

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

FORM 10-Q

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

For the quarterly period ended June 30, 2011
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.)

30452 Esperanza

Rancho Santa Margarita, CA 92688

(Address of principal executive offices, zip code)

Registrant's telephone number, including area code: (949) 635-2100

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 the past 90 days.

Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

The number of common shares outstanding as of July 31, 2011 was 122,073,800.

LIQUIDMETAL TECHNOLOGIES, INC.
FORM 10-Q
FOR THE QUARTER ENDED JUNE 30, 2011

FORWARD-LOOKING INFORMATION

Statements in this report concerning future sales, expenses, profitability, financial resources, product mix, market demand and product development and other statements in this report concerning the future results of operations, financial condition and business of Liquidmetal Technologies, Inc. ("The Company") are "forward-looking" statements as defined in the Securities Act of 1933 and the Securities Exchange Act of 1934. Investors are cautioned that the Company's actual results in the future may differ materially from those projected in the forward-looking statements due to risks and uncertainties that exist in the Company's operations and business environment, including competition, the need for continued technology development and advances, the need for increased acceptance of products and alloys, our ability to continue to develop and extend our brand identity, our ability to anticipate and adapt to a competitive market, our ability to effectively manage rapidly expanding operations, the amount and timing of operating costs and capital expenditures relating to expansion of our business, our operations and infrastructure, our ability to provide superior customer service, our dependence upon key personnel and the like. The Company's most recent filings with the Securities and Exchange Commission ("SEC"), including our Annual Report on Form 10-K/A for the year ended December 31, 2010, contain additional information concerning many of these risk factors, and copies of these filings are available from the Company upon request and without charge.

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PART I**FINANCIAL INFORMATION****Item 1 – Financial Statements**

LIQUIDMETAL TECHNOLOGIES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands, except share data)

	<u>June 30,</u> <u>2011</u>	<u>December 31,</u> <u>2010</u>
	<u>(unaudited)</u>	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 2,838	\$ 5,049
Trade accounts receivable, net of allowance for doubtful accounts of \$0 and \$1	1,906	631
Inventories	1,065	1,016
Prepaid expenses and other current assets	624	1,264
Total current assets	<u>6,433</u>	<u>7,960</u>
Other Receivable	1,100	1,100
Property, plant and equipment, net	1,447	796
Long-lived assets to be disposed (Note 12)	3,909	3,758
Other intangibles, net	1,052	1,121
Other assets	237	310
Total assets	<u>\$ 14,178</u>	<u>\$ 15,045</u>
LIABILITIES AND SHAREHOLDERS' DEFICIENCY		
Current liabilities:		
Accounts payable	\$ 1,505	\$ 2,041
Accrued liabilities	2,244	5,312
Accrued interest of majority-owned subsidiary	2,292	1,754
Deferred revenue	283	8
Short-term debt of majority-owned subsidiary (Note 7)	2,000	480
Long-term debt of majority-owned subsidiary, current portion (Note 7)	7,732	558
Warrant liabilities	15,902	12,819
Other liabilities, current portion (Note 12, Note 16)	3,720	3,626
Total current liabilities	<u>35,678</u>	<u>26,598</u>
Long-term debt of majority-owned subsidiary, net of current portion (Note 7)	-	7,404
Other long-term liabilities, net of current portion	1,193	681
Total liabilities	<u>36,871</u>	<u>34,683</u>
Shareholders' deficiency:		
Liquidmetal Technologies, Inc. shareholders' deficiency		
Preferred stock, \$0.001 par value; 10,000,000 shares authorized; 1,608,410 and 2,171,760 shares issued and outstanding as of June 30, 2011 and December 31, 2010, respectively	2	2
Common stock, \$0.001 par value; 300,000,000 shares authorized; 117,483,962 and 93,695,375 shares issued and outstanding as of June 30, 2011 and December 31, 2010, respectively	111	88
Additional paid-in capital	149,690	146,870
Accumulated deficit	(174,582)	(168,679)
Accumulated other comprehensive income	1,535	1,494
Total Liquidmetal Technologies, Inc. shareholders' deficiency	<u>(23,244)</u>	<u>(20,225)</u>
Noncontrolling interest	551	587
Total shareholders' deficiency	<u>(22,693)</u>	<u>(19,638)</u>
Total liabilities and shareholders' deficiency	<u>\$ 14,178</u>	<u>\$ 15,045</u>

The accompanying notes are an integral part of the condensed consolidated financial statements.

LIQUIDMETAL TECHNOLOGIES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)
(in thousands, except per share data)
(unaudited)

	For the Three Months Ended		For the Six Months Ended	
	June 30,		June 30,	
	2011	2010	2011	2010
Revenue	\$ 3,639	\$ 2,199	\$ 6,499	\$ 4,902
Cost of sales	2,576	1,320	4,281	3,092
Gross profit	1,063	879	2,218	1,810
Operating expenses				
Selling, general, and administrative	1,494	1,416	3,226	2,706
Research and development	367	226	735	473
Total operating expenses	1,861	1,642	3,961	3,179
Loss from operations before non-controlling interest and discontinued operations	(798)	(763)	(1,743)	(1,369)
Change in value of warrants, gain (loss)	4,733	1,053	(3,083)	2,838
Change in value of conversion feature, gain	-	111	-	429
Other income	1	62	6	63
Other expense (Note 15)	(585)	-	(585)	-
Interest expense	(375)	(1,386)	(736)	(2,550)
Interest income	6	-	14	-
Income (loss) before non-controlling interest and discontinued operations	2,982	(923)	(6,127)	(589)
Loss from discontinued operations, net	(30)	(209)	(165)	(615)
Income (loss) from operations before non-controlling interest	2,952	(1,132)	(6,292)	(1,204)
Net (income) loss attributable to noncontrolling interest	(19)	94	36	136
Net income (loss) attributable to Liquidmetal Technologies	2,933	(1,038)	(6,256)	(1,068)
Other comprehensive (loss) income:				
Foreign exchange translation (loss) gain	(4)	(182)	41	(107)
Comprehensive income (loss)	\$ 2,929	\$ (1,220)	\$ (6,215)	\$ (1,175)
Per common share basic and diluted:				
Net loss attributable to Liquidmetal Technologies, Inc. - basic				
Income (loss) from continuing operations	\$ 0.03	\$ (0.02)	\$ (0.06)	\$ (0.01)
Loss from discontinued operations	-	-	-	(0.01)
Basic loss per share	\$ 0.03	\$ (0.02)	\$ (0.06)	\$ (0.02)
Net loss attributable to Liquidmetal Technologies, Inc. - diluted				
Income (loss) from continuing operations	\$ 0.02	\$ (0.02)	\$ (0.06)	\$ (0.01)
Loss from discontinued operations	-	-	-	(0.01)
Diluted loss per share	\$ 0.02	\$ (0.02)	\$ (0.06)	\$ (0.02)
Number of weighted average shares - basic	116,353	48,477	105,024	48,030
Number of weighted average shares - diluted	181,002	48,477	105,024	48,030

The accompanying notes are an integral part of the condensed consolidated financial statements.

LIQUIDMETAL TECHNOLOGIES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' DEFICIENCY
For the Six Months Ended June 30, 2011
(in thousands, except share data)
(unaudited)

	Preferred Shares	Common Shares	Preferred Stock	Common Stock	Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Compre- hensive Income	Non- controlling Interest	Total
Balance, December 31, 2010	2,171,760	93,695,375	\$ 2	\$ 88	\$ 146,870	\$ (168,679)	\$ 1,494	\$ 587	\$ (19,638)
Conversion of preferred stock (Note 10)	(563,350)	19,292,158	-	19	(19)	-	-	-	-
Common stock issuance (Note 15)	-	4,496,429	-	4	2,796	-	-	-	2,800
Stock-based compensation	-	-	-	-	82	-	-	-	82
Dividend distribution	-	-	-	-	-	371	-	-	371
Dividend distribution to preferred units holder of majority-owned subsidiary	-	-	-	-	135	(18)	-	-	117
Tax distribution by majority-owned subsidiary	-	-	-	-	(174)	-	-	-	(174)
Foreign exchange translation gain	-	-	-	-	-	-	41	-	41
Net loss	-	-	-	-	-	(6,256)	-	(36)	(6,292)
Balance, June 30, 2011	<u>1,608,410</u>	<u>117,483,962</u>	<u>\$ 2</u>	<u>\$ 111</u>	<u>\$ 149,690</u>	<u>\$ (174,582)</u>	<u>\$ 1,535</u>	<u>\$ 551</u>	<u>\$ (22,693)</u>

The accompanying notes are an integral part of the condensed consolidated financial statements.

