

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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Howe Barnes Investments

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TRANSFER AGENT

Wells Fargo Shareowner Services

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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
second quarter report

August 18, 2003

IKONICS CORPORATION

To Our Stockholders:

Sales in the second quarter of 2003 were \$3,162,000, basically even with those of the 2002 quarter, but earnings improved significantly. Earnings increased by 19% over the second quarter of 2002 to \$0.13 per share and are well over the \$0.02 per share earned in the first quarter of this year.

Two non-recurring events were booked in the quarter. Our investment in Apprise Technologies Inc. was written down by \$75,000, because Apprise had a recent stock placement at lower share price than our investment. We also experienced a refund of \$42,000 on our extraterritorial income tax.


The flat sales are attributable to a fall-off in business to Asia and the discontinuance of some unprofitable domestic business. This was offset by increased sales of higher margin products in North America and Europe.

We anticipate a pick-up in sales to Asia in the third quarter. The SARS epidemic delayed the opening of our training center in Singapore by a month. The first session was held in June and was very well received. Further sessions in Singapore and India are scheduled for the fall. Asia remains an important part of our plans and we regard the second quarter slump to be an anomaly in the sales growth we have been seeing there.

During the quarter we completed the first redesign of the RapidMask technology we acquired from DuPont. This has given us three new products for the abrasive etching market which are being launched early in the third quarter. We are ahead of schedule with these products and I am increasingly optimistic they will grow sales and lead us into new markets.

I am very pleased to announce that Jon Gerlach has joined IKONICS as Vice President of Finance and Chief Financial Officer. Jon's strong background in financial analysis and strategic planning is well suited to our growth plans. He joins us from the Cloquet, Minnesota division of SAPPI, where he was Finance Manager.

For the Board of Directors,



William C. Ulland
Chairman, President & CEO

This press release contains forward-looking statements regarding sales, earnings, and new products 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 filings with the SEC.

Statements of Earnings

For the Three and Six Month Periods Ending June 30, 2003 and 2002

	Three Months Ending		Six Months Ending	
	6/30/03	6/30/02	6/30/03	6/30/02
Sales	\$ 3,161,731	\$ 3,164,255	\$ 5,992,378	\$ 5,946,627
Costs, expenses, and other income	<u>2,911,455</u>	<u>2,964,043</u>	<u>5,696,444</u>	<u>5,709,264</u>
Loss on Investment	\$ (74,666)	\$	\$ (74,666)	\$
Income before taxes	175,610	200,212	221,268	237,363
Federal and state income tax expense	<u>19,131</u>	<u>68,971</u>	<u>35,111</u>	<u>83,075</u>
Net income	<u>\$ 156,479</u>	<u>\$ 131,241</u>	<u>\$ 186,157</u>	<u>\$ 154,288</u>
Earnings per common share - diluted	<u>\$.13</u>	<u>\$.11</u>	<u>\$.15</u>	<u>\$.12</u>
Average shares outstanding - diluted	1,254,299	1,248,127	1,253,071	1,256,002

Balance Sheets

as of June 30, 2003 and December 31, 2002

Assets	6/30/03	12/31/02
	Current Assets	\$ 5,209,380
Property, Equipment & Patents	1,266,427	1,295,544
Investment	112,834	187,500
Other Intangible	173,438	180,834
Deferred Taxes	<u>118,000</u>	<u>118,000</u>
	<u>\$ 6,880,079</u>	<u>\$ 6,412,159</u>
Liabilities and Equity		
Current Liabilities	\$ 827,257	\$ 545,496
Long Term Debt	0	0
Stockholders' Equity	<u>6,052,822</u>	<u>5,866,663</u>
	<u>\$ 6,880,079</u>	<u>\$ 6,412,159</u>

Summary of Quarterly Statements

(Thousands of Dollars)

Quarter Ended	2003			2002			2001		
	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	\$ 3,162	\$ 156	\$.13	3,164	131	.11	2,691	(29)	(.02)
September 30				2,971	86	.07	2,520	(74)	(.06)
December 31				<u>2,880</u>	<u>120</u>	<u>.10</u>	<u>2,683</u>	<u>(191)</u>	<u>(.15)</u>
	<u>\$ 5,993</u>	<u>\$ 186</u>	<u>\$.15</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