SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-KSB

(Mark One)

[X] Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 For the Fiscal Year Ended December 31, 2003

or

[ ] Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 For the Transition Period From ______________ to _______________.

Commission file number 000-25727

IKONICS CORPORATION

(Exact name of registrant as specified in its charter)

Minnesota	41-0730027
(State or other jurisdiction of incorporation or organization)	(I.R.S. employer identification no.)
4832 Grand Avenue Duluth, Minnesota	55807
(Address of principal executive offices)	(Zip code)

Registrant's telephone number, including area code: (218) 628-2217

Securities registered under Section 12(b) of the Act: None
Securities registered under Section 12(g) of the Act: Common Stock, par value $.10 per share

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes [X] No [ ]

Check if disclosure of delinquent filers pursuant to Item 405 of Regulation S-B is not contained in this form, and no disclosure will be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-KSB or any amendment to this Form 10-KSB. [ ]

The issuer's revenues for its most recent fiscal year were: $12,105,127

The aggregate market value of the voting stock held by non-affiliates of the registrant as of February 27, 2004 was $7,137,064.40, based on the closing price for the issuer's Common Stock on such date as reported on the Nasdaq SmallCap Market. For purposes of determining this number, all officers and directors of the issuer are considered to be affiliates of the issuer, as well as individual stockholders holding more than 10% of the issuer's outstanding Common Stock. This number is provided only for the purpose of this report on Form 10-KSB and does not represent an admission by either the issuer or any such person as to the status of such person.

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practical date: Common Stock, $.10 par value - - 1,251,454 issued and outstanding as of February 27, 2004.

Transitional Small Business Disclosure Format (check one): Yes [ ] No [X]

This Annual Report on Form 10-KSB contains forward-looking statements within the meaning of the safe harbor provisions of Section 21E of the Securities Exchange Act of 1934, as amended, relating to future events or the future financial performance of the Company. Forward-looking statements are only predictions or statements of intention subject to risks and uncertainties and actual events or results could differ materially from those projected. Factors that could cause actual results to differ include the risks, uncertainties and other matters set forth below under the caption "Factors that May Affect Future Results" and the matters set forth under the captions "Business" and "Management's Discussion and Analysis of Financial Condition and Results of Operations," as well as those discussed elsewhere in this Annual Report on Form 10-KSB.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Company's definitive proxy statement for its 2004 Annual Meeting of Shareholders are incorporated by reference in Part III.

PART I

ITEM 1. BUSINESS

GENERAL

IKONICS Corporation ("IKONICS" or the "Company") was incorporated in Minnesota as Chroma-Glo, Inc. in 1952 and changed its name to The Chromaline Corporation in 1982. In December 2002, the Company changed its name to IKONICS Corporation. The Company develops, manufactures and sells light sensitive liquid coatings ("emulsions") and films, as well as ink jet receptive films for commercial and industrial applications in the United States and abroad. The Company also markets ancillary chemicals, equipment and other consumables to provide a full line of products and services to its customers. The Company's products serve the screen printing and abrasive etching markets. The screen printing products represent the Company's largest product line. These products are used by screen printers to create stencil images. These images produce basic designs for fabric decoration and product identification, as well as complex designs for compact discs and electronic circuits. The abrasive etching products are used by consumers to create architectural glass, art pieces and awards and in various industrial applications. The Company also sells a line of ink jet receptive films used for the creation of photopositives and photonegatives. Over 90% of the Company's products are consumables.

PRODUCTS

IKONICS' core technology is the use of photochemicals to create and transfer images. This technology is similar to photographic film technology except that the Company uses organic polymers or natural protein rather than silver to make the product photo-reactive ("light sensitive"). The products IKONICS targets at the screen printing industry are light sensitive films and light sensitive emulsions used by customers to create an image on a printing screen; the equivalent of a printing plate in other types of printing processes. In the abrasive etching market, the Company's products are also films and emulsions. These products are used to create a stencil by decorators of glass and other hard surfaces, including crystal, marble, metals, wood, stone and plastics. The stencil is applied directly to the article to be decorated by the sand blasting process through a self-adhesive feature or with a separate adhesive. The open areas of the stencil permit the sand blast grit to erode the surface while the closed areas of the stencil repel the sand blast grit, protecting areas of the surface being decorated.

All of IKONICS' light sensitive products are sensitive to ultraviolet radiation. The Company uses different chemicals to create sensitivity to light, including a molecule which it developed internally and patented.

DISTRIBUTION

The Company currently has approximately 140 domestic and international distributors. IKONICS sells its products through non-exclusive distributors in competitive markets, such as the United States, Canada, Mexico and Europe. The Company has exclusive distribution arrangements in markets such as South and Central America, Australia, South Africa, Canada, India and other Asian countries. The Company also sells its products through direct sales to certain end users who do not require the services of a distributor or dealer to service their account. In addition, IKONICS markets and sells its products through magazine advertising, trade shows and the internet.

IKONICS has a diverse customer base both domestically and abroad and does not depend on one or a few customers for a material portion of its revenues.

QUALITY CONTROL IN MANUFACTURING

In March 1994, IKONICS became the first firm in northern Minnesota to receive ISO 9001 certification. ISO 9000 is a series of worldwide standards issued by the International Organization for Standardization that provide a framework for quality assurance. ISO 9001 is the most comprehensive standard of the ISO 9000 series. The Company was recertified in 1997, 1999 and 2002. IKONICS' quality function goal is to train all employees properly in both their work and in the importance of their work. Internal records of quality-related graphs and tables are reviewed regularly and discussions are held among management and employees regarding how improvements might be realized. The Company has rigorous materials selection procedures and also uses environmental testing and screen print equipment tailored to fit customers' needs.

RESEARCH AND DEVELOPMENT/INTELLECTUAL PROPERTY

IKONICS spent 5.2% of sales ($632,000) on research and development in 2003 and 6.0% ($706,000) in 2002. In its research program, IKONICS has developed unique light sensitive molecules which have received two U.S. patents. These patents expire in 2011 and 2014, respectively. In addition, the Company holds a number of other patents related to its photopolymer chemistry that expire between 2003 and 2023. The Company also has six United States patent applications pending. There can be no assurance that any patent granted to the Company will provide adequate protection to the Company's intellectual property. Within IKONICS, steps are taken to protect the Company's trade secrets, including physical security, confidentiality and non-competition agreements with employees and confidentiality agreements with vendors. In its product development program, IKONICS is fully equipped to simulate customer uses of its products. The Company's facilities include a walk-in environmental chamber which simulates customer uses and storage conditions of IKONICS products for different climatic zones.

In addition to its patents, the Company has various trademarks including the "Chromaline," "PhotoBrasive" and "Nichols" trademarks.

RAW MATERIALS

The primary raw materials used by IKONICS in its production are photopolymers, polyester films, polyvinylacetates, polyvinylalcohols and water. The Company purchases raw materials from a variety of domestic and foreign sources with no one supplier being material to the Company. The purchasing staff at the Company's headquarters leads in the identification of both domestic and foreign sources for raw materials and negotiates price and terms for all domestic and foreign markets. IKONICS' involvement in foreign markets has given it the opportunity to become a global buyer of raw materials at lower overall cost than it had previously enjoyed. The Company has a number of suppliers and no one supplier is essential to the Company's operations. To date, there have been no significant shortages of raw materials and alternative sources are available. The Company believes it has good supplier relations.

COMPETITION

The Company competes in its markets based on product development capability, quality, reliability, availability, technical support and price. The screen printing market is much larger than the decorative sand blasting market, however, the abrasive etching market is currently experiencing faster growth. IKONICS has two primary competitors in its screen printing film business, both of which are foreign-owned entities. They are larger than IKONICS and possess greater resources than the Company in many areas. The Company has numerous competitors in the market for screen print emulsions many of whom are larger than IKONICS and possess greater resources. The market for the Company's abrasive etching products has one significant competitor. IKONICS considers itself to the leader in this market.

GOVERNMENT REGULATION

The Company is subject to a variety of federal, state and local industrial laws and regulations, including those relating to the discharge of material into the environment and protection of the environment. The governmental authorities primarily responsible for regulating the Company's environmental compliance are the Environmental Protection Agency, the Minnesota Pollution Control Agency and the Western Lake Superior Sanitary District. Failure to comply with the laws promulgated by these authorities may result in monetary sanctions, liability for environmental clean-up and other equitable remedies. To maintain compliance, the Company may make occasional changes in its waste generation and disposal procedures.

These laws and regulations have not had a material effect upon the capital expenditures or competitive position of the Company. The Company believes that it complies in all material respects with the various federal, state and local regulations that apply to its current operations. Failure to comply with these regulations could have a negative impact on the Company's operations and capital expenditures and such negative impact could be significant.

EMPLOYEES

As of February 6, 2004, the Company had approximately 70 full-time employees, 66 of whom are located at the Company's headquarters in Duluth, Minnesota and four of whom are outside technical sales representatives in various locations around the United States. None of the Company's employees are subject to a collective bargaining agreement and the Company believes that its employee relations are good.

ITEM 2. PROPERTY

The Company primarily conducts its operations in Duluth, Minnesota. The administrative, sales, research and development, quality and manufacturing activities are housed in a 60,000 square-foot, four-story building, including a basement level. The building is approximately seventy years old and has been maintained in good condition. Shipping and distribution for the Company operates from a 5,625 square-foot warehouse adjacent to the existing plant building that was constructed in 1997. These facilities are owned by the Company with no existing liens or leases. The Company also leases warehouse space at two locations in Superior, Wisconsin.

