U.S. SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-QSB

(Mark One)

[X] Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the Quarterly Period Ended June 30, 2004

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 small business issuer 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)

(218) 628-2217

Issuer's telephone number

Not Applicable

(Former name, former address and former fiscal year, if changed since last report)

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act during the preceding 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 [ ]

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 - 1,914,442 shares outstanding as of July 19, 2004.

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

IKONICS CORPORATION

QUARTERLY REPORT ON FORM 10-QSB

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PART I -- FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

IKONICS CORPORATION
BALANCE SHEETS

<TABLE>
<CAPTION>

<S>	JUNE 30 2004 (UNAUDITED) <C>	DECEMBER 31 2003 <C>
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 2,076,738	$ 1,507,794
Marketable securities	150,101	221,907
Trade receivables, less allowance for doubtful accounts of $100,000	2,015,959	1,859,480
Inventories	1,961,301	1,807,233
Prepaid expenses and other assets	125,367	73,260
Deferred taxes	128,000	128,000
Total current assets	6,457,466	5,597,674
PROPERTY, PLANT, AND EQUIPMENT, at cost:		
Land, building and leasehold improvements	1,482,978	1,406,377
Machinery and equipment	2,394,571	2,237,166
Office equipment	1,219,620	1,185,098
Vehicles	191,628	191,628
	5,288,797	5,120,269
Less accumulated depreciation	4,186,034	4,010,110
	1,102,763	1,110,159
INTANGIBLE ASSETS, less accumulated amortization of $99,367 in 2004 and $85,154 in 2003	297,546	308,017
DEFERRED TAXES	66,000	66,000
OTHER ASSETS	112,834	112,834
	$ 8,036,609	$ 7,194,684
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	$ 556,946	$ 264,744
Accrued compensation	228,346	227,318
Other accrued expenses	231,903	207,506
Income taxes payable	45,436	126,766
Total current liabilities	1,062,631	826,334
CONTINGENCIES		
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 1,914,242 shares in 2004 and 1,872,190 shares in 2003 (adjusted for the 3-for-2 stock split described below)	191,424	187,219
Additional paid-in capital	1,368,614	1,207,083
Retained earnings	5,422,382	4,987,311
Accumulated other comprehensive loss	(8,442)	(13,263)

Total stockholders' equity	6,973,978	6,368,350
	$ 8,036,609	$ 7,194,684

</TABLE>

See notes to financial statements.

IKONICS CORPORATION
STATEMENTS OF OPERATIONS (UNAUDITED)

<TABLE>
<CAPTION>

	THREE MONTHS ENDED JUNE 30		SIX MONTHS ENDED JUNE 30	
	2004	2003	2004	2003
<S>	<C>	<C>	<C>	<C>
SALES	$3,683,415	$ 3,161,731	$ 7,066,213	$ 5,992,378
COSTS AND EXPENSES:				
Cost of goods sold	1,992,264	1,689,079	3,880,344	3,314,937
Selling, general, and administrative	1,187,869	1,050,256	2,316,325	2,053,951
Research and development	144,210	174,898	294,730	343,222
	3,324,343	2,914,233	6,491,399	5,712,110
INCOME FROM OPERATIONS	359,072	247,498	574,814	280,268
LOSS ON INVESTMENT	-	(74,666)	-	(74,666)
INTEREST INCOME	11,996	2,778	15,879	15,666
INCOME BEFORE INCOME TAXES	371,068	175,610	590,693	221,268
FEDERAL AND STATE INCOME TAX EXPENSE	96,655	19,131	155,622	35,111
NET INCOME	$ 274,413	$ 156,479	$ 435,071	$ 186,157
EARNINGS PER COMMON SHARE (1):				
Basic	$ 0.14	$ 0.08	$ 0.23	$ 0.10
Diluted	$ 0.14	$ 0.08	$ 0.22	$ 0.10
WEIGHTED AVERAGE COMMON SHARES ASSUMED OUTSTANDING (1):				
Basic	1,906,869	1,872,190	1,892,504	1,872,190
Diluted	2,016,595	1,881,449	2,004,158	1,879,606

</TABLE>

See notes to financial statements.

(1) Retroactively adjusted for the 3-for-2 stock split approved by the Company's Board of Directors on April 29, 2004, as if it happened on the earliest date presented.

IKONICS CORPORATION
STATEMENTS OF CASH FLOWS (UNAUDITED)

<TABLE>
<CAPTION>

	SIX MONTHS ENDED JUNE 30	
	2004	2003
<S>	<C>	<C>

CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 435,071	$ 186,157
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	175,924	143,875
Amortization	14,213	11,902
Gain on sale of property and equipment	-	(5,500)
Loss on investment	-	74,666
Provision for doubtful accounts	8,945	50,000
Changes in working capital components:		
Decrease (increase) in:		
Trade receivables	(165,424)	(179,728)
Inventories	(154,067)	(152,335)
Prepaid expenses and other assets	(52,108)	23,678
(Decrease) increase in:		
Accounts payable	292,202	288,445
Accrued expenses	25,425	(11,298)
Income taxes payable	(81,330)	127,083
Net cash provided by operating activities	498,851	556,945
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(168,528)	(92,145)
Proceeds on sale of plant and equipment		5,500
Purchase of intangibles	(3,742)	(27,119)
Purchase of marketable securities	-	(4,235)
Proceeds from sales of marketable securities	76,628	-
Net cash used in investing activities	(95,643)	(119,199)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from exercise of stock options	165,736	-
NET INCREASE IN CASH AND CASH EQUIVALENTS	568,944	437,746
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	1,507,794	384,107
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 2,076,738	$ 821,853
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Income taxes paid	$ 236,388	$ 21,480

</TABLE>

See notes to financial statements.

IKONICS CORPORATION

NOTES TO FINANCIAL STATEMENTS

(Unaudited)

1. Notes to Financial Statements

The balance sheet of IKONICS Corporation (the "Company") as of June 30, 2004, and the related statements of operations for the three and six months ended June 30, 2004 and 2003, and cash flows for the six months ended June 30, 2004 and 2003, have been prepared without being audited.

In the opinion of management, these statements reflect all adjustments (consisting of only normal recurring adjustments) necessary to present fairly the financial position of IKONICS Corporation as of June 30, 2004, and the results of operations and cash flows for all periods presented.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America, have been condensed or omitted. Therefore, these statements should be read in conjunction with the financial statements and notes thereto included in the Company's Annual Report on Form 10-KSB for the year ended December 31, 2003.

The results of operations for interim periods are not necessarily indicative of results that will be realized for the full fiscal year.

