IKONICS CORP
Form 10QSB
April 30, 2003

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 March 31, 2003

or

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

Commission file number 000-25727

IKONICS CORPORATION
(Exact name of 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 -- 1,248,127 shares outstanding as of April 29, 2003.

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

IKONICS CORPORATION

QUARTERLY REPORT ON FORM 10-QSB

PART I -- FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

IKONICS CORPORATION
BALANCE SHEETS

ASSETS	MARCH 31 2003 (UNAUDITED)	DECEMBER 200
CURRENT ASSETS:		
Cash and cash equivalents	$ 374,860	$ 384,1
Marketable securities	250,731	246,0
Trade receivables, less allowance for doubtful accounts of $120,000 and $100,000 respectively	2,205,835	1,933,7
Inventories	1,868,008	1,771,9
Prepaid expenses and other assets	106,723	89,9
Income tax refund receivable	17,585	122,4
Deferred taxes	82,000	82,0
Total current assets	4,905,742	4,630,2
PROPERTY, PLANT, AND EQUIPMENT, at cost:		
Land, building and leasehold improvements	1,363,625	1,355,5
Machinery and equipment	2,246,238	2,231,4
Office equipment	1,164,353	1,144,5
Vehicles	167,102	167,1
	4,941,318	4,898,7
Less accumulated depreciation	3,776,950	3,694,1
	1,164,368	1,204,6
PATENTS, net of amortization of $44,053 and $41,800 respectively	100,341	90,9
NONCOMPETE AGREEMENT, net of amortization of $18,333 and $16,666 respectively	81,667	83,3
LICENSE AGREEMENTS, net of amortization of $4,531 and $2,500 respectively	95,469	97,5
OTHER ASSETS	187,500	187,5
DEFERRED TAXES	118,000	118,0
	$ 6,653,087	$ 6,412,1
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	$ 500,654	$ 317,2
Accrued compensation	233,392	204,6
Other accrued expenses	22,298	23,6
Total current liabilities	756,344	545,4
STOCKHOLDERS' EQUITY:		
Preferred stock, par value $.10 per share; authorized 250,000 shares; issued none		
Common stock, par value $.10 per share; authorized 4,750,000 shares; issued and outstanding 1,248,127 shares in 2003 and 2002	124,813	124,8
Additional paid-in capital	1,269,489	1,269,4
Retained earnings	4,513,573	4,483,8
Accumulated other comprehensive income (loss)	(11,132)	(11,5
Total stockholders' equity	5,896,743	5,866,6

	$ 6,653,087	$ 6,412,1

See notes to financial statements.

IKONICS CORPORATION
STATEMENTS OF OPERATIONS (UNAUDITED)

	THREE MONTHS ENDED MARCH 31	
	2003	2002
SALES	$2,830,649	$ 2,782,372
COSTS AND EXPENSES:		
Cost of goods sold	1,625,860	1,623,687
Selling, general, and administrative	1,003,695	950,561
Research and development	168,324	179,322
	2,797,879	2,753,570
INCOME FROM OPERATIONS	32,770	28,802
INTEREST INCOME	12,888	8,349
INCOME BEFORE INCOME TAXES	45,658	37,151
FEDERAL AND STATE INCOME TAX EXPENSE	15,980	14,104
NET INCOME	$ 29,678	$ 23,047
EARNINGS PER SHARE:		
Basic	$ 0.02	$ 0.02
Diluted	$ 0.02	$ 0.02
WEIGHTED AVERAGE COMMON SHARES ASSUMED OUTSTANDING:		
Basic	1,248,127	1,263,916
Diluted	1,254,045	1,263,916

See notes to financial statements.

IKONICS CORPORATION
STATEMENTS OF CASH FLOWS (UNAUDITED)

	THREE MONTHS ENDED MARCH 31	
	2003	2002
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss)	$ 29,678	$ 23,047
Adjustments to reconcile net income to net cash provided by/(used in) operating activities:		
Depreciation	82,845	118,925
Amortization	5,951	3,920
Gain on sale of property and equipment	--	(19,632)
Provision for doubtful accounts	20,000	23,499
Changes in working capital components:		
Decrease (increase) in:		
Trade receivables	(292,066)	(407,978)
Inventories	(96,103)	25,833
Prepaid expenses and other assets	(16,786)	(18,082)
Income taxes refund receivable	104,884	13,658
(Decrease) increase in:		
Accounts payable	183,425	(13,873)
Accrued expenses	27,423	49,090
Net cash provided by/(used in) operating activities	49,251	(201,593)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(42,586)	(79,105)
Purchase of intangibles	(11,677)	--
Purchases of marketable securities	(4,235)	(2,950)
Net cash (used in) investing activities	(58,498)	(82,055)
CASH FLOWS FRON FINANCING ACTIVITIES:		
Re-purchase of company stock	--	(72,492)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(9,247)	(356,140)

CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	384,107	543,679
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 374,860	$ 187,539
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Income taxes paid	$ 1,096	$ 446

See notes to financial statements.