ITEM 3. LEGAL PROCEEDINGS

None.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matters were submitted to a vote of security holders by the registrant during the fourth quarter of the fiscal year covered by this report.

PART II

ITEM 5. MARKET FOR COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

The Company's Common Stock is traded on the Nasdaq SmallCap Market under the symbol IKNX. The following table sets forth, for the fiscal quarters indicated, the high and low bid prices for the Company's Common Stock as reported on both markets for the periods indicated. The quotations reflect inter-dealer prices without retail mark-up, mark-down or commission, and may not represent actual transactions.

<TABLE>
<CAPTION>

	HIGH	LOW
<S>	<C>	<C>
FISCAL YEAR ENDED DECEMBER 31, 2003:		
First Quarter........	$6.25	$3.05
Second Quarter........	5.78	3.90
Third Quarter........	6.25	4.92
Fourth Quarter........	8.34	5.55
FISCAL YEAR ENDED DECEMBER 31, 2002:		
First Quarter........	$3.25	$2.95
Second Quarter........	3.27	3.00
Third Quarter........	3.49	2.85
Fourth Quarter........	5.10	3.25

</TABLE>

As of February 27, 2004, the Company had approximately 580 shareholders of record. The Company has never declared or paid any dividends on its Common Stock.

ITEM 6. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following management discussion and analysis focuses on those factors that had a material effect on the Company's financial results of operations and financial condition during 2003 and 2002 and should be read in connection with the Company's audited financial statements and notes thereto for the years ended December 31, 2003 and 2002.

FACTORS THAT MAY AFFECT FUTURE RESULTS

Certain statements made in this Annual Report on Form 10-KSB, including those summarized below, are forward-looking statements within the meaning of the safe harbor provisions of Section 21E of the Securities Exchange Act of 1934, as amended, that involve risks and uncertainties, and actual results may differ. Factors that could cause actual results to differ include those identified below.

- The Company's belief that the quality of its receivables is high and that strong internal controls are in place to maintain proper collections--This belief may be impacted by domestic economic conditions, by economic, political, regulatory or social conditions in foreign markets, or by the failure of the Company to properly implement or maintain internal controls.

- The belief that the Company's current financial resources, cash generated from operations and the Company's capacity for debt and/or equity financing will be sufficient to fund current and anticipated business operations and capital expenditures. The belief that the Company's low debt levels and available line of credit make it unlikely that a decrease in product demand would impair the Company's ability to fund operations--Changes in anticipated operating results, credit availability, equity market conditions or the Company's debt levels may further enhance or inhibit the Company's ability to maintain or raise appropriate levels of cash.

- The Company's expectation that capital expenditures will be funded with cash generated from operating activities--This expectation may be affected by changes in the Company's anticipated capital expenditure requirements resulting from unforeseen required maintenance or repairs. The funding of

planned or unforeseen expenditures may also be affected by changes in anticipated operating results resulting from decreased sales or increased operating expenses.

- The Company's belief that its vulnerability to foreign currency fluctuations and general economic conditions in foreign countries is not significant--This belief may be impacted by economic, political and social conditions in foreign markets and changes in regulatory and competitive conditions or a change in the amount or geographic focus of the Company's international sales.

- The Company's plans to continue to invest in research and development efforts, expedite internal product development and invest in technological alliances, as well as the expected focus and results of such investments--These plans and expectations may be impacted by general market conditions, unanticipated changes in expenses or sales, delays in the development of new products, technological advances, the ability to find suitable and willing technology partners or other changes in competitive or market conditions.

- The Company's efforts to grow its international business--These efforts may be impacted by economic, political and social conditions in current and anticipated foreign markets, regulatory conditions in such markets, unanticipated changes in expenses or sales, changes in competitive conditions or other barriers to entry or expansion.

- The Company's belief as to future activities that may be undertaken to expand the Company's business--Actual activities undertaken may be impacted by general market conditions, competitive conditions in the Company's industry, unanticipated changes in the Company's financial position or the inability to identify attractive acquisition targets or other business opportunities.

CRITICAL ACCOUNTING POLICIES

The Company prepares the financial statements in conformity with accounting principles generally accepted in the United States of America. Therefore, the Company is required to make certain estimates, judgments and assumptions that the Company believes are reasonable based upon the information available. These estimates and assumptions affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the periods presented. The accounting policies, which IKONICS believes are the most critical to aid in fully understanding and evaluating its reported financial results, include the following:

Accounts Receivable. The Company performs ongoing credit evaluations of its customers and adjusts credit limits based upon payment history and the customer's current credit worthiness, as determined by review of the current credit information. The Company continuously monitors collections and payments from its customers and maintains a provision for estimated credit losses based upon historical experience and any specific customer collection issues that have been identified. While such credit losses have historically been within expectations and the provisions established, the Company cannot guarantee that it will continue to experience the same collection history that has occurred in the past. The general payment terms are net 30-45 days for domestic customers and net 60-90 days for foreign customers.

Inventory. Inventories are valued at the lower rate of cost or market value using the last in, first out (LIFO) method. The Company monitors its inventory for obsolescence and records reductions in cost when required.

Deferred Tax Assets. At December 31, 2003, the Company had approximately $194,000 of deferred tax assets. The deferred tax assets result primarily due to timing differences in intangible assets and property and equipment. The Company has recorded a $46,000 valuation allowance to reserve for items that will more likely than not be realized. The Company has determined that it is more likely than not that the remaining deferred tax assets will be realized and that an additional valuation allowance for such assets is not currently required.

Revenue Recognition - The Company recognizes revenue on products when title passes, which is usually upon shipment. Freight billed to customers is included in sales. Shipping costs are included in cost of goods sold.

RESULTS OF OPERATIONS

YEAR ENDED DECEMBER 31, 2003 COMPARED TO YEAR ENDED DECEMBER 31, 2002

Sales. The Company's net sales increased 2.6% to $12.1 million in 2003, compared to net sales of $11.8 million in 2002. Sales in the United States increased 1.8% to $8.2 million in 2003, from $8.0 million in 2002. Sales in the United States slightly increased as a result of an improvement in the general economic climate. International sales increased 4.3% to $3.9 million from $3.8 million in 2002.

Cost of Goods Sold. Cost of goods sold was $6.6 million, or 54.5% of sales, in 2003 and $6.8 million, or 57.7% of sales, in 2002. The decrease in cost of goods sold reflects an improved product mix across all geographic areas and lower costs for some raw materials. The Company also ended sales to certain marginally profitable customers at the beginning of 2003.

Selling, General and Administrative Expenses. Selling, general and administrative expenses increased to $4.2 million, or 34.5% of sales, in 2003 from $3.8 million, or 32.5% of sales, in 2002. The increase reflects a contingent liability for unpaid state sales tax, higher sales and marketing expenses, including costs to set up a training facility in Singapore, and bad debt expense.

Research and Development Expenses. Research and development expenses were $632,000, or 5.2% of sales, in 2003 compared to $706,000, or 6.0% of sales, in 2002. The reduction was due to lower patent legal fees, lower travel expenses and lower production trial costs.

Loss on Investment. The Company wrote down the value of its investment in Apprise Technologies ("Apprise") by $75,000 during the second quarter of 2003. This write down occurred because the latest issuance price per share of Apprise was below the value carried on the Company's books.

Interest Income. Interest income increased to $16,000 in 2003, compared to $13,000 for 2002. The higher interest income is due to the growing amount of invested funds. Interest is earned primarily from government obligation revenue bonds of various municipalities and school districts.

Income Taxes. Income taxes were $129,000, or an effective rate of 20.3%, for 2003 compared to $101,000, or an effective rate of 21.9%, for 2002. The lower effective tax rate during 2003 relates to an increase in tax benefits of the extraterritorial income exclusion on foreign sales.

LIQUIDITY AND CAPITAL RESOURCES

The Company has financed its operations principally with funds generated from operations. These funds have been sufficient to cover the Company's normal operating expenditures, annual capital requirements, and research and development expenditures.

Cash and cash equivalents were $1,508,000 and $384,000 at December 31, 2003 and December 31, 2002, respectively. The Company generated $1,401,000 in cash from operating activities during 2003 compared to the generation of $249,000 in cash from operating activities during the same period in 2002. Cash provided by operating activities is primarily the result of net income adjusted for non-cash depreciation, amortization, loss on investment, provision for doubtful accounts, and certain changes in working capital components.

During 2003, trade receivables increased by $7,000, net of the allowance for doubtful accounts. The increase in receivables was driven by moderately higher sales. The Company believes that the quality of its receivables is high and that strong internal controls are in place to maintain proper collections. Inventory levels increased by $35,000, reflecting higher raw material levels. Accounts payable decreased by $52,000, reflecting timing of payments to suppliers. Accrued expenses increased by $207,000 due to probable future sales tax payments and the timing of payroll.