2. Inventory

The major components of inventory at June 30, 2004 and December 31, 2003 are as follows:

<TABLE>
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	June 30, 2004	Dec 31, 2003
<S>	<C>	<C>
Raw materials	$ 1,052,339	$ 928,949
Work-in-progress	269,757	231,269
Finished goods	918,609	911,419
Reduction to LIFO cost	(279,404)	(264,404)
Total Inventory	$ 1,961,301	$1,807,233

</TABLE>

3. Earnings Per Common Share (EPS)

Basic EPS is calculated using net income divided by the weighted average of common shares outstanding during the quarter. 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 (adjusted for the 3-for-2 stock split for all periods presented) used in the calculation of diluted EPS are summarized below:

<TABLE>
<CAPTION>

	Three Months Ended	
	Jun 30, 2004	Jun 30, 2003
<S>	<C>	<C>
Weighted average common shares outstanding	1,906,869	1,872,190
Dilutive effect of stock options	109,726	9,259
Weighted average common and common equivalent shares outstanding	2,016,595	1,881,449

</TABLE>

<TABLE>
<CAPTION>

	Six Months Ended	
	Jun 30, 2004	Jun 30, 2003
<S>	<C>	<C>
Weighted average common shares outstanding	1,892,504	1,872,190
Dilutive effect of stock options	111,654	7,416
Weighted average common and common equivalent shares outstanding	2,004,158	1,879,606

</TABLE>

Options to purchase 211,918 and 242,412 shares of common stock were outstanding during the quarter ended June 30, 2004 and 2003, respectively.

4. Employee Stock Plans

The Company has a stock-based compensation plan. 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 this 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 (adjusted for the 3-for-2 stock split) had compensation cost for the stock-based compensation plan been determined based on the grant date fair values of awards (the method described in FASB Statement No. 123, Accounting for Stock-Based Compensation):

<TABLE>

<CAPTION>

<S>	Six Months Ended June 30, 2004 <C>	June 30, 2003 <C>	Three Months Ended June 30, 2004 <C>	June 30, 2003 <C>
Net income:				
As reported	$ 435,071	$ 186,157	$ 274,413	$ 156,479
Deduct total stock-based employee	14,755	32,939	5,890	18,560
compensation expense determined under fair value based method for all awards, net of tax Pro forma	$ 420,316	$ 153,218	$ 268,523	$ 137,919
Basic earnings per share:				
As reported	$ 0.23	$ 0.10	$ 0.14	$ 0.08
Pro forma	$ 0.22	$ 0.08	$ 0.14	$ 0.07
Diluted earnings per share:				
As reported	$ 0.22	$ 0.10	$ 0.14	$ 0.08
Pro forma	$ 0.21	$ 0.08	$ 0.13	$ 0.07

</TABLE>

5. Intangible Assets

Intangible assets consist primarily of patents, licenses and covenants not to compete. Intangible assets are amortized on a straight-line basis over their estimated useful lives or terms of their agreement. Estimated amortization expense for each of the next five years is $28,000 annually. In connection with license agreements, the Company has agreed to pay royalties ranging from 3% to 5% on the future sales of products subject to the agreements.

6. Stock Split

On April 29, 2004, the Company's Board of Directors approved the issuance of additional shares necessary to effect a 3-for-2 stock split in the form of a 50 percent stock dividend payable on May 13, 2004 to shareholders of record on May 6, 2004. Stockholders equity, share and per share amounts, including shares to be issued under the stock-based compensation plan have been retroactively adjusted to reflect the 3-for-2 stock split as if it occurred on the earliest day presented.

IKONICS CORPORATION

The information presented below in Management's Discussion and Analysis of Financial Condition and Results of Operations contains forward-looking statements within the meaning of the safe harbor provisions of Section 21E of the Securities Exchange Act of 1934, as amended. Such statements are subject to risks and uncertainties, including those discussed under "Factors that May Affect Future Results" below, that could cause actual results to differ materially from those projected. Because actual results may differ, readers are cautioned not to place undue reliance on these forward-looking statements. Certain forward-looking statements are indicated by italics.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following management's discussion and analysis focuses on those factors that had a material effect on the Company's financial results of operations during the second quarter of 2004, the six months ended June 30, 2004 and the same periods of 2003. It should be read in connection with the Company's unaudited financial statements and notes thereto included in this Form 10-QSB.

FACTORS THAT MAY AFFECT FUTURE RESULTS

Certain statements made in this Quarterly Report on Form 10-QSB, 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 expectations as to the amount and use of planned capital expenditures and that capital expenditures will be funded with cash generated from operating activities--These expectations may be affected by changes in the Company's anticipated capital expenditure requirements resulting from unforeseen required maintenance or repairs or from other unexpected events. 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 or by other unexpected events affecting the Company's financial position.

- 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 operating results, 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 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 Company's general payment terms are net 30-45 days for domestic customers and net 60-90 days for foreign customers. The concentration of credit risk is not significant except for receivables from two of the Company's larger customers. One of these customers accounts for 10.0% of total receivables as of June 30, 2004 while the other customer accounts for 9.7% of total receivables as of June 30, 2004.

Inventories. Inventories are valued at the lower 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 June 30, 2004, the Company had approximately $194,000 of deferred tax assets. The deferred tax assets result primarily from timing differences in intangible assets and property and equipment. The Company has recorded a $46,000 valuation allowance to reserve for items for which the likelihood of realization is in question. 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

QUARTER ENDED JUNE 30, 2004 COMPARED TO QUARTER ENDED JUNE 30, 2003

Sales. The Company realized significant sales growth during the second quarter of 2004 with sales of $3.7 million, which was 16% higher than the $3.2 million in sales during the same period in 2003. All areas and product groups experienced growth. The sales increase was aided by new products, economic growth in Asia and North America, increasing market share, and a strong Euro.

Cost of Goods Sold. Cost of goods sold during the second quarter of 2004 was $2.0 million, or 54.1% of sales, compared to $1.7 million, or 53.4% of sales, during the same period in 2003. The increase in the cost of sales in the second quarter of 2004 as a percentage of sales reflects a slightly less favorable product mix and price increases for some raw materials.

Selling, General and Administrative Expenses. Selling, general and administrative expenses increased to $1.2 million, or 32.2% of sales, in the second quarter of 2004, from $1.1 million, or 33.2% of sales, for the same period in 2003. The amount of these expenses in the second quarter of 2004 reflects higher payroll related expenses and increased professional service expenses related to financial reporting and compliance.

Research and Development Expenses. Research and development expenses during the second quarter of 2004 were $144,000, or 3.9% of sales, versus $175,000, or 5.5% of sales, for the same period in 2003. The reduction is due to the expiration of a service contract with an outside contractor.

Loss on Investment. The Company wrote down the value of its investment in Apprise Technologies ("Apprise") by $74,666 in the second quarter of 2003. This resulted from the offering price for shares of Apprise being below the value carried on the Company's books and the determination that the decline is other than temporary.

Interest Income. Interest income for the second quarter of 2004 was $12,000 compared to $3,000 for the same period in 2003. The interest income increase is primarily due to a larger investment balance. Interest is earned primarily from government obligation revenue bonds of various municipalities and school districts in the State of Minnesota.