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IKONICS CORPORATION

NOTES TO FINANCIAL STATEMENTS

(Unaudited)

1. Notes to Financial Statements

The balance sheet of IKONICS Corporation (the "Company") as of March 31, 2003, and the related statements of operations for the three months ended March 31, 2003 and 2002, and cash flows for the three months ended March 31, 2003 and 2002, 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 March 31, 2003, 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, 2002.

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 March 31, 2003 and December 31, 2002 are as follows:

	Mar 31, 2003	Dec 31, 2002
Raw materials	$ 936,014	$ 735,006
Work-in-progress	268,506	257,813
Finished goods	895,244	1,003,342
Reduction to LIFO cost	(231,756)	(224,256)
Total Inventory	$ 1,868,008	$ 1,771,905

3. Stockholders' Equity

		Three Months Ended Mar 31, 2003
Total Stockholders' Equity-December 31, 2002		$ 5,866,663
Net income	$ 29,678	
Unrealized gain on available-for-sale investments	402	
Comprehensive income		30,080
Total Stockholders' Equity-March 31, 2003		$ 5,896,743

4. 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 EPS except that the weighted average of common shares outstanding is increased to include the number of additional common shares that would have been outstanding if the dilutive potential common shares, such as options, had been issued.

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

	Three Mar 31, 200
Weighted average common shares outstanding	1,248,12
Dilutive effect of stock options	5,91
Weighted average common and common equivalent shares outstanding	1,254,04

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Options to purchase 150,029 and 142,920 shares of common stock were outstanding during the quarter ended March 31, 2003 and 2002, respectively. The options to purchase were excluded from the computation of common stock equivalents because they were anti-dilutive for the quarter ended March 31, 2002.

5. Employee Stock Plans

The Company has a stock-based compensation plan. The Company accounts for those plans 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 those plans had an exercise price equal to the market value of the underlying common stock on the date of grant. The following table illustrates the effect on net income and earnings per share had compensation cost for all of the stock-based compensation plans been determined based on the grant date fair values of awards (the method described in FASB Statement No. 123, Accounting for Stock-Based Compensation):

	Three Months Ended Mar 31, 2003	Three Months Ended Mar 31, 2002
Net income:		
As reported	$ 29,678	$ 23,047
Deduct total stock-based employee compensation expense determined under fair value based method for all awards, net of tax	14,379	20,527
Pro forma	$ 15,299	$ 2,520
Basic earnings per share:		
As reported	$ 0.02	$ 0.02
Pro forma	$ 0.01	$ 0.00
Diluted earnings per share:		
As reported	$ 0.02	$ 0.02
Pro forma	$ 0.01	$ 0.00

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 first quarter of 2003 and the same period of 2002. 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 expectation that capital expenditures during the remainder of 2003 will be funded with cash generated from operating activities--This expectation may be affected by changes in the Company's anticipated capital expenditure requirements resulting from unforeseen required maintenance or repairs. The funding of planned or unforeseen expenditures may also be affected by changes in anticipated operating results resulting from decreased sales or increased operating expenses.

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

- o 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.

- o 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.

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

CRITICAL ACCOUNTING POLICIES

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

Accounts Receivable. Trade receivables are carried at original invoice amount less an estimate made for doubtful receivables based on a review of all outstanding amounts on a monthly basis. Management determines the allowance for doubtful accounts by regularly evaluating individual customer receivables and considering a customer's financial condition, credit history, and current economic conditions. Trade receivables are written off when deemed uncollectible. Recoveries of trade receivables previously written off are recorded when received.

A trade receivable is considered to be past due if any portion of the receivable balance is outstanding for more than 90 days. Interest is charged on domestic trade receivables that are outstanding for more than 30 days and is recognized as it is charged. After the receivable becomes past due, it is on nonaccrual status and accrual of interest is suspended. While credit losses have historically been within expectations and the provisions established, the Company cannot guarantee that it will continue to experience the same collection history that has occurred in the past. The general payment terms are net 30-45 days for domestic customers and net 60-90 days for foreign customers. The concentration of credit risk is not significant except for a receivable from one of the Company's larger customers, which accounted for 14.2% of total receivables as of March 31, 2003.

