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 September 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 - 1,920,134 shares outstanding as of October 18, 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>

	SEPTEMBER 30 2004 (UNAUDITED)	DECEMBER 31 2003
<S>	<C>	<C>
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 2,617,021	$ 1,507,794
Marketable securities	150,043	221,907
Trade receivables, less allowance for doubtful accounts of $100,000	1,792,026	1,859,480
Inventories	2,035,424	1,807,233
Prepaid expenses and other assets	61,689	73,260
Deferred taxes	128,000	128,000
Total current assets	6,784,203	5,597,674
PROPERTY, PLANT, AND EQUIPMENT, at cost:		
Land, building and leasehold improvements	1,501,743	1,406,377
Machinery and equipment	2,399,194	2,337,166
Office equipment	1,219,621	1,185,098
Vehicles	175,406	191,628
	5,295,964	5,120,269
Less accumulated depreciation	4,220,680	4,010,110
	1,075,284	1,110,159
INTANGIBLE ASSETS, less accumulated amortization of $106,474 in 2004 and $85,154 in 2003	291,028	308,017
DEFERRED TAXES	66,000	66,000
OTHER ASSETS	112,834	112,834
	$ 8,329,349	$ 7,194,684
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	$ 511,579	$ 264,744
Accrued compensation	308,500	227,318
Other accrued expenses	238,989	207,506
Income taxes payable	72,208	126,766
Total current liabilities	1,131,276	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 1,919,634 shares in 2004 and 1,872,190 shares in 2003 (adjusted for the 3-for-2 stock split described below)	191,963	187,219
Additional paid-in capital	1,384,711	1,207,083
Retained earnings	5,627,617	4,987,311
Accumulated other comprehensive loss	(6,218)	(13,263)
Total stockholders' equity	7,198,073	6,368,350
	$ 8,329,349	$ 7,194,684

</TABLE>

See notes to financial statements.

IKONICS CORPORATION
STATEMENTS OF OPERATIONS (UNAUDITED)

<TABLE>
<CAPTION>

	THREE MONTHS ENDED SEPTEMBER 30		NINE MONTHS ENDED SEPTEMBER 30	
	2004	2003	2004	2003
<S>	<C>	<C>	<C>	<C>
SALES	$3,324,135	$ 3,061,503	$ 10,390,348	$ 9,053,881
COSTS AND EXPENSES:				
Cost of goods sold	1,844,447	1,666,991	5,724,791	4,981,928
Selling, general, and administrative	1,073,879	1,067,735	3,390,204	3,121,686
Research and development	136,060	149,239	430,790	492,461
	3,054,386	2,883,965	9,545,785	8,596,075
INCOME FROM OPERATIONS	269,749	177,538	844,563	457,806
LOSS ON INVESTMENT	-	-	-	(74,666)
INTEREST INCOME	9,158	12,161	25,037	27,827
INCOME BEFORE INCOME TAXES	278,907	189,699	869,600	410,967
FEDERAL AND STATE INCOME TAX EXPENSE	73,672	50,858	229,294	85,968
NET INCOME	$ 205,235	$ 138,841	$ 640,306	$ 324,999
EARNINGS PER COMMON SHARE (1):				
Basic	$ 0.11	$ 0.07	$ 0.34	$ 0.17
Diluted	$ 0.10	$ 0.07	$ 0.32	$ 0.17
WEIGHTED AVERAGE COMMON SHARES ASSUMED OUTSTANDING (1):				
Basic	1,910,851	1,872,190	1,901,140	1,872,190
Diluted	2,014,707	1,900,446	2,008,202	1,888,131

</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>

	NINE MONTHS ENDED SEPTEMBER 30	
	2004	2003
<S>	<C>	<C>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 640,306	$ 324,999
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	261,863	229,760
Amortization	21,320	17,852
Gain on sale of property and equipment	-	(5,500)