LIQUIDMETAL TECHNOLOGIES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)
(unaudited)

	For the Six Months Ended	
	June 30,	
	2011	2010
Operating activities:		
Net loss attributable to Liquidmetal Technologies, Inc.	\$ (6,091)	\$ (453)
Add: Loss related to discontinued operations	(165)	(615)
	<u>(6,256)</u>	<u>(1,068)</u>
Adjustments to reconcile loss from operations to net cash used in operating activities:		
Gain on disposal of asset	-	2
Loss attributable to noncontrolling interest of consolidated subsidiary	(36)	(136)
Depreciation and amortization	252	82
Amortization of debt discount	66	1,462
Stock-based compensation	82	73
Bad debt expense	(1)	20
Warranty recovery	-	(148)
Loss (gain) from change in value of warrants	3,083	(2,838)
Gain from change in value of conversion feature	-	(429)
Changes in operating assets and liabilities:		
Trade accounts receivable	(1,275)	149
Inventories	(49)	65
Prepaid expenses and other current assets	640	-
Other assets	(129)	(80)
Accounts payable	(505)	989
Accrued expenses	585	(296)
Deferred revenue	275	208
Other liabilities	605	(30)
Net cash used in continuing operations	<u>(2,663)</u>	<u>(1,975)</u>
Net cash used in discontinued operations	(30)	136
Net cash used in operating activities	<u>(2,693)</u>	<u>(1,839)</u>
Investing Activities:		
Purchases of property and equipment	(790)	(159)
Investment in patents and trademarks	-	(28)
Net cash used in investing activities	<u>(790)</u>	<u>(187)</u>
Financing Activities:		
Proceeds from borrowings	4,669	8,184
Repayment of borrowings	(3,379)	(4,872)
Net cash provided by financing activities	<u>1,290</u>	<u>3,312</u>
Effect of foreign exchange translation	(18)	(519)
Net (decrease) increase in cash and cash equivalents	<u>(2,211)</u>	<u>767</u>
Cash and cash equivalents at beginning of period	5,049	151
Cash and cash equivalents at end of period	<u>\$ 2,838</u>	<u>\$ 918</u>

The accompanying notes are an integral part of the condensed consolidated financial statements.

LIVIDMETAL TECHNOLOGIES AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the Six Months Ended June 30, 2011 and 2010

(in thousands, except share data)

(unaudited)

1. Description of Business

Liquidmetal Technologies, Inc. (“Liquidmetal Technologies”) and its subsidiaries (collectively “the Company”) are in the business of developing and marketing products made from amorphous alloys. Liquidmetal Technologies markets and sells Liquidmetal® alloy industrial coatings and also markets and sells products and components from bulk Liquidmetal alloys that can be incorporated into the finished goods of its customers across a variety of industries. The Company also partners with third-party licensees and distributors to develop and commercialize Liquidmetal alloy products.

The Company classifies operations into two reportable segments: Liquidmetal alloy industrial coatings (“Coatings”) and bulk Liquidmetal alloys (“Bulk Alloys”) (see Note 13). Liquidmetal alloy industrial coatings are used primarily as a protective coating for industrial machinery and equipment, such as drill pipes used by the oil drilling industry and boiler tubes used by coal-burning power plants. Bulk Liquidmetal alloys include potential market opportunities to sell products and components for medical devices, defense applications, and sporting goods. In addition, the Bulk Alloys segment includes tooling and prototype sampling. Furthermore, such alloys are used to generate research and development services revenue for developing uses related primarily to defense and medical applications as well as potential license fees, royalties, and other compensation from strategic partnering transactions.

In July 2007, the Company transferred substantially all of the assets of its Liquidmetal alloy industrial coatings business to a newly formed, newly capitalized subsidiary named Liquidmetal Coatings, LLC, a Delaware limited liability company (“LMC”), and LMC assumed substantially all of the assets and liabilities of the coatings business. The transfer included the thermal spray coatings assets and liabilities acquired under a purchase agreement with Foster Wheeler Energy Services in June 2007. The Company initially held a 69.25% ownership interest in LMC, however, during 2010, LMC failed to redeem its preferred units by the specified time and was required to issue additional shares to its noteholders, thus diluting the Company’s interest (See Note 11). On December 15, 2010, the Company and two other members of LMC contributed additional capital into LMC in exchange for additional common unit membership. As a result, the Company’s ownership interest in LMC increased to 72.86%. The results of operations of LMC are consolidated and represent the Company’s Coatings segment for financial reporting purposes.

In May 2010, LMC entered into a joint venture agreement with IMCO Alloys Private Limited (“IMCO”) to create a subsidiary named Liquidmetal Coatings Solutions India Private Limited (“LMCSI”) and engage in application services of Liquidmetal products as a protective coating. Initially, under the joint venture agreement, LMC held 80% and IMCO held 20% of the outstanding Class A Shares of LMCSI. LMC may, at its option, subscribe to Class B Shares of the Company. In September 2010, LMC provided approximately \$80 in capital equipment and was issued 358,204 Class B Shares of LMCSI. As a result, LMC holds 88.6% and IMCO holds 11.4% ownership interest in LMCSI as of June 30, 2011. The results of operations of LMCSI are consolidated into LMC and the Company and are included in the Company’s Coatings segment for financial reporting purposes.

In June 2010, the Company created a wholly owned subsidiary, Advanced Metals Materials (“AMM”), in Weihei China as a holding company for certain assets that were acquired in China. During the first quarter of 2011, AMM started production and manufacturing of certain bulk Liquidmetal alloys. The results of operations of AMM are consolidated and are included in the Company’s Bulk Alloys segment for financial reporting purposes. On August 5, 2011, the Company sold all of the stock of AMM to Innovative Materials Group, which is majority owned by John Kang, the Company’s former Chairman (see Note 17).

The Company currently owns a 166,000 square foot manufacturing facility (and leases the underlying ground) in Pyongtaek, South Korea, which became operational in the third quarter of 2002. In November 2010, the Company ceased operations and shut down the South Korea manufacturing facility and plans to pursue strategic partnerships with other companies to leverage its resources, strength, and technologies to more rapidly develop and commercialize its products (See Note 12).

LIQUIDMETAL TECHNOLOGIES AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the Six Months Ended June 30, 2011 and 2010

(in thousands, except share data)

(unaudited)

2. Basis of Presentation and Recent Accounting Pronouncements

The accompanying condensed balance sheets as of December 31, 2010, which has been derived from audited financial statements, and the unaudited interim condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“generally accepted accounting principles”) for interim financial information and with the instructions to Form 10-Q. Accordingly, they do not include all of the information and notes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting only of normal recurring accruals) considered necessary for a fair presentation have been included. All intercompany balances and transactions have been eliminated. Operating results for the three and six months ended June 30, 2011 are not necessarily indicative of the results that may be expected for any future periods or the year ending December 31, 2011. The accompanying unaudited condensed consolidated financial statements should be read in conjunction with the Company’s Form 10-K/A filed with the Securities and Exchange Commission on April 5, 2011.

Translation of Foreign Currency

The Company applies Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) 830, *Foreign Currency*, for translating foreign currency into US dollars in our consolidation of the financial statements. Upon consolidation of the Company’s foreign subsidiaries into the Company’s consolidated financial statements, any balances with the subsidiaries denominated in a foreign currency are translated at the exchange rate at period-end. The financial statements of Liquidmetal Technologies Korea have been translated based upon Korean Won as the functional currency. The resulting translation adjustment is included in other comprehensive (loss) income.

Certain items from prior year have been reclassified to conform to the current year presentation.

Recent Accounting Pronouncements

In June 2011, the FASB issued guidance regarding the presentation of comprehensive income. The new guidance eliminates the current option to report other comprehensive income and its components in the statement of changes in equity. Instead, an entity will be required to present either a continuous statement of net income and other comprehensive income or in two separate but consecutive statements. The updated guidance is effective on a retrospective basis for financial statements issued for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2011. The Company is evaluating the impact of this guidance on its financial statements.

In May 2011, the FASB issued additional guidance on fair value measurements that clarifies the application of existing guidance and disclosure requirements, changes certain fair value measurement principles and requires additional disclosures about fair value measurements. The updated guidance is effective on a prospective basis for financial statements issued for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2011. The Company is evaluating the impact of this guidance on its financial statements.