Income Taxes. Income taxes were $97,000, or an effective rate of 26%, during the second quarter of 2004, versus income taxes of $19,000, or an effective rate of 12%, for the second quarter of 2003. The lower effective tax rate during the second quarter of 2003 relates to a higher level of tax benefits during that period from the extraterritorial income exclusion on foreign sales.

SIX MONTHS ENDED JUNE 30, 2004 COMPARED TO THE SIX MONTHS ENDED JUNE 30, 2003

Sales. The Company's realized an 18% increase in sales during the first six months of 2004 compared to the same period in 2003. Sales during the first half of 2004 were $7.1 million compared to $6.0 million during the first half of 2003. New products, increasing market share, a strong Euro and economic growth in Asia and North America all contributed to the sales increase.

Cost of Goods Sold. Cost of goods sold during the first half of 2004 was $3.9 million, or 54.9% of sales, compared to $3.3 million, or 55.3% of sales, during the same period in 2003. The reduction in cost of sales reflects the improved margins during the first quarter, partially offset by price increases for some raw materials during the second quarter.

Selling, General and Administrative Expenses. Selling, general and administrative expenses increased to $2.3 million, or 32.7% of sales, in the first half of 2004, from $2.1 million, or 34.3% of sales, for the same period in 2003. The amount of these expenses in the first half of 2004 reflects higher payroll related expenses. Professional service expenses related to external reporting and compliance, along with some technical consulting, were also higher in the first half of 2004.

Loss on Investment. The Company wrote down the value of its investment in Apprise by $74,666 in the second quarter of 2003. This resulted from the offering price for shares of Apprise being below the value carried on the Company's books and the determination that the decline is other than temporary.

Research and Development Expenses. Research and development expenses during the first half of 2004 were $294,000, or 4.2% of sales, versus $343,000, or 5.7% of sales, for the same period in 2003. The reduction is due to the expiration of a service contract with an outside contractor.

Interest Income. Interest income was $16,000 for the first half of 2004 and the first half of 2003.

Income Taxes. Income taxes were $156,000, or an effective rate of 26%, during the first half of 2004 compared to $35,000, or an effective rate of 16%, for the first half of 2003. The lower effective tax rate during the first six months of 2003 relates to a higher level of tax benefits during that period from 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 $2,077,000 and $822,000 at June 30, 2004 and 2003, respectively. The Company generated $499,000 in cash from operating activities during the six months ended June 30, 2004, compared to generating $557,000 in cash from operating activities during the six month period ending June 30, 2003. The decrease in cash provided by operating activities is primarily due to unfavorable changes in working capital components partially offset by higher net income. Cash provided by operating activities is primarily the result of adjusting net income for non-cash depreciation, amortization, loss on investment, provision for doubtful accounts, and certain changes in working capital components.

During the first six months of 2004, trade receivables increased by $165,000. The increase in receivables was driven by higher sales partially offset by increased collections. 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 $154,000 due to increased raw materials for the Company's Accuart and Accublack products. Prepaid expenses and other assets increased $52,000 reflecting the timing of annual insurance premiums. Accounts payable increased $292,000, reflecting timing of payments for inventory to suppliers. Accrued expenses increased $25,000. Income taxes payable decreased $81,000 due to the payment of 2003 taxes during the first half of 2004.

The Company used $96,000 and $119,000, in cash for investing activities during the six months ended June 30, 2004 and 2003, respectively. During the first six months of 2004, the Company purchased $169,000 in plant equipment upgrades to improve efficiency and safety, reduce operating costs, and update facilities. The Company also incurred $4,000 in patent application costs that it records as an asset and amortizes upon successful completion of the application process. The Company received $77,000 during the first six months of 2004 from the sale of marketable securities. During the first six months of 2003, the Company purchased $92,000 in capital equipment and business software and incurred $27,000 in patent application costs.

During the first half of 2004, $166,000 in proceeds from financing activities was received from 42,052 shares of common stock issued upon the exercise of stock options.

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 quarter ended June 30, 2004 and there was no debt outstanding under this line as of June 30, 2004.

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

As discussed above, during the six months ended June 30, 2004, the Company spent $169,000 on capital expenditures. This spending consisted of plant equipment upgrades to improve efficiency and safety, reduce operating costs, and update facilities.

Plans for additional capital expenditures of approximately $100,000 during the remainder of 2004 include ongoing manufacturing equipment upgrades, development equipment to modernize the capabilities and processes of the Company's research and development laboratory to improve measurement and quality control. Total 2004 planned expenditures are expected to be more than 2003 capital expenditures and 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 33% of total sales for the three months ended June 30, 2004 and 30% of total sales for the three months ended June 30, 2003. Sales to foreign markets were 33% for the six months ended June 30, 2004 and 30% for the same period in 2003. Foreign sales in 2004 reflect higher 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 and are made primarily in dollars and Euros. 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 or Euros. 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 June 30, 2004.

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 pursuit of marketing opportunities.

ITEM 3. 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 controls and procedures (as defined in Rules 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 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 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

None

ITEM 2. CHANGES IN SECURITIES AND SMALL BUSINESS ISSUER PURCHASES OF EQUITY SECURITIES

None

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not applicable

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

The Company's Annual Meeting was held on April 29, 2004. The shareholders took the following actions:

The shareholders elected six directors to hold office until the next annual meeting of shareholders. The shareholders present in person or by proxy cast the following numbers of votes in connection with the election of directors, resulting in the election of all nominees:

	Votes For	Votes Against
Charles H. Andresen	1,091,865	43,370
David O. Harris	1,129,485	5,750
Gerald W. Simonson	1,129,485	5,750
William C. Ulland	1,123,055	12,180
Rondi Erickson	1,129,185	6,050
H. Leigh Severance	1,129,485	5,750

The shareholders elected to amend the Company's 1995 Stock Incentive Plan by extending the expiration date from February 26, 2005 to February 22, 2014, reserving 25,000 additional shares of Common Stock for future awards and removing the restriction on the aggregate number of shares that may be issued to any one participant. The shareholders present in person or by proxy cast the following numbers of votes in connection with the amendments to the 1995 Stock Incentive Plan, resulting in the approval of all amendments:

Votes For	Votes Against	Abstain	Broker Non-Votes
595,754	81,790	4,445	453,246

ITEM 5. OTHER INFORMATION

None

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) EXHIBITS

The following exhibits are filed as part of this Quarterly Report on Form 10-QSB for the quarterly period ended June 30, 2004:

Exhibit	Description
3.1	Restated Articles of Incorporation of Company, as amended.(1)
3.2	By-Laws of the Company, as amended.(1)
10.1	IKONICS Corporation 1995 Stock Incentive Plan, as amended
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

Copies of Exhibits will be furnished upon request and payment of the Company's reasonable expenses in furnishing the Exhibits.