Loss on investment	-	74,666
Deferred Income Tax	-	(55,000)
Provision for doubtful accounts	1,185	131,324
Changes in working capital components:		
Decrease (increase) in:		
Trade receivables	66,269	(192,780)
Inventories	(228,191)	58,938
Prepaid expenses and other assets	11,571	35,163
(Decrease) increase in:		
Accounts payable	246,835	64,169
Accrued expenses	112,665	88,528
Income taxes payable	(54,558)	289,860
Net cash provided by operating activities	1,079,265	1,061,979
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(226,988)	(160,337)
Proceeds on sale of property and equipment		5,500
Purchase of intangibles	(4,331)	(32,936)
Purchase of marketable securities	-	(8,006)
Proceeds from sales of marketable securities	78,909	-
Net cash used in investing activities	(152,410)	(195,779)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from exercise of stock options	182,372	-
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,109,227	866,200
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	1,507,794	384,107
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 2,617,021	$ 1,250,307
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Income taxes paid (refunded)	$ 283,288	$ (148,892)

</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 September 30, 2004, and the related statements of operations for the three and nine months ended September 30, 2004 and 2003, and cash flows for the nine months ended September 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 September 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 September 30, 2004 and December 31, 2003 are as follows:

<TABLE>
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	Sep 30, 2004	Dec 31, 2003
<S>	<C>	<C>
Raw materials	$ 1,162,841	$ 928,949
Work-in-progress	277,455	231,269
Finished goods	882,032	911,419
Reduction to LIFO cost	(286,904)	(264,404)
Total Inventory	$ 2,035,424	$ 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. 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 that occurred on April 29, 2004 for all periods presented) used in the calculation of diluted EPS are summarized below:

<TABLE>
<CAPTION>

	Three Months Ended	
	Sep 30, 2004	Sep 30, 2003
<S>	<C>	<C>
Weighted average common shares outstanding	1,910,851	1,872,190
Dilutive effect of stock options	103,856	28,256
Weighted average common and common equivalent shares outstanding	2,014,707	1,900,446

</TABLE>

<TABLE>
<CAPTION>

	Nine Months Ended	
	Sep 30, 2004	Sep 30, 2003
<S>	<C>	<C>
Weighted average common shares outstanding	1,901,140	1,872,190
Dilutive effect of stock options	107,062	15,941
Weighted average common and common equivalent shares outstanding	2,008,202	1,888,131

</TABLE>

Options to purchase 207,052 and 250,512 shares of common stock were outstanding during the quarters ended September 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>

	Three Months Ended Sep 30		Nine Months Ended Sep 30	
	2004	2003	2004	2003
<S>	<C>	<C>	<C>	<C>
Net income:				
As reported	$ 205,235	$ 138,841	$ 640,306	$ 324,999

Deduct total stock-based employee compensation expense determined under fair value based method for all awards, net of tax	7,377	31,572	22,132	64,511
Pro forma	$ 197,858	$ 107,269	$ 618,174	$ 260,488
Basic earnings per share:				
As reported	$ 0.11	$ 0.07	$ 0.34	$ 0.17
Pro forma	$ 0.10	$ 0.06	$ 0.33	$ 0.14
Diluted earnings per share:				
As reported	$ 0.10	$ 0.07	$ 0.32	$ 0.17
Pro forma	$ 0.10	$ 0.06	$ 0.31	$ 0.14

</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 date presented.

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 third quarter of 2004, the nine months ended September 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 effective 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 10.5% of total receivables as of September 30, 2004, while the other customer accounts for 9.4% of total receivables as of September 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 September 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 SEPTEMBER 30, 2004 COMPARED TO QUARTER ENDED SEPTEMBER 30, 2003

Sales. The Company realized significant sales growth during the third quarter of 2004 with sales of $3.3 million, which was 8.6% higher than the $3.1 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, and an increasing market share.

Cost of Goods Sold. Cost of goods sold during the third quarter of 2004 was $1.8 million, or 55.5% of sales, compared to $1.7 million, or 54.5% of sales, during the same period in 2003. The increase in the cost of sales in the third 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 for the third quarter of 2004 were $1.1 million, or 32.3% of sales, compared to $1.1 million, or 34.9% of sales, for the third quarter of 2003. Selling, general, and administrative expenses for the third quarter 2004 compared to the third quarter of 2003 reflect lower bad debt expense offset by higher advertising and payroll expenses.

Research and Development Expenses. Research and development expenses during the third quarter of 2004 were $136,000, or 4.1% of sales, versus $149,000, or 4.9% of sales, for the same period in 2003. The reduction was due to lower research and development payroll expenses.