In April 2010, the FASB codified the consensus reached in Emerging Issues Task Force Issue No. 08-09, “Milestone Method of Revenue Recognition.” FASB ASU No. 2010-17 “Revenue Recognition – Milestone Method (Topic 605)” provides guidance on defining a milestone and determining when it may be appropriate to apply the milestone method of revenue recognition for research and development transactions. FASB ASU No. 2010 – 17 is effective on a prospective basis for milestones achieved after the adoption date. The Company’s adoption of this guidance on January 1, 2011 did not have a significant impact on its consolidated financial statements.

Other recent accounting pronouncements issued by the FASB (including its Emerging Issues Task Force), the AICPA and the SEC did not or are not believed by management to have a material impact on the Company’s present or future consolidated financial statements.

LIQUIDMETAL TECHNOLOGIES AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the Six Months Ended June 30, 2011 and 2010

(in thousands, except share data)

(unaudited)

3. Liquidity

The Company has experienced losses from operations during most of the past several years and has an accumulated deficit of \$174,582 as of June 30, 2011. Cash used in operations for the six months ended June 30, 2011 was \$2,693. As of June 30, 2011, the Company's principal source of liquidity is \$2,838 of cash and \$1,906 of trade accounts receivable.

The Company anticipates that its current capital resources, together with anticipated cash from operations, will be sufficient to fund its operations through the fourth quarter of 2011. However, it will likely require additional funding at or prior to that time. The Company is actively seeking additional sources of capital through strategic and other potential transactions. Management cannot guarantee that adequate funds will be available when needed, and if the Company does not receive sufficient capital, it may be required to alter or reduce the scope of its operations.

On August 5, 2010, the Company entered into a license transaction with Apple Inc. ("Apple"). The Company used proceeds from the transaction to pay off the then existing debt. However, as of June 30, 2011, the Company's majority owned subsidiary, LMC, has \$12,024 of outstanding debt, including accrued interest payable (see Note 7). All such LMC debt is secured only by the assets of LMC.

Additionally, LMC has \$2,055 of preferred membership units and unpaid distribution outstanding as of June 30, 2011 (see Note 11). If by December 31, 2011 the preferred membership units are not redeemed in full, LMC is required to initiate a private unit offering to the then-existing members of LMC for an amount of proceeds that will be adequate to fully redeem the preferred membership units. If, by January 31, 2012, LMC is still not able to redeem the preferred membership units in full, the preferred membership unit holders shall receive additional common membership units equal to 12% of the common membership units then outstanding and an additional 2% of the common membership units per quarter until the preferred membership units are redeemed in full. The Company has the potential to lose LMC as a majority-owned subsidiary at which point it would deconsolidate LMC for financial reporting purposes.

On May 27, 2011, Virginia Electric and Power Company ("Dominion") filed a lawsuit against LMC's wholly owned subsidiary, Liquidmetal Coatings Solutions, LLC. ("LMCS"), in the County of Chesterfield Virginia claiming damages of \$2,523. Dominion is alleging that LMCS breached its contract with Dominion by not complying with the coating requirements set forth in the contract. The lawsuit filed by Dominion is limited to LMCS and to claims against LMC and LMCS' assets only. On July 11, 2011, LMCS responded by filing a counterclaim to Dominion for a breach of contract. In the counterclaim, LMCS claimed damages of \$1,823 and requested that Dominion be required to pay the remaining balance on the contract.

As of June 30, 2011, the Company has outstanding liens of \$2,308 against assets located in its South Korean subsidiary by various creditors related to \$3,200 of past-due trade payables and accrued liabilities that are included in other current liabilities on the Company's consolidated balance sheets. The Company is currently working to resolve the matter with each creditor by seeking a forbearance or compromise. If it cannot repay the amounts due or obtain forbearance or compromise, the creditors may seek to foreclose on the Company's assets located in Korea (See Note 12).

4. Fair Value of Financial Instruments

The fair value of cash and cash equivalents and trade receivables approximate carrying value(s) due to their short maturity. The estimated fair value of long-term debt was determined by using rates currently available to us for debt with similar terms and remaining maturities.

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Entities are required to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value based upon the following fair value hierarchy:

Level 1 — Quoted prices in active markets for identical assets or liabilities;

LIQUIDMETAL TECHNOLOGIES AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the Six Months Ended June 30, 2011 and 2010

(in thousands, except share data)

(unaudited)

Level 2 — *Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities; and*

Level 3 — *Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.*

The Company has one Level 2 financial instrument, warrant liabilities, that is recorded at fair value on a recurring basis periodically. The fair value for the warrants as of June 30, 2011 and December 31, 2010 was \$15,902 and \$12,819, respectively. The warrant liabilities are recorded at fair value based on upon valuation models which utilize relevant factors such as expected life, volatility of the Company's stock prices, risk free interest and dividend rate.

The Company believes that the estimated fair value of the debt of its subsidiary is not significantly different than the carrying value of the debt.

5. Inventories

Inventories are accounted for using the moving average basis and at standard cost, which approximate cost on a first-in, first-out basis and are valued at the lower of cost or market. Inventories were comprised of the following:

	June 30, 2011 <u>(Unaudited)</u>	December 31, 2010 <u></u>
Raw materials	\$ 653	\$ 267
Work in process	96	-
Finished goods	316	749
Total inventories	<u>\$ 1,065</u>	<u>\$ 1,016</u>

6. Product Warranty

Management estimates product warranties as a percentage of certain bulk alloy product sales earned during the period. As of June 30, 2011, the Company used 5% of bulk alloy product sales as an estimate of warranties to be claimed. The percentage is based on industry averages and historical information. Additionally, as of June 30, 2011, the Company used 1% of coatings applications sales as an estimate of warranties to be claimed.

During the three and six months ended June 30, 2011, the Company recorded \$9 and \$0, respectively, of warranty expense. During the three and six months ended June 30, 2010, the Company recorded \$135 and \$148 of net gain on warranty, respectively. As of June 30, 2011 and December 31, 2010, \$243 and \$280, respectively, of outstanding warranty accrual is included in accrued liabilities.

7. Debt of Majority-Owned Subsidiary

C3 Debt

On July 24, 2007, the Company completed a \$11,500 financing transaction (the "Transaction"). In the Transaction, the Company transferred substantially all of the assets of the Company's Liquidmetal Coatings division to a newly formed, newly capitalized subsidiary named Liquidmetal Coatings, LLC, a Delaware limited liability company ("LMC"), and LMC assumed substantially all of the liabilities of the division.

LIQUIDMETAL TECHNOLOGIES AND SUBSIDIARIES**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS****For the Six Months Ended June 30, 2011 and 2010****(in thousands, except share data)****(unaudited)**

LMC was capitalized through a \$6,500 subordinated debt and equity investment by C3 Capital Partners, L.P. ("C3"), C3 Capital Partners II, L.P. ("C3 II", and with C3, the "C3 entities") and a \$5,000 senior credit facility with Bank Midwest, N.A., which was fully repaid in 2010. This debt and equity resulted in cash proceeds of \$11,102 after related debt issuance costs of \$398, which proceeds LMC used to purchase all of the assets and liabilities from the Company. The Company incurred an additional \$459 in issuance costs directly related to the debt issuance. As a result, \$857 was recorded as deferred debt issuance costs to be amortized over the life of the debt. Interest expense for the amortization of debt issuance cost was \$33 and \$66 for the three and six months ended June 30, 2011, respectively. Interest expense for the amortization of debt issuance cost was \$46 and \$90 for the three and six months ended June 30, 2010, respectively.

In the Transaction, LMC also entered into a Securities Purchase Agreement, dated July 24, 2007 (the "Securities Purchase Agreement"), with the C3 entities and Liquidmetal Coatings Solutions, LLC, a wholly owned subsidiary of LMC that will operate the thermal spray coatings business ("LMCS"). Pursuant to the Securities Purchase Agreement, LMC issued to the C3 entities subordinated promissory notes in the aggregate principal amount of \$6,500 (the "Subordinated Notes"). Under the Securities Purchase Agreement, the C3 entities have the right, beginning on July 24, 2012 (or, if earlier, upon a default by LMC under the Subordinated Notes or Securities Purchase Agreement) to require LMC to purchase the C3 entities' membership interests in LMC for a purchase price equal to their pro rata portion of the greater of (i) the appraised fair market value of LMC or (ii) six times LMC's trailing 12-month earnings before interest, taxes, depreciation, and amortization, less funded debt.

