

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549**

FORM 10-Q/A

Amendment No. 1

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2005

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 No. 001-31332

LIQUIDMETAL TECHNOLOGIES, INC.

(Exact name of Registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

33-0264467
(I.R.S. Employer
Identification No.)

**25800 Commercentre Drive, Suite 100
Lake Forest, California 92630**
(address of principal executive office, zip code)

Registrant's telephone number, including area code: **(949) 206-8000**

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 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 at least the past 90 days.

Yes No

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act).

Yes No

As of July 11, 2005, there were 41,609,652 shares of the registrant's common stock, \$.001 par value, outstanding.

EXPLANATORY NOTE

We are filing this Amendment No. 1 to our Quarterly Report on Form 10-Q for the second quarter ended June 30, 2005, as filed with the U.S. Securities and Exchange Commission on August 15, 2005, to include certain exhibits relating to the private placement completed by the registrant on August 9, 2005 and as described in the Form 8-K filed by the registrant on August 9, 2005.

This Amendment does not affect the financial statements or footnotes as originally filed. This amendment does not reflect events occurring after the original filing of the Form 10-Q, and does not modify or update the disclosures therein in any way other than as required to reflect the amendment as described above and set forth below. Accordingly, this Form 10-Q/A should be read in conjunction with our other filings made with the Securities and Exchange Commission subsequent to the filing of the original Quarterly Report on Form 10-Q, including any amendments to those filings.

The following documents are filed as an exhibit to this Report:

<u>Exhibit Number</u>	<u>Description of Document</u>
10.1	Securities Purchase Agreement dated August 2, 2005, among the registrant and the parties identified as "Purchasers" therein.
10.2	Form of 7% Senior Secured Convertible Note, dated August 2, 2005.
10.3	Form of Common Stock Purchase Warrant, dated August 2, 2005.
10.4	Amended and Restated Registration Rights Agreement, dated August 2, 2005, among the registrant and the parties identified as "Purchasers" therein.
10.5	Amended and Restated Security Agreement, dated August 2, 2005, among the registrant and the parties identified as the "Secured Parties" therein.
31.1	Certification of the President and Chief Executive Officer, John Kang, as required by Section 3.02 of Sarbane-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer, Young Ham, as required by Section 3.02 of Sarbane-Oxley Act of 2002.
32.1	Certification of Principal Executive Officer, John Kang, as required by Section 9.06 of Sarbane-Oxley Act of 2002.
32.2	Certification of Chief Financial Officer, Young Ham, as required by Section 9.06 of Sarbane-Oxley Act of 2002.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

LIQUIDMETAL TECHNOLOGIES
(Registrant)

Date: August 30, 2005

/s/ John Kang

John Kang
Chairman, President and Chief Executive Officer
(Principal Executive Officer)

Date: August 30, 2005

/s/ Young Ham

Young Ham
Chief Financial Officer
(Principal Financial and Accounting Officer)

THESE SECURITIES HAVE NOT BEEN REGISTERED FOR OFFER OR SALE UNDER THE SECURITIES ACT OF 1933 OR ANY STATE SECURITIES LAWS. THEY MAY NOT BE SOLD OR OFFERED FOR SALE EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER SAID ACT AND ANY APPLICABLE STATE SECURITIES LAW OR AN APPLICABLE EXEMPTION FROM SUCH REGISTRATION REQUIREMENTS.

SECURITIES PURCHASE AGREEMENT

SECURITIES PURCHASE AGREEMENT (“**Agreement**”) dated as of August 2, 2005, between Liquidmetal Technologies, Inc., a Delaware corporation (the “**Company**”), and each person or entity listed as a Purchaser on Schedule I attached to this Agreement (collectively and individually, the “**Purchaser**”). Capitalized terms used herein and not otherwise defined shall have the meanings set forth in the Note (as defined below).

WITNESSETH:

WHEREAS, the Company desires to sell, and the Purchasers desire to purchase, 7% Senior Secured Convertible Notes of the Company, which notes shall be in the aggregate principal amount of up to Fifteen Million Dollars (\$15,000,000.00) and shall be in substantially the form of Exhibit A hereto (collectively referred to as the “**Notes**” and individually referred to as a “**Note**”); and

WHEREAS, in connection with the purchase of the Notes, this Agreement also provides for the grant to the Purchasers of warrants to purchase additional shares of common stock, par value \$0.001 per share, of the Company (“**Common Stock**”).

NOW, THEREFORE, in consideration of the foregoing premises and the covenants contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

ARTICLE I

Purchase and Sale of Note

Section 1.1 Purchase of Notes. At the Closing (as hereinafter defined) and subject to the terms and conditions hereof and in reliance upon the representations, warranties and agreements contained herein, the Company will issue and sell the Notes to the Purchasers, and the Purchasers will purchase the Notes from the Company, for the purchase price equal to the original principal amount of the Notes (the “**Purchase Price**”). The amount of Notes to be purchased by each Purchaser is set forth on Schedule I hereto, and the Purchase Price for the Notes shall be paid (i) in the form of cash, (ii) in exchange for the Purchaser’s July 2005 Notes and/or June 2006 Notes, and/or (iii) in satisfaction of Accrued Registration Fees. The form of consideration to be paid by each Purchaser is set forth opposite such Purchaser’s name on Schedule I hereto. For purposes hereof, the term “**Conversion Shares**” means any shares of Common Stock into which the Notes are convertible according to their terms. Notwithstanding the foregoing, any holder of July 2005 or July 2007 Notes may elect to receive all or a portion of the Accrued Registration Fees that have accrued on such notes in cash in lieu of exchanging such Accrued Registration Fees for Notes pursuant to this Section 1.1, and such cash payment will be made at the Closing.

Section 1.2 The Closing. The purchase and sale of the Notes shall take place at a closing (the “**Closing**”) on the date hereof or such other date as the Purchasers and the Company may agree upon (the “**Closing Date**”). The purchase and sale of Notes may also occur, at the Company’s option, on more than one date to accommodate different Purchasers. At the Closing, the Company shall deliver to the Purchasers the Notes purchased hereunder, registered in the name of the Purchasers or their respective nominees. On the Closing Date the Purchaser shall deliver by wire transfer the cash Purchase Price hereunder to an account designated in writing by the Company and shall deliver the July 2005 and June 2006 Notes being exchanged hereunder to the Company at its offices. In addition, each party shall deliver all documents, instruments and writings required to be delivered by such party pursuant to this Agreement at or prior to the Closing. The parties acknowledge that, as a condition to the Company’s obligation to consummate the transactions contemplated by this Agreement, (i) all holders of the July 2005 Notes, July 2007 Notes, and June 2006 Notes must enter into this Agreement, (ii) all holders of the July 2005 Notes must exchange such notes for the Notes to be issued pursuant to this Agreement or must elect to have such July 2005 Notes redeemed pursuant to Section 1.6 hereof, (iii) all holders of the July 2007 Notes must either choose to retain their July 2007 Notes or must elect to have such July 2007 Notes redeemed pursuant to Section 1.6 hereof, and (iv) all holders of the June 2006 Notes must exchange such notes for the Notes to be issued pursuant to this Agreement.

Section 1.3 Warrants. At the Closing, the Company will execute and deliver to each Purchaser a warrant, substantially in the form attached hereto as Exhibit B, to purchase such number of shares of Common Stock as shall be equal to fifty percent of the principal amount of such Purchaser’s Note divided by the initial Exercise Price of the warrant (the “**Warrants**”). The shares of Common Stock that are issuable pursuant to the Warrants are hereafter referred to as the “**Warrant Shares**.”

Section 1.4 Amended and Restated Registration Rights Agreement. At the Closing, the Company and the Purchasers will enter into an Amended and Restated Registration Rights Agreement in substantially the form set forth as Exhibit C hereto (the “**Amended and Restated Registration Rights Agreement**”). The Amended and Restated Registration Rights Agreement shall amend and restate each of the March 2004 Registration Rights Agreement, Winvest Registration Rights Agreement, and June 2005 Registration Rights Agreement.

Section 1.5 Amended and Restated Security Agreement. At the Closing, the Company and the Purchasers will enter into an Amended and Restated Security Agreement in substantially the form set forth as Exhibit D hereto (the “**Amended and Restated Security Agreement**”). The Amended and Restated Security Agreement will (i) amend and restate the Security Agreements, dated March 1, 2004 and as amended on July 29, 2004, among the Company and the holders of the July 2005 Notes and July 2006 Notes and (ii) add the other Purchasers as secured parties thereunder. In addition to the foregoing, the Company shall, within sixty (60) days of the date of this Agreement, cause Liquidmetal Korea Co., Ltd., a wholly owned subsidiary of the Company (“**Liquidmetal Korea**”), to grant to the Purchasers as additional security for the Notes and the July 2007 Notes a second lien upon and security interest in Liquidmetal Korea’s manufacturing plant in Korea (the “**Factory Lien**”), and Liquidmetal Korea shall obtain any necessary consent and approval of the Bank of Korea to the granting of the Factory Lien. The Factory Lien shall be in addition to and subordinate to the prior liens held or to be held by Kookmin Bank (or any financial institution through which the Company’s or Liquidmetal Korea’s indebtedness with Kookmin Bank is refinanced).

Section 1.6 Redemption Option. Any holder of July 2005 Notes or July 2007 Notes (the “**July Notes**”) may, in lieu of exchanging the July 2005 Notes for Notes issued pursuant to this Agreement or in lieu of retaining the July 2007 Notes, elect to have the July Notes redeemed in whole or in part pursuant to this Agreement. Any such redemption shall be reflected on Schedule I hereto. The redemption price (the “**Redemption Price**”) for notes being redeemed pursuant hereto shall be equal to the amount of principal being redeemed. The portion of each such note that is redeemed pursuant hereto is referred to as the “**Redeemed Portion**.” On the Closing Date, the Company will pay to each Purchaser the Redemption Price with respect to the Redeemed Portion(s) of the July Notes held by such Purchaser and as to which this redemption option has been elected, and the Purchaser will return the originally signed July 2005 Note and/or July 2007 Note, as applicable, to the Company. If less than the entire principal amount of the July 2005 Note and/or July 2007 is being redeemed, then the Company will, within a reasonable period of time, deliver a replacement note to the Purchaser to evidence the remaining principal balance thereof (or, in the case of a July 2005 Note, the Company will issue a Note to the Holder to evidence the unredeemed amount). Each redeeming Purchaser acknowledges and agrees that, upon receipt of the Redemption Price, the Redeemed Portion will have been paid in full and will no longer be outstanding, and such Purchaser acknowledges that the Purchaser will have no further rights or entitlements under such note(s) with respect to the Redeemed Portion. Except for the payment of the Redemption Price and the satisfaction of Accrued Registration Fees and accrued interest in accordance with this Agreement, such Purchaser hereby knowingly and voluntarily waives, releases and forever discharges the Company and the Company’s subsidiaries, parent companies, officers, directors, employees, shareholders, and Affiliates (collectively, the “**Released Parties**”) from any and all claims, demands, damages, lawsuits, obligations, promises, and causes of action of any kind whatsoever, both known and unknown, at law or in equity, that the Purchaser may have had or has against the Released Parties at any time from the beginning of time up to and including the date of this Agreement relating to or arising from the Redeemed Portion of the July Notes.

Section 1.7 Payment of Accrued Interest at Closing. All accrued and unpaid interest on the July 2005 Notes, June 2006 Notes, and July 2007 Notes through the date of Closing shall be paid in cash by the Company at the Closing. Each Purchaser agrees and acknowledges that the amount set forth next to such Purchaser’s name on Schedule I under the column “Accrued Interest” represents the entire amount of accrued and unpaid interest owing through the date of Closing on such Purchaser’s July 2005 Notes, June 2006 Notes, and July 2007 Notes and that, upon the payment of such interest by the Company at the Closing, the issuance and delivery of the Notes in accordance with this Agreement (or, if applicable, the redemption of July Notes pursuant to Section 1.6 above), and the satisfaction of Accrued Registration Fees in accordance with this Agreement, (i) the July 2005 Notes and June 2006 Notes shall be deemed to be paid in full, and (ii) such Purchaser hereby knowingly and voluntarily waives, releases and forever discharges the Company and the other Released Parties from any and all claims, demands, damages, lawsuits, obligations, promises, and causes of action of any kind whatsoever, both known and unknown, at law or in equity, that the Purchaser may have had or has against the Released Parties at any time from the beginning of time up to and including the date of this Agreement relating to or arising from July 2005 Notes or June 2006 Notes.

Section 1.8 Certain Definitions. For purposes of this Agreement, the following definitions shall apply, unless otherwise indicated herein:

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- (a) “**July 2004 Note Exchange Agreement**” means the Note Exchange Agreement, dated July 29, 2004, among the Company, Jess Morgan & Co. and the other parties identified as “Noteholders” therein.
- (b) “**Winvest Note Exchange Agreement**” means the Note Exchange Agreement, dated July 29, 2004, between the Company and Winvest Venture Partners Inc.
- (c) “**June 2005 Securities Purchase Agreement**” means that certain Securities Purchase Agreement, dated June 10, 2005, among the Company and the parties identified as “Purchasers” therein.
- (d) “**July 2005 Notes**” means the 10% Senior Secured Notes Due July 29, 2005 that were previously issued by the Company in an aggregate principal amount of \$2,854,501, pursuant to the July 2004 Note Exchange Agreement and Winvest Note Exchange Agreement.
- (e) “**July 2007 Notes**” means the 6% Senior Secured Notes Due July 29, 2007 that were previously issued by the Company in an aggregate principal amount of \$2,854,501, pursuant to the 2004 Note Exchange Agreement and Winvest Note Exchange Agreement.
- (f) “**June 2006 Notes**” means the 10% Convertible Unsecured Notes Due June 10, 2005 that were previously issued by the Company in an aggregate principal amount of \$3,250,000, pursuant to the June 2005 Securities Purchase Agreement.
- (g) “**March 2004 Registration Rights Agreement**” means the Registration Rights Agreement, dated March 1, 2004, among the Company, Jess Morgan & Co. and the other parties identified as “Purchasers” therein, as amended by the July 2004 Note Exchange Agreement.
- (h) “**Winvest Registration Rights Agreement**” means the Registration Rights Agreement, dated March 1, 2004, among the Company, Winvest Venture Partners Inc., and the other parties identified as “Purchasers” therein, as amended by the Winvest Note Exchange Agreement.
- (i) “**June 2005 Registration Rights Agreement**” means the Registration Rights Agreement, dated June 10, 2005, among the Company and the holders of the June 2006 Notes.
- (j) “**Accrued Registration Fees**” mean any “Late Filing Payments” and “Late Registration Payments” that have accrued under Section 2(c)(ii) of the March 2004 Registration Rights Agreement and Section 2(c)(ii) of the Winvest Registration Rights Agreement through June 30, 2005.

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Representations and Warranties

Section 2.1 Representations and Warranties of the Company. The Company hereby makes the following representations and warranties to the Purchaser as of the date hereof and the Closing Date:

(a) *Organization and Qualification; Material Adverse Effect.* The Company is a corporation duly incorporated and existing in good standing under the laws of the State of Delaware and has the requisite corporate power to own its properties and to carry on its business as now being conducted. The Company is duly qualified as a foreign corporation to do business and is in good standing in every jurisdiction in which the nature of the business conducted or property owned by it makes such qualification necessary other than those in which the failure so to qualify would not have a Material Adverse Effect. “**Material Adverse Effect**” means any adverse effect on the business, operations, properties, prospects or financial condition of the Company and its subsidiaries, if any, and which is (either alone or together with all other adverse effects) material to the Company and its subsidiaries.

(b) *Authorization; Enforcement.* (i) The Company has all requisite corporate power and authority to enter into and perform this Agreement, the Notes, the Warrants, the Amended and Restated Registration Rights Agreement, the Amended and Restated Security Agreement, the provisions of Section 1.6 hereof, and any other agreements or documents delivered by the Company at the Closing (“**Transaction Documents**”) and to issue the Notes and Warrants in accordance with the terms hereof, (ii) the execution and delivery of the Transaction Documents by the Company and the consummation by it of the transactions contemplated hereby and thereby, including the issuance of the Notes, have been duly authorized by all necessary corporate action, and no further consent or authorization of the Company or its Board of Directors (or any committee or subcommittee thereof) or stockholders is required, (iii) the Transaction Documents have been duly executed and delivered by the Company, (iv) the Transaction Documents constitute valid and binding obligations of the Company enforceable against the Company, except as such enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium, liquidation or similar laws relating to, or affecting generally the enforcement of creditors’ rights and remedies or by other equitable principles of general application, and (v) the Warrant Shares and the Conversion Shares have been duly authorized and, upon issuance thereof and payment therefor in accordance with the terms of the Warrants and the Notes, as the case may be, will be validly issued, fully paid and non-assessable, free and clear of any and all liens, claims and encumbrances.

(c) *No Conflicts.* The execution, delivery and performance of the Transaction Documents by the Company and the consummation by the Company of the transactions contemplated hereby and thereby and issuance of the Notes, the Conversion Shares, the Warrants and the Warrant Shares will not (i) result in a violation of the Certificate of Incorporation; (ii) conflict with, or constitute a default (or an event which with notice or lapse of time or both would become a default) under, or give to others any rights of termination, amendment, acceleration or cancellation of, any agreement, indenture or instrument to which the Company or any of its subsidiaries is a party, or (iii) to the Company’s knowledge result in a violation of any law, rule, regulation, order, judgment or decree (including United States federal

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and state securities laws) applicable to the Company or any of its subsidiaries or by which any property or asset of the Company or any of its subsidiaries is bound or affected, except in the case of clause (ii), such conflicts that would not have a Material Adverse Effect.

(d) *SEC Documents.* Since December 31, 2004, the Company has filed all reports, schedules, forms, statements and other documents required to be filed by it with the SEC pursuant to the reporting requirements of the Securities Exchange Act of 1934, as amended (the “**1934 Act**”) (all of the foregoing filed prior to the date hereof and all exhibits included therein and financial statements and schedules thereto and documents incorporated by reference therein being hereinafter referred to as the “**SEC Documents**”). To the Company’s knowledge, as of their respective dates and except as provided in Item 9A of the Form 10-K/A filed by the Company on May 10, 2005, the SEC Documents complied in all material respects with the requirements of the 1934 Act and the rules and regulations of the SEC promulgated thereunder applicable to the SEC Documents, and none of the SEC Documents, at the time they were filed with the SEC, contained any untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading.

(e) *No Contemplated Bankruptcy.* On the date hereof, the Company does not contemplate and has no knowledge of any person contemplating the filing of any petition against the Company or any subsidiary under any federal or state bankruptcy, insolvency, receivership or other such law. The Company does not intend to, and does not believe that it will, incur debts and liabilities (including, among other things, contingent liabilities and other commitments) beyond its ability to pay such debts as they mature (taking into account the timing and amounts to be payable on or in respect of obligations of Company). The execution, delivery, observance, performance and fulfillment of Company’s obligations and duties under this Agreement will not render the Company insolvent or unable to pay its debts as they become due. The Company has (a) not entered into the transactions contemplated by this Agreement with the actual intent to hinder, delay, or defraud any creditor and (b) received reasonably equivalent value in exchange for its obligations under this Agreement.

Section 2.2 Representations and Warranties of the Purchasers. Each Purchaser (severally and not jointly) hereby makes the following representations and warranties to the Company as of the date hereof and the Closing Date:

(a) *Accredited Investor Status; Sophisticated Purchaser.* The Purchaser is an “accredited investor” as that term is defined in Rule 501(a) of Regulation D under the Securities Act of 1933, as amended (the “**1933 Act**”). The Purchaser has such knowledge and experience in financial and business matters that the Purchaser is capable of evaluating the merits and risks of the purchase of the Notes, the Conversion Shares, the Warrants and the Warrant Shares. The Purchaser is not registered as a broker or dealer under Section 15(a) of the 1934 Act, affiliated with any broker or dealer registered under Section 15(a) of the 1934 Act, or a member of the National Association of Securities Dealers, Inc.

(b) *Information.* The Purchaser and its advisors, if any, have been furnished with all materials relating to the business, finances and operations of the Company which have been requested and materials relating to the offer and sale of the Notes, the

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Conversion Shares, the Warrants and the Warrant Shares, which have been requested by the Purchaser. The Purchaser and its advisors, if any, have been afforded the opportunity to ask questions of the Company. The Purchaser acknowledges that (i) Purchaser has been provided with and has reviewed copies of the following filings made by the Company with the Securities and Exchange Commission: Form 10-Q filed on May 16, 2005, Form 10-K filed on March 30, 2005 (as amended on May 5, 2005), Form 8-K filed on May 10, 2005, Form 8-K filed on April 15, 2005, and Form 8-K filed on June 16, 2005; and (ii) Purchaser's purchase of the Notes, Warrants, and (if applicable) the Conversion Shares and the Warrant Shares involves a high degree of risk and that Purchaser may never recover Purchaser's investment in these securities.

(c) *Investment Representation.* The Purchaser is purchasing the Note and the Warrant for the Purchaser's own account and not with a view to distribution in violation of any securities laws. The Purchaser has been advised and understands that neither the Note, the Warrant, the Conversion Shares nor the Warrant Shares have been registered under the 1933 Act or under the "blue sky" laws of any jurisdiction and may be resold only if registered pursuant to the provisions of the 1933 Act or if an exemption from registration is available, except under circumstances where neither such registration nor such an exemption is required by law. The Purchaser has been advised and understands that the Company, in issuing the Notes and the Warrants, is relying upon, among other things, the representations and warranties of the Purchaser contained in this Section 2.2 in concluding that such issuance is a "private offering" and is exempt from the registration provisions of the 1933 Act.

(d) *Rule 144.* The Purchaser understands that there is no public trading market for the Note or Warrant, that none is expected to develop, and that the Note and Warrant must be held indefinitely unless and until such Note and the Warrant, or if applicable, the Warrant Shares and Conversion Shares, are registered under the 1933 Act or an exemption from registration is available. The Purchaser has been advised or is aware of the provisions of Rule 144 promulgated under the 1933 Act.

ARTICLE III

Covenants and Acknowledgments

Section 3.1 Prohibition on Net Short Positions. From and including the date of this Agreement, the Purchaser agrees that such Purchaser shall not maintain a Net Short Position. "**Net Short Position**" shall mean that the aggregate number of shares of Common Stock held in a short position by such Purchaser exceeds the sum of (i) the number of shares of Common Stock owned by such Purchaser, plus (ii) the number of Warrant Shares or Conversion Shares issuable to such Purchaser.