(b) REPORTS ON FORM 8-K

On April 22, 2004, the Company filed a Current Report on Form 8-K including a press release announcing the Company's financial results for the quarter ended March 31, 2004.

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(1) Incorporated by reference to the like numbered Exhibit to the Company's Registration Statement on Form 10-SB (File No. 000-25727).

IKONICS CORPORATION

SIGNATURES

In accordance with the requirements of the Securities Exchange Act of 1934, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

IKONICS CORPORATION

DATE: August 13, 2004

By: /s/ Jon Gerlach

Jon Gerlach,
Chief Financial Officer, and
Vice President of Finance

INDEX TO EXHIBITS

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Exhibit	Description	Page
3.1	Restated Articles of Incorporation of Company, as amended.................	Incorporated by reference
3.2	By-Laws of the Company, as amended..	Incorporated by reference
10.1	IKONICS Corporation 1995 Stock Incentive Plan, as amended.................	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 10.1

IKONICS CORPORATION

1995 STOCK INCENTIVE PLAN
(AS AMENDED THROUGH APRIL 29, 2004)

1. Purpose of Plan.

The purpose of the IKONICS Corporation 1995 Stock Incentive Plan (the "Plan") is to advance the interests of the IKONICS Corporation (the "Company") and its stockholders by enabling the company and its subsidiaries to attract and retain persons of ability to perform services for the Company and its subsidiaries by providing an incentive to such individuals through equity participation in the Company and by rewarding such individuals who contribute to the achievement by the Company of its economic objectives.

2. Definitions.

The following terms will have the meaning set forth below, unless the context clearly otherwise requires:

2.1 "Board" means the Board of Directors of the Company.

2.2 "Broker Exercise Notice" means a written notice pursuant to which a Participant, upon exercise of an Option, irrevocably instructs a broker or dealer to sell a sufficient number of shares or loan a sufficient amount of money to pay all or a portion of the exercise price of the Option and/or any related withholding tax obligations and remit such sums to the Company and directs the Company or deliver stock certificates to be issued upon such exercise directly to such broker or dealer.

2.3 "Change in Control" means an event described in Section 13.1 of the Plan.

2.4 "Code" means the Internal Revenue Code of 1986, as amended.

2.5 "Committee" means the group of individuals administering the Plan, as provided in Section 3 of the Plan.

2.6 "Common Stock" means the common stock of the Company's $.10 par value, or the number and kind of shares of stock or other securities into which such Common Stock may be changed in accordance with Section 4.3 of the Plan.

2.7 "Disability" means the disability of the Participant such as would entitle the Participant to receive disability income benefits pursuant to the long-term disability plan of the Company or Subsidiary then covering the Participant or, if no such plan exists or is applicable to the Participant, the permanent and total disability of the Participant within the meaning of Section 22(e)(3) of the Code.

2.8 "Eligible Recipients" means all directors (including non-employee directors), officers and employees of the Company or any Subsidiary.

2.9 "Exchange Act" means the Securities Exchange Act of 1934, as amended.

2.10 "Fair Market Value" means, with respect to the Common Stock, as of any date (or, if no shares were traded or quoted on such date, as of the next preceding date on which there was such a trade or quote):

a. If the Common Stock is listed (or admitted to unlisted trading privileges) on an exchange or reported on the NASDAQ National Market System or bid and asked prices are reported on the NASDAQ system or a comparable reporting service, the closing sale price or the mean of the closing bid and asked prices, as the case may be.

b. If the Common Stock is not so listed or reported, such price as the Committee determines in good faith in the exercise of its reasonable discretion.

2.11 "Incentive Award" means an Option, Stock Appreciation Right, Restricted Stock Award, Performance Unit or Stock Bonus granted to an Eligible Recipient pursuant to the Plan.

2.12 "Incentive Stock Option" means a right to purchase Common Stock granted to an Eligible Recipient pursuant to Section 6 of the Plan that qualifies as an "incentive stock option" within the meaning of Section 422 of the Code.

2.13 "Non-Statutory Stock Option" means a right to purchase Common Stock granted to an Eligible Recipient pursuant to Section 6 of the Plan that does not qualify as a Incentive Stock Option.

2.14 "Option" means an Incentive Stock Option or a Non-Statutory Stock Option.

2.15 "Participant" means an Eligible Recipient who receives one or more Incentive Awards under the Plan.

2.16 "Performance Unit" means a right granted to an Eligible Recipient pursuant to Section 9 of the Plan to receive a payment from the Company, in the form of stock, cash or a combination of both, upon the achievement of established performance goals.

2.17 "Previously Acquired Shares" means shares of Common Stock that are already owned by the Participant or, with respect to any Incentive Award, that are to be issued upon the grant, exercise or vesting of such Incentive Award.

2.18 "Restricted Stock Award" means an award of Common Stock granted to an Eligible Recipient pursuant to Section 8 of the Plan that is subject to the restrictions on transferability and the risk of forfeiture imposed by the provisions of such Section 8.

2.19 "Retirement" means normal or approved early termination of employment or service pursuant to and in accordance with the regular retirement/pension plan or practice of the Company or Subsidiary then covering the Participant, provided that if the Participant is not covered by any such plan or practice, the Participant will be deemed to be covered by the Company's plan or practice for purposes of this determination.

2.20 "Securities Act" means the Securities Act of 1933, as amended.

2.21 "Stock Appreciation Right" means a right granted to an Eligible Recipient pursuant to Section 7 of the Plan to receive a payment from the Company, in the form of stock, cash or a combination of both, equal to the difference between the Fair Market Value of one or more shares of Common Stock and the exercise price of such shares under the terms of such Stock Appreciation Right.

2.22 "Stock Bonus" means an award of Common Stock granted to an Eligible Recipient pursuant to Section 10 of the Plan.

2.23 "Subsidiary" means any entity that is directly or indirectly controlled by the Company or any entity in which the Company has a significant equity interest, as determined by the Committee.

2.24 "Tax Date" means the date any withholding tax obligation arises under the Code for a Participant with respect to an Incentive Award.

3. Plan Administration.

3.1 The Committee. The Plan will be administered by the Board or by a committee of the Board consisting of not less than two persons; provided, however, that from and after the date on which the Company first registers a class of its equity securities under Section 12 of the Exchange Act, the Plan will be administered by the Board, all of whom will be "disinterested persons" within the meaning of Rule 16b-3 under the Exchange Act, or by a committee consisting solely of not fewer than two members of the Board who are such "disinterested persons." As used in this Plan, the term "Committee" will refer to the Board or to such a committee, if established. To the extent consistent with corporate law, the Committee may delegate to any officers of the Company the duties, power and authority of the Committee under the Plan pursuant to such conditions or limitations as the Committee may establish; provided, however, that only the Committee may exercise such duties, power and authority with respect to Eligible Recipients who are subject to Section 16 of the Exchange Act. The Committee may exercise its duties, power and authority under the Plan in its sole and absolute discretion without the consent of any Participant or other party, unless the Plan specifically provides otherwise. Each determination, interpretation or other action made or taken by the Committee pursuant to the provisions of the Plan will be conclusive and binding for all purposes and on all persons, and no member of the Committee will be liable for any action or determination made in good faith with respect to the Plan or any Incentive Award granted under the Plan.

