

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.

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Monroe Securities

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Rochester, NY 14614
716-546-5560 1-800-566-5560

Howe Barnes Investments

135 So. LaSalle Ave.
Chicago, IL 60603
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TRANSFER AGENT

Wells Fargo Shareowner Services

161 North Concord Exchange
PO Box 738
St. Paul, MN 55075-0738

Shareholders with questions on stock holdings, transfer requirements and address changes contact Wells Fargo Bank at 651-450-4058 or 651-306-4341.

ADDITIONAL FINANCIAL INFORMATION

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IKONICS
CORPORATION

imaging technologies for global markets



2003
first quarter report

April 30, 2003

IKONICS CORPORATION

To Our Stockholders:

Sales for the first quarter were essentially flat compared to the first quarter of 2002. Earnings improved on a percentage basis but were also basically level with last year. Sales were \$2,830,649, 2% over the same period of 2002. Earnings were up by 29% to \$29,678 or \$.02 per share.

Factors contributing to the flat sales were market softness related to the war and the timing of a container shipment to China. In 2002, that shipment and sale occurred in the first quarter of the year. In 2003, the event should occur in the second quarter.

An important part of our growth strategy for 2003 is the introduction of an improved RapidMask™ photoresist film. In February we acquired from DuPont the exclusive right to manufacture and sell RapidMask in the abrasive etching market. To maximize the unique dry processing features of this film, it was necessary to reformulate it. I am very pleased to say that we are ahead of schedule; the prototype product is exceeding our performance goals and the manufacturing cost of the product has been substantially reduced. We expect to launch this product early in the third quarter, with a further improved product scheduled for later in the year or early in 2004. I believe that the improved RapidMask will cement our leadership position in the abrasive etching market and ensure continuing growth.

Our product development work on new metal engraving technologies is also proceeding and we anticipate product introduction in the second half. We have applied for two patents covering various aspects of this technology.

Our plans for an increased presence in Asia have been temporarily delayed by the SARS epidemic. The first session at our Singapore training center has been postponed until June and the stationing of an Export Manager in South China is on hold until the region is safe.

Overall, our financial position is very strong, our core businesses are growing and we are actively pursuing important new markets.

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.

Statements of Earnings

For the Three Month Periods Ending March 31, 2003 and 2002

	Three Months Ending	
	<u>3/31/03</u>	<u>3/31/02</u>
Sales	\$ 2,830,649	\$ 2,782,372
Costs, expenses, and other income	<u>2,784,991</u>	<u>2,745,221</u>
Income before income taxes	\$ 45,658	\$ 37,151
Federal and state income tax expense	<u>15,980</u>	<u>14,104</u>
Net income	<u>\$ 29,678</u>	<u>\$ 23,047</u>
Earnings per common share - diluted	<u>\$.02</u>	<u>\$.02</u>
Average shares outstanding - diluted	1,254,045	1,263,916

Balance Sheets

as of March 31, 2003 and December 31, 2002

	<u>3/31/03</u>	<u>12/31/02</u>
	Assets	
Current Assets	\$ 4,905,742	\$ 4,630,281
Property, Equipment & Patents	1,264,709	1,295,544
Investment	187,500	187,500
Other Intangible	177,136	180,834
Deferred Taxes	<u>118,000</u>	<u>118,000</u>
	<u>\$ 6,653,087</u>	<u>\$ 6,412,159</u>
Liabilities and Equity		
Current Liabilities	\$ 756,344	\$ 545,496
Long Term Debt	0	0
Stockholders' Equity	<u>5,896,743</u>	<u>5,866,663</u>
	<u>\$ 6,653,087</u>	<u>\$ 6,412,159</u>

Summary of Quarterly Statements

(Thousands of Dollars)

Quarter Ended	<u>2003</u>			<u>2002</u>			<u>2001</u>		
	Sales	Net Income	Earnings Per Share	Sales	Net Income	Earnings Per Share	Sales	Net Income (Loss)	Earnings (Loss) Per Share
March 31	\$ 2,831	\$ 30	\$.02	\$ 2,782	\$ 23	\$.02	\$ 2,858	\$ 88	\$.07
June 30				3,164	131	.11	2,691	(29)	(.02)
September 30				2,971	86	.07	2,520	(74)	(.06)
December 31				2,880	120	.10	2,683	(191)	(.15)
	<u>\$ 2,831</u>	<u>\$ 30</u>	<u>\$.02</u>	<u>\$11,797</u>	<u>\$360</u>	<u>\$.29</u>	<u>\$10,752</u>	<u>\$(206)</u>	<u>\$(.16)</u>

Unaudited interim financial information