Section 3.2 Senior Status of Notes. Beginning on the date of this Agreement and for so long as any Notes remain outstanding, neither the Company nor any subsidiary of the Company shall, without the prior written consent of Purchasers holding a majority of the aggregate outstanding Principal Amount of the Notes, incur or otherwise become liable with respect to any indebtedness that would rank senior or *pari passu* to the Notes in order of payment, except that (i) indebtedness and obligations in existence on the date hereof and trade payables incurred in the ordinary course of business shall not be required to be subordinated to the Notes, and the Company may pay such obligations and payables as

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they become due, (ii) the Notes shall be subordinate to the Company's and its subsidiaries' outstanding debt to Kookmin Bank and the July 2007 Notes, (iii) the Company shall be permitted to incur secured indebtedness used solely to finance the purchase or lease of assets (provided that such debt may only be secured by the purchased or leased assets and not by any other assets of the Company) and shall be permitted to pay such indebtedness as it becomes due, (iv) the Notes shall be subordinate to, and the Company shall be permitted to incur, any indebtedness from any loan that replaces or refinances the Company's remaining outstanding balance under its existing credit facility with Kookmin Bank, provided that the amount of such indebtedness does not exceed such remaining outstanding balance, and (v) the Notes shall be subordinate to, and the Company shall be permitted to incur, any indebtedness under a Qualified Credit Facility. For purposes hereof, a "Qualified Credit Facility" shall mean any secured or unsecured credit facility that the Company may obtain after the date hereof from a lender that makes commercial loans or extends commercial credit facilities in the ordinary course of its business which is secured by inventory and/or accounts receivable, provided that the amount of such indebtedness thereunder shall not exceed fifty percent (50%) of the fair market value of eligible inventory (in the case of a loan based on and secured by inventory) plus eighty percent (80%) of eligible accounts receivable (in the case of a loan based on and secured by accounts receivable). Purchaser hereby agrees to execute any acknowledgment or sign any reasonable subordination agreement evidencing the fact that the Notes are subordinate to such a credit facility in all respects, including right of payment and security.

Section 3.3 Acknowledgments by all Purchasers. Each Purchaser hereby agrees that the issuance of Notes pursuant to this Agreement in exchange for the July 2005 Notes and June 2006 Notes, or the redemption of July 2005 Notes or July 2007 Notes pursuant to Section 1.6 above, shall constitute full and complete satisfaction of such July 2005 Notes, June 2006 Notes, or July 2007 Notes (or the portion of such notes being redeemed, as applicable), and except for the payment of accrued and unpaid interest on such notes through the date of Closing, each such Purchaser hereby irrevocably waives and releases the Company from any breach or default under such notes occurring on or prior to the date of Closing.

Section 3.4 Further Acknowledgment by Holders of July 2007 Notes. Each Purchaser that will, immediately after the Closing, continue to hold any July 2007 Notes hereby acknowledges and agrees that (i) it shall not be a violation of Section 2 of the July 2007 Notes or Section 3.12 of the July 2004 Note Exchange Agreement or Winvest Note Exchange Agreement for the Company to issue the Notes pursuant to this Agreement and pay interest thereon in accordance with the terms of the Notes, (ii) the exceptions set forth in clause (v) of Section 3.2 above and the two sentences following such clause shall apply to the July 2007 Notes, and the holders of the July 2007 Notes shall be subject to the exception and covenants set forth therein, and (iii) except for the payment of accrued and unpaid interest on the July 2007 Notes through the date of Closing, each such Purchaser hereby irrevocably waives and releases the Company from any breach or default under the July 2007 Notes occurring on or prior to the date of Closing. Each such Purchaser agrees that it will not transfer or assign any July 2007 Note to any third party unless the transferee of such note unconditionally and irrevocably acknowledges and agrees in writing to the terms of this Section 3.4 and such written acknowledgment and agreement is delivered to the Company.

Section 3.5 Company Acknowledgement. The Company hereby acknowledges that each Purchaser is purchasing the Notes and Warrants separately and independently from each other Purchaser and that the failure of any Purchaser to enforce a right under this Agreement or under such Purchaser's

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Note shall not affect the rights of any other Purchaser under this Agreement or under such other Purchaser's Note..

ARTICLE IV

Legend and Stock

Upon payment therefor as provided in this Agreement, the Company will issue the Note in the name the Purchaser or its designees and in such denominations to be specified by the Purchaser prior to (or from time to time subsequent to) Closing. The Note and Warrant and any certificate representing Conversion Shares or Warrant Shares issued upon conversion or exercise thereof, prior to such Conversion Shares or Warrant Shares being registered under the 1933 Act for resale or available for resale under Rule 144 under the 1933 Act, shall be stamped or otherwise imprinted with a legend in substantially the following form:

THESE SECURITIES HAVE NOT BEEN REGISTERED FOR OFFER OR SALE UNDER THE SECURITIES ACT OF 1933 OR ANY STATE SECURITIES LAWS. THEY MAY NOT BE SOLD OR OFFERED FOR SALE EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER SAID ACT AND ANY APPLICABLE STATE SECURITIES LAW OR AN APPLICABLE EXEMPTION FROM SUCH REGISTRATION REQUIREMENTS.

The Company agrees to reissue the Note, Conversion Shares and Warrant Shares without the legend set forth above, at such time as (i) the holder thereof is permitted to dispose of securities pursuant to Rule 144(k) under the 1933 Act, or (ii) such securities are sold to a purchaser or purchasers who (in the opinion of counsel to the seller or such purchaser(s), in form and substance reasonably satisfactory to the Company and its counsel) are able to dispose of such shares publicly without registration under the 1933 Act, or (iii) such securities have been registered under the 1933 Act.

ARTICLE V

Governing Law; Miscellaneous

Section 5.1 Governing Law. THIS AGREEMENT SHALL BE GOVERNED BY AND INTERPRETED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK WITHOUT REGARD TO THE PRINCIPLES OF CONFLICT OF LAWS.

Section 5.2 Counterparts. This Agreement may be executed in two or more identical counterparts, all of which shall be considered one and the same agreement and shall become effective when counterparts have been signed by each party and delivered to the other party; provided that a facsimile signature shall be considered due execution and shall be binding upon the signatory thereto with the same force and effect as if the signature were an original, not a facsimile signature.

Section 5.3 Headings. The headings of this Agreement are for convenience of reference and shall not form part of, or affect the interpretation of, this Agreement.

Section 5.4 Severability. If any provision of this Agreement shall be invalid or unenforceable in any jurisdiction, such invalidity or unenforceability shall not affect the validity or enforceability of the

remainder of this Agreement in that jurisdiction or the validity or enforceability of any provision of this Agreement in any other jurisdiction.

Section 5.5 Entire Agreement; Amendments; Waivers. This Agreement supersedes all other prior oral or written agreements between the Purchaser, the Company, their affiliates and persons acting on their behalf with respect to the matters discussed herein, and this Agreement and the instruments referenced herein (including the other Transaction Documents) contain the entire understanding of the parties with respect to the matters covered herein and therein and, except as specifically set forth herein or therein, neither the Company nor the Purchaser makes any representation, warranty, covenant or undertaking with respect to such matters. In addition:

A. The provisions of this Agreement may from time to time be amended, modified or waived, if such amendment, modification or waiver is in writing and consented to by the Company and the Purchasers holding not less than 50% in principal amount of the Notes then outstanding (the "**Required Holders**"); provided, however, that no such amendment, modification or waiver which would (i) modify this Section 5.5, or (ii) reduce the principal amount or any amounts payable under the Notes or (iv) not be uniform and non-discriminatory as to any particular Purchaser, shall be made without the consent of the Purchaser so affected.

B. Except as provided herein, no failure or delay on the part of the Purchaser in exercising any power or right under this Agreement shall operate as a waiver thereof, nor shall any single or partial exercise of any such power or right preclude any other or further exercise thereof or the exercise of any other power or right. No notice or demand on the Company in any case shall entitle it to any notice or demand in similar or other circumstances. No waiver or approval by the Purchaser shall, except as may be otherwise stated in such waiver or approval, be applicable to subsequent transactions. No waiver or approval hereunder shall require any similar or dissimilar waiver or approval thereafter to be granted hereunder.

Section 5.6 Notices. Any notices, consents, waivers or other communications required or permitted to be given under the terms of this Agreement must be in writing, must be delivered by (i) courier, mail or hand delivery or (ii) facsimile, and will be deemed to have been delivered upon receipt. The addresses and facsimile numbers for such communications shall be:

If to the Company:

Liquidmetal Technologies, Inc.
25800 Commercentre Dr., Suite 100

Lake Forest, California 92630
Telephone: (949) 206-8002
Fax: (949) 206-8008
Attention: John Kang, President

With a copy to:

Foley & Lardner LLP
100 North Tampa Street, Suite 2700

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Tampa, Florida 33602
Telephone: (813) 229-2300
Facsimile: (813) 221-4210
Attention: Curt P. Creely

If to the Transfer Agent:

American Stock Transfer & Trust Company
59 Maiden Lane
Plaza Level
New York, New York 10039
Telephone: (718) 921-8124
Facsimile: (718) 236-2641
Attention: Joe Wolf

If to the Purchasers, to the addresses listed on Schedule I hereto:

Each party shall provide five (5) days prior written notice to the other party of any change in address, telephone number or facsimile number. Written confirmation of receipt (A) given by the recipient of such notice, consent, waiver or other communication, (B) mechanically or electronically generated by the sender's facsimile machine containing the time, date, recipient facsimile number and an image of the first page of such transmission or (C) provided by a nationally recognized overnight delivery service, shall be rebuttable evidence of personal service, receipt by facsimile or receipt from a nationally recognized overnight delivery service in accordance with clause (i), (ii) or (iii) above, respectively.

Section 5.7 Successors and Assigns. Except as otherwise provided herein, this Agreement shall be binding upon and inure to the benefit of the parties and their respective successors and assigns, including any permitted assignee of the Note and Warrant. The Purchaser may assign some or all of its rights hereunder to any permitted assignee of the Note or Warrant; provided, however, that any such assignment shall not release the Purchaser from its obligations hereunder unless such obligations are assumed by such assignee and the Company has consented to such assignment and assumption.

Section 5.8 Further Assurances. Each party shall do and perform, or cause to be done and performed, all such further acts and things, and shall execute and deliver all such other agreements, certificates, instruments and documents, as the other party may reasonably request in order to carry out the intent and accomplish the purposes of this Agreement and the consummation of the transactions contemplated hereby.

Section 5.9 Days. Unless the context refers to "business days" or "Trading Days", all references herein to "days" shall mean calendar days. "Trading Day" shall mean a day on which there is trading on the market or exchange on which the Common Stock is then principally traded, listed, or quoted.

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IN WITNESS WHEREOF, the parties hereto have caused this Securities Purchase Agreement to be duly executed as of the date and year first above written.

COMPANY:

LIQUIDMETAL TECHNOLOGIES, INC.

By: /s/ John Kang
John Kang,
President and Chief Executive Officer

Signatures of Purchasers on following page(s)

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TO SECURITIES PURCHASE AGREEMENT
DATED AUGUST 2, 2005,
AMONG LIQUIDMETAL TECHNOLOGIES, INC.
AND THE "PURCHASERS" IDENTIFIED THEREIN

The undersigned hereby executes and delivers the Securities Purchase Agreement to which this Signature Page is attached, which, together with all counterparts of the Securities Purchase Agreement and Signature Pages of the Company and other "Purchasers" under the Securities Purchase Agreement, shall constitute one and the same document in accordance with the terms of the Securities Purchase Agreement.

PURCHASER: Jess S. Morgan & Co., Inc.
By: /s/ Gary Levenstein
Name: Gary Levenstein
Title: President, Investment Division Jess S. Morgan & Co., Inc.

PURCHASER: Prana, LLC
By: /s/ Renee Vallese
Name: Renee Vallese
Title: Managing Director

PURCHASER: Rodd Friedman
By: /s/ Rodd Friedman
Name: Rodd Friedman
Title: N/A

PURCHASER: Bruce Rosen
By: /s/ Bruce Rosen
Name: Bruce Rosen
Title: N/A

PURCHASER: Caydal, LLC
By: /s/ Kevin Daly
Name: Kevin Daly
Title: Managing Member

PURCHASER: Marlin Fund, LP
By: /s/ Michael W. Masters
Name: Michael W. Masters
Title: Managing Member of the General Partner

PURCHASER: Marlin Fund II, LP
By: /s/ Michael W. Masters
Name: Michael W. Masters
Title: Managing Member of the General Partner

PURCHASER: Marlin Fund Offshore, Ltd.
By: /s/ Michael W. Masters
Name: Michael W. Masters
Title: Managing Member of the Investment Manager

PURCHASER: Larry Bouts
By: /s/ Larry Bouts
Name: Larry Bouts
Title: N/A

PURCHASER: Really Cool Group Ltd.
By: /s/ J. Segal
Name: J. Segal
Title: Director

PURCHASER: Myron Neugeboren
By: /s/ Myron Neugeboren
Name: Myron Neugeboren
Title: N/A

PURCHASER: Jonas Brachfeld
By: /s/ Jonas Brachfeld
Name: Jonas Brachfeld
Title: N/A

PURCHASER: Greg Osborn
By: /s/ Greg Osborn

Name: Greg Osborn
Title: N/A

PURCHASER: Richard Molinsky
By: /s/ Richard Molinsky
Name: Richard Molinsky
Title: N/A

PURCHASER: Richard and Joanne Kane
By: /s/ Richard Kane and Joanne Kane
Name: Richard Kane and Joanne Kane
Title: N/A

PURCHASER: Ricardo A. Salas
By: /s/ Ricardo A. Salas
Name: Ricardo A. Salas
Title: N/A

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PURCHASER: Wry Ltd.
By: /s/ J. Segal
Name: J. Segal
Title: Director

PURCHASER: Keith Barksdale
By: /s/ Keith Barksdale
Name: Keith Barksdale
Title: N/A

PURCHASER: Winvest Venture Partners Inc.
By: /s/ Chang Ki Cho
Name: Chang Ki Cho
Title: President and CEO

PURCHASER: Eric Brachfeld
By: /s/ Eric Brachfeld
Name: Eric Brachfeld
Title: N/A

PURCHASER: Edward Neugeboren
By: /s/ Edward Neugeboren
Name: Edward Neugeboren
Title: N/A

PURCHASER: Dolphin Offshore Partners, LP
By: /s/ Peter E. Salas
Name: Peter E. Salas
Title: General Partner

PURCHASER: Harvard Developments, Inc.
By: /s/ Arden Giesbrecht and Terry Downie
Name: Arden Giesbrecht and Terry Downie
Title: Controller and VP, Finance (respectively)

PURCHASER: Echo Capital Growth Corporation
By: /s/ Paul J. Hill
Name: Paul J. Hill
Title: President

PURCHASER: Terrence L. Mealy
By: /s/ Terrence L. Mealy
Name: Terrence L. Mealy
Title: Self

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PURCHASER: Shinnston Enterprises, Ltd.
By: /s/ James K. Murray Jr.
Name: James K. Murray Jr.

Title: Limited Partner

PURCHASER: Shea Diversified Investments, Inc.

By: /s/ Ronald Lakey

Name: Ron Lakey

Title: Assistant Secretary

PURCHASER: Commonwealth Associates, LP

By: /s/ Robert A. O'Sullivan

Name: Robert A. O'Sullivan

Title: CEO and President

PURCHASER: Neal I. Goldman

By: /s/ Neal I. Goldman

Name: Neal I. Goldman

Title: N/A

PURCHASER: LBJ Holdings, LLC

By: HSP Group, Inc. (Its Manager)

By: /s/ Brian Potiker

Name: Brian Potiker

Title: Vice President

PURCHASER: John D. Stout

By: /s/ John D. Stout

Name: John D. Stout

Title: Individually

PURCHASER: MicroCapital Fund Ltd.

By: /s/ Christopher P. Swenson

Name: Christopher P. Swenson

Title: Vice President

PURCHASER: MicroCapital Fund LP

By: /s/ Christopher P. Swenson

Name: Christopher P. Swenson

Title: Vice President

PURCHASER: Journeys End Partners, LLC

By: /s/ Gerald B. Cramer

Name: Gerald B. Cramer

Title: Manager

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PURCHASER: Wynnefield Partners Small Cap Value, LP

By: /s/ Nelson Obus

Name: Nelson Obus

Title: Managing Member

PURCHASER: Wynnefield Partners Small Cap Value, LP I

By: /s/ Nelson Obus

Name: Nelson Obus

Title: Managing Member

PURCHASER: Wynnefield Small Cap Value Offshore Fund, Ltd.

By: /s/ Nelson Obus

Name: Nelson Obus

Title: President

PURCHASER: Min Capital Corp Retirement Trust

By: /s/ Robert Friedman

Name: Robert Friedman

Title: Trustee

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EXHIBIT A

Form of Note

(See Exhibit 10.2)

EXHIBIT B

Form of Warrant

(See Exhibit 10.3)

EXHIBIT C

Form of Amended and Restated Registration Rights Agreement

(See Exhibit 10.4)

EXHIBIT D

Form of Amended and Restated Security Agreement

(See Exhibit 10.5)

SCHEDULE I

Purchaser Name and Address	Principal Amount of Notes					Cash Paid at Closing to Purchasers			
	Cash	July 2005 Notes	June 2006 Notes	Accrued Interest*	Accrued Registration Fee	TOTAL	Redemption of Notes	Accrued Interest	Accrued Registration Fee
Jess S. Morgan & Co. Inc. 16830 Ventura Blvd, Ste 411 Encino, CA 91436	0.00	617,500.00	996,000.00	83,776.66	222,300.00	1,919,576.66	20,000.00	1,976.90	5,760.00
Prana 8491 Sunset Blvd., Suite 415 Los Angeles, CA 90069-1911	0.00	100,000.00	—	12,000.00	36,000.00	148,000.00	—	133.33	—
DKR Soundshore Oasis Holding Fund Ltd. 1281 East Main Street Stamford, CT 06902 Attn: Dan Saks	0.00	—	—	—	—	—	475,000.00	57,633.33	171,000.00
Rodd Friedman 93 Hillspoint Road Westport, CT 06880	0.00	100,500.00	—	12,194.00	36,180.00	148,874.00	—	—	—
Bear Stearns f/b/o Rosen Capital LP M/P/P Plan and Bruce Rosen TTEE 1365 York Avenue Apt. 34B New York, NY 10021	0.00	—	—	—	—	—	49,500.00	6,006.00	17,820.00
Caydal, LLC 90 Madison Street, Suite 301 Denver, CO 80206	0.00	—	—	—	—	—	50,000.00	6,066.67	18,000.00
Marlin Fund, LP 3060 Peachtree Road, NW Suite 1815 Atlanta, GA 30305	0.00	—	—	—	—	—	290,250.50	35,217.06	104,490.18
Marlin Fund II, LP 3060 Peachtree Road, NW Suite 1815 Atlanta, GA 30305	0.00	—	—	—	—	—	54,000.00	6,552.00	19,440.00
Marlin Fund Offshore, Ltd. c/o Hemisphere Management (B.V.I.) Limited Bison Court P.O. Box 3460 Road Town Tortola British Virgin Islands	0.00	—	—	—	—	—	330,750.50	40,131.06	119,070.18
Larry Bouts 140 Delaware Lane Franklin Lakes, NJ 07417	0.00	—	—	—	—	—	25,000.00	3,033.33	9,000.00
Really Cool Group Ltd. The Metropole Roseville Street St. Helier, Jersey Channel Islands, UK	0.00	—	—	—	—	—	100,000.00	12,133.33	36,000.00
Myron Neugeboren 199 Wells Hill Road Lakeville, CT 06039	0.00	24,000.00	—	—	—	24,000.00	—	2,912.00	8,640.00

450 Seventh Avenue, Suite 509 New York, NY 10123	550,000.00	—	—	—	—	550,000.00	—	—	—
Wynnefield Small Cap Value Offshore Fund, Ltd. 450 Seventh Avenue, Suite 509 New York, NY 10123	530,000.00	—	—	—	—	530,000.00	—	—	—
Min Capital Corp Retirement Trust 27110 Grand Central Pky, Apt 4c Floral Park, NY 11005	150,000.00	—	—	—	—	150,000.00	—	—	—

*These investors elected to be paid certain accrued interest in the form of Notes.

**Not a signatory to this Agreement.

THESE SECURITIES HAVE NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION IN RELIANCE UPON AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND, ACCORDINGLY, MAY NOT BE OFFERED OR SOLD EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OR PURSUANT TO AN AVAILABLE EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT.

THIS NOTE DOES NOT REQUIRE PHYSICAL SURRENDER OF THE NOTE IN THE EVENT OF A PARTIAL REDEMPTION. AS A RESULT, FOLLOWING ANY REDEMPTION OF ANY PORTION OF THIS NOTE, THE OUTSTANDING PRINCIPAL AMOUNT REPRESENTED BY THIS NOTE MAY BE LESS THAN THE PRINCIPAL AMOUNT AND ACCRUED INTEREST SET FORTH BELOW.

7% SENIOR SECURED CONVERTIBLE NOTE

OF

LIQUIDMETAL TECHNOLOGIES, INC.

Note No.: D-
Issuance Date: August 2, 2005

Original Principal Amount: \$
Lake Forest, California

THIS NOTE (this "Note") is one of a duly authorized issue of Notes issued by LIQUIDMETAL TECHNOLOGIES, INC., a corporation duly organized and existing under the laws of the State of Delaware (the "Company"), designated as the Company's 7% Senior Secured Convertible Note in an aggregate principal amount of up to Fifteen Million U.S. Dollars (U.S. \$15,000,000.00) (the "Notes"). All principal and unpaid interest under this Note shall become due and payable on August 2, 2007 (the "Maturity Date").

FOR VALUE RECEIVED, the Company hereby promises to pay to the order of _____, or its registered assigns or successors-in-interest ("Holder"), the principal sum of _____ (U.S. \$ _____) together with all accrued but unpaid interest thereon, if any, on the Maturity Date, in accordance with the terms hereof. Interest on the unpaid principal balance hereof shall accrue at the rate of 7.0% per annum from the issuance date specified above (the "Issuance Date"), until the same becomes due and payable on the Maturity Date, or such earlier date upon acceleration in accordance with the terms hereof or of the other Transaction Documents. Interest on this Note shall accrue daily commencing on the Issuance Date and shall be computed on the basis of a 360-day year, 30-day months and actual days elapsed and shall be payable in accordance with Section 1 hereof. Notwithstanding anything to the contrary contained herein, this Note shall bear interest on the due and unpaid Principal Amount from and after the occurrence and during the continuance of an Event of Default pursuant to Section 3(a), at the rate (the "Default Rate") equal to the lower of fourteen percent (14%) per annum or the highest rate permitted by law. Unless otherwise agreed or required by applicable law, payments will be applied first to any unpaid collection costs, then to unpaid interest and fees and any remaining amount to principal.

Except as otherwise provided herein, all payments of principal and interest on this Note shall be made in lawful money of the United States of America by wire transfer of immediately available funds to such account as the Holder may from time to time designate by written notice in accordance with the

provisions of this Note. This Note may be prepaid in whole or in part at any time without penalty. Whenever any amount expressed to be due by the terms of this Note is due on any day which is not a Business Day (as defined below), the same shall instead be due on the next succeeding day which is a Business Day.