The Company used $277,000 and $336,000 in cash for investing activities during 2003 and 2002, respectively. During 2003, the Company spent $245,000 on the following: plant equipment upgrades to improve efficiency and reduce operating costs, additions to the Company's business software, improvements to the

Company's trade show booths and construction costs on the leased training facility in Singapore. The Company also incurred $60,000 in patent application costs that it records as an asset and amortizes upon successful completion of the application process. During 2002, the Company purchased $250,000 in capital equipment and business software and spent $123,000 on patent application costs and on a license for technology applicable to its abrasive etching business. During 2003 the Company purchased $84,000 in marketable securities and sold $106,000 in marketable securities.

During 2002, the Company repurchased 23,500 shares of its outstanding Common Stock for $72,000.

A bank line of credit exists providing for borrowings of up to $1,250,000. Outstanding debt under this line of credit is collateralized by accounts receivable and inventory and bears interest at 2.25 percentage points over the 30-day LIBOR rate. The Company did not utilize this line of credit during the year and there was no debt outstanding under this line as of December 31, 2003. The Company made a $150,000 draw on this line of credit on June 20, 2002, primarily to cover a royalty payment to Aicello. The Company repaid this draw within a short period of time, utilizing cash from operations.

The Company believes that current financial resources, its line of credit, cash generated from operations and the Company's capacity for debt and/or equity financing will be sufficient to fund current and anticipated business operations. The Company also believes that its low debt levels and available line of credit make it unlikely that a decrease in demand for the Company's products would impair the Company's ability to fund operations.

CAPITAL EXPENDITURES

The Company spent $245,000 on capital expenditures during 2003. This spending included plant equipment upgrades to improve efficiency and safety, additions to the Company's business software, vehicles, improvements to the Company's trade show booths and construction costs on the leased training facility in Singapore.

Commitments for capital expenditures include ongoing manufacturing equipment upgrades, development equipment to modernize the capabilities and processes of IKONICS' laboratory, and research and development to improve measurement and quality control processes. These commitments are expected to be funded with cash generated from operating activities.

INTERNATIONAL ACTIVITY

The Company markets its products to over 80 countries in North America, Europe, Latin America, Asia and other parts of the world. Foreign sales were approximately 32% of total sales during 2003 and 2002. Foreign sales in 2003 reflected higher sales to China and a decrease in sales to India. Fluctuations of certain foreign currencies have not significantly impacted the Company's operations because the Company's foreign sales are not concentrated in any one region of the world. The Company believes its vulnerability to uncertainties due to foreign currency fluctuations and general economic conditions in foreign countries is not significant.

Substantially all of the Company's foreign transactions are negotiated, invoiced and paid in U.S. dollars. A portion of the Company's foreign sales are invoiced and paid in Eurodollars. IKONICS has not implemented a hedging strategy to reduce the risk of foreign currency translation exposures, which management does not believe to be significant based on the scope and geographic diversity of the Company's foreign operations as of December 31, 2003.

FUTURE OUTLOOK

IKONICS has invested on average over 6% of its sales dollars for the past several years in research and development. The Company plans to maintain its efforts in this area and expedite internal product development as well as form technological alliances with outside experts to ensure commercialization of new product opportunities.

In addition to its traditional emphasis on domestic markets, the Company will continue efforts to grow its business internationally by attempting to develop new markets and expanding market share where it has already established a presence.

Other future activities undertaken to expand the Company's business may include acquisitions, building expansion and additions, equipment additions, new product development and marketing opportunities.

RECENT ACCOUNTING PRONOUNCEMENTS

In April 2003, the FASB issued SFAS No. 149, "Amendment of Statement 133 on Derivative Instruments and Hedging Activities" (FAS 149). FAS 149 amends and clarifies financial accounting and reporting for derivative instruments including certain derivative instruments embedded in other contracts and for hedging activities under FAS 133. FAS 149 is effective for contracts entered into or modified after June 30, 2003 and for hedging relationships designated after June 30, 2003. The adoption of this statement did not have a material impact on the Company's financial statements.

In May 2003, the FASB issued SFAS No. 150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity" (FAS 150). FAS 150 clarifies the accounting for certain financial instruments and characteristics of both liabilities and equity and requires that those instruments be classified as liabilities in statements of financial position. Previously, many of these financial instruments were classified as equity. FAS 150 is effective for all financial instruments entered into or modified after May 31, 2003 and is otherwise effective at the beginning of the first interim period after June 15, 2003. The adoption of this statement did not have a material impact on the Company's financial statements.

ITEM 7. FINANCIAL STATEMENTS

INDEPENDENT AUDITOR'S REPORT

Stockholders and Board of Directors
IKONICS Corporation
Duluth, Minnesota

We have audited the accompanying balance sheets of IKONICS Corporation as of December 31, 2003 and 2002, and the related statements of operations, stockholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of IKONICS Corporation as of December 31, 2003 and 2002, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

/s/ McGladrey & Pullen, LLP

Duluth, Minnesota
February 6, 2004

IKONICS CORPORATION

BALANCE SHEETS
DECEMBER 31, 2003 AND 2002

<TABLE>
<CAPTION>

<S>	2003 <C>	2002 <C>
ASSETS		
Current Assets:		
Cash and cash equivalents	$1,507,794	$ 384,107
Marketable securities	221,907	246,094
Trade receivables, less allowance for doubtful accounts of $100,000 in 2003 and 2002	1,859,480	1,933,769
Inventories (Note 1)	1,807,233	1,771,905
Prepaid expenses and other assets	73,260	89,937
Income tax refund receivable	0	122,469

Deferred taxes (Note 3)	128,000	82,000
Total current assets	5,597,674	4,630,281
PROPERTY, PLANT, AND EQUIPMENT, at cost:		
Land and building	1,406,377	1,355,588
Machinery and equipment	2,337,166	2,231,478
Office equipment	1,185,098	1,144,564
Vehicles	191,628	167,102
	5,120,269	4,898,732
Less accumulated depreciation	4,010,110	3,694,105
	1,110,159	1,204,627
INTANGIBLE ASSETS, less accumulated amortization of $85,154 in 2003 and $60,966 in 2002 (Note 4)	308,017	271,751
DEFERRED TAXES (Note 3)	66,000	118,000
OTHER ASSETS (Note 1)	112,834	187,500
	$7,194,684	$6,412,159

</TABLE>

<TABLE>

<S>	<C>	<C>
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	$ 264,744	$ 317,229
Accrued compensation	227,318	204,624
Other accrued expenses	207,506	23,643
Income taxes payable	126,766	0
Total current liabilities	826,334	545,496
STOCKHOLDERS' EQUITY:		
Preferred stock, par value $.10 per share; authorized 250,000 shares; issued none		
Common stock, par value $.10 per share; authorized 4,750,000 shares; issued and outstanding 1,248,127 shares-2003 and 2002	124,813	124,813
Additional paid-in capital	1,269,489	1,269,489
Retained earnings	4,987,311	4,483,895
Accumulated other comprehensive loss	(13,263)	(11,534)
Total stockholders' equity	6,368,350	5,866,663
	$ 7,194,684	$ 6,412,159

</TABLE>

See notes to financial statements.

IKONICS CORPORATION

STATEMENTS OF OPERATIONS
YEARS ENDED DECEMBER 31, 2003 AND 2002

<TABLE>
<CAPTION>

<S>	2003 <C>	2002 <C>
NET SALES	$ 12,105,127	$ 11,797,279
COSTS AND EXPENSES:		
Cost of goods sold	6,601,263	6,808,130
Selling, general and administrative	4,181,486	3,835,097
Research and development	631,658	706,343
	11,414,407	11,349,570

INCOME FROM OPERATIONS	690,720	447,709
LOSS ON INVESTMENT	(74,666)	0
INTEREST INCOME	16,362	13,108
INCOME BEFORE INCOME TAXES	632,416	460,817
FEDERAL AND STATE INCOME TAXES (Note 3)	129,000	101,000
NET INCOME	$ 503,416	$ 359,817
EARNINGS PER SHARE:		
Basic	$ 0.40	$ 0.29
Diluted	$ 0.40	$ 0.29
WEIGHTED AVERAGE COMMON SHARES ASSUMED OUTSTANDING:		
Basic	1,248,127	1,252,020
Diluted	1,263,404	1,252,809

</TABLE>

See notes to financial statements.

IKONICS CORPORATION

STATEMENTS OF STOCKHOLDERS' EQUITY
YEARS ENDED DECEMBER 31, 2003 AND 2002

<TABLE>
<CAPTION>

	COMMON STOCK SHARES	COMMON STOCK AMOUNT	ADDITIONAL PAID-IN CAPITAL	RETAINED EARNINGS	ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)	TOTAL EQUITY
BALANCE AT DECEMBER 31, 2001	1,271,627	$ 127,163	$ 1,293,460	$ 4,170,246	$ (10,829)	$ 5,580,040
Net income				359,817		359,817
Unrealized loss on available-for-sale investments					(705)	(705)
Total comprehensive income						359,112
Purchase and retirement of 23,500 shares of common stock	(23,500)	(2,350)	(23,971)	(46,168)		(72,489)
BALANCE AT DECEMBER 31, 2002	1,248,127	124,813	1,269,489	4,483,895	(11,534)	5,866,663
Net income				503,416		503,416
Unrealized loss on available-for-sale investments					(1,729)	(1,729)
Total comprehensive income						501,687

BALANCE AT DECEMBER 31, 2003	1,248,127	$ 124,813	$ 1,269,489	$ 4,987,311	$ (13,263)	$ 6,368,350
	=========	==========	============	============	==========	===========

</TABLE>

See notes to financial statements.