Interest Income. Interest income for the third quarter of 2004 was $9,000 compared to $12,000 for the same period in 2003. The interest income decrease was primarily due to a lower rate of return. 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 $74,000, or an effective rate of 26%, during the third quarter of 2004, versus income taxes of $51,000, or an effective rate of 27%, for the third quarter of 2003.

NINE MONTHS ENDED SEPTEMBER 30, 2004 COMPARED TO THE NINE MONTHS ENDED SEPTEMBER 30, 2003

Sales. The Company realized a 15% increase in sales during the first nine months of 2004 compared to the same period in 2003. Sales during the first nine months of 2004 were $10.4 million compared to $9.1 million during the first nine months 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 nine months of 2004 was $5.7 million, or 55.1% of sales, compared to $5.0 million, or 55.0% of sales, during the same period in 2003. The slight increase in cost of sales reflects price increases for some raw materials during the second and third quarter partially offset by improved margins during the first quarter.

Selling, General and Administrative Expenses. Selling, general and administrative expenses increased to $3.4 million, or 32.6% of sales, in the first nine months of 2004, from $3.1 million, or 34.5% of sales, for the same period in 2003. The amount of these expenses in the first nine months 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 nine months of 2004. These expenses were partially offset by lower bad debt expense during the first nine months of 2004.

Loss on Investment. The Company wrote down the value of its investment in Apprise Technologies by $74,666 in the second quarter of 2003. This resulted from the offering price for shares of Apprise Technologies 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 nine months of 2004 were $431,000, or 4.1% of sales, versus $492,000, or 5.4% of sales, for the same period in 2003. The reduction was due to the expiration of a service contract with an outside contractor.

Interest Income. Interest income was $25,000 for the first nine months of 2004 compared to $28,000 for the first nine months of 2003. The interest income decrease was primarily due to a lower rate of return

Income Taxes. Income taxes were $229,000, or an effective rate of 26%, during the first nine months of 2004 compared to $86,000, or an effective rate of 21%, for the first nine months of 2003. The lower effective tax rate during the first nine 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 $2,617,000 and $1,250,000 at September 30, 2004 and 2003, respectively. The Company generated $1,079,000 in cash from operating activities during the nine months ended September 30, 2004, compared to generating $1,062,000 in cash from operating activities during the nine month period ended September 30, 2003. The increase in cash provided by operating activities was primarily due to higher net income in 2004. Cash provided by operating activities is primarily the result of adjusting net income for non-cash depreciation, amortization, gain/loss on sale of assets, provision for doubtful accounts, and certain changes in working capital components.

During the first nine months of 2004, trade receivables decreased by $66,000. The decrease in receivables was driven by increased collections partially offset by 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 $228,000 due to increased raw materials for the Company's Accuart and Accublack products necessary to support sales growth. Prepaid expenses and other assets increased $12,000 reflecting the timing of annual insurance premiums. Accounts payable increased $247,000, reflecting the timing of payments for inventory to suppliers. Accrued expenses increased $112,000 due to the timing of payroll expenses related payments. Income taxes payable decreased $55,000 due to the payment of 2003 taxes during the first half of 2004.

The Company used $152,000 and $196,000 in cash for investing activities during the nine months ended September 30, 2004 and 2003, respectively. During the first nine months of 2004, the Company purchased $227,000 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 $79,000 during the first nine months of 2004 from the sale of marketable securities. During the first nine months of 2003, the Company purchased $160,000 in capital equipment and business software and incurred $33,000 in patent application costs.

During the first nine months of 2004, $182,000 in proceeds from financing activities was received from 47,477 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 September 30, 2004 and there was no debt outstanding under this line as of September 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 nine months ended September 30, 2004, the Company spent $227,000 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 $60,000 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 31% of total sales for the three months ended September 30, 2004 and 31% of total sales for the three months ended September 30, 2003. Sales to foreign markets were 32% for the nine months ended September 30, 2004 and 31% for the same period in 2003. 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 September 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. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

None

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not applicable

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

None

ITEM 5. OTHER INFORMATION

None

ITEM 6. EXHIBITS

The following exhibits are filed as part of this Quarterly Report on Form 10-QSB for the quarterly period ended September 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)
10.2	Form of Incentive Stock Option Agreement for use with the 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.