Capitalized terms used herein and not otherwise defined shall have the meanings set forth in the Securities Purchase Agreement dated on or about the Issuance Date pursuant to which the Note was originally issued (the "Purchase Agreement"). For purposes hereof the following terms shall have the meanings ascribed to them below:

"Business Day" shall mean any day other than a Saturday, Sunday or a day on which commercial banks in the City of New York are authorized or required by law or executive order to remain closed.

"Conversion Price" shall be \$2.00 (U.S.) per share, as adjusted as set forth herein.

"Convertible Securities" means any convertible securities, warrants, options or other rights to subscribe for or to purchase or exchange for, shares of Common Stock.

"Debt" shall mean indebtedness of any kind.

"Exchange Act" shall mean the Securities Exchange Act of 1934, as amended.

"Per Share Selling Price" shall include the amount actually paid by third parties for each share of Common Stock in a sale or issuance by the Company. A sale of shares of Common Stock shall include the sale or issuance of rights, options, warrants or convertible, exchangeable or exercisable securities, issued or sold on or subsequent to the Issuance Date, under which the Company is or may become obligated to issue shares of Common Stock, and in such circumstances the Per Share Selling Price of the Common Stock covered thereby shall also include the exercise, exchange or conversion price thereof. If shares are issued for a consideration other than cash, the Per Share Selling Price shall be the fair market value of such consideration as determined in good faith by the board of directors of the Company.

"Principal Amount" shall refer to any unpaid principal amounts outstanding under this Note.

"Principal Market" shall mean the principal market, exchange, or quotation service on which the Common Stock is then listed or quoted for trading.

“**Registration Statement**” shall have the meaning set forth in the Amended and Restated Registration Rights Agreement.

“**Securities Act**” shall mean the Securities Act of 1933, as amended.

“**Trading Day**” shall mean a day on which there is trading on the Principal Market.

“**Underlying Shares**” means the shares of Common Stock into which this Note is convertible in accordance with the terms hereof.

The following terms and conditions shall apply to this Note:

Section 1. Payments of Principal and Interest.

(a) **Interest Payments.** The Company shall pay all accrued but unpaid interest on the Principal Amount of this Note (the “**Quarterly Amount**”), on the first business day of each consecutive calendar quarter (each an “**Interest Payment Date**”) beginning on October 1, 2005. The Quarterly Amount shall be paid in cash.

(b) **Payment of Principal.** Subject to the provisions hereof, the Principal Amount of this Note and all remaining accrued and unpaid interest shall be due and payable on the Maturity Date. Payment of the Principal Amount shall be effected in cash.

(c) **Taxes.** The Company may withhold and pay over to the relevant authorities any appropriate tax or other legally required withholdings from any interest payment to be made to the Holder to the extent that such withholding is required by the Internal Revenue Code or any other applicable law, rule, or regulation.

(d) **Security.** This Note is secured by a security interest in certain assets of the Company pursuant to that certain Amended and Restated Security Agreement, dated of even date herewith, among the Company, the Holder, and the other “**Purchasers**” under the Purchase Agreement.

Section 2. Seniority. The obligations of the Company hereunder shall rank senior to all other Debt of the Company, whether now or hereinafter existing, except as and to the extent set forth in Section 3.2 of the Purchase Agreement.

Section 3. Defaults and Remedies.

(a) **Events of Default.** An “**Event of Default**” is: (i) a default in payment of the Principal Amount, when due, or failure to pay any accrued but unpaid interest thereon of the Note within five (5) days after the date such interest payment is due; (ii) a default in the timely issuance of the Underlying Shares upon and in accordance with the terms hereof (where for purposes of this Note, the term timely shall mean within ten (10) days following the conversion date) (iii) failure by the Company for thirty (30) days after written notice has been received by the Company to comply with any other material provision of the Note, the Purchase Agreement or the Transaction Documents, (iv) a material breach by the Company of its representations or warranties in the Purchase Agreement or Transaction Documents that remains uncured for thirty (30) business days after notice to the Company; (v) any event or condition shall occur which (x) results in the acceleration of the maturity of any material long-term debt (other than the Note) of the Company or any of its subsidiaries, or (y) enables (or, with the giving of notice or lapse of time or both, would enable) the holder of such material long-term debt or any or person acting on behalf of such holder’s behalf to accelerate the maturity thereof, or (vi) if the Company or any of its subsidiaries is subject to any Bankruptcy Event. “**Bankruptcy Event**” means any of the following events: (a) the Company or any subsidiary commences a case or other proceeding under any bankruptcy, reorganization, arrangement, adjustment of debt, relief of debtors, dissolution, insolvency or liquidation or similar law of any jurisdiction relating to the Company or any subsidiary thereof; (b) there is commenced against the Company or any subsidiary any such case or proceeding that is not dismissed within 30 days after commencement; (c) the Company or any subsidiary is adjudicated

insolvent or bankrupt or any order of relief or other order approving any such case or proceeding is entered; (d) the Company or any subsidiary suffers any appointment of any custodian or the like for it or any substantial part of its property that is not discharged or stayed within 30 days; (e) the Company or any subsidiary makes a general assignment for the benefit of creditors; (f) the Company or any subsidiary, by any act or failure to act, expressly indicates its consent to, approval of or acquiescence in any of the foregoing or takes any corporate or other action for the purpose of effecting any of the foregoing.

(b) **Remedies.** If an Event of Default occurs and is continuing with respect to this Note, the Holder may declare all of the then outstanding Principal Amount of this Note, including any interest due thereon, to be due and payable immediately. The Company shall pay interest on such amount in cash at the Default Rate to the Holder if such amount is not paid within two (2) days of Holder’s request. The remedies under this Note shall be cumulative.

Section 4. Covenants. The Company hereby covenants and agrees that, for so long as any Notes remain outstanding, unless the Purchasers shall otherwise consent in writing, the Company shall not, and shall not permit any subsidiary to, directly or indirectly after the date hereof (a) create, assume, or otherwise become or remain obligated in respect of, or permit or suffer to exist or to be created, assumed or incurred or to be outstanding any indebtedness, other than as permitted in Section 3.2 of the Purchase Agreement, (b) assign, transfer, encumber or otherwise dispose of Collateral (as defined in that certain Amended and Restated Security Agreement, dated August 2, 2005 between the Company, the Agent and the Investors (as defined therein) (the “**Security Agreement**”)), except as permitted under Section 5(a) of the Security Agreement; (c) guaranty or become surety for the obligations of any other person, other than any guaranty or surety with respect to the obligations of a subsidiary of the Company or any guaranty or surety made in the ordinary course of the Company’s business, provided that such guaranty or surety does not exceed \$500,000 in the aggregate; (d) acquire (whether for cash, property, services, assumption of debt, securities or otherwise) any shares of capital stock, bonds, notes, debentures, time deposits or other securities of any other person, in excess of the aggregate amount of \$1.0 million over any rolling 12-month period; (e) purchase or otherwise acquire (whether for cash, property, services, assumption of debt, securities or otherwise) any Assets (defined below) in excess of the aggregate amount of \$3.0 million over any rolling 12-month period; (f) engage in or consummate any sale, purchase, merger or other transaction or series of transactions that would result in any person (including any syndicate or group deemed to be a “person” under Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934, as amended, or any successor provision) having (i) beneficial ownership, directly or indirectly, of more than 40% of the equity of the Company or (ii) the right to appoint or cause to be appointed a majority of new officers of the Company; or (g) engage in or consummate any consolidation of the Company with, or merger of the Company into, any other person,

any merger of another person into the Company, or any sale, lease or exchange of all or substantially all of the property and assets of the Company to another person. For purposes of this paragraph, the term "Assets" shall mean any capital assets or fixed assets, provided that such term shall not include inventory or other assets purchased in ordinary course of the Company's business.

Section 5. Conversion.

(a) Conversion by Holder. From and after the Issuance Date and subject to the terms hereof and restrictions and limitations contained herein, the Holder shall have the right, at Holder's

option, at any time and from time to time to convert, in part or in whole, the outstanding Principal Amount and all accrued and unpaid interest under this Note into shares of the Company's common stock, par value \$.001 per share ("**Common Stock**"), at the then applicable Conversion Price, by delivering to the Company a fully executed notice of conversion in the form of conversion notice attached hereto as Exhibit A (the "**Conversion Notice**"), which may be transmitted by facsimile (with the original mailed on the same date by certified or registered mail, postage prepaid and return receipt requested). The Conversion Notice shall specify a date for the conversion to be effective, which date shall be no earlier than the date on which the Conversion Notice is delivered (the "**Conversion Date**"), and the Conversion Notice shall be irrevocable when delivered.

(b) Conversion Procedures. Upon conversion of this Note pursuant to this Section 5, the outstanding Principal Amount hereunder shall be converted into such number of fully paid, validly issued and non-assessable shares of Common Stock, free of any liens, claims and encumbrances, as is determined by dividing the outstanding Principal Amount being converted by the then applicable Conversion Price and any accrued but unpaid interest shall be paid in cash. The Company will deliver to the Holder not later than three (3) Trading Days after the Conversion Date, a certificate or certificates which shall be free of restrictive legends and trading restrictions (assuming that the Registration Statement has been declared effective), representing the number of shares of Common Stock being acquired upon the conversion of this Note.

(c) Conversion Price Adjustments.

(i) Stock Dividends, Splits and Combinations. If the Company or any of its subsidiaries, at any time while the Note is outstanding (A) shall pay a stock dividend or otherwise make a distribution or distributions on any equity securities (including instruments or securities convertible into or exchangeable for such equity securities but excluding any stockholder rights granted pursuant to a poison pill) in shares of Common Stock, (B) subdivide outstanding Common Stock into a larger number of shares, (C) combine outstanding Common Stock into a smaller number of shares, or (D) issues new securities by reclassification of the shares of Common Stock of the Company, then, and in each such case, the Conversion Price in effect immediately prior to such event or the record date therefor, whichever is earlier, shall be adjusted so that the Holder shall be entitled to receive the number of shares of Common Stock or other securities of the Company which such Holder would have owned or have been entitled to receive after the occurrence of any of the events described above, had such Note been surrendered for conversion immediately prior to the occurrence of such event or record date therefore, whichever is earlier. Any adjustment made pursuant to this Section 5(c) shall become effective (x) in the case of any such dividend or distribution, immediately after the close of business on the record date for the determination of holders of shares of Common Stock entitled to receive such dividend or distribution, or (y) in the case of such subdivision, reclassification or combination, at the close of business on the day upon which such corporate action becomes effective.

(ii) Distributions. If the Company or any of its subsidiaries, at any time while the Note is outstanding, shall distribute to all holders of Common Stock evidences of its indebtedness or assets or cash or rights or warrants to subscribe for or purchase any security of the Company or any of its subsidiaries (excluding those referred to in Section 5(c)(i) above), then concurrently with such distributions to holders of Common Stock, the Company shall distribute to the Holder of this Note the amount of such indebtedness, assets, cash or rights or warrants which the Holder of this Note would

have received had this Note been converted into Common Stock at the then applicable the Conversion Price immediately prior to the record date for such distribution.

(iii) Common Stock Issuances. In the event that the Company or any of its subsidiaries on or subsequent to the Closing Date issues or sells any Common Stock or any Convertible Securities (other than (A) pursuant to warrants, convertible notes, or other Convertible Securities issued prior to the Issuance Date, (B) pursuant to warrants or convertible notes granted pursuant to the Purchase Agreement, (C) shares of Common Stock or options to purchase such shares issued to employees, consultants, officers or directors in accordance with stock plans approved by the Board of Directors, and shares of Common Stock issuable under options or warrants that are outstanding as of the date of the Purchase Agreement, (D) shares of Common Stock issued pursuant to a stock dividend, split or other similar transaction, except as provided for in paragraph 5(c)(i) hereof, and (E) shares of Common Stock issued at a price not less than the average closing price per share of Common Stock for the 5 Trading Days immediately preceding the date of issuance to Growell Metal Co., Ltd. pursuant to the Settlement Agreement, dated on or about January 10, 2004, between Growell Metal Co., Ltd. and the Company's South Korean subsidiary), at an effective Per Share Selling Price which is less than the Conversion Price in effect immediately prior to such issue or sale or record date, as applicable, then the Conversion Price shall be reduced effective concurrently with such issuance or sale to an amount determined by multiplying the Conversion Price then in effect by a fraction, (x) the numerator of which shall be the sum of (1) the number of shares of Common Stock outstanding immediately prior to such issuance or sale, plus (2) the number of shares of Common Stock which the aggregate consideration received by the Company for such additional shares would purchase at such Conversion Price, and (y) the denominator of which shall be the number of shares of Common Stock of the Company outstanding immediately after such issuance or sale. For the purposes of the foregoing adjustment, in the case of any Convertible Securities, the maximum number of shares of Common Stock issuable upon exercise, exchange or conversion of such Convertible Securities shall be deemed to be outstanding, provided that no further adjustment shall be made upon the actual issuance of Common Stock upon exercise, exchange or conversion of such Convertible Securities.

(iv) Rounding of Adjustments. All calculations under this Section 5(c) shall be made to the nearest cent or the nearest 1/100th of a share, as the case may be.

(v) Notice of Adjustments. Whenever the Conversion Price is adjusted pursuant to this Section 5(c), the Company shall promptly deliver to the Holder of this Note, a notice setting forth the Conversion Price after such adjustment and setting forth a brief statement of the facts requiring such adjustment, provided that any failure to so provide such notice shall not affect the automatic adjustment hereunder.

(vi) Fundamental Changes. In case any transaction or event (including, without limitation, any merger, consolidation, combination, recapitalization, sale of assets, tender or exchange offer, reclassification, compulsory share exchange or liquidation) shall occur in which all or substantially all outstanding shares of Common Stock are converted into or exchanged or acquired for or constitute the right to receive stock, or other securities, cash, property or assets (each, "**Fundamental Change**"), the Holder of this Note outstanding immediately prior to the occurrence of such Fundamental Change shall have the right upon any subsequent conversion to receive the kind and amount of stock,

other securities, cash, property or assets that such holder would have received if such share had been converted immediately prior to such Fundamental Change.

(vii) Further Adjustment. In the event that (a) this Note is not paid in full or converted within thirty (30) days after the Maturity Date, or (b) the Company breaches any of the covenants set forth in Section 4 hereof, the Conversion Price shall be recalculated such that for so long as this Note remains unpaid or such breach is occurring and remains uncured, as applicable, the Conversion Price shall be equal to the lower of the Conversion Price then in effect and the average closing price per share of Common Stock for the 5 Trading Days immediately preceding the date of conversion.

(d) Reservation and Issuance of Underlying Securities. The Company covenants that it will at all times reserve and keep available out of its authorized and unissued Common Stock solely for the purpose of issuance upon conversion of this Note, free from preemptive rights or any other actual contingent purchase rights of persons other than the Holder of this Note, not less than such number of shares of Common Stock as shall be issuable (taking into account the adjustments under this Section 5) upon the conversion of this Note hereunder in Common Stock. The Company covenants that all shares of Common Stock that shall be so issuable shall, upon issue, be duly authorized, validly issued, fully paid, nonassessable and freely tradeable.

(e) No Fractions. Upon a conversion hereunder the Company shall not be required to issue stock certificates representing fractions of shares of Common Stock, but may if otherwise permitted, make a cash payment in respect of any final fraction of a share based on the closing price of a share of Common Stock at such time. If the Company elects not, or is unable, to make such cash payment, the Holder shall be entitled to receive, in lieu of the final fraction of a share, one whole share of Common Stock.

(f) Charges, Taxes and Expenses. Issuance of certificates for shares of Common Stock upon the conversion of this Note (including repayment in stock) shall be made without charge to the holder hereof for any issue or transfer tax or other incidental expense in respect of the issuance of such certificate, all of which taxes and expenses shall be paid by the Company, and such certificates shall be issued in the name of the Holder or in such name or names as may be directed by the Holder; provided, however, that in the event certificates for shares of Common Stock are to be issued in a name other than the name of the Holder, this Note when surrendered for conversion shall be accompanied by an assignment form; and provided further, that the Company shall not be required to pay any tax or taxes which may be payable in respect of any such transfer.

(g) Cancellation. After all of the Principal Amount (including accrued but unpaid interest and default payments at any time owed on this Note) has been paid in full or converted into Common Stock, this Note shall automatically be deemed canceled and the Holder shall promptly surrender the Note to the Company at the Company's principal executive offices.

(h) Mandatory Conversion.

(i) If at any time after the Issuance Date, the closing per share price of the Common Stock exceeds \$5.00 (as such price may be proportionally adjusted for stock splits, reverse splits, stock dividends and recapitalizations) for 30 consecutive Trading Days (the "**Pricing Event**"), and further provided that the Registration Statement has been effective for at least such 30 Trading Day

period, including the Mandatory Conversion Date (as defined below), the Company shall have the option, exercisable by delivering an irrevocable notice to the Holder (the "**Mandatory Conversion Notice**") to provide that the Note (including the Principal Amount and all accrued and unpaid interest) shall be converted at the then-applicable Conversion Price on a date (the "**Mandatory Conversion Date**") at least 30 but no more than 60 days from the date of the Mandatory Conversion Notice. The foregoing shall not affect the right of the Holder to convert this Note pursuant to Section 5(a) above at all times up to and including the Mandatory Conversion Date.

(ii) Notwithstanding the preceding subsection (h)(i), the Holder of this Note shall not be obligated to convert this Note on a Mandatory Conversion Date unless and until each of the following conditions has been satisfied at all times from the date of the Mandatory Conversion Notice up to and including the Mandatory Conversion Date:

- (A) The Registration Statement has been effective;
 - (B) No Event of Default has occurred and is continuing; and
 - (C) The Holder has received unlegended certificates representing shares of Common Stock with respect to all conversions for which Conversion Notices have been given.
- (iii) A mandatory conversion shall be subject to and governed by all the provisions relating to voluntary conversion of the

Note contained herein.

Section 6. General.

(a) Payment of Expenses. The Company agrees to pay all reasonable charges and expenses, including attorneys' fees and expenses, which may be incurred by the Holder in successfully enforcing this Note and/or collecting any amount due under this Note.

(b) Savings Clause. In case any provision of this Note is held by a court of competent jurisdiction to be excessive in scope or otherwise invalid or unenforceable, such provision shall be adjusted rather than voided, if possible, so that it is enforceable to the maximum extent possible, and the validity and enforceability of the remaining provisions of this Note will not in any way be affected or impaired thereby. In no event shall the amount

of interest paid hereunder exceed the maximum rate of interest on the unpaid principal balance hereof allowable by applicable law. If any sum is collected in excess of the applicable maximum rate, the excess collected shall be applied to reduce the principal debt. If the interest actually collected hereunder is still in excess of the applicable maximum rate, the interest rate shall be reduced so as not to exceed the maximum allowable under law.

(c) Amendment. Neither this Note nor any term hereof may be amended, waived, discharged or terminated other than by a written instrument signed by the Company and the Holder.

(d) Assignment, Etc. The Holder may assign or transfer this Note to any transferee. The Holder shall notify the Company of any such assignment or transfer promptly. This Note shall be binding upon the Company and its successors and shall inure to the benefit of the Holder and its successors and permitted assigns.

(e) Amendments and Waivers.

A. The provisions of this Note, including, but not limited to, any decision to convert the Note, any waiver of the restrictive covenants or adjustment provision and any change to a conversion price, may from time to time be amended, modified or waived, if such amendment, modification or waiver is in writing and consented to by the Company and the Holders of not less than 50% in Principal Amount of the Notes then outstanding (the “**Required Holders**”); provided, however, that no such amendment, modification or waiver which would (i) modify this Section 6(e), (ii) extend the Maturity Date for more than one year, or (iii) reduce the Principal Amount or any amounts payable hereunder or (iv) not be uniform and non-discriminatory as to any particular Note, shall be made without the consent of the Holder of each Note so affected.

B. Except as provided herein, no failure or delay on the part of the Holder in exercising any power or right under this Note shall operate as a waiver thereof, nor shall any single or partial exercise of any such power or right preclude any other or further exercise thereof or the exercise of any other power or right. No notice to or demand on the Company in any case shall entitle it to any notice or demand in similar or other circumstances. No waiver or approval by the Holder shall, except as may be otherwise stated in such waiver or approval, be applicable to subsequent transactions. No waiver or approval hereunder shall require any similar or dissimilar waiver or approval thereafter to be granted hereunder.

(f) Governing Law; Jurisdiction.

(i) *Governing Law*. THIS NOTE WILL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK WITHOUT REGARD TO ANY CONFLICTS OF LAWS PROVISIONS THEREOF THAT WOULD OTHERWISE REQUIRE THE APPLICATION OF THE LAW OF ANY OTHER JURISDICTION.

(ii) *Jurisdiction*. The Company irrevocably submits to the jurisdiction of any State or Federal Court sitting in the State of New York, County of New York, over any suit, action, or proceeding arising out of or relating to this Note. The Company irrevocably waives, to the fullest extent permitted by law, any objection which it may now or hereafter have to the laying of the venue of any such suit, action, or proceeding brought in such a court and any claim that suit, action, or proceeding has been brought in an inconvenient forum.

The Company agrees that the service of process upon it mailed by certified or registered mail, postage prepaid and return receipt requested (and service so made shall be deemed complete three days after the same has been posted as aforesaid) or by personal service shall be deemed in every respect effective service of process upon it in any such suit or proceeding. Nothing herein shall affect Holder’s right to serve process in any other manner permitted by law. The Company agrees that a final non-appealable judgment in any such suit or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on such judgment or in any other lawful manner.

(iii) *No Jury Trial*. The Company hereby knowingly and voluntarily waives any and all rights it may have to a trial by jury with respect to any litigation based on, or arising out of, under, or in connection with, this Note.

(g) Replacement Notes. This Note may be exchanged by Holder at any time and from time to time for a Note or Notes with different denominations representing an equal aggregate outstanding Principal Amount, as reasonably requested by Holder, upon surrendering the same. No service charge will be made for such registration or exchange. In the event that Holder notifies the Company that this Note has been lost, stolen or destroyed, a replacement Note identical in all respects to the original Note (except for registration number and Principal Amount, if different than that shown on the original Note), shall be issued to the Holder, provided that the Holder executes and delivers to the Company an agreement reasonably satisfactory to the Company to indemnify the Company from any loss incurred by it in connection with the Note.

(h) Cancellation. After all of the Principal Amount (including accrued but unpaid interest and default payments at any time owed on this Note) has been paid in full, this Note shall automatically be deemed canceled and the Holder shall promptly surrender the Note to the Company at the Company’s principal executive offices.

(i) Notices Procedures. Any and all notices or other communications or deliveries to be provided by the Holder hereunder, shall be in writing and delivered personally, by confirmed facsimile, or by a nationally recognized overnight courier service to the Company at the facsimile telephone number or address of the principal place of business of the Company as set forth in the Purchase Agreement. Any and all notices or other communications or deliveries to be provided by the Company hereunder shall be in writing and delivered personally, by facsimile, or by a nationally recognized overnight courier service addressed to the Holder at the facsimile telephone number or address of the Holder appearing on the books of the Company, or if no such facsimile telephone number or address appears, at the principal place of business of the Holder. Any notice or other communication or deliveries hereunder shall be deemed delivered (i) upon receipt, when delivered personally, (ii) when sent by facsimile, upon receipt if received on a Business Day prior to 5:00 p.m. (Eastern Time), or on the first Business Day following such receipt if received on a Business Day after 5:00 p.m. (Eastern Time) or (iii) upon receipt, when deposited with a nationally recognized overnight courier service.