IKONICS CORPORATION

STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2003 AND 2002

	2003	2002
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 503,416	$ 359,817
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	339,041	314,364
Amortization	24,188	18,178
Gain on sale of property and equipment	(5,500)	(13,116)
Loss on investment	74,666	0
Provision for doubtful accounts	81,254	60,183
Deferred income taxes	6,000	81,000
Changes in working capital components:		
(Increase) decrease in:		
Trade receivables	(6,965)	(520,970)
Inventories	(35,328)	(166,235)
Prepaid expenses and other assets	16,677	28,241
Income taxes refund receivable	122,469	10,561
(Decrease) increase in:		
Accounts payable	(52,485)	19,673
Accrued expenses	206,557	57,421
Income taxes payable	126,766	0
Net cash provided by operating activities	1,400,756	249,117
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(244,573)	(250,366)
Proceeds on sale of property and equipment	5,500	47,250
Purchase of intangibles	(60,454)	(123,439)
Purchases of marketable securities	(83,980)	(9,645)
Proceeds from sale of marketable securities	106,438	0
Net cash used in investing activities	(277,069)	(336,200)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repurchase of company stock	0	(72,489)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,123,687	(159,572)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	384,107	543,679
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 1,507,794	$ 384,107
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION - Cash paid (refunded) for income taxes	$ (126,514)	$ (5,472)
Cash paid for interest	$ 0	$ 503

See notes to financial statements.

IKONICS CORPORATION

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2003 AND 2002

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Business - IKONICS Corporation (the Company) develops and manufactures high-quality photochemical imaging systems for sale primarily to a wide range of printers and decorators of surfaces. Customers' applications include textiles, billboards, electronics, glassware, fine china, and many other industrial and commercial applications. The Company's principal markets are throughout the United States. In addition, the Company sells to Western Europe, Latin America, Asia, and other parts of the world. The Company extends credit to its customers, all on an unsecured basis, on terms that it establishes for individual customers.

Fifty-three percent and forty-four percent, respectively, of the Company's accounts receivable at December 31, 2003 and 2002 are due from foreign customers. The foreign receivables are composed primarily of open credit arrangements with terms ranging from 45 to 90 days. No receivable from a single customer exceeded 10% of total receivables at December 31, 2003 or December 31, 2002. No single customer represented greater than 10% of total revenue in 2003. One customer accounted for 17.6% of total receivables at December 31, 2002.

A summary of the Company's significant accounting policies follows:

Cash Equivalents - The Company considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. Cash equivalents consist of putable variable rate municipal bonds backed by a letter of credit and money market funds in which carrying value of both instruments approximates market value because of the short maturity of these instruments.

Marketable Securities - Marketable securities are classified as available-for-sale securities and consist primarily of municipal revenue bonds that will be held for indefinite periods of time, including securities that may be sold in response to changes in market interest or prepayment rates, needs for liquidity, or changes in the availability or yield of alternative investments. These securities are carried at fair market value with changes in fair value recorded in comprehensive income.

The majority of these municipal bonds have been in a continuous loss position for over 12 months. The fair value of municipal bonds that have been in continuous loss for 12 months or more at December 31, 2003 is $116,840 with unrealized losses of $13,022. The fair value of municipal bonds that have been in continuous loss for less than 12 months at December 31, 2003 is $56,920 with unrealized losses of $1,337. The unrealized losses are generally due to changes in interest rates, and as such, are considered to be temporary, by the Company.

Trade Receivables - Trade receivables are carried at original invoice amount less an estimate made for doubtful receivables based on a review of all outstanding amounts on an on-going basis. Management determines the allowance for doubtful accounts by regularly evaluating individual customer receivables and considering a customer's financial condition, credit history, and current economic conditions. Trade receivables are written off when deemed uncollectible. Recoveries of trade receivables previously written off are recorded when received. Accounts are considered past due if payment is not received according to agreed-upon terms.

Inventories - Inventories are stated at the lower of cost or market using the last-in, first-out (LIFO) method. If the first-in, first-out cost method had been used, inventories would have been approximately $264,000 and $224,000 higher than reported at December 31, 2003 and 2002, respectively. The major components of inventories are as follows:

<TABLE>
<CAPTION>

<S>	2003 <C>	2002 <C>
Raw materials	$ 928,949	$ 735,006
Work-in-progress	231,269	257,813
Finished goods	911,419	1,003,342
Reduction to LIFO cost	(264,404)	(224,256)
Total inventories	$ 1,807,233	$ 1,771,905

</TABLE>

Depreciation - Depreciation of property and equipment is computed using the straight-line method over the following estimated useful lives:

<TABLE>
<CAPTION>

	Years

Building	15-40
Machinery and equipment	5-10
Office equipment	5-10
Vehicles	3

Intangibles Assets - Intangible assets consist primarily of patents, licenses and covenants not to compete arising from business combinations. Intangible assets are amortized on a straight-line basis over their estimated useful lives or terms of their agreement.

Other Assets - Other assets consist of a $112,834 equity investment in Apprise Technologies, Inc. This investment is accounted for on the cost method. During the second quarter of 2003, the Company wrote down the value of its investment in Apprise Technologies, Inc. by $74,666. The latest issuance price for shares of Apprise was below the value carried on the Company's books. One of the Company's directors is the CEO of Apprise Technologies, Inc.

Impairment of Long-Lived Assets - Management periodically reviews the carrying value of long-term assets for potential impairment by comparing the carrying value of these assets to the estimated undiscounted future cash flows expected to result from the use of these assets. Should the sum of the related, expected future net cash flows be less than the carrying value, an impairment loss would be measured. An impairment loss would be measured by the amount by which the carrying value of the asset exceeds the fair value of the asset with fair value being determined using discounted cash flows. To date, management has determined that no impairment of these assets exists.

Revenue Recognition - The Company recognizes revenue on products when title passes, which is usually upon shipment. Freight billed to customers is included in sales. Shipping costs are included in cost of goods sold.

Deferred Taxes - Deferred taxes are provided on a liability method whereby deferred tax assets are recognized for deductible temporary differences. Operating loss and tax credit carryforwards and deferred tax liabilities are recognized for taxable temporary differences. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax bases. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment.

Comprehensive Income - The Company's comprehensive income consists of net income and unrealized gains and losses on marketable securities, net of taxes.

Earnings Per Common Share (EPS) - Basic EPS is calculated using net income divided by the weighted average of common shares outstanding during the year. Diluted EPS is similar to Basic except that the weighted average of common shares outstanding is increased to include the number of additional common shares that would have been outstanding if the dilutive potential common shares, such as options, had been issued.

Shares used in the calculation of diluted EPS are summarized below:

	2003	2002
Weighted average common shares outstanding	1,248,127	1,252,020
Dilutive effect of stock options	15,277	789
Weighted average common and common equivalent shares outstanding	1,263,404	1,252,809

Options to purchase 168,108 and 150,029 shares of common stock were outstanding as of the years ended December 31, 2003 and 2002, respectively.

Employee Stock Plan - The Company has a stock-based compensation plan, which is described more fully in Note 7. The Company accounts for this plan under the recognition and measurement principles of APB Opinion No. 25, Accounting for Stock Issued to Employees, and related interpretations. Accordingly, no stock-based employee compensation cost has been recognized, as all options granted under the plan had an exercise price equal to the market value of the underlying common stock on the date of grant. The following table illustrates the effect on net income and earnings per share had compensation cost been determined based on the grant date fair values of awards (the method described in FASB Statement No. 123, Accounting for Stock-Based Compensation):

	Years Ended December 31, 2003	Years Ended December 31, 2002
Net income:		
As reported	$ 503,416	$ 359,817
Deduct total stock-based employee compensation expense determined under fair value based method for all awards	79,377	110,365
Pro forma	$ 424,039	$ 249,452
Basic earnings per share:		
As reported	$ 0.40	$ 0.29
Pro forma	$ 0.34	$ 0.20
Diluted earnings per share:		
As reported	$ 0.40	$ 0.29
Pro forma	$ 0.34	$ 0.20

Use of Estimates - The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Foreign Operations - The Company markets in Europe, Latin America, Asia, and other parts of the world. Foreign sales approximated 32% total sales in 2003 and 2002.

Line of Credit - The Company has a $1,250,000 bank line of credit that provides for working capital financing. This line of credit is subject to annual renewal on each May 1, is collateralized by trade receivables and inventory, and bears interest at 2.25% points over 30-day LIBOR. There was no outstanding balance at December 31, 2003 and 2002.

Accounting Pronouncements - In April 2003, the FASB issued SFAS No. 149, "Amendment of Statement 133 on Derivative Instruments and Hedging Activities" (FAS 149). FAS 149 amends and clarifies financial accounting and reporting for derivative instruments including certain derivative instruments embedded in other contracts and for hedging activities under FAS 133. FAS 149 is effective for contracts entered into or modified after June 30, 2003 and for hedging relationships designated after June 30, 2003. The adoption of this statement did not have a material impact on the Company's financial statements.

In May 2003, the FASB issued SFAS No. 150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity" (FAS 150). FAS 150 clarifies the accounting for certain financial instruments and characteristics of both liabilities and equity and requires that those instruments be classified as liabilities in statements of financial position. Previously, many of these financial instruments were classified as equity. FAS 150 is effective for all financial instruments entered into or modified after May 31, 2003 and is otherwise effective at the beginning of the first interim period after June 15, 2003. The adoption of this statement did not have a material impact on the Company's financial statements.