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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: November 12, 2004

By: /s/ Jon Gerlach

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

INDEX TO EXHIBITS

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
10.2	Form of Incentive Stock Option Agreement for use with the 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

EXHIBIT 10.2

INCENTIVE STOCK OPTION AGREEMENT

THIS AGREEMENT IS ENTERED INTO AND EFFECTIVE AS OF THE ___ DAY OF _______, 200__ BY AND BETWEEN IKONICS CORPORATION (THE "COMPANY") AND _________________________ (THE "OPTIONEE").

A. THE COMPANY HAS ADOPTED THE IKONICS CORPORATION 1995 STOCK INCENTIVE PLAN (THE "PLAN") AUTHORIZING THE BOARD OF DIRECTORS OF THE COMPANY, OR A COMMITTEE AS PROVIDED FOR IN THE PLAN (THE BOARD OR SUCH A COMMITTEE TO BE REFERRED TO AS THE "COMMITTEE"), TO GRANT INCENTIVE STOCK OPTIONS TO EMPLOYEES OF THE COMPANY AND ITS SUBSIDIARIES (AS DEFINED IN THE PLAN).

B. THE COMPANY DESIRES TO GIVE THE OPTIONEE AN INDUCEMENT TO ACQUIRE A PROPRIETARY INTEREST IN THE COMPANY AND AN ADDED INCENTIVE TO ADVANCE THE INTERESTS OF THE COMPANY BY GRANTING TO THE OPTIONEE AN OPTION TO PURCHASE SHARES OF COMMON STOCK OF THE COMPANY PURSUANT TO THE PLAN.

ACCORDINGLY, THE PARTIES AGREE AS FOLLOWS:

1. GRANT OF OPTION.

THE COMPANY HEREBY GRANTS TO THE OPTIONEE THE RIGHT, PRIVILEGE, AND OPTION (THE "OPTION") TO PURCHASE __________________________________ SHARES (THE "OPTION SHARES") OF THE COMPANY'S COMMON STOCK, $0.10 PAR VALUE (THE "COMMON STOCK"), ACCORDING TO THE TERMS AND SUBJECT TO CONDITIONS HEREINAFTER SET FORTH AND AS SET FORTH IN THE PLAN. THE OPTION IS INTENDED TO BE AN "INCENTIVE STOCK OPTION," AS THAT TERM IS USED IN SECTION 422 OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "CODE").

2. OPTION EXERCISE PRICE.

THE PER SHARE PRICE TO BE PAID BY OPTIONEE IN THE EVENT OF AN EXERCISE OF THE OPTION WILL BE $______.

3. DURATION OF OPTION AND TIME OF EXERCISE.

1.INITIAL PERIOD OF EXERCISABILITY. THE OPTION WILL BECOME EXERCISABLE WITH RESPECT TO THE OPTION SHARES IN ONE INSTALLMENT. THE FOLLOWING TABLE SETS FORTH THE INITIAL DATES OF EXERCISABILITY OF EACH INSTALLMENT AND THE NUMBER OF OPTION SHARES AS TO WHICH THIS OPTION WILL BECOME EXERCISABLE ON SUCH DATE:

INITIAL DATE OF EXERCISABILITY	NUMBER OF OPTION SHARES AVAILABLE FOR EXERCISE

THE FOREGOING RIGHTS TO EXERCISE THIS OPTION WILL BE CUMULATIVE WITH RESPECT TO THE OPTION SHARES BECOMING EXERCISABLE ON EACH SUCH DATE, BUT IN NO EVENT WILL THIS OPTION BE EXERCISABLE AFTER, AND THIS OPTION WILL BECOME VOID AND EXPIRE AS TO ALL UNEXERCISED OPTION SHARES AT, 5:00 P.M. (DULUTH, MINNESOTA TIME) ON __________________ (THE "TIME OF TERMINATION").

2. TERMINATION OF EMPLOYMENT.

(a) TERMINATION DUE TO DEATH, DISABILITY OR RETIREMENT. IN THE EVENT THE OPTIONEE'S EMPLOYMENT WITH THE COMPANY AND ALL SUBSIDIARIES IS TERMINATED BY REASON OF DEATH, DISABILITY OR

RETIREMENT (AS SUCH TERMS ARE DEFINED IN THE PLAN), THIS OPTION 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 TIME OF TERMINATION).