[signature on following page]

IN WITNESS WHEREOF, the Company has caused this Note to be duly executed on the date first set forth above.

LIQUIDMETAL TECHNOLOGIES, INC.

By: _____
John Kang, President and Chief Executive Officer

EXHIBIT A

FORM OF CONVERSION NOTICE

(To be Executed by the Holder
in order to Convert a Note)

The undersigned hereby elects to convert the aggregate outstanding Principal Amount (as defined in the Note) indicated below of this Note into shares of Common Stock, \$0.001 par value per share (the "Common Stock"), of LIQUIDMETAL TECHNOLOGIES, INC. (the "Company") according to the conditions hereof, as of the date written below. If shares are to be issued in the name of a person other than the undersigned, the undersigned will pay all transfer taxes payable with respect thereto and is delivering herewith such certificates and opinions as reasonably requested by the Company in accordance therewith. No fee will be charged to the holder for any conversion, except for such transfer taxes, if any.

Conversion information:

Date to Effect Conversion

Aggregate Principal Amount of Note Being Converted

Number of shares of Common Stock to be Issued

Applicable Conversion Price

Signature

Name

Address

THESE SECURITIES HAVE NOT BEEN REGISTERED WITH THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION OR THE SECURITIES COMMISSION OF ANY STATE PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER REGULATION D PROMULGATED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"). THIS WARRANT SHALL NOT CONSTITUTE AN OFFER TO SELL NOR A SOLICITATION OF AN OFFER TO BUY THE SECURITIES IN ANY JURISDICTION IN WHICH SUCH OFFER OR SOLICITATION WOULD BE UNLAWFUL. THE SECURITIES ARE "RESTRICTED" AND MAY NOT BE RESOLD OR TRANSFERRED EXCEPT AS PERMITTED UNDER THE ACT PURSUANT TO REGISTRATION OR EXEMPTION THEREFROM.

COMMON STOCK PURCHASE WARRANT

To Purchase Shares of \$0.001 Par Value Common Stock ("Common Stock") of

LIQUIDMETAL TECHNOLOGIES, INC.

THIS CERTIFIES that, for value received, (the "**Purchaser**" or "**Holder**") is entitled, upon the terms and subject to the conditions hereinafter set forth, at any time on or after the date hereof and on or prior to 8:00 p.m. New York City Time on August 2, 2010 (the "**Termination Date**"), but not thereafter, to subscribe for and purchase from Liquidmetal Technologies, Inc., a Delaware corporation (the "**Company**"), up to shares of Common Stock (the "**Warrant Shares**") at an Exercise Price equal to \$2.00 per share (as adjusted from time to time pursuant to the terms hereof, the "**Exercise Price**"). The Exercise Price and the number of shares for which the Warrant is exercisable shall be subject to adjustment as provided herein.

This Warrant is being issued in connection with a private placement offering (the "**Private Placement**") by the Company of 7% Senior Secured Convertible Notes (the "**Notes**") being sold only to accredited investors. This Warrant is identical to all other Warrants issued in the Private Placement, except for the number of Warrant Shares issuable hereunder. This Warrant is specifically being issued in connection with the Securities Purchase Agreement dated August 2, 2005 (the "**Purchase Agreement**"), entered into between the Company and the Purchaser. Capitalized terms used herein and not otherwise defined shall have the meaning ascribed thereto in the Purchase Agreement.

1. **Title of Warrant.** Prior to the expiration hereof and subject to compliance with applicable laws, this Warrant and all rights hereunder are transferable, in whole or in part, at the office or agency of the Company by the Holder hereof in person or by duly authorized attorney, upon surrender of this Warrant together with (a) the Assignment Form annexed hereto properly endorsed, and (b) any other documentation reasonably necessary to satisfy the Company that such transfer is in compliance with all applicable securities laws. The term "**Holder**" shall refer to the Purchaser or any subsequent transferee of this Warrant.
2. **Authorization of Shares.** The Company covenants that all shares of Common Stock which may be issued upon the exercise of rights represented by this Warrant will, upon exercise of the rights represented by this Warrant and payment of the Exercise Price as set forth herein (unless the Holder exercises this Warrant through a cashless exercise, as

provided in Section 3(b) hereof), be duly authorized, validly issued, fully paid and nonassessable and free from all taxes, liens and charges in respect of the issue thereof (other than taxes in respect of any transfer occurring contemporaneously with such issue or otherwise specified herein).

3. **Exercise of Warrant.**
 - (a) The Holder may exercise this Warrant, in whole or in part, at any time and from time to time, by delivering (which may be by facsimile) to the offices of the Company or any transfer agent for the Common Stock this Warrant, together with a Notice of Exercise in the form annexed hereto specifying the number of Warrant Shares with respect to which this Warrant is being exercised, together with payment to the Company of the Exercise Price therefor (unless the Holder exercises this Warrant through a cashless exercise, as provided in Section 3(b) hereof).
 - (b) This Warrant may also be exercised by the Holder through a cashless exercise, as described in this Section 3(b). This Warrant may be exercised, in whole or in part, by (i) the delivery to the Company of a duly executed Notice of Exercise specifying the number of Warrant Shares to be applied to such exercise, and (ii) the surrender to a common carrier for overnight delivery to the Company, or as soon as practicable following the date the Holder delivers the Notice of Exercise to the Company, of this Warrant (or an indemnification undertaking with respect to this Warrant in the case of its loss, theft or destruction). The number of shares of Common Stock to be issued upon exercise of this Warrant pursuant to this Section 3(b) shall equal the value of this Warrant (or the portion thereof being canceled) computed as of the date of delivery of this Warrant to the Company using the following formula:

$$X = Y(A-B)/A$$

where:

X = the number of shares of Common Stock to be issued to the Holder under this Section 3(b);
 Y = the number of Warrant Shares identified in the Notice of Exercise as being applied to the subject exercise;
 A = the Fair Market Value price per share on such date; and
 B = the Exercise Price on such delivery date

The Company acknowledges and agrees that this Warrant was issued for consideration received on the date on which this Warrant was granted. Consequently, the Company acknowledges and agrees that, if the Holder conducts a cashless exercise pursuant to this Section 3(b), the period during which the Holder held this Warrant may, for purposes of Rule 144 promulgated under the Securities Act of 1933, as amended (the "**Act**"), be "tacked" to the period during which the Holder holds the Warrant Shares received upon such cashless exercise.

Notwithstanding the foregoing, the Holder may conduct a cashless exercise pursuant to this Section 3(b) only in the event that a registration statement covering the resale of the Warrant Shares is not then effective at the time that the Holder wishes to conduct such cashless exercise.

- (c) In the event that the Warrant is not exercised in full, the number of Warrant Shares shall be reduced by the number of such Warrant Shares for which this Warrant is exercised and/or surrendered, and the Company, if requested by Holder and at its expense, shall within three (3) Trading Days (as defined below) issue and deliver to the Holder a new Warrant of like tenor in the name of the Holder or as the Holder (upon payment by Holder of any applicable transfer taxes) may request, reflecting such adjusted Warrant Shares. Notwithstanding anything to the contrary set forth herein, upon exercise of any portion of this Warrant in accordance with the terms hereof, the Holder shall not be required to physically surrender this Warrant to the Company unless such Holder is purchasing the full amount of Warrant Shares represented by this Warrant. The Holder and the Company shall maintain records showing the number of Warrant Shares so purchased hereunder and the dates of such purchases or shall use such other method, reasonably satisfactory to the Holder and the Company, so as not to require physical surrender of this Warrant upon each such exercise. The Holder and any assignee, by acceptance of this Warrant or a new Warrant, acknowledge and agree that, by reason of the provisions of this Section, following exercise of any portion of this Warrant, the number of Warrant Shares which may be purchased upon exercise of this Warrant may be less than the number of Warrant Shares set forth on the face hereof.

Certificates for shares of Common Stock purchased hereunder shall be delivered to the Holder hereof within three (3) Trading Days after the date on which this Warrant shall have been exercised as aforesaid. The Holder may withdraw its Notice of Exercise at any time if the Company fails to timely deliver the relevant certificates to the Holder as provided in this Agreement. A Notice of Exercise shall be deemed sent on the date of delivery if delivered before 8:00 p.m. New York Time on such date, or the day following such date if delivered after 8:00 p.m. New York Time; provided that the Company is only obligated to deliver Warrant Shares against delivery of the Exercise Price from the holder hereof (unless the Holder exercises this Warrant through a cashless exercise, as provided in Section 3(b) hereof) and surrender of this Warrant (or appropriate affidavit and/or indemnity in lieu thereof).

In lieu of delivering physical certificates representing the Warrant Shares issuable upon exercise of this Warrant, provided the Company's transfer agent is participating in the Depository Trust Company ("DTC") Fast Automated Securities Transfer ("FAST") program, upon request of the Holder, the Company shall use its best efforts to cause its transfer agent to electronically transmit the Warrant Shares issuable upon exercise to the Holder, by crediting the account of the Holder's prime broker with DTC through its Deposit Withdrawal Agent Commission ("DWAC") system. The time periods for delivery described above shall apply to the electronic transmittals through the DWAC system. The Company agrees to coordinate with DTC to accomplish this objective.

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- (d) The term "**Trading Day**" means (x) if the Common Stock is not listed on the New York or American Stock Exchange but sale prices of the Common Stock are reported on Nasdaq National Market or another automated quotation system, a day on which trading is reported on the principal automated quotation system on which sales of the Common Stock are reported, (y) if the Common Stock is listed on the New York Stock Exchange or the American Stock Exchange, a day on which there is trading on such stock exchange, or (z) if the foregoing provisions are inapplicable, a day on which quotations are reported by National Quotation Bureau Incorporated.
4. No Fractional Shares or Scrip. No fractional shares or scrip representing fractional shares shall be issued upon the exercise of this Warrant. In lieu of issuance of a fractional share upon any exercise hereunder, the Company will either round up to nearest whole number of shares or pay the cash value of that fractional share, which cash value shall be calculated on the basis of the average closing price of the Common Stock during the five (5) Trading Days immediately preceding the date of exercise.
5. Charges, Taxes and Expenses. Issuance of certificates for shares of Common Stock upon the exercise of this Warrant shall be made without charge to the Holder hereof for any issue or transfer tax or other incidental expense in respect of the issuance of such certificate, all of which taxes and expenses shall be paid by the Company, and such certificates shall be issued in the name of the Holder of this Warrant or in such name or names as may be directed by the Holder of this Warrant; provided, however, that in the event certificates for shares of Common Stock are to be issued in a name other than the name of the Holder of this Warrant, this Warrant when surrendered for exercise shall be accompanied by the Assignment Form attached hereto duly executed by the Holder hereof; and provided further, that the Company shall not be required to pay any tax or taxes which may be payable in respect of any transfer involved in the issuance of any Warrant certificates or any certificates for the Warrant Shares other than the issuance of a Warrant Certificate to the Holder in connection with the Holder's surrender of a Warrant Certificate upon the exercise of all or less than all of the Warrants evidenced thereby.
6. Closing of Books. The Company will at no time close its shareholder books or records in any manner which interferes with the timely exercise of this Warrant.
7. No Rights as Shareholder until Exercise. Subject to Section 12 of this Warrant and the provisions of any other written agreement between the Company and the Purchaser, the Purchaser shall not be entitled to vote or receive dividends or be deemed the holder of Warrant Shares or any other securities of the Company that may at any time be issuable on the exercise hereof for any purpose, nor shall anything contained herein be construed to confer upon the Purchaser, as such, any of the rights of a stockholder of the Company or any right to vote for the election of directors or upon any matter submitted to stockholders at any meeting thereof, or to give or withhold consent to any corporate action (whether upon any recapitalization, issuance of stock, reclassification of stock, change of par value, or change of stock to no par value, consolidation, merger, conveyance or otherwise) or to receive notice of meetings, or to receive dividends or subscription rights or otherwise until the Warrant shall have been exercised as provided

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herein. However, at the time of the exercise of this Warrant pursuant to Section 3 hereof, the Warrant Shares so purchased hereunder shall be deemed to be issued to such Holder as the record owner of such shares as of the close of business on the date on which this Warrant shall have been exercised.

8. Assignment and Transfer of Warrant. This Warrant may be assigned by the surrender of this Warrant and the Assignment Form annexed hereto duly executed at the office of the Company (or such other office or agency of the Company or its transfer agent as the Company may designate by notice in writing to the registered Holder hereof at the address of such Holder appearing on the books of the Company); provided, however, that this Warrant may not be resold or otherwise transferred except (i) in a transaction registered under the Act, or (ii) in a transaction pursuant to an exemption, if available, from registration under the Act and whereby, if reasonably requested by the Company, an opinion of counsel reasonably satisfactory to the Company is obtained by the Holder of this Warrant to the effect that the transaction is so exempt.
9. Loss, Theft, Destruction or Mutilation of Warrant; Exchange. The Company represents, warrants and covenants that (a) upon receipt by the Company of evidence and/or indemnity reasonably satisfactory to it of the loss, theft, destruction or mutilation of any Warrant or stock certificate representing the Warrant Shares, and in case of loss, theft or destruction, of indemnity reasonably satisfactory to it, and (b) upon surrender and cancellation of such Warrant or stock certificate, if mutilated, the Company will make and deliver a new Warrant or stock certificate of like tenor and dated as of such cancellation, in lieu of this Warrant or stock certificate, without any charge therefor. This Warrant is exchangeable at any time for an equal aggregate number of Warrants of different denominations, as requested by the holder surrendering the same, or in such denominations as may be requested by the Holder following determination of the Exercise Price. No service charge will be made for such registration or transfer, exchange or reissuance.
10. Saturdays, Sundays, Holidays, etc. If the last or appointed day for the taking of any action or the expiration of any right required or granted herein shall be a Saturday, Sunday or a legal holiday, then such action may be taken or such right may be exercised on the next succeeding day not a legal holiday.
11. Effect of Certain Events. If at any time while this Warrant or any portion thereof is outstanding and unexpired there shall be a transaction (by merger or otherwise) in which more than 50% of the voting power of the Company is disposed of (collectively, a “**Sale or Merger Transaction**”), the Holder of this Warrant shall have the right thereafter to purchase, by exercise of this Warrant and payment of the aggregate Exercise Price in effect immediately prior to such action (unless the Holder exercises this Warrant through a cashless exercise, as provided in Section 3(b) hereof), the kind and amount of shares and other securities and property which it would have owned or have been entitled to receive after the happening of such transaction had this Warrant been exercised immediately prior thereto, subject to further adjustment as provided in Section 12.

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12. Adjustments of Exercise Price and Number of Warrant Shares.

The number of and kind of securities purchasable upon exercise of this Warrant and the Exercise Price (as well as the maximum exercise price) shall be subject to adjustment from time to time as set forth in this Section 12.

- (a) Subdivisions, Combinations, Stock Dividends and other Issuances. If the Company shall, at any time while this Warrant is outstanding, (A) pay a stock dividend or otherwise make a distribution or distributions on any equity securities (including instruments or securities convertible into or exchangeable for such equity securities) in shares of Common Stock, (B) subdivide outstanding shares of Common Stock into a larger number of shares, or (C) combine outstanding Common Stock into a smaller number of shares, then the Exercise Price (and maximum exercise price) shall be adjusted such that the Exercise Price, as adjusted, will be equal to the Exercise Price then in effect multiplied by a fraction, the numerator of which shall be the number of shares of Common Stock outstanding before such event and the denominator of which shall be the number of shares of Common Stock outstanding after such event. Any adjustment made pursuant to this Section 12(a) shall become effective immediately after the record date for the determination of stockholders entitled to receive such dividend or distribution and shall become effective immediately after the effective date in the case of a subdivision or combination. The number of shares which may be purchased hereunder shall be increased proportionately to any reduction in Exercise Price pursuant to this paragraph 12(a), so that after such adjustments the aggregate Exercise Price payable hereunder for the increased number of shares shall be the same as the aggregate Exercise Price in effect just prior to such adjustments.
- (b) Other Distributions. If at any time after the date hereof the Company distributes to holders of its Common Stock, other than as part of its dissolution, liquidation or the winding up of its affairs, any shares of its capital stock, any evidence of indebtedness or any of its assets (other than Common Stock), then the number of Warrant Shares for which this Warrant is exercisable shall be increased to equal: (i) the number of Warrant Shares for which this Warrant is exercisable immediately prior to such event, (ii) multiplied by a fraction, (A) the numerator of which shall be the Fair Market Value (as defined below) per share of Common Stock on the record date for the dividend or distribution, and (B) the denominator of which shall be the Fair Market Value price per share of Common Stock on the record date for the dividend or distribution minus the amount allocable to one share of Common Stock of the value (as jointly determined in good faith by the Board of Directors of the Company and the Holder) of any and all such evidences of indebtedness, shares of capital stock, other securities or property, so distributed. For purposes of this Warrant, “**Fair Market Value**” shall equal the average closing trading price of the Common Stock on the Principal Market (as defined in the Purchase Agreement) for the 5 Trading Days preceding the date of determination or, if the Common Stock is not listed or admitted to trading on any Principal Market, and the average price cannot be determined as contemplated above, the Fair Market Value of the Common Stock shall be as reasonably determined in good faith by the Company’s Board

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of Directors and the Holder. In the event of any adjustment pursuant to this Section, the Exercise Price shall be reduced to equal: (i) the Exercise Price in effect immediately before the occurrence of any such event (ii) multiplied by a fraction, (A) the numerator of which is the number of Warrant Shares for which this Warrant is exercisable immediately before the adjustment, and (B) the denominator of which is the number of Warrant Shares for which this Warrant is exercisable immediately after the adjustment.

- (c) Merger, etc. If at any time after the date hereof there shall be a merger or consolidation of the Company with or into or a transfer of all or substantially all of the assets of the Company to another entity, then the Holder shall be entitled to receive upon or after such transfer, merger or consolidation becoming effective, and upon payment of the Exercise Price then in effect, the number of shares or other securities or property of the Company or of the successor corporation resulting from such merger or consolidation, which would have been received by the Holder for the shares of stock subject to this Warrant had this Warrant been exercised just prior to such transfer, merger or consolidation becoming effective or to the applicable record date thereof, as the case may be. The Company will not merge or consolidate with or into any other corporation, or sell or

otherwise transfer its property, assets and business substantially as an entirety to another corporation, unless the corporation resulting from such merger or consolidation (if not the Company), or such transferee corporation, as the case may be, shall expressly assume in writing the due and punctual performance and observance of each and every covenant and condition of this Warrant to be performed and observed by the Company.

- (d) Reclassification, etc. If at any time after the date hereof there shall be a reorganization or reclassification of the securities as to which purchase rights under this Warrant exist into the same or a different number of securities of any other class or classes, then the Holder shall thereafter be entitled to receive upon exercise of this Warrant, during the period specified herein and upon payment of the Exercise Price then in effect, the number of shares or other securities or property resulting from such reorganization or reclassification, which would have been received by the Holder for the shares of stock subject to this Warrant had this Warrant at such time been exercised.
- (e) Exercise Price Adjustment. In the event that on or subsequent to the Closing Date, the Company issues or sells any Common Stock, any securities which are convertible into or exchangeable for its Common Stock or any convertible securities, or any warrants or other rights to subscribe for or to purchase or any options for the purchase of its Common Stock or any such convertible securities (other than (A) pursuant to warrants, convertible notes, or other Convertible Securities (as defined herein) issued prior to the grant date of this Warrant, (B) pursuant to warrants or convertible notes granted pursuant to the Purchase Agreement, (C) shares of Common Stock or options to purchase such shares issued to employees, consultants, officers or directors in accordance with stock plans approved by the Board of Directors, and shares of Common Stock issuable under options or warrants that are outstanding as of the date of the Purchase Agreement, (D) shares of Common Stock issued pursuant to a stock dividend, split or other similar transaction, and (E) shares of Common Stock issued at a price not less than the average closing price per

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share of Common Stock for the 5 Trading Days immediately preceding the date of issuance, to Growell Metal Co., Ltd. pursuant to the Settlement Agreement, dated on or about January 10, 2004, between Growell Metal Co., Ltd. and the Company's South Korean subsidiary) at an effective price per share which is less than the Exercise Price, then the Exercise Price in effect immediately prior to such issue or sale shall be reduced effective concurrently with such issue or sale to an amount determined by multiplying the Exercise Price then in effect by a fraction, (x) the numerator of which shall be the sum of (1) the number of shares of Common Stock outstanding immediately prior to such issue or sale, plus (2) the number of shares of Common Stock which the aggregate consideration received by the Company for such additional shares would purchase at the Exercise Price then in effect; and (y) the denominator of which shall be the number of shares of Common Stock of the Company outstanding immediately after such issue or sale.

For the purposes of the foregoing adjustments, in the case of the issuance of any convertible securities, warrants, options or other rights to subscribe for or to purchase or exchange for, shares of Common Stock ("**Convertible Securities**"), the maximum number of shares of Common Stock issuable upon exercise, exchange or conversion of such Convertible Securities shall be deemed to be outstanding, provided that no further adjustment shall be made upon the actual issuance of Common Stock upon exercise, exchange or conversion of such Convertible Securities.

- (f) In the event of any adjustment in the number of Warrant Shares issuable hereunder upon exercise, the Exercise Price shall be inversely proportionately increased or decreased as the case may be, such that aggregate purchase price for Warrant Shares upon full exercise of this Warrant shall remain the same. Similarly, in the event of any adjustment in the Exercise Price, the number of Warrant Shares issuable hereunder upon exercise shall be inversely proportionately increased or decreased as the case may be, such that aggregate purchase price for Warrant Shares upon full exercise of this Warrant shall remain the same.
13. Voluntary Adjustment by the Company. The Company may at its option, at any time during the term of this Warrant, reduce but not increase the then current Exercise Price to any amount and for any period of time deemed appropriate by the Board of Directors of the Company.
14. Notice of Adjustment. Whenever the number of Warrant Shares or number or kind of securities or other property purchasable upon the exercise of this Warrant or the Exercise Price (or maximum exercise price) is adjusted, the Company shall promptly mail to the Holder of this Warrant a notice setting forth the number of Warrant Shares (and other securities or property) purchasable upon the exercise of this Warrant and the Exercise Price of such Warrant Shares after such adjustment and setting forth the computation of such adjustment and a brief statement of the facts requiring such adjustment.
15. Authorized Shares. The Company covenants that during the period the Warrant is outstanding and exercisable, it will reserve from its authorized and unissued Common

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Stock a sufficient number of shares to provide for the issuance of the Warrant Shares upon the exercise of any and all purchase rights under this Warrant. The Company further covenants that its issuance of this Warrant shall constitute full authority to its officers who are charged with the duty of executing stock certificates to execute and issue the necessary certificates for the Warrant Shares upon the exercise of the purchase rights under this Warrant. The Company will take all such reasonable action as may be necessary to assure that such Warrant Shares may be issued as provided herein without violation of any applicable law, regulation, or rule of any applicable market or exchange.