In connection with the Securities Purchase Agreement and the Subordinated Notes, the Company and LMC entered into pledge agreements with the C3 entities in which the Company pledged its membership interest in LMC to secure the obligations under the notes and LMC pledged its membership interests in LMCS to secure its obligations under the notes. LMC and LMCS also granted to the C3 entities a blanket security interest in all of their assets to secure their obligations under the Subordinated Notes.

The Subordinated Notes have a maturity date of July 20, 2012 with no required principal payments before maturity other than upon specified triggering events, such as a change in control of LMC. Interest accrues at an annual rate of 14%, with 12% interest being payable monthly beginning September 2007 and the remaining 2% interest being payable at maturity. Since March 2009, LMC has failed to pay the monthly interest and has incurred additional 12% interest on the unpaid interest as penalty. As of June 30, 2011 and December 31, 2010, LMC has outstanding \$2,270 and \$1,737 of unpaid interest outstanding, respectively, and \$22 and \$17 of penalty on unpaid interest, respectively, which are all included in accrued interest of majority-owned subsidiary on the Company's consolidated balance sheets.

The gross outstanding loan balance, including accrued interest and penalty interest payable upon maturity of the Subordinated Notes totaled \$9,324 and \$8,716 as of June 30, 2011 and December 31, 2010, respectively. Interest expense incurred under the Subordinated Notes totaled \$245 and \$507 for the three and six months ended June 30, 2011, respectively. Interest expense incurred under the Subordinated Notes totaled \$239 and \$470 for the three and six months ended June 30, 2010, respectively.

Enterprise Debt

On June 25, 2010, LMC entered into a Credit Agreement ("Credit Agreement") with Enterprise Bank & Trust ("Enterprise"). The Credit Agreement provides for a total loan availability of \$3,700, consisting of a \$1,500 term loan ("Term Note"), a revolving loan of up to \$2,000 ("Revolving Note"), and equipment loans ("Equipment Note") of up to \$200. On June 22, 2011, the Credit Agreement was amended to modify certain terms and provide for (i) a revision of the maturity date for the Term Note to December 22, 2011, (ii) an extension of the maturity date of Revolving Note to December 22, 2011, and (iii) an adjustment of interest rate for the Term Note to 7%, the Revolving Note to 7.5% per annum and the Equipment Note to 6.75%.

LMC is required to make monthly principal payments of \$50 per month and a balloon payment of the remaining amount of the Term Note upon maturity. Interest payments under the Term Note are due at the beginning of each month and upon maturity of the Term Note. Borrowing availability under the Revolving Note is based on a percentage of LMC's eligible receivables. LMC has the right to prepay the Term Note and the Revolving Note and the Equipment Note, in whole or in part, at any time without penalty or premium.

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The Credit Agreement, as amended, is secured by a blanket security interest in all of LMC's assets. Pursuant to a subordination agreement between the C3 entities and Enterprise, Enterprise's security interest in the assets is senior to the C3 entities' security interest in the same assets.

As of June 30, 2011 and December 31, 2010, the gross outstanding loan balance under the Term Note totaled \$700 and \$1,000, respectively, and the gross outstanding loan balance under the Revolving Note totaled \$2,000 and \$480, respectively. There are no amounts outstanding for the Equipment Note as of June 30, 2011 and December 31, 2010. The Term Note is presented as long-term debt of majority-owned subsidiary, current portion and long-term debt of majority-owned subsidiary, net of current portion on the Company's consolidated balance sheets as of June 30, 2011 and December 31, 2010, respectively, and the Revolving Note is presented as short-term debt of majority-owned subsidiary on the Company's consolidated balance sheets. Interest expense incurred under the Term Note totaled \$13 and \$29, respectively, for the three and six months ended June 30, 2011. Interest expense incurred under the Revolving Note totaled \$12 and \$26, respectively, for the three and six months ended June 30, 2011. There was no interest expense incurred under the Term Note and the Revolving Note for the three and six months ended June 30, 2010.

8. Warrant Liabilities

Pursuant to FASB ASC 480-10-25-14, *Distinguishing Liabilities from Equity*, the Company is required to report the value of its warrant as a liability at fair value and record the changes in the fair value of the warrant liabilities as a gain or loss to current operations. The change in fair value of warrants resulted in a gain of \$4,733 and a loss of \$3,083 for the three and six months ended June 30, 2011, respectively, and gains of \$1,053 and \$2,838 for the three and six months ended June 30, 2010, respectively. As of June 30, 2011 and December 31, 2010, the Company has outstanding warrant liabilities of \$15,902 and \$12,819, respectively. The fair value of warrants outstanding for the following periods was computed using the Black-Scholes model under the following assumptions:

	June 30, 2011	December 31, 2010
Expected Life in years	0.51 - 4.08	0.38 - 4.58
Volatility	123%	154%
Risk-Free Interest Rate	0.10% - 1.76%	0.19% - 2.01%

9. Stock Compensation Plan

During the three and six months ended June 30, 2011, under the Company's 2002 Equity Incentive Plan which provides for the grant of stock options to officers, employees, consultants and directors of the Company and its subsidiaries, the Company granted options to purchase 0 and 20,000 shares, respectively, of the Company's common stock for an average price of \$0.63. All options granted under this plan had exercise prices that were equal to the fair market value on the date of grant.

10. Preferred Stock

On May 1, 2009, pursuant to a Securities Purchase and Exchange Agreement, the Company issued 500,000 shares of convertible Series A-1 Preferred Stock with an original issue price of \$5.00 per share and 2,625,000 shares Series A-2 Preferred Stock with an original issue price of \$5.00 per share as part of a financing transaction. The Series A-1 Preferred Stock and Series A-2 Preferred Stock are convertible into the Company's common stock at conversion price of \$0.10 and \$0.22 per common share, respectively. In connection with the Series A-1 and Series A-2 Preferred Stock issuance, the Company issued warrants to purchase 42,329,407 shares of the Company's common stock at an exercise price of \$0.50 per share, which was subsequently adjusted to \$0.49 per share due to an anti-dilution calculation.

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In October 2009, the Company entered into an agreement with various investors to issue 180,000 shares of convertible Series A-1 Preferred Stock with an original issue price of \$5.00 per share which are convertible into the Company's common stock at a conversion price of \$0.10 per common share. In connection with this issuance, the Company issued warrants to purchase up to 4,500,000 shares of common stock with an exercise price of \$0.50 per share, which was subsequently adjusted to \$0.49 per share due to an anti-dilution calculation, and an expiration date of January 3, 2012.

The preferred stock accrued cumulative dividends at an annual rate of 8%, which was payable semi-annually. In conjunction with the Series A-1 Preferred Stock conversion the Company granted in-kind dividends to the preferred stock holders, which were simultaneously converted into 1,365,863 shares of common stock. As of June 30, 2011 and December 31, 2010, the Company has accrued dividends of \$691 and \$1,063, respectively, included in accrued liabilities. The dividends were payable in cash or in kind by the issuance by the Company of additional preferred stock, only when and as declared by the Company's Board of Directors.

On November 3, 2010, the Company filed an Amended and Restated Certificate of Designations, Preferences, and Rights (the "Amended Designation") for the Company's Series A-1 and Series A-2 Preferred Stock (the "Series A Preferred Stock"). The Amended Designation was approved by the requisite vote of the holders of the Company's Series A Preferred Stock and was filed with the Delaware Secretary of State in accordance with a Consent Agreement entered into between the Company and the holders of 2/3 of the Series A Preferred Stock (the "Consent Agreement"). The Amended Designation amended the terms of the Series A Preferred Stock by (i) providing that dividends ceased accruing thereon as of June 1, 2010, (ii) the liquidation preference and corresponding conversion value on the Series A Preferred Stock was increased from 1.0 to 1.08 of the sum of the issue price and accrued but unpaid dividends, (iii) the Series A Preferred Stock was now mandatorily convertible at any time at the option of the Company without condition, and (iv) the Series A Preferred Stock will no longer have any price-based anti-dilution rights. The Consent Agreement provided that, in exchange for voting in favor of the Amended Designation, the warrants held by the holders signing the Consent Agreement (to the extent such warrants were issued in connection with the original issuance of the Series A Preferred Stock) would be extended to an expiration date of July 2015 and the price-based anti-dilution rights on such warrants were removed.