2. STOCKHOLDERS' EQUITY

During the year ended December 31, 2002, the Company repurchased 23,500 shares of its common stock for $72,489, which shares now constitute authorized but unissued shares. The Company did not repurchase any shares during the year ended December 31, 2003.

3. INCOME TAXES

Income tax expense for the years ended December 31, 2003 and 2002 consists of the following:

<TABLE>
<CAPTION>

	2003	2002
<S>	<C>	<C>
Current:		
Federal	$ 100,000	$ 10,000
State	23,000	10,000
	123,000	20,000
Deferred	6,000	81,000
	$ 129,000	$ 101,000

</TABLE>

The expected provision for income taxes, computed by applying the U.S. federal income tax rate of 35% to income before taxes, is reconciled to income tax expense as follows:

<TABLE>
<CAPTION>

	2003	2002
<S>	<C>	<C>
Expected provision for federal income taxes	$ 221,200	$ 161,200
State income taxes, net of federal benefit	13,700	10,100
Extraterritorial income exclusion	(127,800)	(78,800)
Meals and entertainment	10,200	13,600
Tax-exempt interest	(3,500)	(3,900)
R&D Credit	(7,600)	(9,000)
Apprise valuation allowance	28,000	0
Other	(5,200)	7,800
	$ 129,000	$ 101,000

</TABLE>

Deferred tax assets consist of the following as of December 31, 2003 and 2002:

<TABLE>
<CAPTION>

	2003	2002
<S>	<C>	<C>
Property and equipment and other assets	$ 35,000	$ 61,000
Accrued vacation	16,000	27,000
Other accrued expenses	57,000	0
Inventories	36,000	12,000
Allowance for doubtful accounts	36,000	36,000
Allowance for sales returns	7,000	7,000
Intangible assets	31,000	57,000
Capital loss carryforward	46,000	20,000
	264,000	220,000
Less valuation allowance	(46,000)	(20,000)
	218,000	200,000
Deferred tax liabilities:		
Prepaid expenses	24,000	0
	$ 194,000	$ 200,000

</TABLE>

The components giving rise to the net deferred tax assets described above have been included in the accompanying balance sheet as of December 31, 2003 and 2002 as follows:

<TABLE>

<S>	<C>	<C>
Current assets	$ 128,000	$ 82,000
Noncurrent assets	66,000	118,000
	$ 194,000	$ 200,000

</TABLE>

The noncurrent deferred tax assets are net of the valuation allowance.

The Company increased its valuation allowance by $26,000 during 2003 because of the additional capital loss carryforward which may not be utilized.

4. INTANGIBLE ASSETS

Intangible assets consist primarily of patents, licenses and covenants not to compete arising from business combinations. Intangible assets are amortized on a straight-line basis over their estimated useful lives or terms of their agreement.

Intangible assets at December 31, 2003 and 2002 consist of the following:

	December 31, 2003		December 31, 2002	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Amortized intangible assets:				
Patents	$193,171	$(51,197)	$132,717	$(41,800)
Licenses	100,000	(10,625)	100,000	(2,500)
Non-compete agreement	100,000	(23,332)	100,000	(16,666)
	$393,171	$(85,154)	$332,717	$(60,966)

Net intangible assets as December 31, 2003 and 2002 are $308,017 and $271,751, respectively.

	2003	2002
Aggregate amortization expense:		
For the year ended December 31	$ 24,188	$ 18,178
Estimated amortization expense:		
For the year ended December 31, 2004		$ 28,400
For the year ended December 31, 2005		28,400
For the year ended December 31, 2006		28,400
For the year ended December 31, 2007		28,400
For the year ended December 31, 2008		28,400

In connection with the license agreements, the Company has agreed to pay royalties ranging from 3% to 5% on the future sales of products subject to the agreements.

5. PENSION PLAN

The Company has established a salary deferral plan under Section 401(k) of the Internal Revenue Code. The plan allows eligible employees to defer up to 15% of their compensation. Such deferrals accumulate on a tax-deferred basis until the employee withdraws the funds. The Company contributes 5% of each eligible employee's compensation. Total pension expense for the years ended December 31, 2003 and 2002 was approximately $138,000 and $145,000, respectively.

6. GEOGRAPHIC INFORMATION

The Company manages and operates its business on the basis of one reportable segment. See Note 1 for a brief description of the Company's business. As of December 31, 2003, the Company had operations established in various countries throughout the world. The Company is exposed to the risk of changes in social, political, and economic conditions inherent in foreign operations, and the Company's results of operations are affected by fluctuations in foreign currency exchange rates. No single foreign country accounted for more than 10% of the Company's net sales for 2003 and 2002. Net sales by geographic area are presented by attributing revenues from external customers on the basis of where the products are sold.

<TABLE>
<CAPTION>

	2003	2002
<S>	<C>	<C>
Net sales by geographic area:		
United States	$ 8,190,798	$ 8,045,967
International	3,914,329	3,751,312
	--------------	---------------
	$ 12,105,127	$ 11,797,279
	==============	===============

</TABLE>

7. STOCK OPTIONS

During 1995, the Company adopted a stock incentive plan for the issuance of up to 38,500 shares of common stock. In 1999, the Company increased the number of shares reserved for issuance under this plan to 203,500 shares. The plan provides for granting eligible participants stock options or other stock awards, as described by the plan, at option prices ranging from 85% to 110% of fair market value at date of grant. Options granted expire up to seven years after the date of grant. Such options generally become exercisable over a one- to three-year period.

<TABLE>
<CAPTION>

	2003	2002
<S>	<C>	<C>
Dividend yield	0.0%	0.0%
Expected volatility	73.5%	72.5%
Expected life of option	five years	five years
Risk-free interest rate	3.0%	4.4%
Fair value of each option on grant date	$ 2.61	$ 2.00

</TABLE>

A summary of the status of the Company's stock option plan as of December 31, 2003 and 2002 and changes during the years ending on those dates is presented below:

<TABLE>
<CAPTION>

	2003		2002	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
<S>	<C>	<C>	<C>	<C>
Outstanding at beginning of year	150,029	$5.93	142.920	$6.20
Granted	33,579	4.30	26,079	3.17
Exercised	0		0	
Expired and forfeited	(15,500)	5.74	(18,970)	4.14
	-------		-------	
Outstanding at end of year	168,108	5.50	150,029	5.93
	=======		=======	

</TABLE>

The following table summarizes information about stock options outstanding at December 31, 2003:

<TABLE>
<CAPTION>

	Options Outstanding			Options Exercisable	
Range of Exercise Price	Number Outstanding at December 31, 2003	Weighted-Average Remaining Contractual Life	Weighted-Average Exercise Price	Number Exercisable at December 31, 2003	Weighted-Average Exercise Price
<S>	<C>	<C>	<C>	<C>	<C>
$3.00 - 3.99	23,579	3.42	$3.18	15,355	$3.21
4.00 - 4.99	65,204	3.00	4.40	42,279	4.48
5.00 - 5.99	16,975	3.00	5.08	9,141	5.10
6.00 - 6.99	26,000	1.32	6.56	26,000	6.56
7.00 - 7.99	5,000	1.32	7.22	5,000	7.22
8.00 - 8.99	18,150	2.32	8.18	18,150	8.18
9.00 - 9.99	13,200	1.80	9.15	13,200	9.15
	-------			-------	
	168,108	3.36	5.50	129,125	5.90
	=======			=======	

</TABLE>

8. CONCENTRATION OF CREDIT RISK

The Company maintains its cash balances primarily in one financial institution. As of December 31, 2003, the balance exceeded the Federal Deposit Insurance Corporation coverage. The Company reduces its exposure to credit risk by maintaining such balances with financial institutions that have high credit ratings.

Accounts receivable are financial instruments that also expose the Company to concentration of credit risk. The large number of customers comprising the Company's customer base and their dispersion across different geographic areas limits such exposure. In addition, the Company routinely assesses the financial strength of its customers and maintains an allowance for doubtful accounts that management believes will adequately provide for credit losses.

Concentration of credit risk with respect to trade receivables is not significant. No one customer accounts for more than 10% of total receivables as of December 31, 2003.

9. LEASE COMMITMENTS

As of December 31, 2003, the Company was obligated under non-cancelable operating lease agreements for certain equipment and a building. Future minimum lease payments for non-cancelable operating leases with initial or remaining terms in excess of one year are as follows:

<TABLE>

<S>	<C>
2004	$41,028
2005	$20,012
2006	$ 3,261

</TABLE>

The Company also leases buildings on a month-to-month basis. Total rental expense for all equipment and building operating leases was $54,729 in 2003 and $77,040 in 2002.

10. CONTINGENCIES

The Company has entered into licensing agreements which require it to make royalty payments on sales of certain products. Royalty payments range from 3% to 5% of net sales on these products. The Company incurred $107,444 of expense under these agreements during 2003, as compared to $119,792 during 2002.

The Company has identified the probable under payment of sales tax. Accordingly, the Company accrued $160,000 for the future payment of the unpaid sales taxes.

ITEM 8. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

Not applicable.

