0.17	4,375	331	0.16	4,100	347	0.17
September 30	3,833	238	0.11	4,017	354	0.17	3,674	285	0.14
December 31	\$11,944	\$702	\$0.34	\$15,825	\$1,170	\$.57	\$14,889	\$1,124	\$0.55

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



TO OUR STOCKHOLDERS:

Sales for the third quarter of 2008 were \$3,833,000, a 5% decline from the same quarter in 2007. Earnings fell from \$354,000, or \$0.17 per share, to \$238,000, or \$0.11 per share, a 33% decline.

Although some unique factors contributed to the sales decline, the primary cause was the effect of the general economic recession on the

awards and recognition market. The earnings decline also was affected by some one time expenses; but an unfavorable product mix, expenses related to new technologies and the rising cost of petrochemical based raw materials were the main causes.

The challenge for IKONICS is to bring our new technologies to markets fast enough to offset the recession related pressure on our core business units. We are making progress in this area. We believe our Digital Texturing technology is ready for market and we took delivery of a production Digital Imaging machine during the quarter. However, the primary market for this technology is automotive and subject to the same factors as our core business. These sales will be slower in building than we had initially planned. Our new Photo-Machining business unit is continuing to grow and is less subject to the national economy, since a good part of its customer base is aerospace and defense related.

During the quarter, we made significant progress in developing custom products for third parties based on our technology and manufacturing ability. We are currently manufacturing two such products and have entered into an R&D program with a major international company that could result in very significant sales as well as income from the R&D contract. I anticipate that sales and income from these efforts will contribute to future earnings.

While I'm disappointed with the 3rd quarter, I am optimistic that our new technologies will contribute to future sales and profits. However, the economy remains a major concern for our traditional lines of business and we are cutting costs accordingly.

The company remains financially very strong and we continue to generate cash from operations. Our new 35,000 sq. ft. expansion and our recent 74,466 share repurchase have been totally funded by the company's cash.

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, 2008 and 2007

	Three Months Ended		Nine Months Ended	
	09/30/08	09/30/07	09/30/08	09/30/07
Net Sales	\$ 3,832,783	\$ 4,016,923	\$ 11,943,690	\$ 11,899,367
Costs and Expenses	3,585,580	3,531,922	11,110,481	10,978,072
Income from Operations	247,203	485,001	833,209	921,295
Gain on Sale of Non-Marketable Equity Securities	24,550	-	24,550	55,159
Interest Income	19,890	40,616	87,262	110,247
Income Before Income Taxes	291,643	525,617	945,021	1,086,701
Income Tax Expense	53,810	171,692	243,113	262,277
Net Income	<u>\$ 237,833</u>	<u>\$ 353,925</u>	<u>\$ 701,908</u>	<u>\$ 824,424</u>
Earnings Per Common Share-Diluted	<u>\$ 0.11</u>	<u>\$ 0.17</u>	<u>\$ 0.34</u>	<u>\$ 0.40</u>
Weighted Average Shares Outstanding-Diluted	2,073,925	2,074,569	2,070,134	2,061,400

Condensed Balance Sheets

As of September 30, 2008 and December 31, 2007

	09/30/08	12/31/07
Assets		
Current assets	\$ 6,948,179	\$ 9,315,737
Property, plant and equipment, net	4,732,767	1,320,591
Investment in non-marketable equity securities	855,201	855,201
Intangible assets, net	404,420	479,888
Deferred income taxes	11,000	11,000
	<u>\$ 12,951,567</u>	<u>\$ 11,982,417</u>
Liabilities and Stockholders' Equity		
Current liabilities	\$ 1,565,798	\$ 936,703
Long-term debt	-	-
Stockholders' equity	11,385,769	11,045,714
	<u>\$ 12,951,567</u>	<u>\$ 11,982,417</u>

Condensed Statements of Cash Flow (unaudited)

For Nine Months Ended September 30, 2008 and 2007

	09/30/08	09/30/07
Net cash provided by operating activities	\$ 1,009,363	\$ 1,384,262
Net cash provided (used in) by investing activities	621,926	(760,067)
Net cash provided by (used in) financing activities	(380,181)	103,719
Net increase in cash and cash equivalents	1,251,108	727,914
Cash and cash equivalents at beginning of period	1,230,020	253,186
Cash and cash equivalents at end of period	<u>\$ 2,481,128</u>	<u>\$ 981,100</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-Q on file with the SEC.