(b) TERMINATION FOR REASONS OTHER THAN DEATH, DISABILITY OR RETIREMENT. IN THE EVENT THE OPTIONEE'S EMPLOYMENT WITH THE COMPANY AND ALL SUBSIDIARIES IS TERMINATED FOR ANY REASON OTHER THAN DEATH, DISABILITY OR RETIREMENT, OR THE OPTIONEE IS IN THE EMPLOY OF A SUBSIDIARY AND THE SUBSIDIARY CEASES TO BE A SUBSIDIARY OF THE COMPANY (UNLESS THE OPTIONEE CONTINUES IN THE EMPLOY OF THE COMPANY OR ANOTHER SUBSIDIARY), ALL RIGHTS OF THE OPTIONEE UNDER THE PLAN AND THIS AGREEMENT WILL IMMEDIATELY TERMINATE WITHOUT NOTICE OF ANY KIND, AND THIS OPTION WILL NO LONGER BE EXERCISABLE; PROVIDED, HOWEVER, THAT IF SUCH TERMINATION IS DUE TO ANY REASON OTHER THAN TERMINATION BY THE COMPANY OR ANY SUBSIDIARY FOR "CAUSE" (AS DEFINED IN THE PLAN), THIS OPTION WILL REMAIN EXERCISABLE TO THE EXTENT EXERCISABLE AS SUCH TERMINATION FOR A PERIOD OF 30 DAYS AFTER SUCH TERMINATION (BUT IN NO EVENT AFTER THE TIME OF TERMINATION).

3. CHANGE IN CONTROL.

(a) IMPACT OF CHANGE IN CONTROL. IF ANY EVENTS CONSTITUTING A CHANGE IN CONTROL (AS DEFINED IN THE PLAN) OF THE COMPANY OCCUR, THIS OPTION WILL BECOME IMMEDIATELY EXERCISABLE IN FULL AND WILL REMAIN EXERCISABLE UNTIL THE TIME OF TERMINATION, REGARDLESS OF WHETHER THE OPTIONEE REMAINS IN THE EMPLOY OF THE COMPANY OR ANY SUBSIDIARY. IN ADDITION, IF A CHANGE IN CONTROL OF THE COMPANY OCCURS, THE COMMITTEE, IN ITS SOLE DISCRETION AND WITHOUT THE CONSENT OF THE

OPTIONEE, MAY DETERMINE THAT THE OPTIONEE WILL RECEIVE, WITH RESPECT TO SOME OR ALL OF THE OPTION SHARES, 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 (AS DEFINED IN THE PLAN) OF SUCH OPTION SHARES IMMEDIATELY PRIOR TO THE EFFECTIVE DATE OF SUCH CHANGE IN CONTROL OF THE COMPANY OVER THE OPTION EXERCISE PRICE PER SHARE OF THIS OPTION.

(b) LIMITATION ON CHANGE IN CONTROL PAYMENTS. NOTWITHSTANDING ANYTHING IN THIS SECTION 3.3 TO THE CONTRARY, IF, WITH RESPECT TO THE OPTIONEE, ACCELERATION OF THE VESTING OF THIS OPTION OR THE PAYMENT OF CASH IN EXCHANGE FOR ALL OR PART OF THE OPTION SHARES AS PROVIDED ABOVE (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 THE OPTIONEE HAS THE RIGHT TO RECEIVE FROM THE COMPANY OR ANY CORPORATION WHICH IS A MEMBER OF AN "AFFILIATED GROUP" (AS DEFINED IN SECTION 1504(a) OF THE CODE WITHOUT REGARD 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), THE PAYMENTS TO THE OPTIONEE AS SET FORTH HEREIN WILL BE REDUCED TO THE IMPOSED BY SECTION 4999 OF THE CODE; PROVIDED, HOWEVER, THAT IF THE OPTIONEE IS SUBJECT TO A SEPARATE AGREEMENT WITH THE COMPANY OR A SUBSIDIARY THAT SPECIFICALLY PROVIDES THAT PAYMENTS ATTRIBUTABLE TO ONE OR MORE FORMS OF EMPLOYEE STOCK INCENTIVES OR TO PAYMENTS MADE IN LIEU OF EMPLOYEE STOCK INCENTIVES WILL NOT REDUCE OF OTHER PAYMENTS UNDER SUCH AGREEMENT, EVEN IF IT WOULD CONSTITUTE AN EXCESS PARACHUTE PAYMENT, OR PROVIDES THAT THE OPTIONEE WILL HAVE THE DISCRETION TO DETERMINE WHICH PAYMENTS WILL BE REDUCED IN ORDER TO AVOID AN EXCESS PARACHUTE PAYMENT, THEN THE LIMITATIONS OF THIS SECTION 3.3(b) WILL, TO THAT EXTENT, NOT APPLY.