As of June 30, 2011 and December 31, 2010, and after certain conversions, the Company has 520,757 and 658,614 shares of the Series A-1 Preferred Stock outstanding, respectively. As of June 30, 2011 and December 31, 2010, and after certain conversions, the Company has 1,087,653 and 1,513,146 shares of the Series A-2 Preferred Stock outstanding, respectively.

11. Preferred Units of Subsidiary

On February 22, 2008, LMC completed a transaction under which it issued and sold \$2,500 in preferred membership units to two minority members of LMC. Immediately following the sale of the preferred membership units, the subscription proceeds (after a 1% transaction fee) were distributed to LMC's common unit members, and as a result of such distribution, the Company received approximately \$1,714 in the distribution. The preferred membership units issued by LMC have an accruing priority return of 14% per year that are priority over any distribution made by LMC and may be redeemed at any time within four years of issuance through cash payment or distribution in excess of the 14% priority return. LMC is required to redeem the preferred membership units on or before the second anniversary of the issue date and failure to redeem the preferred membership units at the specified time will result in the preferred membership unit holders receiving an additional 2% of common membership units per quarter until the preferred membership units are redeemed in full. An additional 2,767 common membership units were issued during 2010 as a result of LMC's non-redemption.

On December 15, 2010, the Company and two other members of LMC contributed an additional \$1,444 into LMC in exchange for additional common membership units. The proceeds of the contribution were used to make a distribution to the two holders of the preferred membership units in the aggregate amount of \$813, which represented the accrued but unpaid priority return of the preferred membership units, and to redeem an aggregate of 381 preferred membership units owned by the two holders at an aggregate redemption price of \$1,194. Additionally, if by December 31, 2011, the preferred membership units are not redeemed in full, LMC is required to initiate a private unit offering to the then-existing members of LMC for an amount of proceeds that will be adequate to fully redeem the preferred membership units. If by January 31, 2012, LMC is still not able to redeem the preferred membership units in full, the preferred membership unit holders shall receive additional common membership units equal to 12% of the common membership units then outstanding and an additional 2% of the common membership units per quarter until the preferred membership units are redeemed in full.

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As of June 30, 2011, LMC has redeemed \$592 of its preferred membership units, has paid distributions of \$1,094 in priority returns to the preferred membership unit holders and has unpaid distributions of \$174 in priority return to the preferred membership unit holders. The total preferred membership units outstanding, including unpaid distributions, are \$2,055 and \$1,785 as of June 30, 2011 and December 31, 2010, respectively.

12. Discontinued Operations and Long-Lived Assets to be Disposed

In 2003, the Company set up a manufacturing plant in South Korea, Liquidmetal Technologies Korea ("LMTK"), to handle its bulk Liquidmetal alloys business which includes manufacturing and selling components made out of bulk alloys. During 2010 and 2009, LMTK experienced net losses as a result of the continuing economic downturn. These losses and uncertainty surrounding its future cash flows led the Company to evaluate its investment for recoverability. As a result, in November 2010, the Company decided to discontinue LMTK's operations.

As of June 30, 2011, the Company has outstanding liens of \$2,308 against LMTK assets by various creditors that resulted from \$3,200 of past-due trade payables. The Company is currently working to resolve the matter with each creditor by seeking a forbearance or compromise. If the Company cannot repay the amounts due or obtain a forbearance or compromise, the creditors may seek to foreclose on the Company's assets located in South Korea. The Company is currently in the process of selling its manufacturing plant in Pyongtaek, Korea through a court appointed auction sale whereby the proceeds from the sale will be used to satisfy the liabilities from the aforementioned creditors. Additional liabilities may be incurred from the auction as well as interest and penalties on liens but are not yet quantifiable as of June 30, 2011.

Summarized operating results of LMTK's discontinued operations are as follows:

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2011	2010	2011	2010
Revenue	\$ -	\$ 3	\$ -	\$ 4
Loss from discontinued operations, net	(30)	(209)	(165)	(615)

The Company reclassified certain of LMTK assets into long-lived assets to be disposed as follows:

	June 30, 2011	December 31, 2010
Restricted cash	\$ -	\$ 46
Prepaid expenses and other current assets	395	375
Property, plant and equipment, net	3,462	3,288
Other assets	52	49
Total of long-lived assets to be disposed	\$ 3,909	\$ 3,758

The Company believes that the amounts above have been recorded at their net realizable value.

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13. Segment Reporting and Geographic Information

In accordance with ASC 280, *Segment Reporting*, summarized financial information concerning the Company's reportable segments is shown in the following tables:

	<u>Coatings</u>	<u>Bulk Alloy</u>	<u>Segment Totals</u>
Three months ended June 30, 2011			
Revenue to external customers	\$ 3,409	\$ 230	\$ 3,639
Gross profit	1,125	(62)	1,063
Total segment income (loss)	70	(403)	(333)
Three months ended June 30, 2010			
Revenue to external customers	\$ 1,999	\$ 200	\$ 2,199
Gross profit	736	143	879
Total segment loss	(308)	(64)	(372)
Six months ended June 30, 2011			
Revenue to external customers	\$ 5,750	\$ 749	\$ 6,499
Gross profit	1,946	272	2,218
Total segment loss	(134)	(594)	(728)
Six months ended June 30, 2010			
Revenue to external customers	\$ 4,545	\$ 357	\$ 4,902
Gross profit	1,553	257	1,810
Total segment loss	(443)	(220)	(663)

Reconciling information between reportable segments and the Company's consolidated totals is shown in the following table:

	<u>For the Three Months Ended June 30,</u>		<u>For the Six Months Ended June 30,</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Total segment loss	\$ (333)	\$ (372)	\$ (728)	\$ (663)
General and administrative expenses, excluded	(825)	(733)	(1,720)	(1,376)
Consolidated loss before interest, income taxes, and noncontrolling interests	\$ (1,158)	\$ (1,105)	\$ (2,448)	\$ (2,039)
Change in value of warrants, (loss) gain	4,733	1,053	(3,083)	2,838
Change in value of conversion feature, gain	-	111	-	429
Other income	1	62	6	63
Interest expense	(15)	(1,044)	(31)	(1,880)
Interest income	6	-	14	-
Income attributable to noncontrolling interest	(19)	94	36	136
Loss from discontinued operations, net	(30)	(209)	(165)	(615)
Consolidated net income (loss) attributable to Liquidmetal Technologies, Inc.	<u>\$ 3,518</u>	<u>\$ (1,038)</u>	<u>\$ (5,671)</u>	<u>\$ (1,068)</u>

Excluded general and administrative expenses are attributable to the Company's corporate headquarters. These expenses primarily include corporate salaries, consulting fees, professional fees and facility costs. Research and development expenses are included in the operating costs of the segment that performed the research and development.

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The Company had two customers representing greater than 10% of its revenue for the six months ended June 30, 2011. There was no customer representing greater than 10% of its revenue for the six months ended June 30, 2010. During the three and six months ended June 30, 2011, the Company had revenue from sales to companies outside of the United States of \$730 and \$1,816, respectively, mostly for LMC coating materials. During the three and six months ended June 30, 2010, the Company had revenue from sales to companies outside of the United States of \$651 and \$1,167, respectively.

Long-lived assets include net property, plant, and equipment, and net intangible assets. The Company had long-lived assets, including long-lived assets to be disposed of other than by sale, of \$4,204 and \$3,288 at June 30, 2011 and December 31, 2010, respectively, that are located outside of the United States.

Reconciling information between reportable segments and the Company's consolidated totals is shown in the following table:

	June 30, 2011	December 31, 2010
Coatings	\$ 5,436	\$ 2,339
Bulk Alloys	1,275	1,757
Total segment assets	<u>\$ 6,711</u>	<u>\$ 4,096</u>
Cash and cash equivalents	2,017	5,072
Prepaid expenses and other current assets	295	787
Other property, plant and equipment	61	37
Intangibles, net	1,036	1,105
Other assets	149	190
Long-lived assets to be disposed of	<u>3,909</u>	<u>3,758</u>
Total consolidated assets	<u><u>\$ 14,178</u></u>	<u><u>\$ 15,045</u></u>

Assets excluded from segment assets include assets attributable to the Company's corporate headquarters. The Company's largest corporate assets consist of intangible assets, which consist primarily of the Company's patents and trademarks.

14. Income (Loss) Per Common Share

Basic earnings per share ("EPS") is computed by dividing earnings (loss) attributable to common shareholders by the weighted average number of common shares outstanding for the periods. Diluted EPS reflects the potential dilution of securities that could share in the earnings.