ITEM 8A. CONTROLS AND PROCEDURES

As of the end of the period covered by this report, the Company conducted an evaluation, under the supervision and with the participation of the principal executive officer and principal financial officer, of the Company's disclosure control and procedures (as defined in Rule 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934 (the "Exchange Act")). Based on this evaluation, the principal executive officer and principal financial officer concluded that the Company's disclosure controls and procedures are effective to ensure that information required to be disclosed by the Company in reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms.

There was no change in the Company's internal control over financial reporting identified in connection with the evaluation required by Rule 13a-15(d) and Rule 15d-15(d) of the Exchange Act that occurred during the period covered by this report and that has materially affected, or is reasonable likely to materially affect, the Company's internal control over financial reporting.

PART III

ITEM 9. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The information included in the Company's definitive proxy statement for the 2004 Annual Meeting of Shareholders under the captions "Election of Directors," "Executive Officers" and "Section 16(a) Beneficial Ownership

Reporting Compliance" is incorporated by reference. The following information completes the Company's response to this Item 9.

The Company has adopted a code of ethics that applies to the Company's Chief Executive Officer, Chief Financial Officer, Controller and other employees performing similar functions. This code of ethics is filed as Exhibit 14 to this report. The Company intends to saisfy the disclosure requirement under Item 10 of Form 8-K regarding an amendment to, or a waiver from, this code of ethics by posting such information on its Web site which is located at www.ikonics.com.

ITEM 10. EXECUTIVE COMPENSATION

The information included in the Company's definitive proxy statement for the 2004 Annual Meeting of Shareholders under the captions "Election of Directors -- Director Compensation," "Summary Compensation Table," "Option Grants in Last Fiscal Year," "Aggregate Option Exercises in Last Fiscal Year and Fiscal Year-End Option Values" and "Employment Contracts; Termination of Employment and Change-In-Control Arrangements" is incorporated by reference.

ITEM 11. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information included in the Company's definitive proxy statement for the 2004 Annual Meeting of Shareholders under the captions "Security Ownership of Principal Shareholders and Management" and "Equity Compensation Plan Information is incorporated by reference in response to this Item 11.

ITEM 12. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information included in the Company's definitive proxy statement for the 2004 Annual Meeting of Shareholders under the caption "Certain Relationships and Related Transactions" is incorporated by reference.

ITEM 13. EXHIBITS, AND REPORTS ON FORM 8-K

(a) The following exhibits are filed as part of this Annual Report on Form 10-KSB for the fiscal year ended December 31, 2003:

<TABLE>
<CAPTION>

Exhibit	Description
3.1	Restated Articles of Incorporation of Company, as amended. (Incorporated by reference to the like numbered Exhibit to the Company's Registration Statement on Form 10-SB filed with the Commission on April 7, 1999 (Registration No. 000-25727).)
3.2	By-Laws of the Company, as amended. (Incorporated by reference to the like numbered Exhibit to the Company's Registration Statement on Form 10-SB filed with the Commission on April 7, 1999 (Registration No. 000-25727).)
4	Specimen of Common Stock Certificate. (Incorporated by reference to the like numbered Exhibit to Amendment No. 1 to the Company's Registration Statement on Form 10-SB filed with the Commission on May 26, 1999 (Registration No. 000-25727).)
10.1	IKONICS Corporation 1995 Stock Incentive Plan, as amended. (Incorporated by reference to the like numbered Exhibit to the Company's Registration Statement on Form 10-SB filed with the Commission on April 7, 1999 (Registration No. 000-25727).)
10.5	Revolving Credit Agreement dated April 30, 1999 between the Company and M&I Bank. (Incorporated by reference to the like numbered Exhibit to Amendment No. 1 to the Company's Registration Statement on Form 10-SB filed with the Commission on May 26, 1999 (Registration No. 000-25727).)
14	Code of Ethics.
23	Consent of McGladrey & Pullen LLP.
24	Powers of Attorney.
31.1	Rule 13a-14(a)/15d-14(a) Certifications of CEO.
31.2	Rule 13a-14(a)/15d-14(a) Certifications of CFO.
32	Section 1350 Certifications.

</TABLE>

(b) Reports on Form 8-K:

The following reports on Form 8-K were filed during the quarter ended December 31, 2003:

On November 4, 2003, the Company filed a Current Report on Form 8-K including a press release announcing the Company's financial results for the three and nine months ended September 30, 2003.

ITEM 14. PRINCIPAL ACCOUNT FEES AND SERVICES

The information included in the Company's definitive proxy statement for the 2004 Annual Meeting of Shareholders under the caption "Audit and Non-Audit Fees" is incorporated by reference.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized on March 29, 2004.

IKONICS CORPORATION

By /s/ William C. Ulland

William C. Ulland, Chairman, Chief
Executive Officer and President

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities indicated on March 29, 2004.

/s/ William C. Ulland

William C. Ulland, Chairman, Chief Executive Officer
and President
(Principal Executive Officer)

/s/ Jon Gerlach

Jon Gerlach, Chief Financial Officer
and Vice President of Finance
(Principal Financial and Accounting Officer)

Charles H. Andresen*	Director
Rondi Erickson*	Director
H. Leigh Severance*	Director
Gerald W. Simonson*	Director
David O. Harris*	Director

---

* William C. Ulland, by signing his name hereto, does hereby sign this document on behalf of each of the above named Directors of the registrant pursuant to powers of attorney duly executed by such persons.

/s/ William C. Ulland

William C. Ulland, Attorney-in-Fact

INDEX TO EXHIBITS

<TABLE>
<CAPTION>

Exhibit	Description	Page
<S>	<C>	<C>
3.1	Restated Articles of Incorporation of Company, as amended................	Incorporated by Reference
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14	Code of Ethics..	Filed Electronically
23	Consent of McGladrey & Pullen LLP.......................................	Filed Electronically

24	Powers of Attorney..	Filed Electronically
31.1	Rule 13a-14(a)/15d-14(a) Certifications of CEO.............................	Filed Electronically
31.2	Rule 13a-14(a)/15d-14(a) Certifications of CFO.............................	Filed Electronically
32	Section 1350 Certifications...	Filed Electronically

</TABLE>

EXHIBIT 14

IKONICS CORPORATION

CODE OF BUSINESS CONDUCT AND ETHICS
ADOPTED ON FEBRUARY 23, 2004

INTRODUCTION

This Code of Business Conduct and Ethics (this "Code") covers a wide range of business practices and procedures. It does not cover every issue that may arise, but it sets out basic principles to guide all directors and employees of the Company. All of our directors and employees must conduct themselves accordingly and seek to avoid even the appearance of improper behavior. This Code should also be provided to and followed by the Company's agents and representatives, including consultants.

If a law conflicts with a policy in this Code, you must comply with the law. If you have any questions about these conflicts, you should contact the appropriate person listed on Schedule A to this Code.

Those who violate the standards in this Code will be subject to disciplinary action, up to and including termination of employment. If you are in a situation which you believe may violate or lead to a violation of this Code, follow the guidelines described in Section 15 of this Code.

1. COMPLIANCE WITH LAWS, RULES AND REGULATIONS

It is the Company's policy to comply with all applicable laws, rules and regulations. It is the personal responsibility of each director, employee and representative of the Company to adhere to the standards and restrictions imposed by those laws, rules and regulations. It would be impossible to summarize here all the laws, rules and regulations with which the Company, our directors, our employees and our representatives must comply; this Code refers to only a few of them.

2. PUBLIC DISCLOSURE

It is the Company's policy that the information in our public communications, including SEC filings, be full, fair, accurate, timely and understandable. All directors, employees and representatives of the Company who are involved in our disclosure process (including our principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions) are responsible for acting in furtherance of this policy. In particular, these individuals are required to maintain familiarity with the disclosure requirements applicable to the Company and are prohibited from knowingly misrepresenting, omitting or causing others to misrepresent or omit material facts about the Company to others, whether within or outside the Company, including the Company's independent auditors. In addition, any director, employee or representative of the Company who has a supervisory role in the Company's disclosure process has an obligation to discharge his or her responsibilities diligently.

3. CONFLICTS OF INTEREST

A "conflict of interest" occurs when an individual's private interest interferes in any way, or even appears to interfere, with the interests of the Company as a whole. A conflict situation can arise when a director, employee or representative of the Company takes actions or has interests that may make it difficult to perform his or her work for the Company objectively and effectively.

Personal conflicts of interest are prohibited as a matter of Company policy, unless they have been waived in writing by the Company. In particular, no director, employee or representative of the Company may use or attempt to use his or her position at the Company to obtain any improper personal benefit for himself or herself, for his or her family members, or for any other person, including loans or guarantees of obligations, from any person or entity. Service to the Company should never be subordinated to personal gain and advantage. Conflicts of interest should, to the extent possible, be avoided. The term "family member" means a person's spouse, parents, children and siblings, whether by blood, marriage or adoption, or anyone residing in such person's home.

Any director, employee or representative of the Company who is aware of a material transaction or relationship that could reasonably be expected to give rise to a conflict of interest should discuss the matter promptly with an appropriate contact person listed in Schedule A to this Code.