4. MANNER OF OPTION EXERCISE.

1. NOTICE. THIS OPTION MAY BE EXERCISED BY THE OPTIONEE IN WHOLE OR IN PART FROM TIME TO TIME, SUBJECT TO THE CONDITIONS CONTAINED IN THE PLAN AND IN THIS AGREEMENT, BY DELIVERY, IN PERSON, BY FACSIMILE OR ELECTRONIC TRANSMISSION OR THROUGH THE MAIL, TO THE COMPANY AT ITS PRINCIPAL EXECUTIVE OFFICE IN DULUTH, MINNESOTA (ATTENTION: TREASURER), OF A WRITTEN NOTICE OF EXERCISE. SUCH NOTICE WILL BE IN A FORM SATISFACTORY OF THE COMMITTEE, WILL IDENTIFY THE OPTION, WILL SPECIFY THE NUMBER OF OPTION SHARES WITH RESPECT TO WHICH THE OPTION IS BEING EXERCISED, AND WILL BE SIGNED BY

THE PERSON OR PERSONS SO EXERCISING THE OPTION. SUCH NOTICE WILL BE ACCOMPANIED BY PAYMENT IN FULL OF THE TOTAL PURCHASE PRICE OF THE OPTION SHARES PURCHASED. IN THE EVENT THAT THE OPTION IS BEING EXERCISED, AS PROVIDED BY THE PLAN AND SECTION 3.2 ABOVE, BY ANY PERSON OR PERSONS OTHER THAN THE OPTIONEE, THE NOTICE WILL BE ACCOMPANIED BY APPROPRIATE PROOF OF RIGHT OF SUCH PERSON OR PERSONS TO EXERCISE THE OPTION. AS SOON AS PRACTICABLE AFTER THE EFFECTIVE EXERCISE OF THE OPTION, THE OPTIONEE WILL BE RECORDED ON THE STOCK TRANSFER BOOKS OF THE COMPANY AS THE OWNER OF THE OPTION SHARES PURCHASED, AND THE COMPANY WILL DELIVER TO THE OPTIONEE ONE OR MORE DULY ISSUED STOCK CERTIFICATES EVIDENCING SUCH OWNERSHIP.

2. PAYMENT. AT THE TIME OF EXERCISE OF THIS OPTION, THE OPTIONEE WILL PAY THE TOTAL PURCHASE PRICE OF THE OPTION SHARES TO BE PURCHASED ENTIRELY IN CASH (INCLUDING A CHECK, BANK DRAFT OR MONEY ORDER, PAYABLE TO THE ORDER OF THE COMPANY): PROVIDED, HOWEVER, THAT THE COMMITTEE, IN ITS SOLE DISCRETION, MAY ALLOW SUCH PAYMENT TO BE MADE, IN WHOLE OR IN PART, BY TENDER OF A PROMISSORY NOTE (ON TERMS ACCEPTABLE TO THE COMMITTEE IN ITS SOLE DISCRETION) OR A BROKER EXERCISE NOTICE OR PREVIOUSLY ACQUIRED SHARES (AS SUCH TERMS ARE DEFINED IN THE PLAN), OR BY A COMBINATION OF SUCH METHODS. IN THE EVENT THE OPTIONEE IS PERMITTED TO PAY THE TOTAL PURCHASE PRICE OF THIS OPTION IN WHOLE OR IN PART WITH PREVIOUSLY ACQUIRED SHARES, THE VALUE OF SUCH SHARES WILL BE EQUAL TO THEIR FAIR MARKET VALUE ON THE DATE OF EXERCISE OF THIS OPTION.