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The following were outstanding at June 30, 2011 and were included in the computation of diluted EPS for the three months ended June 30, 2011, but due to the overall net loss for the six months ended June 30, 2011, they were not included in the computation of diluted EPS as the inclusion would have been antidilutive.

	For the Three Months Ended June 30, 2011	For the Six Months Ended June 30, 2011
Weighted average basic shares	116,353,279	105,024,328
Effect of dilutive securities:		
Stock options	2,690,298	-
Warrants	2,511,871	-
Conversion of preferred stocks and dividends	59,446,427	-
Weighted average diluted shares	<u>181,001,875</u>	<u>105,024,328</u>

15. Commitments and Contingencies

In June 2006, the Company entered into a joint venture agreement with SAGA, SpA in Padova, Italy ("SAGA"), a specialist precision parts manufacturer. The joint venture was named Liquidmetal SAGA Italy, Srl ("LSI"). On August 6, 2010, SAGA filed a litigation case against the Company claiming damages of \$3,200 for payment on an alleged loan and for alleged breach of contract in connection with the formation of LSI.

On April 6, 2011 (the "Effective Date"), the Company entered into a Settlement and Equity Interest Purchase Agreement with SAGA pursuant to which (i) the joint venture between the Company and SAGA was terminated, (ii) the Company and SAGA both agreed to cause certain pending legal action against each other to be dismissed with prejudice, (iii) the Company paid SAGA \$2,800 in the form of 4,496,429 restricted shares ("Shares") of the Company's common stock in exchange for SAGA's equity interest in LSI, and (iv) the Liquidmetal technology license to LSI was terminated. As of June 30, 2011 and December 31, 2010, a total of \$0 and \$3,100, respectively, were included in accrued liabilities on the Company's consolidated balance sheets for the settlement and legal fees.

The number of Shares issued to SAGA was based on the 30 day trailing, volume weighted average price ("Average Market Price") of the Company's stock as of the Effective Date ("Base Price"). At any time prior to October 6, 2011 ("Determination Date"), the Company may redeem and repurchase all of the Shares from SAGA. If the Company elects to redeem all of the Shares, it will pay a redemption price that is either (i) 110% of the Base Price if the Average Market Price on the Determination Date is greater than or equal to 110% of the Base Price, or (ii) the Average Market Price on the Determination Date, if the Average Market Price on the Determination Date is greater than or equal to the Base Price, but less than 110% of the Base Price. If the Average Market Price on the Determination Date is less than the Base Price, the Company will issue a promissory note ("Note") to SAGA having a principal amount equal to the difference between such average closing prices, multiplied by the number of Shares. The Note would bear interest at the rate of 8% per annum and mature on the twelve month anniversary of the Note's issuance. On June 30, 2011, the Company's stock price was less than the Base Price and the Company recorded a contingent liability of \$585, which was included in other long-term liabilities, net of current portion, on the Company's consolidated balance sheets as of June 30, 2011.

On May 27, 2011, Dominion filed a lawsuit against LMC's wholly owned subsidiary, Liquidmetal Coatings Solutions, LLC. ("LMCS"), in the County of Chesterfield Virginia claiming damages of \$2,523. Dominion is alleging that LMCS breached its contract with Dominion by not complying with the coating requirements set forth in the contract. The lawsuit filed by Dominion is limited to LMCS and to claims against LMC and LMCS' assets only. On July 11, 2011, LMCS responded by filing a counterclaim to Dominion for a breach of contract. In the counterclaim, LMCS claimed damages of \$1,823 and requested that Dominion be required to pay the remaining balance on the contract.

As of June 30, 2011, the Company has outstanding liens of \$2,308 against assets located in its South Korean subsidiary by various creditors related to \$3,200 of past-due trade payables and accrued liabilities as of June 30, 2011, which is included in other current liabilities on the Company's consolidated balance sheets. The Company is currently working to resolve the matter with each creditor by seeking a forbearance or compromise. If it cannot repay the amounts due or obtain forbearance or compromise, the creditors may seek to foreclose on the Company's assets located in Korea (See Note 12).

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The Company is from time to time a party to certain legal proceedings arising in the ordinary course of business. Although outcomes cannot be predicted with certainty, the Company does not believe that any legal proceeding to which it is a party will have a material adverse effect on the Company's financial position, results of operations, and cash flows. Unless specifically noted above, during the periods presented we have not recorded any accrual for loss contingencies associated with the legal proceedings described above; determined that an unfavorable outcome is probable or reasonably possible; or determined that the amount or range of any possible loss is reasonably estimable.

16. Related Party Transactions

On August 1, 2010, the Company entered into an agreement with John Kang, the Company's former Chairman, to provide consulting services. . The Company terminated this agreement as of July 31, 2011, but payments of \$20 per month shall continue through the notice period which ends on October 31, 2011. The Company paid \$60 and \$128 for his services during the three and six months ended June 30, 2011, respectively. There were no such payment during the three and six months ended June 30, 2010.

On October 14, 2010, the Company signed an agreement with Innovative Materials Group, LLC ("IMG"), a California limited liability company, which is majority owned by Mr. Kang. Under the agreement, the Company received a deposit of \$520 from IMG to purchase on behalf of IMG, machinery and equipment located in China. The transaction was based on the potential negotiation and completion of a non-exclusive license agreement with IMG under which the machinery and equipment would be transferred to IMG either directly or through the transfer of ownership of the Company's Chinese subsidiary, AMM, that owns the equipment (See Note 1). The license agreement, along with a stock purchase agreement, were completed on August 5, 2011 (See Note. 17). The \$520 deposit is included in other liabilities on the Company's consolidated balance sheets as of June 30, 2011 and December 31, 2011.

In March 2011, the Company paid \$100 in advanced legal fees to defend Mr. Kang, as the former Representative Director of our Korean subsidiary, against allegations relating to the Company's Korean subsidiary's involvement in customs reporting violations in South Korea that allegedly occurred in 2007 and 2008. The Company has also incurred an additional \$3 in legal fees as of June 30, 2011, which is included in accounts payable on the Company's consolidated balance sheets.

In October 2009, Thomas Steipp, the Company's President and Chief Executive Officer, Ricardo Salas, the Company's Vice President and Director, Tony Chung, the Company's Chief Financial Officer, and Mr. Kang acquired a total of 100,000 shares of the Company's Series A-1 Preferred Stock and 2,500,000 warrants to purchase 2,500,000 shares of the Company's common stock for an aggregate cash price of \$495. The Series A-1 Preferred Stock is convertible into the Company's common stock at a conversion price of \$0.10 per common share. Furthermore, the warrants can be exercised for shares of the Company's common stock at an exercise price of \$0.49 per share and will expire on July 31, 2015. On April 21, 2011, Mr. Steipp converted his 20,000 shares of Series A-1 Preferred Stock into a total of 1,130,688 shares of the Company's common stock, including dividends received in the form of common stock.

In May 2009, the Company completed a transaction in which (i) the holders of the Company's 8% Convertible Subordinated Notes exchanged such notes for a combination of new 8% Senior Secured Convertible Notes and shares of a new series of convertible preferred stock designated as "Series A-2 Preferred Stock," together with warrants thereon, and (ii) certain investors purchased, for an aggregate purchase price of \$2,500, shares of a new series of convertible preferred stock designated as "Series A-1 Preferred Stock" (See Note 10). The lead investors in this transaction were Carlyle Liquid, LLC and Carlyle Liquid Holdings, LLC (the "Carlyle Entities"), which were organized by Abdi Mahamedi, the Company's Chairman. Mr. Mahamedi became a director and greater-than-5% beneficial owner of the Company by reason of the May 2009 transaction. Mr. Salas and Mr. Kang are the Managing Partners for Carlyle Liquid Holdings, LLC and have voting and investment control over the shares held by Carlyle Liquid Holdings, LLC. Additionally, Robert Biehl, a director of the Company, is a passive investor in Carlyle Liquid Holdings, LLC.

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From time to time, Mr. Biehl has provided leadership consulting services to executive management of the Company. During the three and six months ended June 30, 2010, the Company incurred \$0 and \$42, respectively, for his consulting services. In August 2010, the Company issued 300,000 shares of the Company's common stock to Mr. Biehl in lieu of \$42 for consulting services provided by Mr. Biehl during 2010. There were no consulting services provided to the Company by Mr. Biehl during the three and six months ended June 30, 2011.

