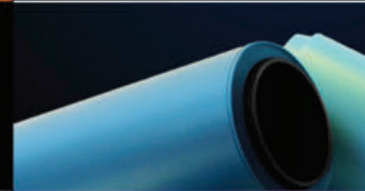




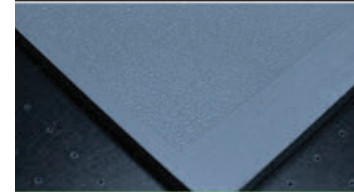
CHROMALINE



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

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Fax: 218-628-3245
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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	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	4,587	310	0.16	4,248	343	0.17	3,787	147	0.07			
September 30	4,361	215	0.11	4,141	287	0.15	3,921	(709)	(0.36)			
December 31	\$12,602	\$562	\$0.28	\$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:

We reported record third quarter sales in 2011 of \$4,361,000, a 5% increase over the third quarter of 2010. However, earnings were down 25% to \$215,000, or \$0.11 per share, compared to \$0.15 per share for the corresponding 2010 quarter.

Escalating petrochemical costs are a major contributor to our declining profit margins. Recently, we have seen prices double for some of our raw materials. Although we are raising our prices, it is not always possible to immediately pass the increases on to customers.

For the past few years our strategy has been to diversify into industrial markets where our unique technologies give us cost and quality advantages over competing technologies. This transition has added to costs, and has taken more time than I had planned. However, we are making substantial progress with these new businesses.

Our Micro-Machining technology is now being used to make components for both Boeing and Airbus commercial aircraft, and we recently have acquired enhanced production capability to machine various composite parts along with wafers and other components for the electronics industry. This business is the most rapidly growing part of IKONICS with sales up 90% year to date over last year.

Although we have made significant technical advances in our patented DTX technology, this business has not grown as fast as Micro-Machining because the program is in part dependent on third-party equipment manufacturers. For a number of reasons, including ever evolving printer technology and a reluctance to commit resources to a new specialized market, these third-party manufacturers have been slow to produce DTX printers. Although printers are being manufactured, we are reevaluating this aspect of our supply chain so it is more responsive to the needs of IKONICS and our customers.

For the Board of Directors,



WILLIAM C. ULLAND

Chairman, President & CEO

Condensed Statements of Operations (unaudited) For the Three Months and Nine Months Ended Sept. 30, 2011 and 2010

	Three Months Ended		Nine Months Ended	
	09/30/11	09/30/10	09/30/11	09/30/10
Net sales	\$4,361,312	\$4,141,092	\$12,601,843	\$12,073,724
Cost of goods sold	2,681,509	2,474,188	7,601,207	7,093,266
Gross profit	1,679,803	1,666,904	5,000,636	4,980,458
Operating expenses	1,383,557	1,249,997	4,232,292	3,938,063
Income from operations	296,246	416,907	768,344	1,042,395
Interest income	4,028	6,267	13,371	13,672
Income before income taxes	300,274	423,174	781,715	1,056,067
Income tax expense	85,597	135,831	220,150	277,111
Net income	<u>\$ 214,677</u>	<u>\$ 287,343</u>	<u>\$ 561,565</u>	<u>\$ 778,956</u>
Earnings per common share-diluted	<u>\$ 0.11</u>	<u>\$ 0.15</u>	<u>\$ 0.28</u>	<u>\$ 0.39</u>
Average shares outstanding-diluted	1,987,945	1,975,882	1,985,263	1,972,351

Condensed Balance Sheets

As of September 30, 2011 and December 31, 2010

	09/30/11 (unaudited)	12/31/10
Assets		
Current assets	\$ 8,352,285	\$ 7,811,830
Property, plant and equipment, net	5,406,333	5,012,933
Intangible assets, net	334,541	317,168
	<u>\$ 14,093,159</u>	<u>\$ 13,141,931</u>
Liabilities and Stockholders' Equity		
Current liabilities	\$ 1,086,047	\$ 777,984
Deferred income taxes	171,000	171,000
Long-term debt	-	-
Stockholders' equity	12,836,112	12,192,947
	<u>\$14,093,159</u>	<u>\$13,141,931</u>

Condensed Statements of Cash Flow (unaudited) For the Nine Months Ended September 30, 2011 and 2010

	Nine Months Ended	
	09/30/11	09/30/10
Net cash provided by operating activities	\$ 465,752	\$ 715,416
Net cash used in investing activities	(334,980)	(1,580,950)
Net cash provided by financing activities	67,631	20,110
Net (decrease) in cash	198,403	(845,424)
Cash at beginning of period	1,291,383	1,304,586
Cash at end of period	<u>\$ 1,489,786</u>	<u>\$ 459,162</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.