5. RIGHTS OF OPTIONEE; TRANSFERABILITY.

1. EMPLOYMENT. NOTHING IN THIS AGREEMENT WILL INTERFERE WITH OR LIMIT IN ANY WAY THE RIGHT OF THE COMPANY OR ANY SUBSIDIARY TO TERMINATE THE EMPLOYMENT OF THE OPTIONEE AT ANY TIME, NOR CONFER UPON THE OPTIONEE ANY RIGHT TO CONTINUE IN THE EMPLOY OF THE COMPANY OR ANY SUBSIDIARY AT ANY PARTICULAR POSITION OR RATE OF PAY OR FOR ANY PARTICULAR PERIOD OF TIME.

2. RIGHTS AS A SHAREHOLDER. THE OPTIONEE WILL HAVE NO RIGHTS AS A SHAREHOLDER UNLESS AND UNTIL ALL CONDITIONS TO THE EFFECTIVE EXERCISE OF THIS OPTION (INCLUDING, WITHOUT LIMITATION, THE CONDITIONS SET FORTH IN SECTION 4 OF THIS AGREEMENT AND SECTION 15 OF THE PLAN) HAVE BEEN SATISFIED AND THE OPTIONEE HAS BECOME THE HOLDER OF RECORD OF SUCH SHARES. NO ADJUSTMENT WILL BE MADE FOR DIVIDENDS OR DISTRIBUTIONS WITH RESPECT TO THIS OPTION AS TO WHICH THERE IS A RECORD DATE PRECEDING THE DATE THE OPTIONEE BECOMES THE HOLDER OF RECORD OF SUCH SHARES, EXCEPT AS MAY OTHERWISE BE PROVIDED IN THE PLAN OR DETERMINED BY THE COMMITTEE IN ITS SOLE DISCRETION.

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 THE OPTIONEE IN THIS OPTION PRIOR TO EXERCISE MAY BE ASSIGNED OR TRANSFERRED, OR SUBJECT TO ANY LIEN, DURING THE LIFETIME OF THE OPTIONEE, EITHER VOLUNTARILY OR INVOLUNTARILY, DIRECTLY OR INDIRECTLY, BY

OPERATION OF LAW OR OTHERWISE. THE OPTIONEE WILL, HOWEVER, BE ENTITLED TO DESIGNATE A BENEFICIARY TO RECEIVE THIS OPTION UPON SUCH OPTIONEE'S DEATH, AND , IN THE EVENT OF THE OPTIONEE'S DEATH, EXERCISE OF THIS OPTION (TO THE EXTENT PERMITTED PURSUANT TO SECTION 3.2(a) OF THIS AGREEMENT) MAY BE MADE BY THE OPTIONEE'S LEGAL REPRESENTATIVES, HEIRS AND LEGATEES.

6. WITHHOLDING TAXES.

THE COMPANY IS ENTITLED TO (a) WITHHOLD AND DEDUCT FROM FUTURE WAGES OF THE OPTIONEE (OR FROM OTHER AMOUNTS THAT MAY BE DUE AND OWING TO THE OPTIONEE FROM THE COMPANY), OR MAKE OTHER ARRANGEMENTS FOR THE COLLECTION OF, ALL LEGALLY REQUIRED AMOUNTS NECESSARY TO SATISFY ANY FEDERAL, STATE OR LOCAL WITHHOLDING AND EMPLOYMENT-RELATED TAX REQUIREMENTS ATTRIBUTABLE TO THE GRANT OR EXERCISE OF, OR A DISQUALIFYING DISPOSITION WITH RESPECT TO, THIS OPTION OR OTHERWISE INCURRED WITH RESPECT TO THIS OPTION, OR (b) REQUIRE THE OPTIONEE PROMPTLY TO REMIT THE AMOUNT OF SUCH WITHHOLDING TO THE COMPANY BEFORE ACTING ON THE OPTIONEE'S NOTICE OF EXERCISE OF THIS OPTION. IN THE EVENT THAT THE COMPANY IS UNABLE TO WITHHOLD SUCH AMOUNTS, FOR WHATEVER REASON, THE

OPTIONEE AGREES TO PAY TO THE COMPANY AN AMOUNT EQUAL TO THE AMOUNT THE COMPANY WOULD OTHERWISE BE REQUIRED TO WITHHOLD UNDER FEDERAL, STATE OR LOCAL LAW.