3.2 Authority of the Committee.

a. In accordance with and subject to the provisions of the Plan, the Committee will have the authority to determine all provisions of Incentive Awards as the Committee may deem necessary or desirable and as consistent with the terms of the Plan, including, without limitation, the following: (i) the Eligible Recipients to be selected as Participants; (ii) the nature and extent of the Incentive Awards to be made to each Participant (including the number of shares of Common Stock to be subject to each Incentive Award, any exercise price, the manner in which Incentive Awards will vest or become exercisable and whether Incentive Awards will be granted in tandem with other Incentive Awards) and the form of written agreement, if any, evidencing such Incentive Award; (iii) the time or times when

Incentive Awards will be granted; (iv) the duration of each Incentive Award; and (v) the restrictions and other conditions to which the payment or vesting of Incentive Awards may be subject. In addition, the Committee will have the authority under the Plan to pay the economic value of any Incentive Award in the form of cash, Common Stock or any combination of both.

b. The Committee will have the authority under the Plan to amend or modify the terms of any outstanding Incentive Award in any manner, including, without limitation, the authority to modify the number of shares or other terms and conditions of an Incentive Award, extend the term of an Incentive Award, accelerate the exercisability or vesting or otherwise terminate any restrictions relating to an Incentive Award, accept the surrender of any outstanding Incentive Award or, to the extent not previously exercised or vested, authorize the grant of new Incentive Awards in substitution for surrendered Incentive Awards; provided, however that the amended or modified terms are permitted by the Plan as then in effect and that any Participant adversely affected by such amended or modified terms has consented to such amendment or modification. No amendment or modification to an Incentive Award, however, whether pursuant to this Section 3.2 or any other provisions of the Plan, will be deemed to be a regrant of such Incentive Award for purposes of this Plan.

c. In the event of (i) any reorganization, merger, consolidation, recapitalization, liquidation, reclassification, stock dividend, stock split, combination of shares, rights offering, extraordinary dividend or divestiture (including a spin-off) or any other change in corporate structure or shares, (ii) any purchase, acquisition, sale or disposition of a significant amount of assets or a significant business; (iii) any change in accounting principles or practices, or (iv) any other similar change, in each case with respect to the Company or any other entity whose performance is relevant to the grant or vesting of an Incentive Award, the Committee (or, if the Company is not the surviving corporation in any such transaction, the board of directors of the surviving corporation) may, without the consent of any affected Participant, amend or modify the vesting criteria of any outstanding Incentive Award that is based in whole or in part on the financial performance of the Company (or any Subsidiary or division thereof) or such other entity so as equitably to reflect such event, with the desired result that the criteria for evaluating such financial performance of the Company or such other entity will be substantially the same (in the discretion of the Committee or the board of directors of the surviving corporation) following such event as prior to such event; provided, however, that the amended or modified terms are permitted by the Plan as then in effect.

4. Shares Available for Issuance.

4.1 Maximum Number of Shares. Subject to adjustment as provided in Section 4.3 of the Plan, the maximum number of shares of Common Stock that will be available for issuance under the Plan will be 228,500 shares. The shares available for issuance under the Plan may, at the election of the Committee, be either treasury shares or shares authorized but unissued, and, if treasury shares are used, all references in the Plan to the issuance of shares will, for corporate law purposes, be deemed to mean the transfer of shares from treasury.

4.2 Accounting for Incentive Awards. Shares of Common Stock that are issued under the Plan or that are subject to outstanding Incentive Awards will be applied to reduce the maximum number of shares of Common Stock remaining available for issuance under the Plan. Any shares of Common Stock that are subject to an Incentive Award that lapses, expires, is forfeited or

for any reason is terminated unexercised or unvested and any shares of Common Stock that are subject to an Incentive Award that is settled or paid in cash or any form other than shares of Common Stock will automatically again become available for issuance under the Plan. Any shares of Common Stock that constitute the forfeited portion of a Restricted Stock Award, however, will not become available for further issuance under the Plan.

4.3 Adjustments to Shares of Incentive Awards. In the event of any reorganization, merger, consolidation, recapitalization, liquidation, reclassification, stock dividend, stock split, combination of shares, rights offering, divestiture or extraordinary dividend (including a spin-off) or any other change in the corporate structure or shares of the Company, the Committee (or, if the Company is not the surviving corporation in any such transaction, the board of directors of the surviving corporation) will make appropriate adjustment (which determination will be conclusive) as to the number and kind of securities available for issuance under the Plan and, in order to prevent dilution or enlargement of the rights of Participants, the number, kind and, where applicable, exercise price of securities subject to outstanding Incentive Awards.

5. Participation.

Participants in the Plan will be those Eligible Recipients who, in the judgment of the Committee, have contributed, are contributing or are expected to contribute to the achievement of economic objectives of the Company or its subsidiaries. Eligible Recipients may be granted from time to time one or more Incentive Awards, singly or in combination or in tandem with other Incentive Awards, as may be determined by the Committee. Incentive Awards will be deemed to be granted as of the date specified in the grant resolution of the Committee, which date will be the date of any related agreements with the Participant.

6. Options.

6.1 Grant. An Eligible Recipient may be granted one or more Options under the Plan, and such Options will be subject to such terms and conditions, consistent with the other provisions of the Plan, as may be determined by the Committee. The Committee may designate whether an Option is to be considered an Incentive Stock Option or a Non-Statutory Stock Option.

6.2 Exercise Price. The per share price to be paid by a Participant upon exercise of an Option will be determined by the Committee in its discretion at the time of the Option grant, provided that (a) such price will not be less than 100% of the Fair Market Value of one share of Common Stock on the date of grant with respect to an Incentive Stock Option (110% of the Fair Market Value if, at the time the Incentive Stock Option is granted, the Participant owns, directly or indirectly, more than 10% of the total combined voting power of all classes of stock of the Company or any parent or subsidiary corporation of the Company), and (b) such price will not be less than 85% of the Fair Market Value of one share of Common Stock on the date of grant with respect to a Non-Statutory Stock Option.

6.3 Exercisability and Duration. An Option will become exercisable at such times and in such installments as may be determined by the Committee at the time of grant; provided, however, that no Incentive Stock Option may be exercisable after 10 years from its date of grant (five years from its date of grant if, at the time the Incentive Stock Option is granted, the Participant owns, directly or indirectly, more than 10% of the total combined voting power of all classes of stock of the Company or any parent or subsidiary corporation of the Company).