4. INSIDER TRADING

The Company has a long-standing commitment to comply with all securities laws and regulations. U.S. securities laws prohibit persons from trading in the securities of a company on the basis of material non-public information. Material non-public information is any information concerning a company's business, prospects, securities or market that an investor might consider important in deciding whether to buy or sell the securities of the company or that could affect the market price of the securities. Examples of material information include: possible mergers; acquisitions or divestitures; actual or estimated financial results or changes in dividends; purchases and sales of investments in companies; obtaining or losing significant contracts; significant product developments; threatened major litigation or developments in such matters; and major changes in business strategies. If you have access to material information, whether it pertains to the Company or another company, do not buy or sell Company securities or those of the other company until at least two business days after the information has been disclosed to the public by press release or similar announcement.

Two simple rules can help protect you in this area: (1) do not use material non-public information for personal gain, and (2) do not pass along such information to someone else who does not have a reason to know.

You must also comply at all times with the Company's separate, more detailed policy on insider trading.

5. CORPORATE OPPORTUNITIES

Directors, employees and representatives of the Company owe a duty to the Company to advance the Company's legitimate business interests when the opportunity to do so arises. Directors, employees and representatives of the Company are prohibited from taking for themselves, or directing to a third party, a business opportunity that is discovered through the use of corporate property, information or position, unless the Company has already been offered the opportunity and turned it down. More generally, directors, employees and representatives of the Company are prohibited from using Company property, information or position for personal gain or competing, directly or indirectly, with the Company.

6. COMPETITION AND FAIR DEALING

The Company has a history of succeeding through honest business competition. We do not seek competitive advantages through illegal or unethical business practices. Each director, employee and representative of the Company should endeavor to deal fairly with the Company's customers, service providers, suppliers, competitors and employees.

The purpose of business entertainment and gifts in a commercial setting is to create good will and sound working relationships, not to gain unfair advantage with customers. No gift or entertainment should ever be offered, given, provided or accepted by any director, employee and representative of the Company unless it: (1) is not a cash gift, (2) is consistent with customary business practices, (3) is not excessive in value, (4) cannot be construed as a bribe or payoff and (5) does not violate any laws or regulations. Please discuss with an appropriate contact person listed in Schedule A to this Code any gifts or proposed gifts which you are not certain are appropriate.

7. DISCRIMINATION AND HARASSMENT

The diversity of the Company's employees is a tremendous asset. We are firmly committed to providing equal opportunity in all aspects of employment and will not tolerate any illegal discrimination or harassment of any kind. Examples include derogatory comments based on racial or ethnic characteristics and unwelcome sexual advances.

8. HEALTH AND SAFETY

It is the Company's policy to establish and manage a safe and healthy work environment and to manage our business in ways that are sensitive to the environment and conserve natural resources. The Company will comply with all environmental, health and safety laws and will internally establish and comply with our own stricter standards where we believe the applicable laws do not adequately protect health, safety or the environment.

It is essential to the Company to provide safe products and services that fulfill our responsibilities to the public, maintain a competitive position in the marketplace and retain the confidence of our customers. Products must be designed and produced to internal safety and other standards and to comply with external safety and other regulations, the standards of any appropriate approval entities and any applicable contractual obligations.

The Company strives to provide a safe and healthy work environment. Each employee has responsibility for maintaining a safe and healthy workplace for all employees by following safety and health rules and practices and reporting accidents, injuries and unsafe equipment, practices or conditions.

Violence and threatening behavior are not permitted. Employees should report to work in condition to perform their duties, free from the influence of illegal drugs or alcohol. The use of illegal drugs or alcohol in the workplace will not be tolerated.

9. RECORD-KEEPING

The Company requires honest and accurate recording and reporting of information in order to make responsible business decisions. For example, only the true and actual number of hours worked should be reported.

Many employees regularly use business expense accounts, which must be documented and recorded accurately. If you are not sure whether a certain expense is legitimate, contact the appropriate person listed on Schedule A to this Code.

All of the Company's books, records, accounts and financial statements must be maintained in reasonable detail, must appropriately reflect the Company's transactions and must conform both to applicable legal requirements and to the Company's system of internal controls. Unrecorded or "off the books" funds or assets should not be maintained unless permitted by applicable law or regulation.

Business records and communications often become public, and we should avoid exaggeration, derogatory remarks, guesswork or inappropriate characterizations of people and companies that can be misunderstood. This applies equally to e-mail, internal memos and formal reports. Records should always be retained or destroyed according to the Company's record retention policies.

10. CONFIDENTIALITY

In carrying out the Company's business, directors, employees and representatives of the Company often learn confidential or proprietary information about the Company, our customers, prospective customers or other third parties. Directors, employees and representatives of the Company must maintain the confidentiality of all information so entrusted to them, except when disclosure is authorized or legally mandated. Confidential or proprietary information includes, among other things, any non-public information concerning the Company, including all non-public information that might be of use to competitors or harmful to the Company or our customers if disclosed. The obligation to preserve confidential information continues even after a director, employee or representative ceases to perform services for the Company.

11. PROTECTION AND PROPER USE OF COMPANY ASSETS

All directors, employees and representatives of the Company should protect the Company's assets and ensure their efficient use. Theft, carelessness and waste have a direct impact on our profitability. Any suspected incident of fraud or theft should be immediately

reported for investigation. The Company's assets should not be used for non-company business, though incidental personal use may be permitted. Any act that involves theft, fraud, embezzlement or misappropriation of any property is prohibited.

The obligation of directors, employees and representatives of the Company to protect our assets includes our proprietary information, intellectual property and innovative ideas. These intangible assets are very valuable to the Company and must be appropriately managed and protected. Information pertaining to acquisition and divestiture plans, technology, competitive position, directional strategy, customers, salaries, product costs, trade secrets and other proprietary information must be protected from misuse.

Intellectual property rights, including patents, trademarks, copyrights, trade secrets and know-how, are valuable assets and must be planned for and managed with the same degree of care as any other valuable asset. New concepts and ideas will be identified for purposes of evaluation and protection, as appropriate, to support the Company's long-term and short-term goals. Where appropriate, ideas should be directed to the Company's intellectual property counsel for patent, copyright or trade secret protection.

Employees and representatives of the Company also have an obligation to protect and manage any software that is licensed by, or proprietary to, the Company. "Software" includes programs, routines and procedures that cause a computer system to perform a predetermined function or functions, as well as the supporting documentation. This includes algorithms, flow charts, diagrams, specifications, diagnostic testing materials and operating or maintenance manuals. Employees and representatives of the Company using, acquiring or developing software must make sure that the appropriate intellectual property rights (copyrights, patents and trade secrets) in the software are obtained. All software use must be in compliance with applicable laws and contractual obligations assumed by the Company, including copyright laws and necessary licensing. No employee or representative of the Company may use unlicensed software or create or use unauthorized copies of software.

12. PAYMENTS TO GOVERNMENT PERSONNEL

The U.S. Foreign Corrupt Practices Act prohibits giving anything of value, directly or indirectly, to officials of foreign governments or foreign political candidates in order to obtain or retain business. It is strictly prohibited to make illegal payments to government officials of any country.

In addition, the U.S. government has a number of laws and regulations regarding business gratuities which may be accepted by U.S. government personnel. The promise, offer or delivery to an official or employee of the U.S. government of a gift, favor or other gratuity in violation of these rules would not only violate Company policy but could also be a criminal offense. State and local governments, as well as foreign governments, may have similar rules.

13. WAIVERS OF THE CODE OF BUSINESS CONDUCT AND ETHICS

This Code may be amended or modified by the Company's board of directors. Any waivers of the provisions in this Code for the Company's directors, principal executive officer, principal financial officer, principal accounting officer, controller and other employees

performing similar functions and other executive officers may be granted only by the Company's board of directors. Any amendment to, or waiver from, a provision of this Code that applies to a director, principal executive officer, principal financial officer, principal accounting officer, controller and other employee performing similar functions and other executive officers will be publicly disclosed as required by applicable law, regulation or Nasdaq rules.

14. REPORTING VIOLATION AND ENFORCEMENT

All directors, employees and representatives of the Company must understand and comply with this Code. Violation of this Code will not be tolerated and will result in discipline for employees and other appropriate consequences for non-employees.

Any person who knows or believes that any director, employee or representative of the Company has engaged or is engaging in company-related conduct that violates this Code should report such information to an appropriate contact person listed in Schedule A to this Code.

You may report such conduct openly or anonymously without fear of retaliation. The Company will not discipline, discriminate against or retaliate against any person who reports such conduct in good faith, whether or not such information is ultimately proven to be correct, or who cooperates in any investigation or inquiry regarding such conduct. Confidentiality regarding those who make compliance reports and those potentially involved is maintained to the extent possible during a compliance investigation.

In order to facilitate a complete investigation of a suspected violation, a reporting person should be prepared to provide as many details as possible, including a description of the questionable practice or behavior, the names of any persons involved, the names of possible witnesses, dates, times, places and any other available details.

Based on its investigation, the Company will take prompt and appropriate corrective action in response to the concern, if necessary, to ensure compliance with legal and ethical requirements.

Violation of this Code may result in disciplinary action, up to and including termination of employment, removal from the board or other appropriate consequences for non-employees. Any supervisor who directs or approves of any conduct in violation of this Code, or who has knowledge of such conduct and does not immediately report it, also will be subject to disciplinary action, up to and including termination of employment.

Legal proceedings may also be commenced, if necessary, to recover the amount of any improper expenditures, any profits realized by the offending director, employee or representative of the Company and any financial detriment sustained by the Company. In appropriate circumstances, violations of this Code will be reported to the applicable authority.