7. ADJUSTMENTS.

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), IN ORDER TO PREVENT DILUTION OR ENLARGEMENT OF THE RIGHTS OF THE OPTIONEE, WILL MAKE APPROPRIATE ADJUSTMENT (WHICH DETERMINATION WILL BE CONCLUSIVE) AS TO THE NUMBER, KIND AND EXERCISE PRICE OF SECURITIES SUBJECT TO THIS OPTION.

8. SUBJECT TO PLAN.

THE OPTION AND THE OPTION SHARES GRANTED AND ISSUED PURSUANT TO THIS AGREEMENT HAVE BEEN GRANTED AND ISSUED UNDER, AND ARE SUBJECT TO THE TERMS OF, THE PLAN. THE TERMS OF THE PLAN ARE INCORPORATED BY REFERENCE IN THIS AGREEMENT IN THEIR ENTIRETY, AND THE OPTIONEE, BY EXECUTION OF THIS AGREEMENT, ACKNOWLEDGES HAVING RECEIVED A COPY OF THE PLAN. THE PROVISIONS OF THIS AGREEMENT WILL BE INTERPRETED AS TO BE CONSISTENT WITH THE PLAN, AND ANY AMBIGUITIES IN THIS AGREEMENT WILL BE INTERPRETED BY REFERENCE TO THE PLAN. IN THE EVEN THAT ANY PROVISION OF THIS AGREEMENT IS INCONSISTENT WITH THE TERMS OF THE PLAN, THE TERMS OF THE PLAN WILL PREVAIL.

9. MISCELLANEOUS.

1. BINDING EFFECT. THIS AGREEMENT WILL BE BINDING UPON THE HEIRS, EXECUTORS, ADMINISTRATORS AND SUCCESSORS OF THE PARTIES TO THIS AGREEMENT.

2. GOVERNING LAW. THIS AGREEMENT AND ALL RIGHTS AND OBLIGATIONS UNDER THIS AGREEMENT WILL BE CONSTRUED IN ACCORDANCE WITH THE PLAN AND GOVERNED BY THE LAWS OF THE STATE OF MINNESOTA, WITHOUT REGARD TO CONFLICTS OF LAWS PROVISIONS. ANY LEGAL PROCEEDING RELATED TO THIS AGREEMENT WILL BE BROUGHT IN AN APPROPRIATE MINNESOTA COURT, AND THE PARTIES OF THIS AGREEMENT CONSENT TO THE EXCLUSIVE JURISDICTION OF THE COURT FOR THIS PURPOSE.

3. ENTIRE AGREEMENT. THIS AGREEMENT AND THE PLAN SET FORTH THE ENTIRE AGREEMENT AND UNDERSTANDING OF THE PARTIES TO THIS AGREEMENT WITH RESPECT TO THE GRANT AND EXERCISE OF THIS OPTION AND THE ADMINISTRATION OF THE PLAN AND SUPERSEDE ALL PRIOR AGREEMENTS, ARRANGEMENTS, PLANS AND UNDERSTANDINGS RELATING TO THE GRANT AND EXERCISE OF THIS OPTION AND THE ADMINISTRATION OF THE PLAN.

4. AMENDMENT AND WAIVER. OTHER THAN AS PROVIDED IN THE PLAN, THIS AGREEMENT MAY BE AMENDED, WAIVED, MODIFIED OR CANCELED ONLY BY A WRITTEN INSTRUMENT EXECUTED BY THE PARTIES TO THE AGREEMENT OR, IN THE CASE OF A WAIVER, BY THE PARTY WAIVING COMPLIANCE.

THE PARTIES TO THIS AGREEMENT HAVE EXECUTED THIS AGREEMENT EFFECTIVE THE DAY AND YEAR FIRST ABOVE WRITTEN.

IKONICS CORPORATION

BY ______________________________

ITS ______________________________

BY EXECUTION OF THIS AGREEMENT, OPTIONEE

THE OPTIONEE ACKNOWLEDGES

HAVING RECEIVED A COPY OF THE PLAN.

____
(SIGNATURE)

____
(NAME AND ADDRESS)

____

____

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: November 12, 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: November 12, 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: November 12, 2004

/s/ William C. Ulland

William C. Ulland
Chairman, Chief Executive Officer
and President

Date: November 12, 2004

/s/ Jon Gerlach

Jon Gerlach
Chief Financial Officer
and Vice President of Finance