6.4 Payment of Exercise Price. The total purchase price of the shares to be purchased upon exercise of an Option will be paid entirely in cash (including check, bank draft or money order); provided, however, that the Committee may allow such payments to be made, in whole or in part and upon such terms and conditions as may be established by the Committee, by tender of a Broker Exercise Notice, Previously Acquired Shares, a promissory note or by a combination of such methods.

6.5 Manner of Exercise. An Option may be exercised by a Participant in whole or in part from time to time, subject to the conditions contained in the Plan and in the agreement evidencing such Option, by delivery in person, by facsimile or electronic transmission or through the mail of written notice of exercise to the Company (Attention: Chief Financial Officer) at its principal executive office in Duluth, Minnesota and by paying in full the total exercise price for the shares of Common Stock to be purchased in accordance with Section 6.4 of the Plan.

6.6 Aggregate Limitation of Stock Subject to Incentive Stock Options. To the extent that the aggregate Fair Market Value (determined as of the date an Incentive Stock Option is granted) of the shares of Common Stock with respect to which incentive stock options (within the meaning of Section 422 of the Code) are exercisable for the first time by a Participant during any calendar year (under the Plan and any other incentive stock option plans of the Company or any subsidiary or parent corporation of the Company (within the meaning of the Code)) exceeds $100,000 (or such other amount as may be prescribed by the Code from time to time), such excess Options will be treated as Non-Statutory Stock Options. The determination will be made by taking incentive stock options into account in the order in which they were granted. If such excess only applies to a portion of an incentive stock option, the Committee will designate which shares will be treated as shares to be acquired upon exercise of an incentive stock option.

7. Stock Appreciation Rights.

7.1 Grant. An Eligible Recipient may be granted one or more Stock Appreciation Rights under the Plan, and such Stock Appreciation Rights shall be subject to such terms and conditions, consistent with the other provisions of the Plan, as will be determined by the Committee.

7.2 Exercise Price. The exercise price of a Stock Appreciation Right will be determined by the Committee at the date of grant but will not be less than 85% of the Fair Market Value of one share of Common Stock on the date of grant.

7.3 Exercisability and Duration. A Stock Appreciation Right will become exercisable at such time and in such installments as may be determined by the Committee at the time of grant; provided, however, that no Stock Appreciation Right may be exercisable prior to six months or after 10 years from its date of grant. A Stock Appreciation Right will be exercised by giving notice in the same manner as for Options, as set forth in Section 6.5 of the Plan.

8. Restricted Stock Awards.

8.1 Grant. An Eligible Recipient may be granted one or more Restricted Stock Awards under the Plan, and such Restricted Stock Awards will be subject to such terms and conditions, consistent with the other provisions of the Plan, as may be determined by the Committee. The Committee may impose such restrictions or conditions, not inconsistent with the provisions of

the Plan, to the vesting of such Restricted Stock Awards as it deems appropriate, including, without limitation, that the Participant remain in the continuous employ or service of the Company or a subsidiary for a certain period or that the Participant or the Company (or any subsidiary or division thereof) satisfy certain performance goals or criteria.

8.2 Rights as a Stockholder; Transferability. Except as provided in Sections 8.1, 8.3 and 14.3 of the Plan, a Participant will have all voting, dividend, liquidation and other rights with respect to shares of Common Stock issued to the Participant as a Restricted Stock Award under this Section 8 upon the Participant becoming the holder of record of such shares as if such Participant were a holder of record of shares of unrestricted Common Stock.

8.3 Dividends and Distributions. Unless the Committee determines otherwise (either in the agreement evidencing the Restricted Stock Award at the time of grant or at any time after the grant of the Restricted Stock Award), any dividends or distributions (including regular quarterly cash dividends) paid with respect to shares of Common Stock subject to the unvested portion of a Restricted Stock Award will be subject to the same restrictions as the shares to which such dividends or distributions relate. In the event the Committee determines not to pay such dividends or distributions currently, the Committee will determine whether any interest will be paid on such dividends or distributions. In addition, the Committee may require such dividends and distributions to be reinvested (and in such case the Participants consent to such reinvestment) in shares of Common Stock that will be subject to the same restrictions as the shares to which such dividends or distributions relate.

8.4 Enforcement of Restrictions. To enforce the restrictions referred to in this Section 8, the Committee may place a legend on the stock certificates referring to such restrictions and may require the Participant, until the restrictions have lapsed, to keep the stock certificates, together with duly endorsed stock powers, in the custody of the Company or its transfer agent or to maintain evidence of stock ownership, together with duly endorsed stock powers, in a certificateless book-entry stock account with the Company's transfer agent.

9. Performance Units. An Eligible Recipient may be granted one or more Performance Units under the Plan, and such Performance Units will be subject to such terms and conditions, consistent with the other provisions of the Plan, as may be determined by the Committee. The Committee may impose such restrictions or conditions, not inconsistent with the provisions of the Plan, to the vesting of such Performance Units as it deems appropriate, including, without limitation, that the Participant remain in the continuous employ or service of the Company or any subsidiary for a certain period or that the Participant or the Company (or any Subsidiary or division thereof) satisfy certain performance goals or criteria. The Committee will have the discretion either to determine the form in which payment of the economic value of vested Performance Units will be made to the Participant (i.e., cash, Common Stock or any combination thereof) or to consent to or disapprove the election by the Participant of the form of such payment.

10. Stock Bonuses.

An Eligible Recipient may be granted one or more Stock Bonuses under the Plan, and such Stock Bonuses will be subject to such terms and conditions, consistent with the other provisions of the Plan, as may be determined by the Committee. The Participant will have all voting, dividend, liquidation and other rights with respect to the shares of Common Stock issued to a Participant as a Stock Bonus under this Section 10 upon the Participant becoming the holder of record of such shares;

provided, however, that the Committee may impose such restrictions on the assignment or transfer of a Stock Bonus as it deems appropriate.

11. Effect of Termination of Employment or Other Service.

11.1 Termination Due to Death, Disability or Retirement. In the event a Participant's employment or other service with the Company and all subsidiaries is terminated by reason of death, Disability or Retirement:

a. All outstanding Options and Stock Appreciation Rights then held by the Participant will remain exercisable to the extent exercisable as of such termination for a period of 30 days after such termination (but in no event after the expiration date of any such Option or Stock Appreciation Right);

b. All outstanding Restricted Stock Awards then held by the Participant that have not vested will be terminated and forfeited; and

c. All outstanding Performance Units and Stock Bonuses then held by the Participant will vest and/or continue to vest in the manner determined by the Committee and set forth in the agreement evidencing such Performance Units or Stock Bonuses.