16. Compliance with Securities Laws.
- (a) The Holder hereof acknowledges that the Warrant Shares acquired upon the exercise of this Warrant, if not registered (or if no exemption from registration exists), will have restrictions upon resale imposed by state and federal securities laws. Each certificate representing the Warrant Shares issued to the Holder upon exercise (if not registered, for resale or otherwise, or if no exemption from registration exists) will bear substantially the following legend:

THE SHARES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION OR THE SECURITIES COMMISSION OF ANY STATE IN RELIANCE UPON AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND, ACCORDINGLY, MAY NOT BE OFFERED, TRANSFERRED, SOLD OR OTHERWISE DISPOSED OF EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT

UNDER THE SECURITIES ACT OR PURSUANT TO AN AVAILABLE EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND IN ACCORDANCE WITH APPLICABLE STATE SECURITIES LAWS.

- (b) Without limiting the Purchaser's right to transfer, assign or otherwise convey the Warrant or Warrant Shares in compliance with all applicable securities laws, the Holder of this Warrant, by acceptance hereof, acknowledges that this Warrant and the Warrant Shares to be issued upon exercise hereof are being acquired solely for the Purchaser's own account and not as a nominee for any other party, and that the Purchaser will not offer, sell or otherwise dispose of this Warrant or any Warrant Shares to be issued upon exercise hereof except under circumstances that will not result in a violation of applicable federal and state securities laws.

17. Miscellaneous.

- (a) Issue Date; Choice of Law; Venue; Jurisdiction. The provisions of this Warrant shall be construed and shall be given effect in all respects as if it had been issued and delivered by the Company on the date hereof. This Warrant shall be binding upon any successors or assigns of the Company. This Warrant will be construed and enforced in accordance with and governed by the laws of the State of New York, except for matters arising under the

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Act, without reference to principles of conflicts of law. Each of the parties consents to the exclusive jurisdiction of the Federal and State Courts sitting in the County of New York in the State of New York in connection with any dispute arising under this Warrant and hereby waives, to the maximum extent permitted by law, any objection, including any objection based on forum non conveniens or venue, to the bringing of any such proceeding in such jurisdiction. EACH PARTY HERETO WAIVES THE RIGHT TO A TRIAL BY JURY.

- (b) Modification and Waiver. This Warrant and any provisions hereof may be changed, waived, discharged or terminated only by an instrument in writing signed by the party against which enforcement of the same is sought. Any amendment effected in accordance with this paragraph shall be binding upon the Purchaser, each future holder of this Warrant and the Company. No waivers of, or exceptions to, any term, condition or provision of this Warrant, in any one or more instances, shall be deemed to be, or construed as, a further or continuing waiver of any such term, condition or provision.
- (c) Notices. Any notice or other communication required or permitted to be given hereunder shall be in writing by facsimile, mail or personal delivery and shall be effective upon actual receipt of such notice. The addresses for such communications shall be to the addresses as shown on the books of the Company or to the Company at the address set forth in the Purchase Agreement. A party may from time to time change the address to which notices to it are to be delivered or mailed hereunder by notice in accordance with the provisions of this Section 17(c).
- (d) Severability. Whenever possible, each provision of this Warrant shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Warrant is held to be invalid, illegal or unenforceable in any respect under any applicable law or rule in any jurisdiction, such invalidity, illegality or unenforceability shall not affect the validity, legality or enforceability of any other provision of this Warrant in such jurisdiction or affect the validity, legality or enforceability of any provision in any other jurisdiction, but this Warrant shall be reformed, construed and enforced in such jurisdiction as if such invalid, illegal or unenforceable provision had never been contained herein.
- (e) Specific Enforcement. The Company and the Holder acknowledge and agree that irreparable damage would occur in the event that any of the provisions of this Warrant were not performed in accordance with their specific terms or were otherwise breached. It is accordingly agreed that the parties shall be entitled to an injunction or injunctions to prevent or cure breaches of the provisions of this Warrant and to enforce specifically the terms and provisions hereof, this being in addition to any other remedy to which either of them may be entitled by law or equity.

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- (f) Registration. The Warrant Shares underlying this Warrant will be subject to a Registration Rights Agreement to be entered into between the Company and the Holder, in such form as shall be reasonably satisfactory to the Company and the Holder.

[Signature Page Follows]

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IN WITNESS WHEREOF, the Company has caused this Warrant to be executed by its officers thereunto duly authorized.

Dated: August 2, 2005

LIQUIDMETAL TECHNOLOGIES, INC.

By: _____
John Kang
President and Chief Executive Officer

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NOTICE OF EXERCISE

To: Liquidmetal Technologies, Inc.

(1) The undersigned hereby elects to exercise the attached Warrant for and to purchase thereunder, _____ shares of Common Stock, and herewith makes payment therefor of \$ _____, or elects to use the cashless exercise option of the Warrant.

(2) Please issue a certificate or certificates representing said shares of Common Stock in the name of the undersigned or in such other name as is specified below:

(Name)

(Address)

(3) Please issue a new Warrant for the unexercised portion of the attached Warrant in the name of the undersigned or in such other name as is specified below:

(Name)

(Date) (Signature)

(Address)

Dated:

Signature

ASSIGNMENT FORM

(To assign the foregoing warrant, execute this form and supply required information. Do not use this form to exercise the warrant.)

FOR VALUE RECEIVED, the foregoing Warrant and all rights evidenced thereby are hereby assigned to

whose address is

Dated: _____,

Holder's Signature: _____

Holder's Address: _____

Signature Guaranteed: _____

NOTE: The signature to this Assignment Form must correspond with the name as it appears on the face of the Warrant, without alteration or enlargement or any change whatsoever, and must be guaranteed by a bank or trust company. Officers of corporations and those acting in a fiduciary or other representative capacity should file proper evidence of authority to assign the foregoing Warrant.

AMENDED AND RESTATED REGISTRATION RIGHTS AGREEMENT

This Amended and Restated Registration Rights Agreement (“**Agreement**”) is entered into as of August 2, 2005, between Liquidmetal Technologies, Inc., a Delaware corporation with offices at 25800 Commercentre Dr., Suite 100, Lake Forest, California 92630 (the “**Company**”) and each of the parties listed under “Purchasers” hereto (collectively and individually, the “**Purchaser**”).

W I T N E S S E T H:

WHEREAS, the Company and the Purchasers have entered into a Securities Purchase Agreement of even date herewith (the “**Purchase Agreement**”) pursuant to which, among other things, the Company has on or about the date hereof issued 7% Senior Secured Convertible Notes (the “**New Notes**”) and Warrants (collectively, the “**New Warrants**”) to purchase shares of the Company’s Common Stock, par value \$0.001 per share (“**Common Stock**”), subject to the terms and conditions set forth therein; and

WHEREAS, the Company has also previously issued the July 2007 Notes, as defined in the Purchase Agreement (such previously issued notes, together with the New Notes, are hereafter referred to as the “**Notes**”) and has previously issued warrants to purchase Common Stock to certain Purchasers in connection with the prior issuance of the July 2005 Notes, July 2007 Notes, and June 2006 Notes, all as defined in the Purchase Agreement (such previously issued warrants, together with the New Warrants, are hereafter referred to as the “**Warrants**”); and

WHEREAS, the Notes are convertible into shares of Common Stock under the circumstances and pursuant to the terms and conditions set forth in the Notes (the “**Conversion Shares**”), and the Warrants are exercisable into shares of Common Stock pursuant to the terms and conditions set forth in the Warrants (the “**Warrant Shares**”).

NOW, THEREFORE, in consideration of the mutual promises, representations, warranties, covenants and conditions set forth in the Purchase Agreement and this Agreement, the Company and the Purchaser agree as follows:

1. Certain Definitions. Capitalized terms used herein and not otherwise defined shall have the meaning ascribed thereto in the Purchase Agreement, the Notes, or the Warrants. As used in this Agreement, the following terms shall have the following respective meanings:

“**Closing**” and “**Closing Date**” shall have the meanings ascribed to such terms in the Purchase Agreement.

“**Commission**” or “**SEC**” shall mean the Securities and Exchange Commission or any other federal agency at the time administering the Securities Act.

“**Holder**” and “**Holder**s” shall include the Purchaser and any permitted transferee or transferees of Registrable Securities (as defined below), the Notes and/or Warrants which have not been sold to the public to whom the registration rights conferred by this Agreement have

been transferred in compliance with this Agreement and the Purchase Agreement; provided that neither such person nor any affiliate of such person is registered as a broker or dealer under Section 15(a) of the Securities Exchange Act of 1934, as amended, or a member of the National Association of Securities Dealers, Inc.

The terms “**register**,” “**registered**” and “**registration**” shall refer to a registration effected by preparing and filing a registration statement in compliance with the Securities Act and applicable rules and regulations thereunder, and the declaration or ordering of the effectiveness of such registration statement.

“**Registrable Securities**” shall mean: (i) the Conversion Shares and Warrant Shares or other securities issued or issuable to each Holder or its permitted transferee or designee (a) upon the conversion of the Notes or the exercise of the Warrants, or (b) upon any distribution with respect to, any exchange for or any replacement of such Notes or Warrants, or (c) upon any conversion, exercise or exchange of any securities issued in connection with any such distribution, exchange or replacement; (ii) securities issued or issuable upon any stock split, stock dividend, recapitalization or similar event with respect to the foregoing; and (iii) any other security issued as a dividend or other distribution with respect to, in exchange for or in replacement of the securities referred to in the preceding clauses; provided that all such shares shall cease to be Registrable Securities at such time as they have been sold under a Registration Statement or pursuant to Rule 144 under the Securities Act or otherwise or at such time as they are eligible to be sold pursuant to Rule 144(k). For purposes of this Agreement, the term “**Warrant Shares**” shall include any shares of the Company’s Common Stock that are issued pursuant to that certain Placement Agent Common Stock Purchase Warrant of even date herewith between the Company and Commonwealth Associates, L.P.

“**Registration Expenses**” shall mean all expenses to be incurred by the Company in connection with each Holder’s registration rights under this Agreement, including, without limitation, all registration and filing fees, printing expenses, fees and disbursements of counsel for the Company, blue sky fees and expenses, and the expense of any special audits incident to or required by any such registration (but excluding the compensation of regular employees of the Company, which shall be paid in any event by the Company).

“**Registration Statement**” shall have the meaning set forth in Section 2(a) herein.

“**Regulation D**” shall mean Regulation D as promulgated pursuant to the Securities Act, and as subsequently amended.

“**Securities Act**” or “**Act**” shall mean the Securities Act of 1933, as amended.

“**Selling Expenses**” shall mean all underwriting discounts and selling commissions applicable to the sale of Registrable Securities and all fees and disbursements of counsel for Holders not included within “**Registration Expenses**.”

2. Registration Requirements. The Company shall use its best efforts to effect the registration of the Registrable Securities (including, without limitation, the execution of an undertaking to file post-effective amendments, appropriate qualification under applicable blue sky or other state securities laws and appropriate compliance with applicable regulations

issued under the Securities Act) as would permit or facilitate the sale or distribution of all the Registrable Securities in the manner (including manner of sale) and in all states reasonably requested by the Holder. Such best efforts by the Company shall include, without limitation, the following:

(a) The Company shall, as expeditiously as possible after the Closing Date:

(i) But in any event by the date which is 90 days after the Closing Date, prepare and file a registration statement with the Commission pursuant to Rule 415 under the Securities Act on Form S-3 under the Securities Act (or in the event that the Company is ineligible to use such form, such other form as the Company is eligible to use under the Securities Act provided that such other form shall be converted into an S-3 as soon as Form S-3 becomes available to the Company) covering resales by the Holders as selling stockholders (not underwriters) of the Registrable Securities (“**Registration Statement**”), which Registration Statement, to the extent allowable under the Securities Act and the rules promulgated thereunder (including Rule 416), shall state that such Registration Statement also covers such number of additional shares of Common Stock as may become issuable pursuant to the anti-dilution provisions of the Notes or Warrants. The number of shares of Common Stock initially included in such Registration Statement shall be no less than the product of 1.2 times the sum of the number of shares of Common Stock that are issuable upon exercise of the Warrants as of the date of this Agreement at the then applicable Exercise Price (as defined in the Warrant) plus the number of shares of Common Stock that would be issuable pursuant to the conversion of the Notes (assuming that the Notes were to become convertible on the date before which the Registration Statement is filed). Thereafter the Company shall use its best efforts to cause such Registration Statement and other filings to be declared effective as soon as possible, and in any event no later than the following date, as appropriate (the “**Required Effective Date**”): (A) if the SEC notifies the Company that the SEC will not review the Registration Statement, the Required Effective Date shall be five (5) days after the SEC provides such notification, or (B) if the SEC notifies the Company that it will review the Registration Statement, then the Required Effective Date shall be sixty (60) days after the Company receives the first written comments on the Registration Statement from the SEC. Without limiting the foregoing, the Company will promptly respond to all SEC comments, inquiries and requests, and shall request acceleration of effectiveness at the earliest possible date.

(ii) Prepare and file with the SEC such amendments and supplements to such Registration Statement and the prospectus used in connection with such Registration Statement as may be necessary to comply with the provisions of the Act with respect to the disposition of all securities covered by such Registration Statement and notify the Holders of the filing and effectiveness of such Registration Statement and any amendments or supplements.

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(iii) Furnish to each Holder that has Registrable Securities included in the Registration Statement such numbers of copies of a current prospectus conforming with the requirements of the Act, copies of the Registration Statement, any amendment or supplement thereto and any documents incorporated by reference therein and such other documents as such Holder may reasonably require in order to facilitate the disposition of Registrable Securities owned by such Holder.

(iv) Register and qualify the securities covered by such Registration Statement under the securities or “Blue Sky” laws of all domestic jurisdictions; provided that the Company shall not be required in connection therewith or as a condition thereto to qualify to do business or to file a general consent to service of process in any such states or jurisdictions.

(v) Notify promptly each Holder that has Registrable Securities included in the Registration Statement of the happening of any event (but not the substance or details of any such event) of which the Company has knowledge as a result of which the prospectus (including any supplements thereto or thereof) included in such Registration Statement, as then in effect, includes an untrue statement of material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein not misleading in light of the circumstances then existing (each an “**Event**”), and use its best efforts to promptly update and/or correct such prospectus. Each Holder will hold in confidence and will not make any disclosure of any such Event and any related information disclosed by the Company.

(vi) Notify each Holder of the issuance by the SEC or any state securities commission or agency of any stop order suspending the effectiveness of the Registration Statement or the threat or initiation of any proceedings for that purpose. The Company shall use its best efforts to prevent the issuance of any stop order and, if any stop order is issued, to obtain the lifting thereof at the earliest possible time.

(vii) List the Registrable Securities covered by such Registration Statement with all securities exchange(s) and/or markets on which the Common Stock is then listed and prepare and file any required filings with the Nasdaq National Market System or any other exchange or market where the shares of Common Stock are traded.

(viii) Take all steps reasonably necessary to enable Holders to avail themselves of the prospectus delivery mechanism set forth in Rule 153 (or successor thereto) under the Act.

(b) Notwithstanding the obligations under Section 2(a)(v) or any provision of this Agreement, if (i) in the good faith judgment of the Company, following consultation with legal counsel, it would be detrimental to the Company and its stockholders for resales of Registrable Securities to be made pursuant to the Registration Statement due to the

existence of a material development or potential material development involving the Company that the Company would be obligated to disclose in the Registration Statement, which disclosure would be premature or otherwise inadvisable at such time or would have a material adverse effect upon the Company and its stockholders, or (ii) in the good faith judgment of the Company, it would adversely affect or require premature disclosure of the filing of a Company-initiated registration of any class of its equity securities, then the Company will have the right to suspend the use of the Registration Statement for a period of not more than 30 consecutive calendar days, but only if the Company reasonably concludes, after consultation with outside legal counsel, that the failure to suspend the use of the Registration Statement as such would create a risk of a material liability or violation under applicable securities laws or regulations.

(c) Set forth below in this Section 2(c) are (I) events that may arise that the Purchaser considers will interfere with the full enjoyment of their rights under this Agreement, the Purchase Agreement, and the Notes (the “**Interfering Events**”), and (II) certain remedies applicable in each of these events.

(i) Payments by the Company. If (i) at any time after effectiveness of the Registration Statement, sales thereunder during the registration period (as described in Section 5) cannot be made for any reason, other than by reason of the operation of Section 2(b), for a period of more than 10 consecutive business days, (ii) at any time after effectiveness of the Registration Statement, sales thereunder during the Registration Period cannot be made for a period of time that exceeds the limitations set forth in Section 2(b), or (iii) at any time after the Registrable Securities are listed in accordance with Section 2(a)(vii), the Conversion Shares and Warrant Shares are not listed or included for quotation on the Nasdaq National Market or other exchange, market, or the OTC Bulletin Board where shares of the Company’s Common Stock are then traded or quoted for more than 10 consecutive calendar days, then the Company will thereafter make a payment to each Holder as set forth below. The amount of the payment made to each Holder will be equal to 1% of (a) the Warrant exercise price multiplied by the number of then-outstanding and unexercised Warrants held by the Holder plus (b) the then-outstanding principal amount of the Note held by the Holder, for each 30 business days that sales cannot be made under the effective Registration Statement or the Conversion Shares or Warrant Shares are not listed or included for quotation on the Nasdaq National Market or other exchange, market, or the OTC Bulletin Board where shares of the Company’s Common Stock are then traded or quoted (but any day on which both conditions exist shall count as a single day and no day taken into account for purposes of determining whether any payment is due under Section 2 (c) (ii) shall be taken into account for purposes of determining whether any payment is due under this Section 2(c)(i) or the amount of such payment). The number of shares not previously sold as specified in the previous sentence shall be determined as of the end of the respective 30-business day period. In no event shall payment pursuant to this Section for the entire registration period (as described in Section 5) exceed 10% in the aggregate of (a) the Warrant exercise price multiplied by the number of then-outstanding and unexercised Warrants held by the Holder (including such Holder’s predecessors and successors) for the entire registration period (as

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described in Section 5) plus (b) the initial principal amount of the Note held by the Holder. These payments will be prorated on a daily basis during the 30-business day period and will be paid to each Holder within ten business days following the end of each 30- business day period as to which payment is due hereunder. The Holders may make a claim for additional damages as a remedy for the Company’s failure to comply with the timelines set forth in this Section, but acknowledgement of such right in this Agreement shall not constitute an admission by the Company that any such damages exist or may exist. Notwithstanding the foregoing, if the Company has used its best efforts to avoid circumstances as a result of which sales cannot be made under the Registration Statement during the registration period or the Conversion Shares or Warrant Shares are not listed or included for quotation on the Nasdaq National Market or other exchange, market, or the OTC Bulletin Board where the shares of Common Stock are traded or quoted, then the damages described above shall be the Holders’ sole and exclusive remedy for damages arising out of such circumstances. Nothing contained in the preceding sentence shall be read to limit the ability of the Holders to seek specific performance of this Agreement.

(ii) Effect of Late Filing or Registration. If the Registration Statement has not been filed by the Required Filing Date other than by reason of the operation of Section 2(b), then the Company will make a payment to each Holder for such delay (each a “**Late Filing Payment**”). Each Late Filing Payment will be equal to 3% of (a) the Warrant exercise price multiplied by the number of then-outstanding and unexercised Warrants held by the Holder plus (b) the then-outstanding principal amount of the Note held by the Holder, for each period of 30 business days that the filing of the Registration Statement is made past the Required Filing Date (but no day taken into account for purposes of determining whether any payment is due under Section 2(c)(i) shall be taken into account for purposes of determining whether any payment is due under this Section 2(c)(ii) or the amount of such payment). If the Registration Statement has not been declared effective by the Required Effective Date other than by reason of the operation of Section 2(b), then the Company will make a payment to each Holder for such delay (each a “**Late Registration Payment**”). Each Late Registration Payment will be equal to 2% of (a) the Warrant exercise price multiplied by the number of then-outstanding and unexercised Warrants held by the Holder plus (b) the then-outstanding principal amount of the Note held by the Holder, for the first 30 business days after the Required Effective Date, and 1% of such exercise price for each period of 30 business days thereafter (but no day taken into account for purposes of determining whether any payment is due under Section 2(c)(i) shall be taken into account for purposes of determining whether any payment is due under this Section 2(c)(ii) or the amount of such payment). In no event shall payments pursuant to this Section 2(c)(ii) exceed for the entire registration period (as described in Section 5) 18% in the aggregate of (a) the Warrant exercise price multiplied by the number of then-outstanding and unexercised Warrants held by the Holder (including such Holder’s predecessors and successors) for the period beginning of the date hereof and continuing through the expiration of the registration period (as described in Section 5) plus

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(b) the initial principal amount of the Note held by the Holder. The Late Filing Payments and Late Registration Payments will be prorated on a daily basis during the 30-business day period and will be paid to the Holders in cash within ten (10) business days following the end of each 30-business day period as to which payment is due hereunder, provided that the respective Holder delivered to the Company at least two business days prior thereto information with respect to the number of Conversion Shares, Warrants and Warrant Shares not previously sold by such Holder (together with reasonable supporting documentation). The Holders may make a claim for additional damages as a remedy for the Company’s failure to comply with the timelines set forth in this Section, but acknowledgement of such right in this Agreement shall not constitute an admission by the Company that any such damages exist or may exist. Notwithstanding the foregoing, if the Company has used its reasonable best efforts to avoid circumstances as a result of which the Registration Statement has not been filed

by the Required Filing Date or declared effective by the Required Effective Date, then the damages described above shall be the Holders' sole and exclusive remedy for damages arising out of such circumstances. Nothing contained in the preceding sentence shall be read to limit the ability of the Holders to seek specific performance of this Agreement. Notwithstanding the foregoing, if the Registration Statement has not yet been declared effective and the Holders are no longer entitled to receive Late Registration Payments as a result of the above-described percentage limitation on said payments, then each Holder shall have the right, at any time upon at least thirty (30) days written notice, to sell all (but not less than all) of its Warrants and Notes to the Company for a cash purchase price equal to the aggregate amount by which the Fair Market Value of the Common Stock of the Company on the date of the delivery of the written notice exceeds the exercise price of the Warrants and the conversion price of the Notes, calculated separately. For this purpose, "Fair Market Value" means, with respect to any determination date, the average per share closing price of the Common Stock for the 30 Trading Days immediately preceding the determination date.

(d) During the registration period, the Company will make available, upon reasonable advance notice during normal business hours, for inspection by any Holder whose Registrable Securities are being sold pursuant to a Registration Statement, all pertinent financial and other records, pertinent corporate documents and properties of the Company (collectively, the "Records") as reasonably necessary to enable each such Holder to exercise its due diligence responsibility in connection with or related to the contemplated offering. The Company will cause its officers, directors and employees to supply all information that any Holder may reasonably request for purposes of performing such due diligence.