The Company has an exclusive license agreement with LLPG, Inc. ("LLPG"), a corporation owned principally by Jack Chitayat, former director of the Company who ceased to be director in 2005. Under the terms of the agreement, LLPG has the right to commercialize Liquidmetal alloys, particularly precious-metal based compositions, in jewelry and high-end luxury product markets. The Company, in turn, will receive royalty payments over the life of the contract on all Liquidmetal products produced and sold by LLPG. There were no revenues recognized from product sales and licensing fees from LLPG during the three and six months ended June 30, 2011 and 2010. There are no outstanding trade receivables due from LLPG as of June 30, 2011 and December 31, 2010.

On August 6, 2010, the Company paid \$360 to LLPG as a fee related to a modification of its existing exclusive license agreement in connection with the Apple licensing agreement.

In March 2009, the Company entered into a license agreement with Swatch Group, Ltd. ("Swatch") under which Swatch was granted a perpetual non-exclusive license to the Company's technology to produce and market watches and certain other luxury products. In March 2011, this license agreement was amended to grant Swatch exclusive rights as to watches, and the Company's license agreement with LLPG was simultaneously amended to exclude watches from LLPG's exclusive license.

On June 1, 2008, the Company entered into a transaction with Grace Metal (currently Liquidmetal Korea Co., Ltd. "LMK"), under which (i) LMK agreed to purchase various equipment (including die casting machines and vacuum induction melters) used in the Company's bulk amorphous alloy business segment and (ii) the Company granted LMK a 10-year exclusive license to manufacture products made from bulk Liquidmetal alloys for customers whose principal headquarters or whose major operations are located in South Korea. LMK was formed by an investor group that includes the former director and officer of the Company, James Kang, who is also the brother of John Kang, former Chairman of the Company.

In consideration of the license agreement with LMK, the Company was entitled to a royalty of 10% of LMK's net sales of licensed products (unless LMK's margin on the products falls below specified levels, in which case a new royalty rate would have been negotiated in good faith). Effective June 1, 2009, the royalty rate was adjusted to 5%. On June 15, 2010, the license agreement with LMK was terminated.

The Company purchased production supplies and outsourced production of certain bulk alloy production with LMK. In June 2008, the Company began sharing the use of its manufacturing facility and production equipment in Pyongtaek, South Korea, with LMK as the Company began significant outsourcing of its bulk alloy parts production. There were no expenses incurred or revenue recognized from LMK during the three and six months ended June 30, 2011 and 2010. There are no trade payables or trade receivables due to and from LMK outstanding as of June 30, 2011 and December 31, 2010.

LIQUIDMETAL TECHNOLOGIES AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the Six Months Ended June 30, 2011 and 2010

(in thousands, except share data)

(unaudited)

17. Subsequent Even

On August 5, 2011, the Company signed a Stock Purchase Agreement (the “Stock Purchase Agreement”) with IMG to sell all of the stock of AMM for \$720 (the “Purchase Price”) where IMG will apply to the payment of the Purchase Price the \$520 deposit previously paid to the Company and the \$200 balance of the Purchase Price will be paid in the form of a Promissory Note due August 5, 2012, bearing an interest rate of 8% per annum. Interest shall accrue and be paid at maturity along with the principal balance.

In conjunction with the Stock Purchase Agreement, the Company also entered into a License Agreement (the “License Agreement”) with IMG to license certain patents and technical information for the limited purpose of manufacturing certain licensed products with the Company’s existing first generation, die cast machines, as defined by the License Agreement (the “Licensed Products”). The license agreement grants a non-exclusive license to certain product categories listed in the License Agreement, as well as an exclusive license to specific types of consumer eyewear products. The License Agreement obligates IMG to pay the Company a running royalty based on its sales of Licensed Products, and the license will expire on August 5, 2021.

Item 2 – Management’s Discussion and Analysis of Financial Condition and Results of Operations

This management’s discussion and analysis should be read in conjunction with the condensed consolidated financial statements and notes included elsewhere in this report on Form 10-Q.

This management’s discussion and analysis, as well as other sections of this report on Form 10-Q, may contain “forward-looking statements” that involve risks and uncertainties, including statements regarding our plans, future events, objectives, expectations, forecasts, or assumptions. Any statement that is not a statement of historical fact is a forward-looking statement, and in some cases, words such as “believe,” “estimate,” “project,” “expect,” “intend,” “may,” “anticipate,” “plan,” “seek,” and similar expressions identify forward-looking statements. These statements involve risks and uncertainties that could cause actual outcomes and results to differ materially from the anticipated outcomes or results, and undue reliance should not be placed on these statements. These risks and uncertainties include, but are not limited to, the matters discussed under the heading “Item 1A. Risk Factors” in our Annual Report on Form 10-K/A for the fiscal year ended December 31, 2010 and other risks and uncertainties discussed in other filings made with the Securities and Exchange Commission (including risks described in subsequent reports on Form 10-Q, Form 10-K, and Form 8-K and other filings). Liquidmetal Technologies disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise.

Overview

We are a materials technology company that develops and commercializes products made from amorphous alloys. Our Liquidmetal® family of alloys consists of a variety of proprietary coatings, powders, bulk alloys, and composites that utilize the advantages offered by amorphous alloy technology. We develop and sell products and components from bulk amorphous alloys to customers in various industries, and we also partner with third-party licensees and distributors to develop and commercialize bulk Liquidmetal alloy products. We believe that our proprietary bulk alloys are the only commercially viable bulk amorphous alloys currently available in the marketplace. In addition to our bulk alloys, we market and sell a line of proprietary amorphous alloy-based industrial coatings under the Liquidmetal Armacor™ coatings brand.

Amorphous alloys are unique materials that are distinguished by their ability to retain a random atomic structure when they solidify, in contrast to the crystalline atomic structure that forms in other metals and alloys when they solidify. Liquidmetal alloys are proprietary amorphous alloys that possess a combination of performance, processing, and potential cost advantages that we believe can make them preferable to other materials in a variety of applications. The amorphous atomic structure of our alloys enables them to overcome certain performance limitations caused by inherent weaknesses in crystalline atomic structures, thus facilitating performance and processing characteristics superior in many ways to those of their crystalline counterparts. For example, in laboratory testing, our zirconium-titanium Liquidmetal alloys are approximately 250% stronger than commonly used titanium alloys such as Ti-6Al-4V, but they also have some of the beneficial processing characteristics more commonly associated with plastics. We believe these advantages could result in Liquidmetal alloys supplanting high-performance alloys, such as titanium and stainless steel, and other incumbent materials in a wide variety of applications. Moreover, we believe these advantages could enable the introduction of entirely new products and applications that are not possible or commercially viable with other materials.

Our revenues are derived from two principal operating segments: Liquidmetal alloy industrial coatings and bulk Liquidmetal alloy products. Liquidmetal alloy industrial coatings are used primarily as a protective coating for industrial machinery and equipment, such as drill pipe used by the oil drilling industry and boiler tubes used in coal-burning power plants. Bulk Liquidmetal alloy segment revenue includes sales of parts or components of electronic devices, medical products, and sports and leisure good; tooling and prototype parts (including demonstration parts and test samples) for customers with products in development, product licensing and arrangements, and research and development revenue relating primarily to defense and medical applications. We expect that these sources of revenue will continue to significantly change the character of our revenue mix.

Cost of sales consists primarily of the costs of direct material cost and direct labor cost while selling, general, and administrative expenses currently consist primarily of salaries and related benefits, travel, consulting and professional fees, depreciation and amortization, insurance, office and administrative expenses, and other expenses related to our operations.

Research and development expenses represent salaries, related benefits expense, depreciation of research equipment, consulting and contract services, expenses incurred for the design and testing of new processing methods, expenses for the development of sample and prototype products, and other expenses related to the research and development of Liquidmetal alloys. Costs associated with research and development activities are expensed as incurred. We plan to enhance our competitive position by improving our existing technologies and developing advances in amorphous alloy technologies. We believe that our research and development efforts will focus on the discovery of new alloy compositions, the development of improved processing technology, and the identification of new applications for our alloys.

Change in value of warrants consists of changes to the fair value of warrants outstanding at each period. The warrants have been accounted for as a liability in accordance with Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) Topic 815, *Derivatives and Hedging*, with the change in fair values reported in earnings. The fair values are determined using a Black-Scholes pricing model and fluctuations in our stock price have had the greatest impact on the valuation of outstanding warrants.