15. COMPLIANCE PROCEDURES

We must all work to ensure prompt and consistent action against violations of this Code. However, in some situations it is difficult to know if a violation has occurred. Since we cannot

anticipate every situation that will arise, it is important that we have a way to approach a new question or problem. These are the steps to keep in mind:

- Make sure you have all the facts. In order to reach the right solutions, we must be as fully informed as possible.

- Ask Yourself Questions. If you are in doubt about a business conduct situation, ask yourself the following questions:

  - Is it legal?

  - Does it violate this Code?

  - Is it consistent with the Company's values?

  - Is it fair and just?

  - How would it look in a newspaper article?

  - Does it have the appearance of impropriety?

- Clarify your responsibility and role. In most situations, there is shared responsibility. Are your colleagues informed? It may help to get others involved and discuss the problem.

- Discuss the problem with your supervisor. This is the basic guidance for all situations. In many cases, your supervisor will be more knowledgeable about the question and will appreciate being brought into the decision-making process. Remember that it is your supervisor's responsibility to help solve problems.

- Seek help from Company resources. If you feel that it may not be appropriate to discuss an issue with your supervisor, or where you do not feel comfortable approaching your supervisor with your question, discuss it with the appropriate person listed on Schedule A to this Code.

- Always ask first, act later: If you are unsure of what to do in any situation, seek guidance before you act.

SCHEDULE A

CONTACT LIST

DIRECTORS AND EXECUTIVE OFFICERS

CONTACT:

- Chairman of the Board

- Chair of the Audit Committee

- Chief Executive Officer

- Chief Financial Officer

OTHER EMPLOYEES

CONTACT:

- The employee's immediate supervisor

- Human Resource representative

- Chief Financial Officer

- Chair of the Audit Committee

REPRESENTATIVES, AGENTS AND CONSULTANTS

CONTACT:

- Chairman of the Board

- Chief Financial Officer

This contact list is subject to change from time to time. Any change to this contact list shall not be deemed an amendment to this Code.

RECEIPT AND ACKNOWLEDGMENT

I acknowledge that I have received and will comply with the Code of Business Conduct and Ethics. I understand and agree that the Code of Business Conduct and Ethics is NOT an employment contract between IKONICS Corporation and me.

I understand that if I have questions related to the standards of conduct outlined in the Code of Business Conduct and Ethics, I am to discuss them promptly with an appropriate contact person listed in Schedule A attached to the Code of Business Conduct and Ethics.

Signature -- Date -------------------

Print Name ---

Location ---

Return this card to: Chief Financial Officer
IKONICS Corporation
4832 Grand Ave.
Duluth, MN 55807

EXHIBIT 23

CONSENT OF INDEPENDENT AUDITORS

We consent to the incorporation by reference in Registration Statement No. 333-92893 of IKONICS Corporation on Form S-8 of our report dated February 6, 2004, appearing in this Annual Report on Form 10-KSB of IKONICS Corporation for the year ended December 31, 2003.

/s/ McGladrey & Pullen, LLP

Duluth, Minnesota
March 26, 2004

EXHIBIT 24

IKONICS CORPORATION

Power of Attorney
of Director and/or Officer

The undersigned director and/or officer of IKONICS Corporation, a Minnesota corporation, does hereby make, constitute and appoint William C. Ulland and Jon Gerlach, and either of them, the undersigned's true and lawful attorneys-in-fact, with power of substitution, for the undersigned and in the undersigned's name, place and stead, to sign and affix the undersigned's name as such director and/or officer of said Corporation to an Annual Report on Form 10-KSB or other applicable form, and all amendments thereto, to be filed by said Corporation with the Securities and Exchange Commission, Washington, D.C., under the Securities Act of 1934, as amended, with all exhibits thereto and other supporting documents, with said Commission, granting unto said attorneys-in-fact, and either of them, full power and authority to do and perform any and all acts necessary or incidental to the performance and execution of the powers herein expressly granted.

IN WITNESS WHEREOF, the undersigned has hereunto set the undersigned's hand this 23rd day of February, 2004.

/s/ Charles H. Andresen

Charles H. Andresen

IKONICS CORPORATION

Power of Attorney
of Director and/or Officer

The undersigned director and/or officer of IKONICS Corporation, a Minnesota corporation, does hereby make, constitute and appoint William C. Ulland and Jon Gerlach, and either of them, the undersigned's true and lawful attorneys-in-fact, with power of substitution, for the undersigned and in the undersigned's name, place and stead, to sign and affix the undersigned's name as such director and/or officer of said Corporation to an Annual Report on Form 10-KSB or other applicable form, and all amendments thereto, to be filed by said Corporation with the Securities and Exchange Commission, Washington, D.C., under the Securities Act of 1934, as amended, with all exhibits thereto and other supporting documents, with said Commission, granting unto said attorneys-in-fact, and either of them, full power and authority to do and perform any and all acts necessary or incidental to the performance and execution of the powers herein expressly granted.

IN WITNESS WHEREOF, the undersigned has hereunto set the undersigned's hand this 23rd day of February, 2004.

/s/ Rondi Erickson

Rondi Erickson

IKONICS CORPORATION

Power of Attorney
of Director and/or Officer

The undersigned director and/or officer of IKONICS Corporation, a Minnesota corporation, does hereby make, constitute and appoint William C. Ulland and Jon Gerlach, and either of them, the undersigned's true and lawful attorneys-in-fact, with power of substitution, for the undersigned and in the undersigned's name, place and stead, to sign and affix the undersigned's name as such director and/or officer of said Corporation to an Annual Report on Form 10-KSB or other applicable form, and all amendments thereto, to be filed by said Corporation with the Securities and Exchange Commission, Washington, D.C., under the Securities Act of 1934, as amended, with all exhibits thereto and other supporting documents, with said Commission, granting unto said attorneys-in-fact, and either of them, full power and authority to do and perform any and all acts necessary or incidental to the performance and execution of the powers herein expressly granted.

IN WITNESS WHEREOF, the undersigned has hereunto set the undersigned's hand this 23rd day of February, 2004.

/s/ David O. Harris

David O. Harris

IKONICS CORPORATION

Power of Attorney
of Director and/or Officer

The undersigned director and/or officer of IKONICS Corporation, a Minnesota corporation, does hereby make, constitute and appoint William C. Ulland and Jon Gerlach, and either of them, the undersigned's true and lawful attorneys-in-fact, with power of substitution, for the undersigned and in the undersigned's name, place and stead, to sign and affix the undersigned's name as such director and/or officer of said Corporation to an Annual Report on Form 10-KSB or other applicable form, and all amendments thereto, to be filed by said Corporation with the Securities and Exchange Commission, Washington, D.C., under the Securities Act of 1934, as amended, with all exhibits thereto and other supporting documents, with said Commission, granting unto said attorneys-in-fact, and either of them, full power and authority to do and perform any and all acts necessary or incidental to the performance and execution of the powers herein expressly granted.

IN WITNESS WHEREOF, the undersigned has hereunto set the undersigned's hand this 23rd day of February, 2004.

/s/ H. Leigh Severance

H. Leigh Severance

IKONICS CORPORATION

Power of Attorney
of Director and/or Officer

The undersigned director and/or officer of IKONICS Corporation, a Minnesota corporation, does hereby make, constitute and appoint William C. Ulland and Jon Gerlach, and either of them, the undersigned's true and lawful attorneys-in-fact, with power of substitution, for the undersigned and in the undersigned's name, place and stead, to sign and affix the undersigned's name as such director and/or officer of said Corporation to an Annual Report on Form 10-KSB or other applicable form, and all amendments thereto, to be filed by said Corporation with the Securities and Exchange Commission, Washington, D.C., under the Securities Act of 1934, as amended, with all exhibits thereto and other supporting documents, with said Commission, granting unto said attorneys-in-fact, and either of them, full power and authority to do and perform any and all acts necessary or incidental to the performance and execution of the powers herein expressly granted.

IN WITNESS WHEREOF, the undersigned has hereunto set the undersigned's hand this 23rd day of February, 2004.

/s/ Gerald W. Simonson

Gerald W. Simonson

EXHIBIT 31.1

RULE 13a-14(a)/15d-14(a) CERTIFICATIONS OF CEO

I, William C. Ulland, certify that:

1. I have reviewed this annual report on Form 10-KSB of IKONICS Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and we have:

   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   c) disclosed in this report any change in the registrant's internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f) that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 29, 2004

/s/ William C. Ulland

William C. Ulland
Chairman, Chief Executive Officer
and President

EXHIBIT 31.2

RULE 13a-14(a)/15d-14(a)/CERTIFICATIONS OF CFO

I, Jon Gerlach, certify that:

1. I have reviewed this annual report on Form 10-KSB of IKONICS Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and we have:

    a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    c) disclosed in this report any change in the registrant's internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f) that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 29, 2004

/s/ Jon Gerlach

Jon Gerlach
Chief Financial Officer
and Vice President of Finance

EXHIBIT 32

SECTION 1350 CERTIFICATIONS

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, each of the undersigned certifies that this periodic report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in this periodic report fairly presents, in all material respects, the financial condition and results of operations of IKONICS Corporation.

Date: March 29, 2004

/s/ William C. Ulland

William C. Ulland
Chairman, Chief Executive Officer
and President

Date: March 29, 2004

/s/ Jon Gerlach

Jon Gerlach
Chief Financial Officer
and Vice President of Finance