(e) Each Holder will hold in confidence, use only in connection with the contemplated offering and not make any disclosure of all Records and other information that the Company determines in good faith to be confidential, and of which determination the Holders are so notified, unless (i) the disclosure of such Records is necessary to avoid or correct a misstatement or omission in any Registration Statement, (ii) the release of such Records is ordered pursuant to a subpoena or other order from a court or government body of competent

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jurisdiction, (iii) the information in such Records has been made generally available to the public other than by disclosure in violation of this or any other agreement (to the knowledge of the relevant Holder), (iv) the Records or other information was developed independently by the Holder without breach of this Agreement, (v) the information was known to the Holder before receipt of such information from the Company, or (vi) the information was disclosed to the Holder by a third party not under an obligation of confidentiality. However, a Holder may make disclosure of such Records and other information to any attorney, adviser, or other third party retained by it that needs to know the information as determined in good faith by the Holder (the "Holder Representative"), if the Holder advises the Holder Representative of the confidentiality provisions of this Section 2(e), but the Holder will be liable for any act or omission of any of its Holder Representatives relative to such information as if the act or omission was that of the Holder. The Company is not required to disclose any confidential information in the Records to any Holder unless and until such Holder has entered into a confidentiality agreement (in form and substance satisfactory to the Company) with the Company with respect thereto, substantially to the effect of this Section 2(e). Unless legally prohibited from so doing, each Holder will, upon learning that disclosure of Records containing confidential information is sought in or by a court or governmental body of competent jurisdiction or through other means, give prompt notice to the Company and allow the Company, at the Company's expense, to undertake appropriate action to prevent disclosure of, or to obtain a protective order for, the Records deemed confidential. Nothing herein will be deemed to limit the Holder's ability to sell Registrable Securities in a manner that is otherwise consistent with applicable laws and regulations.

(f) The Company shall file a Registration Statement with respect to any newly authorized and/or reserved Registrable Securities consisting of Conversion Shares and Warrant Shares described in clause (i) of the definition of Registrable Securities within ten (10) business days of any stockholders' meeting authorizing same and shall use its best efforts to cause such Registration Statement to become effective within ninety (90) days of such stockholders' meeting. If the Holders become entitled, pursuant to an event described in clause (ii) and (iii) of the definition of Registrable Securities, to receive any securities in respect of Registrable Securities that were already included in a Registration Statement, subsequent to the date such Registration Statement is declared effective, and the Company is unable under the securities laws to add such securities to the then effective Registration Statement, the Company shall promptly file, in accordance with the procedures set forth herein, an additional Registration Statement with respect to such newly Registrable Securities. The Company shall use its best efforts to (i) cause any such additional Registration Statement, when filed, to become effective within 30 days of that date that the need to file the Registration Statement arose. All of the registration rights and remedies under this Agreement shall apply to the registration of such newly reserved shares and such new Registrable Securities.

3. Expenses of Registration. All Registration Expenses in connection with any registration, qualification or compliance with registration pursuant to this Agreement shall be borne by the Company, and all Selling Expenses of a Holder shall be borne by such Holder.

4. Registration on Form S-3. The Company shall use its reasonable best efforts to meet the "registrant eligibility" requirements for a secondary offering set forth in the general instructions to Form S-3 or any comparable or successor form or forms, or in the event

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that the Company is ineligible to use such form, such form as the Company is eligible to use under the Securities Act, provided that if such other form is used, the Company shall convert such other form to a Form S-3 as soon as the Company becomes so eligible.

5. Registration Period. In the case of the registration effected by the Company pursuant to this Agreement, the Company shall keep such registration effective until the later of (a) the date on which all the Holders have completed the sales or distribution described in the Registration Statement relating thereto or, if earlier until such Registrable Securities may be sold by the Holders under Rule 144(k) (provided that the Company's transfer agent has accepted an instruction from the Company to such effect) or (b) the second (2nd) anniversary of the Closing Date.

6. Indemnification.

(a) Company Indemnity. The Company will indemnify each Holder, each of its officers, directors, agents and partners, and each person controlling each of the foregoing, within the meaning of Section 15 of the Securities Act and the rules and regulations thereunder with respect to which registration, qualification or compliance has been effected pursuant to this Agreement, and each underwriter, if any, and each person who controls, within the meaning of Section 15 of the Securities Act and the rules and regulations thereunder, any underwriter, against all claims, losses, damages and liabilities (or actions in respect thereof) arising out of or based on any untrue statement (or alleged untrue statement) of a material fact contained in any final

prospectus (as amended or supplemented if the Company files any amendment or supplement thereto with the SEC), Registration Statement filed pursuant to this Agreement or any post-effective amendment thereof or based on any omission (or alleged omission) to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading in light of the circumstances under which they were made, or any violation by the Company of the Securities Act or any state securities law or in either case, any rule or regulation thereunder applicable to the Company and relating to action or inaction required of the Company in connection with any such registration, qualification or compliance, and will reimburse each Holder, each of its officers, directors, agents and partners, and each person controlling each of the foregoing, for any reasonable legal fees of a single counsel and any other expenses reasonably incurred in connection with investigating and defending any such claim, loss, damage, liability or action, provided that the Company will not be liable in any such case to a Holder to the extent that any such claim, loss, damage, liability or expense arises out of or is based on (i) any untrue statement or omission based upon written information furnished to the Company by such Holder or underwriter (if any) therefor and stated to be specifically for use therein, (ii) any failure by any Holder to comply with prospectus delivery requirements or the Securities Act or Exchange Act or any other law or legal requirement applicable to them or any covenant or agreement contained in the Purchase Agreement or this Agreement or (iii) an offer of sale of Conversion Shares or Warrant Shares occurring during a period in which sales under the Registration Statement are suspended as permitted by this Agreement. The indemnity agreement contained in this Section 6(a) shall not apply to amounts paid in settlement of any such loss, claim, damage, liability or action if such settlement is effected without the consent of the Company (which consent will not be unreasonably withheld).

(b) Holder Indemnity. Each Holder will, severally but not jointly, if

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Registrable Securities held by it are included in the securities as to which such registration, qualification or compliance is being effected, indemnify the Company, each of its directors, officers, agents and partners, and any other stockholder selling securities pursuant to the Registration Statement and any of its directors, officers, agents, partners, and any person who controls such stockholder within the meaning of the Securities Act or Exchange Act and each underwriter, if any, of the Company's securities covered by such a Registration Statement, each person who controls the Company or such underwriter within the meaning of Section 15 of the Securities Act and the rules and regulations thereunder, each other Holder (if any), and each of their officers, directors and partners, and each person controlling such other Holder(s) against all claims, losses, damages and liabilities (or actions in respect thereof) arising out of or based on (i) any untrue statement (or alleged untrue statement) of a material fact contained in any such final prospectus (as amended or supplemented if the Company files any amendment or supplement thereto with the SEC), Registration Statement filed pursuant to this Agreement or any post-effective amendment thereof or based on any omission (or alleged omission) to state therein a material fact required to be stated therein or necessary to make the statement therein not misleading in light of the circumstances under which they were made or (ii) failure by any Holder to comply with prospectus delivery requirements or the Securities Act, Exchange Act or any other law or legal requirement applicable to them or any covenant or agreement contained in the Purchase Agreement or this Agreement, and will reimburse the Company and such other Holder(s) and their directors, officers and partners, underwriters or control persons for any reasonable legal fees or any other expenses reasonably incurred in connection with investigating and defending any such claim, loss, damage, liability or action, in each case to the extent, but only to the extent, that such untrue statement (or alleged untrue statement) or omission (or alleged omission) is made in such final prospectus (as amended or supplemented if the Company files any amendment or supplement thereto with the SEC), Registration Statement filed pursuant to this Agreement or any post-effective amendment thereof in reliance upon and in conformity with written information furnished to the Company by such Holder and stated to be specifically for use therein, and provided that the maximum amount for which such Holder shall be liable under this indemnity shall not exceed the net proceeds received by the Holders from the sale of the Registrable Securities pursuant to the registration statement in question. The indemnity agreement contained in this Section 6(b) shall not apply to amounts paid in settlement of any such claims, losses, damages or liabilities if such settlement is effected without the consent of such Holder (which consent shall not be unreasonably withheld).

(c) Procedure. Each party entitled to indemnification under this Section 6 (the "**Indemnified Party**") shall give notice to the party required to provide indemnification (the "**Indemnifying Party**") promptly after such Indemnified Party has actual knowledge of any claim as to which indemnity may be sought, and shall permit the Indemnifying Party to assume the defense of any such claim in any litigation resulting therefrom, provided that counsel for the Indemnifying Party, who shall conduct the defense of such claim or any litigation resulting therefrom, shall be approved by the Indemnified Party (whose approval shall not be unreasonably withheld), and the Indemnified Party may participate in such defense at its own expense, and provided further that the failure of any Indemnified Party to give notice as provided herein shall not relieve the Indemnifying Party of its obligations under this Section 6 except to the extent that the Indemnifying Party is materially and adversely affected by such failure to provide notice. No Indemnifying Party, in the defense of any such claim or litigation, shall, except with the consent of each Indemnified Party, consent to entry of any judgment or enter into

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any settlement which does not include as an unconditional term thereof the giving by the claimant or plaintiff to such Indemnified Party of a release from all liability in respect to such claim or litigation. Each Indemnified Party shall furnish such non-privileged information regarding itself or the claim in question as an Indemnifying Party may reasonably request in writing and as shall be reasonably required in connection with the defense of such claim and litigation resulting therefrom.

7. Contribution. If the indemnification provided for in Section 6 herein is unavailable to the Indemnified Parties in respect of any losses, claims, damages or liabilities referred to herein (other than by reason of the exceptions provided therein), then each such Indemnifying Party, in lieu of indemnifying such Indemnified Party, shall contribute to the amount paid or payable by such Indemnified Party as a result of such losses, claims, damages or liabilities as between the Company on the one hand and any Holder(s) on the other, in such proportion as is appropriate to reflect the relative fault of the Company and of such Holder(s) in connection with the statements or omissions which resulted in such losses, claims, damages or liabilities, as well as any other relevant equitable considerations. The relative fault of the Company on the one hand and of any Holder(s) on the other shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or omission or alleged omission to state a material fact relates to information supplied by the Company or by such Holder(s).

In no event shall the obligation of any Indemnifying Party to contribute under this Section 7 exceed the amount that such Indemnifying Party would have been obligated to pay by way of indemnification if the indemnification provided for under Section 6(a) or 6(b) hereof had been available under the circumstances.

The Company and the Holders agree that it would not be just and equitable if contribution pursuant to this Section 7 were determined by pro rata allocation (even if the Holders were treated as one entity for such purpose) or by any other method of allocation which does not take account of the equitable considerations referred to in the immediately preceding paragraphs. The amount paid or payable by an Indemnified Party as a result of the losses, claims,

damages and liabilities referred to in the immediately preceding paragraphs shall be deemed to include, subject to the limitations set forth above, any legal or other expenses reasonably incurred by such Indemnified Party in connection with investigating or defending any such action or claim. Notwithstanding the provisions of this Section, no Holder shall be required to contribute any amount in excess of the amount equal to the net proceeds received by such Holder from the sale of Registrable Securities pursuant to the registration statement in question. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation.

8. Survival. The indemnity and contribution agreements contained in Sections 6 and 7 shall remain operative and in full force and effect regardless of (i) any termination of this Agreement or the Purchase Agreement, and (ii) the consummation of the sale or successive resales of the Registrable Securities.

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9. Information by Holders. As a condition to the obligations of the Company to complete any registration pursuant to this Agreement with respect to the Registrable Securities of each Holder, such Holder will furnish to the Company such information regarding itself, the Registrable Securities held by it and the intended methods of disposition of the Registrable Securities held by it as is reasonably required by the Company to effect the registration of the Registrable Securities. At least ten business days prior to the first anticipated filing date of a Registration Statement for any registration under this Agreement, the Company will notify each Holder of the information the Company requires from that Holder whether or not such Holder has elected to have any of its Registrable Securities included in the Registration Statement. If the Company has not received the requested information from a Holder by the business day prior to the anticipated filing date, then the Company may file the Registration Statement without including Registrable Securities of that Holder.

10. Further Assurances. Each Holder will cooperate with the Company, as reasonably requested by the Company, in connection with the preparation and filing of any Registration Statement hereunder, unless such Holder has notified the Company in writing of such Holder's irrevocable election to exclude all of such Holder's Registrable Securities from such Registration Statement.

11. Suspension of Sales. Upon receipt of any notice from the Company under Section 2(a)(v) or 2(b), each Holder will immediately discontinue disposition of Registrable Securities pursuant to the Registration Statement covering such Registrable Securities until (i) it receives copies of a supplemented or amended prospectus contemplated by Sections 2(a)(v) or (ii) the Company advises the Holder that a suspension of sales under Section 2(b) has terminated. If so directed by the Company, each Holder will deliver to the Company (at the expense of the Company) or destroy all copies in the Holder's possession (other than a limited number of file copies) of the prospectus covering such Registrable Securities that is current at the time of receipt of such notice.

12. Replacement Certificates. The certificate(s) representing the Registrable Securities held by the Purchaser (or then Holder) may be exchanged by the Purchaser (or such Holder) at any time and from time to time for certificates with different denominations representing an equal aggregate number of shares of Common Stock, as reasonably requested by such Purchaser (or such Holder) upon surrendering the same. No service charge will be made for such registration or transfer or exchange. Upon receipt by the Company of evidence reasonably satisfactory to it of the loss, theft, destruction or mutilation of the Note or certificates for the underlying shares of Common Stock of any of the foregoing, and, in the case of loss, theft or destruction, of indemnity reasonably satisfactory to it, or upon surrender and cancellation of such certificate if mutilated, the Company will make and deliver a new Note or certificate of like tenor and dated as of such cancellation at no charge to the holder.

13. Transfer or Assignment. Except as otherwise provided herein, this Agreement shall be binding upon and inure to the benefit of the parties and their successors and permitted assigns. The rights granted to the Purchaser by the Company under this Agreement to cause the Company to register Registrable Securities may be transferred or assigned (in whole or in part) to a transferee or assignee of the Notes, Warrants or Registrable Securities, and all other rights granted to the Purchaser by the Company hereunder may be transferred or assigned to any

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transferee or assignee of the Notes, Warrants or Registrable Securities; provided in each case that (i) the Company is given written notice by the Purchaser at the time of or within a reasonable time after such transfer or assignment, stating the name and address of said transferee or assignee and identifying the securities with respect to which such registration rights are being transferred or assigned; and provided further that the transferee or assignee of such rights agrees in writing to be bound by the registration provisions of this Agreement, (ii) such transfer or assignment is not made under the Registration Statement or Rule 144, (iii) such transfer is made according to the applicable requirements of the Purchase Agreement, and (iv) the transferee has provided to the Company an investor questionnaire (or equivalent document) evidencing that the transferee is a "qualified institutional buyer" or an "accredited investor" defined in Rule 501(a)(1),(2),(3), or (7) of Regulation D.

14. Miscellaneous.

(a) Remedies. The Company and the Purchaser acknowledge and agree that irreparable damage would occur in the event that any of the provisions of this Agreement were not performed in accordance with their specific terms or were otherwise breached. It is accordingly agreed that the parties shall be entitled to an injunction or injunctions to prevent or cure breaches of the provisions of this Agreement and to enforce specifically the terms and provisions hereof, this being in addition to any other remedy to which any of them may be entitled by law or equity.

(b) Jurisdiction. Each of the Company and the Purchaser (i) hereby irrevocably submits to the exclusive jurisdiction of the United States District Court, the New York state courts and other courts of the United States sitting in New York, New York for the purposes of any suit, action or proceeding arising out of or relating to this Agreement and (ii) hereby waives, and agrees not to assert in any such suit action or proceeding, any claim that it is not personally subject to the jurisdiction of such court, that the suit, action or proceeding is brought in an inconvenient forum or that the venue of the suit, action or proceeding is improper. The Company and the Purchaser consent to process being served in any such suit, action or proceeding by mailing a copy thereof to such party at the address in effect for notices to it under this Agreement and agrees that such service shall constitute good and sufficient service of process and notice thereof. Nothing in this paragraph shall affect or limit any right to serve process in any other manner permitted by law.

(c) Notices. Any notice or other communication required or permitted to be given hereunder shall be in writing by facsimile, mail or personal delivery and shall be effective upon actual receipt of such notice. The addresses for such communications shall be:

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to the Company:

Liquidmetal Technologies, Inc.
25800 Commercentre Dr., Suite 100
Lake Forest, California 92630
Telephone: (949) 206-8002
Fax: (949) 206-8008
Attention: John Kang, President

with a copy to:

Foley & Lardner LLP
100 North Tampa Street, Suite 2700
Tampa, FL 33602-5804
Telephone: 813-229-2300
Facsimile: 813-221-4210
Attention: Curt P. Creely

If to the Purchasers, to the addresses set forth on Schedule I to the Purchase Agreement:

with a copy to:

Greenberg Traurig LLP
The MetLife Building
200 Park Avenue
New York, New York 10166
Telephone: (212) 801-9200
Facsimile: (212) 801-6400
Attention: Alan I. Annex

Any party hereto may from time to time change its address for notices by giving at least five days' written notice of such changed address to the other parties hereto.

(d) Waivers. No waiver by any party of any default with respect to any provision, condition or requirement of this Agreement shall be deemed to be a continuing waiver in the future or a waiver of any other provision, condition or requirement hereof, nor shall any delay or omission of any party to exercise any right hereunder in any manner impair the exercise of any such right accruing to it thereafter. The representations and warranties and the agreements and covenants of the Company and each Purchaser contained herein shall survive the Closing.

(e) Execution in Counterpart. This Agreement may be executed in two or more counterparts, all of which shall be considered one and the same agreement, it being understood that all parties need not sign the same counterpart.

(f) Signatures. Facsimile signatures shall be valid and binding on each party submitting the same.

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(g) Entire Agreement; Amendment. This Agreement, together with the Purchase Agreement, the Notes, the Warrants, and the agreements and documents contemplated hereby and thereby, contains the entire understanding and agreement of the parties, and may not be amended, modified or terminated except by a written agreement signed by the Company and the Holder of the Registrable Securities seeking registration of such securities.

(h) Governing Law. This Agreement and the validity and performance of the terms hereof shall be governed by and construed in accordance with the laws of the State of New York applicable to contracts executed and to be performed entirely within such state, except to the extent that the law of the State of Delaware regulates the Company's issuance of securities.

(i) Jury Trial. EACH PARTY HERETO WAIVES THE RIGHT TO A TRIAL BY JURY.

(j) Force Majeure. The Company shall not be deemed in breach of its commitments under this Agreement and no payments by the Company as set forth in Section 2 shall be required if the Company is unable to fulfill its obligations hereunder in a timely fashion if the SEC or the Nasdaq National Market are closed or operating on a limited basis as a result of the occurrence of a Force Majeure. As used herein, "**Force Majeure**" means war or armed hostilities or other national or international calamity, or one or more acts of terrorism, which are having a material adverse effect on the financial markets in the United States. Furthermore, any payments owed as a result of Section 2 shall not accrue during any period during which the Company's performance hereunder has been delayed or the Company's ability to fulfill its obligations hereunder has been impaired by a Force Majeure.

(k) Titles. The titles used in this Agreement are used for convenience only and are not to be considered in construing or interpreting this Agreement.

(l) No Strict Construction. The language used in this Agreement will be deemed to be the language chosen by the parties to express their mutual intent, and no rule of strict construction will be applied against any party.

(m) Prior Registration Rights Agreements. This Agreement shall amend and restate, and replace in their entirety, each of the March 2004 Registration Rights Agreement, Winvest Registration Rights Agreement, and June 2005 Registration Rights Agreement (the "**Prior Registration Rights Agreements**"). Each Purchaser who was a party to one or more of the Prior Registration Rights Agreements hereby agrees that (i) the Prior Registration Rights Agreements are terminated as of the date hereof, (ii) such Purchasers have no further rights under the Prior Registration Rights Agreements, (iii) such Purchasers hereby forever waive and release the Company from any current or prior breach of, and any current or prior damages, claims, expenses, or other entitlements arising from or under, the Prior Registration Rights Agreements (including without limitation the Accrued Registration Fees thereunder).

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IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed as of the date first above written.

COMPANY:

LIQUIDMETAL TECHNOLOGIES, INC.

By: /s/ John Kang

John Kang, President and Chief Executive Officer

PURCHASERS:

COMMONWEALTH ASSOCIATES, L.P.

By: Signature on Counterpart Signature Page

Name:

Title:

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COUNTERPART SIGNATURE PAGE
TO AMENDED AND RESTATED REGISTRATION RIGHTS AGREEMENT,
DATED AUGUST 2, 2005,
AMONG LIQUIDMETAL TECHNOLOGIES, INC. AND
THE "PURCHASERS" IDENTIFIED THEREIN

The undersigned hereby executes and delivers the Amended and Restated Registration Rights Agreement to which this Signature Page is attached, which, together with all counterparts of the Amended and Restated Registration Rights Agreement and Signature Pages of the Company and other "Purchasers" under the Amended and Restated Registration Rights Agreement, shall constitute one and the same document in accordance with the terms of the Amended and Restated Registration Rights Agreement.

PURCHASER: Jess S. Morgan & Co., Inc.

By: /s/ Gary Levenstein

Name: Gary Levenstein

Title: President, Investment Division Jess S. Morgan & Co., Inc.

PURCHASER: Prana, LLC

By: /s/ Renee Vallese

Name: Renee Vallese

Title: Managing Director

PURCHASER: DKR Soundshore Oasis Holding Fund Ltd.

By: /s/ Bradford Caswell

Name: Bradford Caswell

Title: Director

PURCHASER: Rodd Friedman

By: /s/ Rodd Friedman

Name: Rodd Friedman

Title: N/A

PURCHASER: Bruce Rosen

By: /s/ Bruce Rosen

Name: Bruce Rosen

Title: N/A

PURCHASER: Caydal, LLC

By: /s/ Kevin Daly
Name: Kevin Daly
Title: Managing Member

PURCHASER: Marlin Fund, LP
By: /s/ Michael W. Masters
Name: Michael W. Masters
Title: Managing Member of the General Partner

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PURCHASER: Marlin Fund II, LP
By: /s/ Michael W. Masters
Name: Michael W. Masters
Title: Managing Member of the General Partner

PURCHASER: Marlin Fund Offshore, Ltd.
By: /s/ Michael W. Masters
Name: Michael W. Masters
Title: Managing Member of the Investment Manager

PURCHASER: Larry Bouts
By: /s/ Larry Bouts
Name: Larry Bouts
Title: N/A

PURCHASER: Really Cool Group Ltd.
By: /s/ J. Segal
Name: J. Segal
Title: Director

PURCHASER: Myron Neugeboren
By: /s/ Myron Neugeboren
Name: Myron Neugeboren
Title: N/A

PURCHASER: Jonas Brachfeld
By: /s/ Jonas Brachfeld
Name: Jonas Brachfeld
Title: N/A

PURCHASER: Greg Osborn
By: /s/ Greg Osborn
Name: Greg Osborn
Title: N/A

PURCHASER: Richard Molinsky
By: /s/ Richard Molinsky
Name: Richard Molinsky
Title: N/A

PURCHASER: Richard and Joanne Kane
By: /s/ Richard Kane and Joanne Kane
Name: Richard Kane and Joanne Kane
Title: N/A

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PURCHASER: Ricardo A. Salas
By: /s/ Ricardo A. Salas
Name: Ricardo A. Salas
Title: N/A

PURCHASER: Wry Ltd.
By: /s/ J. Segal
Name: J. Segal
Title: Director

PURCHASER: Keith Barksdale
By: /s/ Keith Barksdale
Name: Keith Barksdale

Title: N/A

PURCHASER: Winvest Venture Partners, Inc.