Inventory. Inventories are valued at the lower rate of cost or market value. The Company monitors its inventory for obsolescence and records reductions in cost when required.

Deferred Tax Assets. At March 31, 2003, the Company had approximately $200,000 of net deferred tax assets. The deferred tax assets result primarily due to timing differences in intangible assets and property and equipment. The Company has recorded a $20,000 valuation allowance to reserve for items that will more likely than not be realized. The Company has determined that it is more likely than not that the remaining deferred tax assets will be realized and that an additional valuation allowance for such assets is not currently required.

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

RESULTS OF OPERATIONS

QUARTER ENDED MARCH 31, 2003 COMPARED TO QUARTER ENDED MARCH 31, 2002

Sales. The Company experienced moderate sales growth during the first quarter of 2003 of $2.83 million, which was 1.8% higher than the $2.78 million in sales during the same period in 2002. Sales were stronger domestically, but were offset by lower international sales primarily due to a container shipment to China in the first quarter of 2002. This year's corresponding container shipment is currently scheduled to occur in the second quarter of 2003.

Cost of Goods Sold. Cost of goods sold during the first quarter of 2003 was $1.63 million, or 57.4% of sales, compared to $1.62 million, or 58.4% of sales, during the same period in 2002. The reduction in the cost of sales in the first quarter of 2003 as a percentage of sales reflects an improved product mix across all geographic areas.

Selling, General and Administrative Expenses. Selling, general and administrative expenses increased to $1,004,000, or 35.5% of sales, in the first quarter of 2003, from $951,000, or 34.2% of sales, for the same period in 2002. The first three months of 2003 reflected higher sales and marketing expenses including costs to set up a training facility in Singapore, trade show costs and advertising. The Company also realized a gain of $19,632 in the first quarter of 2002 from the sale of four company vehicles.

Research and Development Expenses. Research and development expenses during the first quarter of 2003 were $168,000, or 6.0% of sales, versus $179,000, or 6.4% of sales, for the same period in 2002. The reduction was due to lower costs for production trials and legal fees.

Interest Income. Interest income for the first quarter of 2003 was $13,000 compared to $8,000 for the same period in 2002. Interest is earned primarily from government obligation revenue bonds of various municipalities and school districts in the State of Minnesota. On March 1, 2003, the Company began assessing a 1% per month finance charge on delinquent customer accounts over 30 days.

Income Taxes. Income taxes were $16,000, or an effective rate of 35%, during the first quarter of 2003, versus income taxes of $14,000, or an effective rate of 38%, for the first quarter of 2002. The difference in the effective rate is due to permanent differences for allowable tax deductions, including an extraterritorial income exclusion for 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 $375,000 and $188,000 at March 31, 2003 and March 31, 2002, respectively. The Company generated $49,000 in cash from operating activities during the three months ended March 31, 2003 and used $202,000 in cash from operating activities during the same period in 2002. Cash provided by operating activities is primarily the result of adjusting net income for non-cash depreciation, amortization and certain changes in working capital components.

During the first three months of 2003, trade receivables increased by $292,000. The increase in receivables was driven by higher sales and a moderate slowdown in domestic screen print customer payments due to economic conditions. 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 $96,000, reflecting increased stocks of AccuArt related products due to strong market acceptance. Prepaid expenses increased $17,000, reflecting prepaid insurance costs in the first quarter of 2003. Income tax refund receivables decreased $105,000, reflecting the overpayment of corporate income tax during 2002. Accounts payable increased $183,000, reflecting timing of payments for inventory to suppliers. Accrued expenses increased $27,000, reflecting primarily the timing of compensation payments.

During the first three months of 2002, trade receivables increased by $408,000, reflecting international sales with longer payment terms and a general slowing of payments from domestic screen print customers due to economic conditions. Inventory levels decreased $26,000. Prepaid expenses increased $18,000 due to higher insurance premiums. Income tax refund receivables decreased $14,000. Accounts payable decreased $14,000 and accrued expenses increased $49,000, reflecting the timing of compensation payments.

