



CHROMALINE



MICRO-MACHINING SOLUTIONS



IKONICS IMAGING



INDUSTRIAL INKJET SOLUTIONS



INTERNATIONAL



## 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:

**(800) 468-9716**

## For Additional Financial Information Contact:

Jon Gerlach  
Chief Financial Officer

Phone: 218-628-2217  
Fax: 218-628-3245  
E-mail: [jgerlach@ikonics.com](mailto:jgerlach@ikonics.com)



4832 Grand Avenue • Duluth, MN 55807  
Phone: 218-628-2217 • Fax: 218-628-3245  
[www.ikonics.com](http://www.ikonics.com) • [info@ikonics.com](mailto:info@ikonics.com)

## Summary of Quarterly Statements

(Thousands of Dollars, Except Per Share Information)

Quarter Ended	2011			2010			2009		
	Net Sales	Net Income	Earnings Per Share	Net Sales	Net Income	Earnings Per Share	Net Sales	Net Income (loss)	Earnings (loss) Per Share
March 31	\$3,653	\$37	\$0.02	\$3,685	\$148	\$0.08	\$3,563	\$53	\$0.03
June 30				4,248	343	0.17	3,787	147	0.07
September 30				4,141	287	0.15	3,921	(709)	(0.36)
December 31	\$3,653	\$37	\$0.02	4,444	335	0.17	3,851	202	0.10
				\$16,517	\$1,114	\$0.56	\$15,122	\$(307)	\$(0.16)

Unaudited Interim Financial Statements

(Some columns may not add due to rounding)

## To Our Stockholders:

Our first quarter illustrates the opportunities and challenges we face as a company with multiple technologies in many different markets.

Chromaline, our domestic screen print supply business, experienced an 11% decline in sales due primarily to special circumstances with two products. However, our new technologies, Micro Machining and DTX, experienced a 74% growth in sales. Overall, we had a slight decline in total sales to \$3,653,000.

Costs associated with bringing our new technologies to market had a negative impact on earnings, which fell by \$111,000 to \$0.02 cents per share compared to \$0.08 in the first quarter of last year.

However, I anticipate that the decline in Domestic Chromaline sales will reverse and that the strong growth in our new technologies will continue.

With the addition of Karl Shaw to the DTX team, we are seeing accelerated market acceptance of our mold texturing technology. In the past year, DTX has been used successfully to create interior textures for the GM Volt and Camaro, the Chrysler 300, 200, Challenger, Charger, and Avenger; and the VW Beetle, Passat, and Jetta. The interiors of all these cars received high marks for quality. When the new line of DTX printers is available (scheduled for the third quarter), I anticipate a further acceleration of DTX revenue. Our plan is to have printers sold directly by our partners, CST and ITW Trans Tech; our revenue will be driven by the sales of consumables used by the printers.

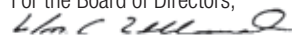
Sales of our Micro-Machining technology have surged after the introduction in the fourth quarter of last year of our new i-XE mask for sound-deadening applications in commercial jet aircraft, and we are experiencing strong interest from several potential new customers for this product. We also are seeing strong interest from the aerospace industry in having IKONICS manufacture composite parts in Duluth using our Micro-Machining technology, and we are in negotiations on a number of projects. To meet this anticipated demand, we are acquiring new equipment, which should be ready in the third quarter.

Our IKONICS Imaging business is growing behind a strong sales effort, and Export sales remain positive.

Domestic Chromaline sales are our biggest challenge. The market is mature, and petroleum-based raw material costs are rising. However, we have identified new market and product opportunities, and I expect that Domestic Chromaline will return to growth and increased profitability.

I believe our mix of well established, profitable businesses and dynamic new technologies for industrial markets, coupled with a strong financial position, make IKONICS a uniquely robust company with a solid foundation and prospects for very exciting growth.

For the Board of Directors,



WILLIAM C. ULLAND

Chairman, President & CEO

## Condensed Statements of Operations (unaudited) For the Three Months Ended March 31, 2011 and 2010

	<b>Three Months Ended</b>	
	<b>03/31/11</b>	<b>03/31/10</b>
Net sales .....	\$3,653,099	\$3,684,577
Cost of goods sold .....	2,186,256	2,200,782
Gross profit .....	1,466,843	1,483,795
Operating expenses .....	1,443,552	1,361,093
Income from operations .....	23,291	122,702
Interest income .....	4,562	3,519
Income before income taxes .....	27,853	126,221
Income tax benefit .....	9,489	22,120
Net income .....	<u>\$ 37,342</u>	<u>\$ 148,341</u>
Earnings per common share-diluted .....	<u>\$ 0.02</u>	<u>\$ 0.08</u>
Average shares outstanding-diluted .....	1,981,114	1,969,433

## Condensed Balance Sheets As of March 31, 2011 and December 31, 2010

	<b>03/31/11</b>	<b>12/31/10</b>
	<b>(unaudited)</b>	
<b>Assets</b>		
Current assets .....	\$ 7,984,949	\$ 7,811,830
Property, plant and equipment, net .....	4,981,188	5,012,933
Intangible assets, net .....	328,093	317,168
	<u>\$ 13,294,230</u>	<u>\$ 13,141,931</u>
<b>Liabilities and Stockholders' Equity</b>		
Current liabilities .....	\$ 837,578	\$948,984
Deferred income taxes .....	171,000	171,000
Long-term debt .....	-	-
Stockholders' equity .....	12,285,652	12,192,947
	<u>\$13,294,230</u>	<u>\$13,141,931</u>

## Condensed Statements of Cash Flow (unaudited) For Three Months Ended March 31, 2011 and 2010

	<b>Three Months Ended</b>	
	<b>03/31/11</b>	<b>03/31/10</b>
Net cash provided by (used in) operating activities .....	\$ (500,000)	\$ 184,442
Net cash used in investing activities .....	(94,830)	(73,256)
Net cash provided by financing activities .....	55,709	-
Net increase (decrease) in cash .....	(539,121)	111,186
Cash at beginning of period .....	1,291,383	1,304,586
Cash at end of period .....	<u>\$ 752,262</u>	<u>\$ 1,415,772</u>

Unaudited interim financial information.

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-K and most recent Form 10-Q on file with the SEC.