By: /s/ Chang Ki Cho

Name: Chang Ki Cho

Title: President and CEO

PURCHASER: Eric Brachfeld

By: /s/ Eric Brachfeld

Name: Eric Brachfeld

Title: N/A

PURCHASER: Edward Neugeboren

By: /s/ Edward Neugeboren

Name: Edward Neugeboren

Title: N/A

PURCHASER: Dolphin Offshore Partners, LP

By: /s/ Peter E. Salas

Name: Peter E. Salas

Title: General Partner

PURCHASER: Harvard Developments, Inc.

By: /s/ Arden Giesbrecht and Terry Downie

Name: Arden Giesbrecht and Terry Downie

Title: Controller and VP, Finance (respectively)

PURCHASER: Echo Capital Growth Corporation

By: /s/ Paul J. Hill

Name: Paul J. Hill

Title: President

PURCHASER: Terrence L. Mealy

By: /s/ Terrence L. Mealy

Name: Terrence L. Mealy

Title: Self

PURCHASER: Shinnston Enterprises, Ltd.

By: /s/ James K. Murray, Jr.

Name: James K. Murray, Jr.

Title: Limited Partner

PURCHASER: Shea Diversified Investments, Inc.

By: /s/ Ronald Lakey

Name: Ron Lakey

Title: Assistant Secretary

PURCHASER: Commonwealth Associates, LP

By: /s/ Robert A. O'Sullivan

Name: Robert A. O'Sullivan

Title: CEO and President

PURCHASER: Neal I. Goldman

By: /s/ Neal I. Goldman

Name: Neal I. Goldman

Title: N/A

PURCHASER: LBJ Holdings, LLC

By: HSP Group, Inc. (Its Manager)

By: /s/ Brian Potiker

Name: Brian Potiker

Title: Vice President

PURCHASER: John D. Stout

By: /s/ John D. Stout

Name: John D. Stout

Title: Individually

PURCHASER: MicroCapital Fund Ltd.

By: /s/ Christopher P. Swenson

Name: Christopher P. Swenson

Title: Vice President
PURCHASER: MicroCapital Fund LP
By: /s/ Christopher P. Swenson
Name: Christopher P. Swenson
Title: Vice President

PURCHASER: Journeys End Partners, LLC
By: /s/ Gerald B. Cramer
Name: Gerald B. Cramer
Title: Manager

PURCHASER: Wynnefield Partners Small Cap Value, LP
By: /s/ Nelson Obus
Name: Nelson Obus
Title: Managing Member

PURCHASER: Wynnefield Partners Small Cap Value, LP I
By: /s/ Nelson Obus
Name: Nelson Obus
Title: Managing Member

PURCHASER: Wynnefield Small Cap Value Offshore Fund, Ltd.
By: /s/ Nelson Obus
Name: Nelson Obus
Title: President

PURCHASER: Min Capital Corp Retirement Trust
By: /s/ Robert Friedman
Name: Robert Friedman
Title: Trustee

AMENDED AND RESTATED SECURITY AGREEMENT

THIS AMENDED AND RESTATED SECURITY AGREEMENT (this “Agreement”) is made and entered into as of the August 2, 2005, by and between LIQUIDMETAL TECHNOLOGIES, INC., a Delaware corporation (“Borrower”), and COMMONWEALTH ASSOCIATES, L.P., a New York limited partnership (“CA” or “Agent”) and each other person or entity listed as an “Investor” on Schedule 1 attached to this Agreement (the “Investors” and together with CA the “Secured Parties”). Capitalized terms used herein and not otherwise defined shall have the meanings set forth in that Securities Purchase Agreement of even date herewith between the Company and the Investors (“Securities Purchase Agreement”).

Recitals

WHEREAS, certain Secured Parties have agreed to purchase Notes from the Borrower pursuant to the terms of the Securities Purchase Agreement, and certain Secured Parties continue to hold July 2007 Notes previously issued by the Borrower.

WHEREAS, the Secured Parties have required, as a condition to entering into the Securities Purchase Agreement, that Borrower grant Secured Parties a first priority security interest in all of Borrower’s Collateral listed in Exhibit A hereto, and to that end has required the execution and delivery of this Agreement by Borrower.

WHEREAS, this Agreement shall amend and restate, and supersede in their entirety, the Security Agreements, dated March 1, 2004 and as amended on July 29, 2004, previously entered into among the Company and the holders of the July 2005 Notes and July 2006 Notes (the “Prior Security Agreements”).

NOW, THEREFORE, in consideration of the mutual covenants and agreements contained in the Securities Purchase Agreement and herein, the parties hereto, intending to be legally bound, agree as follows:

1. **Incorporation of Recitals, Purchase Agreement, and Note**. The foregoing Recitals are hereby incorporated herein in their entirety by this reference.
2. **Definitions**. The following terms shall have the meanings set forth below:

“Collateral” shall mean all of the items set forth on Exhibit A hereto. Notwithstanding the foregoing, the security interest granted herein shall not extend to, and the term “Collateral” shall not include, (i) the Borrower’s rights under that certain Amended and Restated License Agreement, dated September 1, 2001, between the Borrower and California Institute of Technology, and (ii) the Borrower’s rights under the Liquidmetal/UVAPF License Agreement, dated May 1, 2002, between the Borrower and the University of Virginia Patent Foundation.

“Patents” shall mean, collectively, all of Borrower’s letters patent under the laws of the United States, all recordings and registrations thereof and applications therefor, including, without limitation, the inventions described therein, all reissues, continuations, divisions, renewals, extensions, continuations-in-part thereof, in each case whether now owned or existing or hereafter acquired or arising.

“Permitted Liens” shall mean, collectively, the following: (i) liens for current taxes or other governmental or regulatory assessments which are not delinquent, or which are being contested in good faith by the appropriate procedures and for which appropriate reserves are maintained; (ii) liens in favor of Agent and/or the Secured Parties; (iii) licenses or sublicenses of Patents, in each instance granted to others not interfering in any material respect with the business of the Borrower, (iv) liens or security interests granted by the Borrower pursuant to a Qualified Credit Facility (as defined in the Securities Purchase Agreement).

“Proceeds” shall mean any consideration received from the sale, exchange, lease or other disposition of any asset or property which constitutes Collateral, any other value received as a consequence of the possession of any Collateral and any payment received from any insurer or other person or entity as a result of the destruction, loss, theft or other involuntary conversion of whatever nature of any asset or property that constitutes Collateral.

“Secured Obligations” has the meaning given in Section 3(a) below.

“Security Interest” has the meaning given in Section 3(b) below.

3. **Security for Obligations**.

a. This Agreement secures, and the Collateral is collateral security for, the prompt payment or performance in full when due, whether at stated maturity, by required prepayment, declaration, acceleration, conversion, demand or otherwise (including the payment of amounts that would become due but for the operation of the automatic stay under Section 363(a) of the Bankruptcy Code, 11 U.S.C. §362(a)) of all obligations and liabilities of every nature of Borrower now or hereafter existing under or arising out of the Notes, the July 2007 Notes, and this Agreement and all extensions or renewals thereof, whether for principal, interest, (including, without limitation, interest that, but for the filing of a petition in bankruptcy with respect to Borrower, would accrue on such obligations), fees, expenses, indemnities or otherwise, whether voluntary or involuntary, direct or indirect, absolute or contingent, liquidated or unliquidated, whether or not jointly owed with others, and whether or not from time to time decreased or extinguished and later increased, created or incurred, and all or any portion of such obligations or liabilities that are paid, to the extent all or any part of such payment is avoided or recovered directly or indirectly from Agent or any Secured Party as a preference, fraudulent transfer or otherwise (all such obligations of Borrower being the “Secured Obligations”).

b. **Security Interest.** As security for the payment or performance, as the case may be, of the Secured Obligations, the Borrower hereby creates and grants to the Agent, its successors and its assigns, for its own benefit and for the pro rata benefit of the Investors, their successors and their assigns, a security interest in the Collateral (the "**Security Interest**"). Without limiting the foregoing, the Agent is hereby authorized to file one or more financing statements, continuation statements or other documents for the purpose of perfecting, confirming, continuing, enforcing or protecting the Security Interest, naming the Borrower as debtors and the Agent as secured party.

The Borrower agrees at all times to keep in all material respects accurate and complete accounting records with respect to the Collateral, including, but not limited to, a record of all payments and Proceeds received.

4. **Representations and Warranties.** Borrower represents and warrants as follows:

a. **Financing Statements.** Except for the financing statements in favor of Secured Parties, at the time of granting the security interest described herein, no financing statement covering the Collateral or any portion thereof will be on file in any public office, and except for Permitted Liens, Borrower agrees not to execute or authorize the filing of any such additional financing statement in favor of any person, entity or governmental agency (whether federal, state or local) other than Secured Parties as long as any portion of the Secured Obligations evidenced by the Note remain unpaid.

b. **Legal Name.** Borrower's exact legal name is as set forth in the first paragraph of this Security Agreement. Borrower shall not change its legal name or its form of organization without 30 days' prior written notice to the Agent.

c. **Title and Authority.** Borrower has (i) rights in and good title to the Collateral in which it is granting a security interest hereunder and (ii) the requisite corporate power and authority to grant to the Agent the Security Interest in such Collateral pursuant hereto and to execute, deliver and perform its obligations in accordance with the terms of this Agreement, without the consent or approval of any other person other than any consent or approval which has been obtained. Borrower has the sole, full and clear title to each of the Patents shown on **Schedule A** hereto and the registrations thereof are valid and subsisting and in full force and effect. None of the Patents has been abandoned or dedicated, and, except to the extent that the Agent, upon prior written notice by Borrower, shall consent, Borrower will not do any act, or omit to do any act, whereby the Patents may become abandoned or dedicated and shall notify the Agent immediately if it knows of any reason or has reason to know that any application or registration may become abandoned or dedicated. Borrower hereby represents and warrants that the Patents shown on **Schedule A** are the only issued U.S. patents owned by Borrower as of the date of this Agreement.

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d. **Filing.** Fully executed Uniform Commercial Code financing statements containing a description of the Collateral shall have been, or shall be delivered to the Agent in a form such that they can be, filed of record in every governmental, municipal or other office in every jurisdiction in which any portion of the Collateral is located necessary to publish notice of and protect the validity of and to establish a valid, legal and perfected security interest in favor of the Agent in respect of the Collateral in which a security interest may be perfected by filing in the United States and its territories and possessions, and no further or subsequent filing, refile, recording, rerecording, registration or reregistration is necessary in any such jurisdiction, except as provided under applicable law with respect to the filing of Uniform Commercial Code continuation statements.

e. **Validity of Security Interest.** The Security Interest constitutes a valid, legal and perfected first priority security interest in all of the Collateral for payment and performance of the Secured Obligations subject only to Permitted Liens.

f. **Locations of Collateral; Place of Business.** Borrower hereby represents and warrants that all the Collateral is located at the locations listed on **Schedule A** hereto and that its federal employer identification number is as set forth on said Schedule. The Borrower agrees not to establish, or permit to be established, any other location for Collateral unless all filings under the Uniform Commercial Code as in effect in any state or otherwise which are required by this Agreement or the Note to be made with respect to the Collateral have been made and the Agent has a valid, legal and perfected first priority security interest in the Collateral. Borrower confirms that its chief executive office is located at the office indicated on **Schedule A** hereto. Borrower agrees not to change, or permit to be changed, the location of its chief executive office unless all filings under the Uniform Commercial Code or otherwise which are required by this Agreement or the Note to be made have been made and the Agent has a valid, legal and perfected first priority security interest.

5. **Covenants and Agreements.** Borrower covenants and agrees as follows:

a. **Restrictions.** Borrower agrees that until the Secured Obligations shall have been satisfied in full, Borrower shall not, without the Agent's prior written consent, assign, transfer, encumber or otherwise dispose of the Collateral, or any interest therein, except that Borrower may (i) license (other than on an exclusive basis for all known fields of use for the duration of the term of the patent) or grant similar rights and interests on an arm's length basis consistent with good industry practice in all or any part of the Patents to unrelated third parties pursuant to its business, (ii) sell, license on an exclusive basis for all known fields of use for the duration of the term of the patent or otherwise transfer for value all or any part of the Patents with the prior written consent of the Agent, which consent will not be unreasonably withheld, provided that the restriction on exclusive licenses shall terminate beginning on the date that more than one-half of the principal amount of the Notes secured by the Collateral has been repaid by the Company or has been converted to Common Stock and (iii) sell

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Inventory in the ordinary course of business or sell obsolete equipment or inventory for the reasonable fair value thereof. Borrower further agrees that it will not take any action, or permit any action to be taken by others subject to its control, including licensees, or fail to take any action, which would affect the validity or enforcement of the rights transferred to the Secured Parties under this Agreement.

b. **Defense.** Borrower shall, at its own cost and expense, take any and all actions reasonably necessary to defend title to the Collateral owned by it against all persons and to defend the Security Interest in such Collateral, and the priority thereof, against any adverse lien of any nature whatsoever (other than Permitted Liens).

c. **Maintenance.** Borrower shall at all times and at its own expense maintain and keep, or cause to be maintained and kept, the Collateral. Borrower shall perform all acts and execute all documents, including, without limitation, security agreements with respect to patents in form suitable for filing with the United States Patent and Trademark Office, substantially in the form of Exhibit B, hereof requested by the Agent at any time to evidence, perfect, maintain, record and enforce the Agent's interest in the Collateral that consists of patents or otherwise in furtherance of the provisions of this Agreement, and Borrower hereby authorizes the Agent to execute and file one or more financing statements (and similar documents) or copies thereof or of this Agreement with respect to the Collateral signed only by the Agent. Borrower will take all necessary steps in any proceeding before the United States Patent and Trademark Office or any similar office or agency of the United States or any State thereof to maintain each application and registration of the Patents, including, without limitation, filing of renewals, affidavits of use, affidavits of incontestability and opposition, interference and cancellation proceedings.

d. **Agent's Right to Take Action.** If, after ten days written notice from Agent, Borrower fails to perform or observe any of its covenants or agreements set forth in this Section 5 or if Borrower notifies Agent that it intends to abandon all or any part of the Collateral, the Agent may (but need not) perform or observe such covenant or agreement or take steps to prevent such intended abandonment on behalf and in the name, place, and stead of Borrower (or, in the case of intended abandonment, in Agent's own name) and may (but need not) take any and all other actions that Agent may reasonably deem necessary to cure or correct such failure or prevent such intended abandonment.

e. **Costs and Expenses.** Except to the extent that the effect of such payment would be to render any loan or forbearance of money usurious or otherwise illegal under any applicable law, Borrower shall pay Agent on demand the amount of all moneys expended and all costs and expenses (including reasonable attorneys' fees and disbursements) incurred by Agent or the Secured Parties in connection with or as a result of Agent's taking action under subsection 5(d), except for intended abandonment of the Collateral by Borrower, or exercising its rights under Section 7, together with interest thereon from the date expended or incurred by the Agent or Secured Parties.

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f. **Use and Disposition of Collateral.** Borrower shall not make or permit to be made any assignment, pledge or hypothecation of the Collateral other than Permitted Liens or as permitted by Section 5(a) above, or grant any security interest in the Collateral except for the Security Interest and Permitted Liens. Borrower shall not make or permit to be made any transfer of any Collateral, except in the ordinary course of business or as permitted by Section 5(a) above, and Borrower shall remain at all times in possession of the Collateral owned by it other than transfers to the Agent pursuant to the provisions hereof and as otherwise provided in this Agreement. The Agent shall have the right, as the true and lawful agent of the Borrower, with power of substitution for the Borrower and in the Borrower's name, the Agent's name or otherwise, for the use and benefit of the Agent and the Investors and solely to effect the purposes of this Agreement, (i) to endorse the Borrower's name upon any notes, acceptances, checks, drafts, money orders or other evidences of payment with respect to the Collateral that may come into its possession; (ii) to sign the name of the Borrower on any invoice relating to any of the Collateral and (iii) upon the occurrence and during the continuance of an event of default under this Agreement or under the Note, (A) to receive, endorse, assign and/or deliver any and all notes, acceptances, checks, drafts, money orders or other evidences or instruments of payment relating to the Collateral or any part thereof, and Borrower hereby waives notice of presentment, protest and non-payment of any instrument so endorsed, (B) to demand, collect, receive payment of, give receipt for, extend the time of payment of and give discharges and releases of all or any of the Collateral and/or release the obligor thereon, (C) to commence and prosecute any and all suits, actions or proceedings at law or in equity in any court of competent jurisdiction to collect or otherwise realize on all or any of the Collateral or to enforce any rights in respect of any Collateral, (D) to settle, compromise, compound, adjust or defend any actions, suits or proceedings relating to or pertaining to all or any of the Collateral, and (H) to use, sell, assign, transfer, pledge, make any agreement with respect to or otherwise deal with all or any of the Collateral, and to do all other acts and things necessary to carry out the purposes of this Agreement, as fully and completely as though the Agent were the absolute owner of the Collateral for all purposes; provided, however, that nothing herein contained shall be construed as requiring or obligating the Agent or any Investor to make any commitment or to make any inquiry as to the nature or sufficiency of any payment received by the Agent or such Investor or to present or file any claim or notice, or to take any action with respect to the Collateral or any part thereof or the moneys due or to become due in respect thereof or any property covered thereby, and no action taken by the Agent or any Investor or omitted to be taken with respect to the Collateral or any part thereof shall give rise to any defense, counterclaim or offset in favor of Borrower or to any claim or action against the Agent or any Investor in the absence of the gross negligence or willful misconduct of the Agent or such Investor; and provided further that, the Agent shall at all times act reasonably and in good faith. It is understood and agreed that the appointment of the Agent as the agent of the Borrower for the purposes set forth above in this Section 5(f) is coupled with an interest and is irrevocable. The provisions of this Section 5(f) shall in no event relieve Borrower of

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any of its obligations hereunder with respect to the Collateral or any part thereof (other than obligations which are impaired as a result of actions taken by the Agent pursuant to this Section 5(f)) or impose any obligation on the Agent or any Investor to proceed in any particular manner with respect to the Collateral or any part thereof, or in any way limit the exercise by the Agent or any Investor of any other or further right which it may have on the date of this Agreement or hereafter, whether hereunder or by law or otherwise. Anytime action is taken under this Section 5(f), prompt written notice of such action shall be provided to Borrower by Agent.

g. **Further Assurances.** Borrower agrees, at its expense, to execute, acknowledge, deliver and cause to be duly filed all such further instruments and documents and take all such actions as the Agent may from time to time reasonably request for the assuring and preserving of the Security Interest and the rights and remedies created hereby, including, without limitation, the payment of any fees and taxes required in connection with the execution and delivery of this Agreement, the granting of the Security Interest and the filing of any financing statements or other documents in connection herewith. If any amount payable under or in connection with any of the Collateral shall be or become evidenced by any promissory note or other instrument, such note or instrument shall be promptly pledged and delivered to the Agent, duly endorsed in a manner satisfactory to the Agent. Borrower agrees to notify promptly the Agent of any change in its corporate name or in the location of its chief executive office, its chief place of business or the office where it keeps its records.

6. **Events of Default.** Each of the following occurrences shall constitute an event of default under this Agreement (herein called "Event of Default"):

- a. an Event of Default, as defined in the Notes or July 2007 Notes, shall occur; or
- b. Borrower shall fail promptly to observe or perform any covenant or agreement herein binding on it and such failure is not cured within 20 days after written notice from the Agent; or
- c. there is any levy, seizure, or attachment of all or any material portion of the Collateral, other than as set forth in this Agreement; or
- d. any of the representations or warranties contained in Section 4 shall prove to have been incorrect in any material respect when made.

7. **Remedies.** Upon the occurrence of an Event of Default and at any time thereafter, the Agent may, at its option, take any or all of the following actions:

- a. exercise any or all remedies available under this Agreement or the Note including, without limitation, any and all rights afforded to a secured party under, and subject to its obligations contained in, the Uniform Commercial Code as in effect in

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any state or other applicable law; or

- b. sell, assign, transfer, pledge, encumber, or otherwise dispose of the Collateral; or
- c. enforce the patents comprising the Collateral and if Agent shall commence any suit for such enforcement, Borrower shall, at the request of Agent, do any and all lawful acts and execute any and all proper documents reasonably required by Agent in aid of such enforcement; or
- d. incur expenses, including attorneys' fees at the regular hourly rates of the Agent's counsel from time to time in effect, legal expenses and costs for the exercise of any right or power under this Security Agreement, which expenses are secured by this Security Agreement.

Any disposition of Collateral by Agent shall be subject to the mandatory requirements of applicable law and subject to the requirement that Agent act reasonably and in good faith. Subject to such conditions, Agent may sell or otherwise dispose of all or any part of the Collateral, at public or private sale, for cash, upon credit or for future delivery as the Agent shall deem appropriate. Each purchaser at any such sale shall hold the property sold absolutely free from any claim or right on the part of the Borrower, and Borrower hereby waives (to the extent permitted by law) all rights of redemption, stay and appraisal which Borrower now has or may at any time in the future have under any rule of law or statute now existing or hereafter enacted. The Agent shall give the Borrower ten (10) days' written notice (which Borrower agrees is reasonable notice within the meaning of Section 9-504(3) of the Uniform Commercial Code) of the Agent's intention to make any sale of Collateral. Such notice, in the case of a public sale, shall state the time and place for such sale. Any such public sale shall be held at such time or times within ordinary business hours and at such place or places as the Agent may fix and state in the notice (if any) of such sale. At any such sale, the Collateral, or portion thereof, to be sold may be sold in one lot, as an entirety or in separate parcels, as the Agent may (in its sole and absolute discretion) determine. The Agent shall not be obligated to make any sale of any Collateral if it shall determine not to do so, regardless of the fact that notice of sale of such Collateral shall have been given. The Agent may, without notice or publication, adjourn any public or private sale or cause the same to be adjourned from time to time by announcement at the time and place fixed for sale, and such sale may, without further notice, be made at the time and place to which the same was so adjourned. In case any sale of all or any part of the Collateral is made on credit or for future delivery, the Collateral so sold may be retained by the Agent until the sale price is paid by the purchaser or purchasers thereof, but the Agent shall not incur any liability in case any such purchaser or purchasers shall fail to take up and pay for the Collateral so sold and, in case of any such failure, such Collateral may be sold again upon like notice. At any public sale made pursuant to this Section 6, any Investor may bid for or purchase, free (to the extent permitted by law) from any right of redemption, stay or appraisal on the part of Borrower (all said rights being also hereby waived and released to the extent permitted by law), with respect to the Collateral or any part thereof offered for sale and any such Investor may make payment on

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account thereof by using any claim then due and payable to any such Investor from Borrower as a credit against the purchase price, and any such Investor may, upon compliance with the terms of sale, hold, retain and dispose of such property without further accountability to Borrower therefor. For purposes hereof, a written agreement to purchase the Collateral or any portion thereof shall be treated as a sale thereof; the Agent shall be free to carry out such sale and purchase pursuant to such agreement, and Borrower shall not be entitled to the return of the Collateral or any portion thereof subject thereto, notwithstanding the fact that after the Agent shall have entered into such an agreement all events of default shall have been remedied and the Secured Obligations paid in full. Borrower shall remain liable for any deficiency. As an alternative to exercising the power of sale herein conferred upon it, the Agent may proceed by a suit or suits at law or in equity to foreclose this Agreement and to sell the Collateral or any portion thereof pursuant to a judgment or decree of a court or courts having competent jurisdiction or pursuant to a proceeding by a court appointed receiver.