The Company used $58,000 and $82,000, in cash for investing activities during the three months ended March 31, 2003 and March 31, 2002, respectively. During the first three months of 2003, the Company purchased $43,000 in capital equipment and software. It also incurred $12,000 in patent application costs that the Company records as an asset and amortizes upon successful completion of the application process. During the first three months of 2002, the Company purchased $79,000 in capital equipment and business software.

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

A bank line of credit exists providing for borrowings of up to $1,250,000. Outstanding debt under this line of credit is collateralized by accounts receivable and inventory and bears interest at 2.25 percentage points over the 30-day LIBOR rate. The Company did not utilize this line of credit during the quarter ended March 31, 2003 and there was no debt outstanding under this line as of March 31, 2003.

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

Through March 31, 2003, the Company spent $42,586 on capital expenditures in 2003. This spending included plant equipment upgrades to improve efficiency and reduce operating costs, additions to the Company's business software, improvements to the Company's trade show booths and construction costs on the leased training facility in Singapore.

Plans for additional capital expenditures in 2003 of $150,000 include ongoing manufacturing equipment upgrades and development equipment to modernize the capabilities and processes of the Company's research and development laboratory. The modernization is intended to improve measurement and quality control processes. Total 2003 planned expenditures are expected to be less than 2002 capital expenditures and are expected to be funded with cash generated from operating activities.

INTERNATIONAL ACTIVITY

The Company markets its products to over 60 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 March 31, 2003 and 34% of total sales for the three months ended March 31, 2002. Foreign sales in 2002 reflected higher sales to India and China. Fluctuations of certain foreign currencies have not significantly impacted the Company's operations because the Company's foreign sales are not concentrated in any one region of the world. The Company believes its vulnerability to uncertainties due to foreign currency fluctuations and general economic conditions in foreign countries is not significant.

Substantially all of the Company's foreign transactions are negotiated, invoiced and paid in U.S. dollars. A portion of the Company's foreign sales are invoiced and paid in 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 March 31, 2003.

FUTURE OUTLOOK

IKONICS has invested 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

(a) Evaluation of disclosure controls and procedures. The Company's Chief Executive Officer and its Chief Financial Officer, after evaluating the effectiveness of the Company's disclosure controls and procedures (as defined in Exchange Act Rules 13a-14(c) and 15d-14(c)) on a date within 90 days before the filing date of this quarterly report, have concluded that, as of such date, the Company's disclosure controls and procedures were adequate and effective to ensure that material information relating to the Company would be made known to them by others within the Company.

(b) Changes in internal controls. There were no significant changes in the Company's internal controls or in other factors that could significantly affect the Company's internal controls subsequent to the date of their evaluation, nor were there any significant deficiencies or material weaknesses in the Company's internal controls. As a result, no corrective actions were required or undertaken.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

None

ITEM 2. CHANGES IN SECURITIES

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 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 March 31, 2003:

Exhibit	Description
3.1	Restated Articles of Incorporation of Company, as amended.(1)
3.2	By-Laws of the Company, as amended.(1)
11	Computation of Net Earnings per Common Share
99	Certification under Section 906 of the Sarbanes-Oxley Act.

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

No reports on Form 8-K were filed by the registrant during the quarterly period ended March 31, 2003.

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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: April 30, 2003

By: /s/ Jeffery A. Laabs

Jeffery A. Laabs,
Chief Financial Officer, Treasurer

and Secretary (Duly authorized officer and Principal Financial Officer)

CERTIFICATIONS PURSUANT TO SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002

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 quarterly 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 quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly 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 quarterly report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:

   a) designed such disclosure controls and procedures 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 quarterly report is being prepared;

   b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

   c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

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

   a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: April 30, 2003

/s/ William C. Ulland

William C. Ulland
Chairman, Chief Executive Officer
and President

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CERTIFICATIONS PURSUANT TO SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002

I, Jeffery A. Laabs, certify that:

1. I have reviewed this quarterly report on Form 10-QSB of IKONICS Corporation;

2. Based on my knowledge, this quarterly 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 quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly 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 quarterly report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:

   a) designed such disclosure controls and procedures 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 quarterly report is being prepared;

   b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

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

a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: April 30, 2003

/s/ Jeffery A. Laabs

Jeffery A. Laabs
Chief Financial Officer, Treasurer and Secretary

INDEX TO EXHIBITS

Exhibit	Description	
3.1	Restated Articles of Incorporation of Company, as amended.....................	In
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99	Certification Under Section 906 of the Sarbanes-Oxley Act.....................	Fi

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