11.2 Termination for Reasons Other than Death, Disability or Retirement.

a. In the event a Participant's employment or other service is termination with the Company and all subsidiaries for any reason other than death, Disability or Retirement, or a Participant is in the employ or service of a subsidiary and the subsidiary ceases to be a subsidiary of the Company (unless the Participant continues in the employ or service of the Company or another subsidiary), all rights of the Participant under the Plan and any agreements evidencing an Incentive Award will immediately terminate without notice of any kind, and no Options or Stock Appreciation Rights then held by the Participant will thereafter be exercisable, all Restricted Stock Awards then held by the Participant that have not vested will be terminated and forfeited, and all Performance Units and Stock Bonuses then held by the Participant will vest and/or continue to vest in the manner determined by the Committee and set forth in the agreement evidencing such Performance Units or Stock Bonuses; provided, however, that if such termination is due to any reason other than termination by the Company or any subsidiary for "cause," all outstanding Options and Stock Appreciation Rights then held by such Participant will remain exercisable to the extent exercisable as of such termination for a period of 30 days after such termination (but in no event after the expiration date of any such Option or Stock Appreciation Right).

b. For purposes of this Section 11.2, "cause" (as determined by the Committee) will be a defined in any employment or other agreement or policy applicable to the Participant or, if no such agreement or policy exists, will mean (i) dishonesty, fraud, misrepresentation, embezzlement or deliberate injury or attempted injury, in each case related to the Company or any subsidiary, (ii) any unlawful or criminal activity of a serious nature, (iii) any intentional and deliberate breach of a duty or duties that, individually or in the aggregate, are material in relation to the Participant's overall duties, or (iv) any material breach of any employment, service, confidentiality or non-compete agreement entered into with the Company or any subsidiary.

11.3 Modification of Rights Upon Termination. Notwithstanding the other provisions of this Section 11, upon a Participant's termination of employment or other service with the Company and all subsidiaries, the Committee may in its discretion (which may be exercised at any time on or after the date of grant, including following such termination) cause Options and Stock Appreciation Rights (or any part thereof) then held by such Participant to become or continue to become exercisable and/or remain exercisable following such termination of employment or service and Restricted Stock Awards, Performance Units and Stock Bonuses then held by such Participant to vest and/or continue to vest or become free of transfer restrictions, as the case may be, following such termination of employment or service, in each casein the manner determined by the Committee; provided, however, that no Option or Stock Appreciation Right may remain exercisable beyond its expiration date.

11.4 Breach of Confidentiality or Non-Compete Agreements. Notwithstanding anything in this Plan to the contrary, in the event that a Participant materially breaches the terms of any confidentiality or non-compete agreement entered into with the Company or any subsidiary, whether such breach occurs before or after termination of such Participant's employment or other service with the Company or any subsidiary, the Committee may immediately terminate all rights of the Participant under the Plan and any agreements evidencing an Incentive Award then held by the Participant without notice of any kind.

11.5 Date of Termination of Employment or Other Service. Unless the Committee otherwise determines, a Participant's employment or other service will, for purposes of the Plan, be deemed to have terminated on the date recorded on the personnel or other records of the Company or the subsidiary for which the Participant provides employment or other service, as determined by the Committee based upon such records.

12. Payment of Withholding Taxes.

12.1 General Rules. The Company is entitled to (a) withhold and deduct from future wages of the Participant (or from other amounts that may be due and owing to the Participant from the Company or a subsidiary), or make other arrangements for the collection of, all legally required amounts necessary to satisfy any and all federal, state and local withholding and employment-related tax requirements attributable to an Incentive Award, including, without limitation, the grant, exercise or vesting of, or payment of dividends with respect to, an Incentive Stock Option, or (b) require the Participant promptly to remit the amount of such withholding to the Company before taking any action, including issuing any shares of Common Stock, with respect to an Incentive Award.

12.2 Special Rules. The Committee may, upon terms and conditions established by the Committee, permit or require a Participant to satisfy, in whole or in part, any withholding or employment-related tax obligation described in Section 12.1 of the Plan by electing to tender Previously Acquired Shares, a Broker Exercise Notice or a promissory note (on terms acceptable to the Committee in its sole discretion), or by a combination of such methods.

13. Change in Control.

13.1 Change in Control. For purposes of this Section 13.1, a "Change in Control" of the Company will mean the following:

a. the sale, lease, exchange or other transfer, directly or indirectly, of substantially all of the assets of the Company (in one transaction or in a series of related transactions) to a person or entity that is not controlled by the Company;

b. the approval by the stockholders of the Company of any plan or proposal for the liquidation or dissolution of the Company;

c. a merger or consolidation to which the Company is a party if the stockholders of the Company immediately prior to the effective date of such merger or consolidation have "beneficial ownership" (as defined in Rule 13d-3 under the Exchange Act), immediately following the effective date of such merger or consolidation, of securities of the surviving corporation representing (i) more than 50%, but not more than 80% of the combined voting power of the surviving corporation's then outstanding securities ordinarily having the right to vote at elections of directors, unless such merger or consolidation has been approved in advance by the Incumbent Directors (as defined in Section 13.2 below), or (ii) 50% or less of the combined voting power of the surviving corporation's then outstanding securities ordinarily having the right to vote at elections of directors (regardless of any approval by the Incumbent Directors);

d. any person becomes after the effective date of the Plan the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of (i) 20% or more, but not 50% or more, of the combined voting power of the Company's outstanding securities ordinarily having the right to vote at elections of directors, unless the transaction resulting in such ownership has been approved in advance by the Incumbent Directors, or (ii) 50% or more of the combined voting power of the Company's outstanding securities ordinarily having the right to vote at elections of directors (regardless of any approval by the Incumbent Directors);

e. the Incumbent Directors cease for any reason to constitute at least a majority of the Board; or

f. a change in control of the Company of a nature that would be required to be reported pursuant to Section 13 or 15(d) of the Exchange Act, whether or not the company is then subject to such reporting requirements.

13.2 Incumbent Directors. For purposes of this Section 13, "Incumbent Directors" of the Company means any individuals who are members of the Board on the effective date of the Plan and any individual who subsequently becomes a member of the Board whose election, or nomination for election by the Company's stockholders, was approved by a vote of at least a majority of the Incumbent Directors (either by specific vote or by approval of the Company's proxy statement in which such individual is named as a nominee for director without objection to such nomination).

13.3. Acceleration of Vesting. Without limiting the authority of the Committee under Section 3.2 of the Plan, if a Change in Control of the Company occurs, then unless the

Committee otherwise determines and sets forth in the agreement evidencing an Incentive Award at the time of grant of such Incentive Award, (a) all outstanding Options and Stock Appreciation Rights will become immediately exercisable in full and will remain exercisable for the remainder of their terms, regardless of whether the Participant to whom such Options or Stock Appreciation Rights have been granted remains in the employ or service of the Company or any Subsidiary; (b) all outstanding Restricted Stock Awards will become immediately fully vested and non-forfeitable; and (c) all outstanding Performance Units and Stock Bonuses then held by the Participant will vest and/or continue to vest in the manner determined by the Committee and set forth in the agreement evidencing such Performance Unites or Stock Bonuses.