8. **Designation of Agent.** The Investors hereby irrevocably designate CA (and its successors and assigns) as their agent and CA hereby accepts such designation, in order to execute any and all instruments or other documents on behalf of the Investors and to do any and all other acts or things on behalf of the Investors that CA (or its successors or assigns) in its sole discretion deems necessary or advisable or that may be required pursuant to this Agreement or otherwise, to exercise the Secured Parties' rights and remedies under this Agreement. None of the Investors may take any action or exercise any rights under this Agreement except through CA as their agent. Each Secured Party hereby appoints the Agent the attorney-in-fact of such Secured Party solely for the purpose of carrying out the provisions of this Agreement and taking any action and executing any instrument which the Agent may reasonably deem necessary or advisable to accomplish the purposes hereof, which appointment is irrevocable so long as this Agreement and the Security Interest have not been terminated and coupled with an interest

9. **Application of Proceeds.** The proceeds of any collection or sale of Collateral, as well as any Collateral consisting of cash, shall be applied by the Agent as follows:

FIRST, to the payment of all reasonable costs and expenses incurred by the Agent in connection with such collection or sale or otherwise in connection with this Agreement or any of the Secured Obligations, including, but not limited to, all court costs and the reasonable fees

and expenses of its agents and legal counsel, the repayment of all advances made by the Agent hereunder on behalf of the Borrower and any other reasonable costs or expenses incurred in connection with the exercise of any right or remedy hereunder;

SECOND, pro rata to the payment in full of principal and interest in respect of any amount of the Notes or July 2007 Notes outstanding, subject to the last sentence of Section 2 of the Notes (pro rata as among the Investors in accordance with the aggregate principal amount of the Notes or July 2007 Notes held by them, subject to the last sentence of Section 2 of the Notes);

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THIRD, to the Borrower, its successors and assigns, or as a court of competent jurisdiction may otherwise direct.

10. **Security Interest Absolute.** All rights of the Agent hereunder, the Security Interest, and all obligations of the Borrower hereunder, shall be absolute and unconditional irrespective of (i) any partial invalidity or unenforceability of the Note, any other agreement with respect to any of the Secured Obligations or any other agreement or instrument relating to any of the foregoing, (ii) any change in the time, manner or place of payment of, or in any other term of, all or any of the Secured Obligations, or any other amendment or waiver of or consent to any departure from the Notes, July 2007 Notes, or any other agreement or instrument, (iii) any exchange, release or nonperfection of any other Collateral, or any release or amendment or waiver of or consent to or departure from any guarantee, for all or any of the Secured Obligations, or (iv) any other circumstance which might otherwise constitute a defense available to, or discharge of the Borrower in respect of the Secured Obligations or in respect of this Agreement.

11. **Miscellaneous.** This Agreement can be waived, modified, amended, terminated or discharged, and the Security Interest can be released, only explicitly in a writing signed by the Agent. A waiver signed by the Agent shall be effective only in the specific instance and for the specific purpose given. Mere delay or failure to act shall not preclude the exercise or enforcement of any of any Secured Parties' or the Agent's rights or remedies. All rights and remedies of a Secured Party shall be cumulative and may be exercised singularly or concurrently, at Agent's option, and the exercise or enforcement of any one such right or remedy shall neither be a condition to nor bar the exercise or enforcement of any other. The Secured Parties shall not be obligated to preserve any rights Borrower may have against prior parties, to realize on the Collateral at all or in any particular manner or order, or to apply any cash proceeds of the Collateral in any particular order of application. This Agreement shall be binding upon and inure to the benefit of Borrower and Secured Parties and their respective participants, successors, and permitted assigns and shall take effect when signed by Borrower and Secured Parties, and Borrower waives notice of Secured Parties' acceptance hereof; provided, however, that the Secured Parties' rights hereunder may not be transferred or assigned to any third party without the prior written consent of Borrower. This Agreement shall be governed by the internal law of the State of New York without regard to conflicts of law provisions. If any provision or application of this Agreement is held unlawful or unenforceable in any respect, such illegality or unenforceability shall not affect other provisions or applications which can be given effect and this Agreement shall be construed as if the unlawful or unenforceable provision or application had never been contained herein or prescribed hereby. All representations and warranties contained in this Agreement shall survive the execution, delivery and performance of this Agreement and the creation and payment of the Secured Obligations.

12. **Waiver of Jury Trial: BORROWER HEREBY KNOWINGLY, VOLUNTARILY AND INTENTIONALLY WAIVES THE RIGHT BORROWER MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION BASED HEREON OR ARISING OUT OF, UNDER OR IN CONNECTION WITH THIS AGREEMENT**

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AND ANY AGREEMENT CONTEMPLATED TO BE EXECUTED IN CONJUNCTION HERewith, OR ANY COURSE OF CONDUCT, COURSE OF DEALING, STATEMENTS (WHETHER VERBAL OR WRITTEN) OR ACTIONS OF EITHER PARTY. THIS PROVISION IS A MATERIAL INDUCEMENT FOR THE SECURED PARTIES ENTERING INTO THIS AGREEMENT.

13. **Termination.** This Agreement and the Security Interest shall terminate when all the Secured Obligations have been fully and indefeasibly paid in full, at which time the Agent shall execute and deliver to the Borrower all Uniform Commercial Code termination statements and similar documents which the Borrower shall reasonably request to evidence such termination; provided, however, that all indemnities of the Borrower contained in this Agreement shall survive, and remain operative and in full force and effect regardless of, the termination of this Agreement for a period of six (6) months following the termination of this Agreement.

14. **Prior Security Agreements.** This Agreement shall amend and restate, and replace in their entirety, each of the Prior Security Agreements. Each Secured Party who was a party to one or more of the Prior Security Agreements hereby agrees that (i) the Prior Security Agreements are terminated as of the date hereof, (ii) such Secured Parties have no further rights under the Prior Security Agreements, (iii) such Secured Parties hereby forever waive and release the Company from any current or prior breach of, and any current or prior damages, claims, expenses, or other entitlements arising from or under, the Prior Security Agreements.

*** Signatures on following page(s) ***

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IN WITNESS WHEREOF, the parties have duly executed and delivered this Security Agreement as of the date and year first written above.

AGENT:

COMMONWEALTH ASSOCIATES, L.P.

By: /s/ Robert O' Sullivan

Name: Robert O' Sullivan

Title: President and CEO

BORROWER:

LIQUIDMETAL TECHNOLOGIES, INC.

By: /s/ John Kang
John Kang,
President and Chief Executive Officer

PRIOR AGENT:

MIDDLEBURY CAPITAL, LLC

By: /s/ Eric Brachfeld
Name: Eric Brachfeld
Title: Managing Member

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COUNTERPART SIGNATURE PAGE
TO AMENDED AND RESTATED SECURITY AGREEMENT
DATED AUGUST 2, 2005,
AMONG LIQUIDMETAL TECHNOLOGIES, INC.,
COMMONWEALTH ASSOCIATES, L.P., AND
THE "INVESTORS" IDENTIFIED THEREIN

The undersigned hereby executes and delivers the Amended and Restated Security Agreement to which this Signature Page is attached, which, together with all counterparts of the Amended and Restated Security Agreement and Signature Pages of the Company, Agent, and other "Investors" under the Amended and Restated Security Agreement, shall constitute one and the same document in accordance with the terms of the Amended and Restated Security Agreement.

INVESTOR: Jess S. Morgan & Co., Inc.
By: /s/ Gary Levenstein
Name: Gary Levenstein
Title: President, Investment Division Jess S. Morgan & Co., Inc.

INVESTOR: Prana, LLC
By: /s/ Renee Vallese
Name: Renee Vallese
Title: Managing Director

INVESTOR: DKR Soundshore Oasis Holding Fund Ltd.
By: /s/ Bradford Caswell
Name: Bradford Caswell
Title: Director

INVESTOR: Rodd Friedman
By: /s/ Rodd Friedman
Name: Rodd Friedman
Title: N/A

INVESTOR: Bruce Rosen
By: /s/ Bruce Rosen
Name: Bruce Rosen
Title: N/A

INVESTOR: Caydal, LLC
By: /s/ Kevin Daly
Name: Kevin Daly
Title: Managing Member

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INVESTOR: Marlin Fund, LP
By: /s/ Michael W. Masters
Name: Michael W. Masters
Title: Managing Member of the General Partner

INVESTOR: Marlin Fund II, LP

By: /s/ Michael W. Masters
Name: Michael W. Masters
Title: Managing Member of the General Partner

INVESTOR: Marlin Fund Offshore, Ltd.
By: /s/ Michael W. Masters
Name: Michael W. Masters
Title: Managing Member of the Investment Manager

INVESTOR: Larry Bouts
By: /s/ Larry Bouts
Name: Larry Bouts
Title: N/A

INVESTOR: Really Cool Group, Ltd.
By: /s/ J. Segal
Name: J. Segal
Title: Director

INVESTOR: Myron Neugeboren
By: /s/ Myron Neugeboren
Name: Myron Neugeboren
Title: N/A

INVESTOR: Jonas Brachfeld
By: /s/ Jonas Brachfeld
Name: Jonas Brachfeld
Title: N/A

INVESTOR: Greg Osborn
By: /s/ Greg Osborn
Name: Greg Osborn
Title: N/A

INVESTOR: Richard Molinsky
By: /s/ Richard Molinsky
Name: Richard Molinsky
Title: N/A

INVESTOR: Richard and Joanne Kane
By: /s/ Richard Kane and Joanne Kane
Name: Richard Kane and Joanne Kane
Title: N/A

INVESTOR: Ricardo A. Salas
By: /s/ Ricardo A. Salas
Name: Ricardo A. Salas
Title: N/A

INVESTOR: Wry Ltd.
By: /s/ J. Segal
Name: J. Segal
Title: Director

INVESTOR: Keith Barksdale
By: /s/ Keith Barksdale
Name: Keith Barksdale
Title: N/A

INVESTOR: Winvest Venture Partners, Inc.
By: /s/ Chang Ki Cho
Name: Chang Ki Cho
Title: President and CEO

INVESTOR: Eric Brachfeld
By: /s/ Eric Brachfeld
Name: Eric Brachfeld
Title: N/A

INVESTOR: Edward Neugeboren
By: /s/ Edward Neugeboren

Name: Edward Neugeboren
Title: N/A

INVESTOR: Dolphin Offshore Partners, LP
By: /s/ Peter E. Salas
Name: Peter E. Salas
Title: General Partner

INVESTOR: Harvard Developments, Inc.
By: /s/ Arden Giesbrecht and Terry Downie
Name: Arden Giesbrecht and Terry Downie
Title: Controller and VP, Finance (respectively)

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INVESTOR: Echo Capital Growth Corporation
By: /s/ Paul J. Hill
Name: Paul J. Hill
Title: President

INVESTOR: Terrence L. Mealy
By: /s/ Terrence L. Mealy
Name: Terrence L. Mealy
Title: Self

INVESTOR: Shinnston Enterprises, Ltd.
By: /s/ James K. Murray, Jr.
Name: James K. Murray, Jr.
Title: Limited Partner

INVESTOR: Shea Diversified Investments, Inc.
By: /s/ Ronald Lakey
Name: Ron Lakey
Title: Assistant Secretary

INVESTOR: Commonwealth Associates, LP
By: /s/ Robert A. O'Sullivan
Name: Robert A. O'Sullivan
Title: CEO and President

INVESTOR: Neal I. Goldman
By: /s/ Neal I. Goldman
Name: Neal I. Goldman
Title: N/A

INVESTOR: LBJ Holdings, LLC
By: HSP Group, Inc. (Its Manager)
By: /s/ Brian Potiker
Name: Brian Potiker
Title: Vice President

INVESTOR: John D. Stout
By: /s/ John D. Stout
Name: John D. Stout
Title: Individually

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INVESTOR: MicroCapital Fund Ltd.
By: /s/ Christopher P. Swenson
Name: Christopher P. Swenson
Title: Vice President

INVESTOR: MicroCapital Fund LP
By: /s/ Christopher P. Swenson
Name: Christopher P. Swenson
Title: Vice President

INVESTOR: Journeys End Partners, LLC
By: /s/ Gerald B. Cramer
Name: Gerald B. Cramer

Title: Manager

INVESTOR: Wynnefield Partners Small Cap Value, LP

By: /s/ Nelson Obus

Name: Nelson Obus

Title: Managing Member

INVESTOR: Wynnefield Partners Small Cap Value, LP I

By: /s/ Nelson Obus

Name: Nelson Obus

Title: Managing Member

INVESTOR: Wynnefield Small Cap Value Offshore Fund, Ltd.

By: /s/ Nelson Obus

Name: Nelson Obus

Title: President

INVESTOR: Min Capital Corp Retirement Trust

By: /s/ Robert Friedman

Name: Robert Friedman

Title: Trustee

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SCHEDULE I TO SECURITY AGREEMENT

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SCHEDULE A

Collateral Locations

25800 Commercentre Dr., Suite 100
Lake Forest, California 92630
(also principal executive office)

Texas office:
12070 FM 3083
Conroe, TX 77301-6104

Federal Employer Identification Number:

33-0264467

Patents Described in Section 4(c):

<u>Title of Patent</u>	<u>U.S. Patent Number</u>
Materials Transformable Coatings	4,725,512
WC Containing Coating	5,030,519
Joining Using Bulk Alloys	5 482 580
Diamond Composites of Bulk Alloys	5,567,532
Composites of Bulk Alloy (Method)	5 567 251
Composites of Bulk Alloy (Article)	5 866 254
Ti-Containing Hard-Facing Coating	5 695 825
Die-Casting of Bulk Alloys	5 711 363
Torsional Spring of Bulk Alloys	5 772 803
Apparatus for Hard-Facing Coating	5 942 289
Zirconia Containing Coating	6,376,091
Shaped-Charge Projectiles	6,446,558
Vacuum Die-Casting of Bulk Alloys	6,021,840

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EXHIBIT A

DESCRIPTION OF COLLATERAL

The term "Collateral" shall mean the following assets of the Company:

(a) All “accounts,” as that term is defined in Article 9 of the Uniform Commercial Code, as in effect in the State of New York (“UCC”), including, without limitation, every right to payment for goods or other property of any kind sold or leased or for services rendered or for any other transaction, whether or not the right to payment has been earned by performance, and including without limitation every account receivable, all purchase orders, all interest in goods the sale or lease of which gives rise to the right to payment (including returned or repossessed goods and unpaid seller’s rights), and the rights pertaining to such goods, including the right to stoppage in transit, every right to payment under any contract, and every lien, guaranty, or security interest that secures a right to payment for any of the foregoing (“Accounts”);

(b) All chattel paper, consisting of a writing or writings evidencing both a monetary obligation and a security interest in or lease of goods, together with any guarantees, letters of credit, and other security therefore (“Chattel Paper”);

(c) All “deposit accounts,” as defined in the UCC (“Deposit Accounts”);

(d) All “inventory” of whatever kind, as that term is used in the UCC, including without limitation all goods held by the Company for sale or lease, goods furnished or to be furnished under a contract for service, and supplies, packaging, raw materials, goods in transit, work-in-process, and materials used or consumed or to be used or consumed in the Company’s business, or in the processing, packaging, or shipping of same, all finished goods, and all property, the sale or lease of which has given rise to Accounts, Chattel Paper, or Instruments, and that has been returned to the Company or repossessed by the Company or stopped in transit, and all warranties and related claims, credits, setoffs, and other rights of recovery with respect to any of the foregoing (“Inventory”);

(e) All “equipment,” as that term is used in the UCC, including without limitation all equipment, machinery, and other property held for use in or purchased for the Company’s business, together with all increases, parts, fittings, accessories, repair equipment, and special tools now or later affixed to, or used in connection with, that property, all transferable rights of the Company to the licenses and warranties (express and implied) received from the sellers and manufacturers of the foregoing property, all related claims, credits, setoffs, and other rights of recovery (“Equipment”);

(f) All “instruments,” including without limitation every instrument of any kind, as that term is used in the UCC, and includes every promissory note, negotiable instrument, certificated security, or other writing that evidences a right to payment of money,

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that is not a lease or security agreement, and that is transferred in the ordinary course of business by delivery with any necessary assignment or indorsement (“Instruments”);

(g) “Investment property,” as that term is defined in the UCC (“Investment Property”);

(h) All documents, including without limitation any paper that is treated in the regular course of business as adequate evidence that the person in possession of the paper is entitled to receive, hold, and dispose of the goods the paper covers, including warehouse receipts, bills of lading, certificates of title, and applications for certificates of title;

(i) All “general intangibles” of any kind, as that term is used in the UCC, and includes without limitation all intangible personal property other than Accounts, Documents, Instruments, and Chattel Paper, and includes without limitation money, contract rights, corporate or other business records, deposit accounts, inventions, designs, formulas, Patents (as defined in Section 2 of this Agreement), service marks, trademarks, trade names, trade secrets, engineering drawings, goodwill, rights to prepaid expenses, registrations, franchises, copyrights, licenses, customer lists, computer programs and other software, source code, tax refund claims, royalty, licensing and product rights, all claims under guarantees, security interests or other security held by or granted to Borrower to secure payment of any of the Accounts by an Account Debtor, all indemnification rights, and rights to retrieval from third parties of electronically processed and recorded data pertaining to any Collateral, things in action, items, checks, drafts, and orders in transit to or from Borrower, credits or deposits of Borrower (whether general or special) that are held by Secured Parties (“General Intangibles”)

(j) “Supporting obligations,” as that term is defined in the UCC (“Supporting Obligations”); and

(k) To the extent not listed above in this Exhibit A as original collateral, proceeds and products of the foregoing.

The term “Collateral” shall not include, (i) the Borrower’s rights under that certain Amended and Restated License Agreement, dated September 1, 2001, between the Borrower and California Institute of Technology, and (ii) the Borrower’s rights under the Liquidmetal/UVAPF License Agreement, dated May 1, 2002, between the Borrower and the University of Virginia Patent Foundation.

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EXHIBIT B

SECURITY AGREEMENT

(PATENTS)

WHEREAS, LIQUIDMETAL TECHNOLOGIES, INC., a Delaware corporation (herein referred to as “Borrower”), owns the letters patent, and/or applications for letters patent, of the United States, more particularly described on Schedule 1-A annexed hereto as part hereof (the “Patents”);

WHEREAS, Borrower is obligated to COMMONWEALTH ASSOCIATES, L.P., a New York limited partnership, as agent (herein referred to as the “Secured Party”) for the Investors named in those certain Secured Convertible Notes dated as of the date hereof issued by the Borrower (each such note, as amended, modified or supplemented from time to time in accordance with its terms, shall collectively be referred to as the “Note”) and Borrower has entered into a Security Agreement dated the date hereof (the “Agreement”) in favor of Secured Party; and

WHEREAS, pursuant to the Agreement, Borrower has assigned to Secured Party, and granted to Secured Party a security interest in, all right, title and interest of Borrower in and to the Patents, together with any reissue, continuation, continuation-in-part or extension thereof, and all proceeds thereof, including, without limitation, any and all causes of action which may exist by reason of infringement thereof for the full term of the Patents (the "Collateral"), to secure the prompt payment, performance and observance of the Secured Obligations, as defined in the Agreement;

NOW, THEREFORE, for good and valuable consideration, receipt of which is hereby acknowledged, Borrower does hereby further assign unto Secured Party and grant to Secured Party a security interest in, the Collateral to secure the prompt payment, performance and observance of the Secured Obligations.

Borrower does hereby further acknowledge and affirm that the rights and remedies of Secured Party with respect to the assignment of, security interest in the Collateral made and granted hereby are more fully set forth in the Agreement, the terms and provisions of which are hereby incorporated herein by reference as if fully set forth herein.

Secured Party's address is 830 Third Avenue, 8th Floor, New York, NY 10022

IN WITNESS WHEREOF, Borrower has caused this Agreement to be duly executed by its officer thereunto duly authorized as of the 2nd day of August 2005.

LIQUIDMETAL TECHNOLOGIES, INC.

By: /s/ John Kang
John Kang,
President and Chief Executive Officer

CERTIFICATION

I, John Kang, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Liquidmetal Technologies, Inc.;
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 we 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 function):
 - 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: August 30, 2005

/s/ John Kang

John Kang

Chairman, President and Chief Executive Officer
(Principal Executive Officer)

CERTIFICATION

I, Young Ham, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Liquidmetal Technologies, Inc.;
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 we 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 function):
 - 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: August 30, 2005

/s/ Young Ham

Young Ham

Chief Financial Officer

(Principal Financial and Accounting Officer)

**WRITTEN STATEMENT OF THE CHIEF EXECUTIVE OFFICER
PURSUANT TO 18 U.S.C. 1350**

Solely for the purposes of complying with 18 U.S.C. 1350, I, the undersigned Chief Executive Officer of Liquidmetal Technologies, Inc. (the "Company"), hereby certifies, based on my knowledge, that the Quarterly Report on Form 10-Q of the Company for the quarter ended June 30, 2005, (the "Report") fully complies with the requirements of Section 13 (a) of the Securities Exchange Act of 1934 and that information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ John Kang

John Kang, Chairman, President and Chief Executive Officer

August 30, 2005

**WRITTEN STATEMENT OF THE CHIEF FINANCIAL OFFICER
PURSUANT TO 18 U.S.C. 1350**

Solely for the purposes of complying with 18 U.S.C. 1350, I, the undersigned Chief Financial Officer of Liquidmetal Technologies, Inc. (the "Company"), hereby certifies, based on my knowledge, that the Quarterly Report on Form 10-Q of the Company for the quarter ended June 30, 2005, (the "Report") fully complies with the requirements of Section 13 (a) of the Securities Exchange Act of 1934 and that information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Young Ham

Young Ham, Chief Financial Officer

August 30, 2005