13.4 Cash Payment for Options. If a Change of Control of the Company occurs, then the Committee, if approved by the Committee either in an agreement evidencing an Incentive Award at the time of grant or at any time after the grant of an Incentive Award, may determine that some or all Participants holding outstanding Options will receive, with respect to some or all of the shares of Common Stock subject to such Options, as of the effective date of any such Change in Control of the Company, cash in an amount equal to the excess of the Fair Market Value of such shares immediately prior to the effective date of such Change in Control of the Company over the exercise price per share of such Options.

13.5 Limitation on Change in Control Payments. Notwithstanding anything in Section 13.3 or 13.4 of the Plan to the contrary, if, with respect to a Participant, the acceleration of the vesting of an Incentive Award as provided in Section 13.3 or the payment of cash in exchange for all or part of an Incentive Award as provided in Section 13.4 (which acceleration or payment could be deemed a "payment" within the meaning of Section 280G(b)(2) of the Code), together with any other payments which such Participant has the right to receive from the Company or any corporation that is a member of an "affiliate group" (as defined in Section 1504(a) of the Code without regarding to Section 1504(b) of the Code) of which the Company is a member, would constitute a "parachute payment" (as defined in Section 280G(b)(2) of the Code), then the payments to such Participant pursuant to Section 13.3 or 13.4 will be reduced to the largest amount as will result in no portion of such payments being subject to the excise tax imposed by Section 4999 of the Code; provided, however, that if such Participant is subject to a separate agreement with the Company or a subsidiary that specifically provides that payments attributable to one or more forms to employee stock incentives or to payments made in lieu of employee stock incentives will not reduce any other payments under such agreement, event if it would constitute an excess parachute payment, or provides that the Participant will have the discretion to determine which payment will be reduced in order to avoid an excess parachute payment, then the limitations of this Section 13.5 will, to that extent, not apply.

14. Rights of Eligible Recipients and Participants; Transferability.

14.1 Employment or Service. Nothing in the Plan will interfere with or limit in any way the right of the Company or any Subsidiary to terminate the employment or service of any Eligible Recipient or Participant at any time, nor confer upon any Eligible Recipient or Participant any right to continue in the employ or service of the Company or any Subsidiary.

14.2 Rights as a Stockholder. As a holder of Incentive Awards (other than Restricted Stock Awards and Stock Bonuses), a Participant will have no rights as a stockholder unless and until such Incentive Awards are exercised for, or paid in the form of, shares of Common Stock and the Participant becomes the holder of record of such shares. Except as otherwise provided in the Plan, no adjustment will be made for dividends or distributions with respect to such Incentive Awards as to which there is a record date preceding the date the Participant becomes the holder of record of such shares, except as the Committee may determine.

14.3 Restrictions on Transfer. Except pursuant to testamentary will or the laws of descent and distribution or as otherwise expressly permitted by the Plan, no right or interest of any Participant in an Incentive Award prior to the exercise or vesting of such Incentive Award will be assignable or transferable, or subjected to any lien, during the lifetime of the Participant, either voluntarily or involuntarily, directly or indirectly, by operation of law or otherwise. A Participant will, however, be entitled to designate a beneficiary to receive an Incentive Award upon such Participant's death, and in the event of a Participant's death, payment of any amounts due under the Plan will be made to, and exercise of any Options (to the extent permitted pursuant to Section 11 of the Plan) may be made by, the Participant's legal representatives, heirs and legatees.

14.4 Non-Exclusivity of the Plan. Nothing contained in the Plan is intended to modify or rescind any previously approved compensation plans or programs of the Company or create any limitations on the power or authority of the Board to adopt such additional or other compensation arrangements as the Board may deem necessary or desirable.

15. Securities Law and Other Restrictions.

Notwithstanding any other provision of the Plan or any agreements entered into pursuant to the Plan, the Company will not be required to issue any shares of Common Stock under this Plan, and a Participant may not sell, assign, transfer or otherwise dispose of shares of Common Stock issued pursuant to Incentive Awards granted under the Plan, unless (a) there is in effect with respect to such shares a registration statement under the Securities Act and any applicable state securities laws or an exemption from such registration under the Securities Act and applicable state securities laws, and (b) there has been obtained any other consent, approval or permit from any other regulatory body which the Committee deems necessary or advisable. The Company may condition such issuance, sale or transfer upon the receipt of any representations or agreements from the parties involved, and the placement of any legends on certificates representing shares of Common Stock, as may be deemed necessary or advisable by the Company in order to comply with such securities law or other restrictions.

16. Plan Amendment, Modification and Termination.

The Board may suspend or terminate the Plan or any portion thereof at any time, and may amend the Plan from time to time in such respects as the Board may deem advisable in order that Incentive Awards under the Plan will conform to any change in applicable laws or regulations or in any other respect the Board may deem to be in the best interests of the Company; provided, however, that no amendments to the Plan will be effective without approval of the stockholders of the Company if stockholder approval of the amendment is then required pursuant to Rule 16b-3 under the Exchange Act, Section 422 of the Code or the rules of the NASD or any stock exchange. No termination, suspension or amendment of the Plan may adversely affect any outstanding Incentive Award without the consent of the affected Participant; provided, however, that this sentence will not impair the right of the Committee to take whatever action is deems appropriate under Sections 3.2(c), 4.3 and 13 of the Plan.

17. Effective Date and Duration of the Plan

The Plan is effective as of February 23, 2004, the date it was adopted by the Board in its current form. The Plan will terminate at midnight on February 22, 2014, and may be terminated prior to such time by Board action, and no Incentive Award will be granted after such termination. Incentive Awards outstanding upon termination of the Plan may continue to be exercised, or become free of restrictions, in accordance with their terms.

18. Miscellaneous

18.1 Governing Law. The validity, construction, interpretation, administration and effect of the Plan and any rules, regulations and actions relating to the Plan will be governed by and construed exclusively in accordance with the laws of the State of Minnesota, notwithstanding the conflicts of laws principles of any jurisdictions.

18.2 Successors and Assigns. The Plan will be binding upon and inure to the benefit of the successors and permitted assigns of the Company and the Participants.

EXHIBIT 31.1

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

I, William C. Ulland, certify that:

1. I have reviewed this quarterly report on Form 10-QSB 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: August 13, 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 quarterly report on Form 10-QSB 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: August 13, 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: August 13, 2004

/s/ William C. Ulland

William C. Ulland
Chairman, Chief Executive Officer
and President

Date: August 13, 2004

/s/ Jon Gerlach

Jon Gerlach
Chief Financial Officer
and Vice President of Finance