Change in value of conversion feature consists of changes to the fair value of the embedded conversion feature of our senior convertible notes. The embedded conversion feature has been accounted for as a separate derivative instrument in accordance with FASB ASC Topic 815, *Derivatives and Hedging*, with a change in fair values reported in earnings. The change in fair values is determined using a Black-Scholes pricing model and fluctuations in our stock price have had the greatest impact on the valuation of outstanding conversion features.

In November 2010, we discontinued our manufacturing operations in South Korea due to recurring losses as a result of the continuing economic downturn. The operating results of the Korean subsidiary are presented as discontinued operations.

In June 2006, we entered into a joint venture agreement with SAGA, SpA in Padova, Italy (“SAGA”), a specialist precision parts manufacturer. The joint venture was named Liquidmetal SAGA Italy, Srl (“LSI”). On August 6, 2010, SAGA filed an action against us in California State Superior Court claiming damages of \$3.2 million for payment on a loan and for breach of contract in connection with the formation of LSI.

On April 6, 2011 (the “Effective Date”), we entered into a Settlement and Equity Interest Purchase Agreement with SAGA pursuant to which (i) the joint venture between us and SAGA was terminated, (ii) we and SAGA both agreed to cause certain pending legal actions against each other to be dismissed with prejudice, (iii) we paid SAGA \$2.8 million in the form of 4,496,429 restricted shares (“Shares”) of our common stock in exchange for SAGA’s equity interest in LSI, and (iv) the Liquidmetal technology license to LSI was terminated. As of June 30, 2011 and December 31, 2010, a total of \$0 and \$3,100, respectively, were included in accrued liabilities on our consolidated balance sheets for the settlement and legal fees.

The number of Shares issued to SAGA was based on the 30 day trailing, volume weighted average price (“Average Market Price”) of our stock as of the Effective Date (“Base Price”). At any time prior to October 6, 2011 (“Determination Date”), we may redeem and repurchase all of the Shares from SAGA. If we elect to redeem all of the Shares, we will pay a redemption price that is either (i) 110% of the Base Price if the Average Market Price on the Determination Date is greater than or equal to 110% of the Base Price, or (ii) the Average Market Price on the Determination Date, if the Average Market Price on the Determination Date is greater than or equal to the Base Price, but less than 110% of the Base Price. If the Average Market Price on the Determination Date is less than the Base Price, we will issue a promissory note (“Note”) to SAGA having a principal amount equal to the difference between such average closing prices, multiplied by the number of Shares. The Note would bear interest at the rate of 8% per annum and mature on the twelve month anniversary of the Note’s issuance. On June 30, 2011, our stock price was less than the Base Price and the Company recorded a contingent liability of \$585, which was included in other long-term liabilities, net of current portion, on our consolidated balance sheets as of June 30, 2011.

On July 24, 2007, we transferred substantially all of the assets of our Liquidmetal alloy industrial coatings business to a newly formed, newly capitalized subsidiary named Liquidmetal Coatings, LLC, a Delaware limited liability company (“LMC”), and LMC assumed substantially all of the liabilities of the coatings business. We initially held a 69.25% ownership interest in LMC, however, during 2010, LMC failed to redeem its preferred units by the specified time and was required to issue additional common shares to its noteholders, thus diluting our interest. On December 15, 2010, we and two other members of LMC contributed additional capital into LMC in exchange for additional common membership units. As a result, our ownership interest in LMC increased to 72.86%. The results of operations of LMC are consolidated and represent our Liquidmetal alloy industrial coatings segment for financial reporting purposes.

In May 2010, LMC entered into a joint venture agreement with IMCO Alloys Private Limited (“IMCO”) to create a subsidiary named Liquidmetal Coatings Solutions India Private Limited (“LMCSI”) and engage in application services of Liquidmetal products as a protective coating. Initially, under the joint venture agreement, LMC held 80% and IMCO held 20% of the outstanding Class A Shares of LMCSI. LMC may, at its option, subscribe to Class B Shares of LMCSI. In September 2010, LMC provided to LMCSI approximately \$0.1 million in capital equipment and was issued 358,204 of Class B Shares of LMCSI. As of June 30, 2011, LMC holds an 88.60% ownership interest in LMCSI.

On August 5, 2010, we entered into a license transaction with Apple Inc. (“Apple”) pursuant to which (i) we contributed substantially all of our intellectual property assets to a newly organized special-purpose, wholly-owned subsidiary, called Crucible Intellectual Property, LLC (“CIP”), (ii) CIP granted to Apple a perpetual, worldwide, fully-paid, exclusive license to commercialize such intellectual property in the field of consumer electronic products, as defined in the license agreement, and (iii) CIP granted back to us a perpetual, worldwide, fully-paid, exclusive license to commercialize such intellectual property in all other fields of use. We have used and are using the license fee from this transaction to pay off noteholders and other indebtedness and to fund operations. In connection with this transaction, our ongoing obligations to Apple (including the obligation to transfer new intellectual property to CIP) are secured through August 2012 by a security interest in substantially all of our assets, and if we are unable to comply with these obligations, Apple may be entitled to foreclose on such assets.

On August 5, 2011, we signed a Stock Purchase Agreement (the “Stock Purchase Agreement”) with Innovative Materials Group (“IMG”), which is majority owned by John Kang, our former Chairman, to sell all of the stock of AMM for \$0.7 million (the “Purchase Price”) where IMG will apply to the payment of the Purchase Price the \$0.5 million deposit previously paid to us and the \$0.2 million balance of the Purchase Price will be paid in the form of a Promissory Note due August 5, 2012, bearing an interest rate of 8% per annum. Interest shall accrue and be paid at maturity along with the principal balance.

In conjunction with the Stock Purchase Agreement, we also entered into a License Agreement (the “License Agreement”) with IMG to license certain patents and technical information for the limited purpose of manufacturing certain licensed products with the Company’s existing first generation, die cast machines, as defined by the License Agreement (the “Licensed Products”). The license agreement grants a non-exclusive license to certain product categories listed in the License Agreement, as well as an exclusive license to specific types of consumer eyewear products. The License Agreement obligates IMG to pay us a running royalty based on its sales of Licensed Products, and the license will expire on August 5, 2021.

The following discussion and analysis of our financial condition and results of operations focuses on the historical results of our continuing operations.

Critical Accounting Policies and Estimates

The preparation of condensed consolidated financial statements in conformity with accounting principles generally accepted in the United States requires us to make estimates and assumptions that affect reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. These estimates and assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results could differ materially from these estimates under different assumptions or conditions.

We believe that the following accounting policies are the most critical to our condensed consolidated financial statements since these policies require significant judgment or involve complex estimates that are important to the portrayal of our financial condition and operating results:

- Exchange rate fluctuations
- Warranty accrual
- Allowance for doubtful accounts
- Inventories at lower of cost or net realizable value
- Assets at lower of cost or net realizable value
- Deferred tax assets
- Valuation of derivatives of warrants and embedded conversion features

Our Annual Report on Form 10-K/A for the year ended December 31, 2010, contains further discussions on our critical accounting policies and estimates.

Results of Operations

	For the Three Months Ended June 30, 2011 (in millions)				For the Three Months Ended June 30, 2010 (in millions)				
	Bulk Alloy	Coatings	Total	Percentage of	Bulk Alloy	Coatings	Total	Percentage of	Increase (Decrease)
				Revenue				Revenue	
Revenue	\$ 0.2	\$ 3.4	\$ 3.6	100%	\$ 0.2	\$ 2.0	\$ 2.2	100%	\$ 1.4
Cost of Sales	0.3	2.3	2.6	71%	0.1	1.2	1.3	60%	1.3
Selling, General and Administrative Expenses	0.9	0.6	1.5	41%	0.7	0.7	1.4	64%	0.1
Research and Development Expenses	0.3	0.1	0.4	10%	0.2	-	0.2	10%	0.2
Change in Value of Warrants, gain	4.7	-	4.7	130%	1.1	-	1.1	48%	3.6
Change in Value of Conversion Feature, gain	-	-	-	-	0.1	-	0.1	5%	(0.1)
Loss from Discontinued Operations, net	-	-	-	-	0.2	-	0.2	10%	(0.2)
Other Income	-	-	-	-	0.1	-	0.1	3%	(0.1)
Other Expense	0.6	-	0.6	16%	-	-	-	0%	0.6
Interest Expense	-	0.4	0.4	10%	1.1	0.3	1.4	63%	(1.0)

	For the Six Months Ended June 30, 2011 (in millions)				For the Six Months Ended June 30, 2010 (in millions)				
	Bulk Alloy	Coatings	Total	Percentage of	Bulk Alloy	Coatings	Total	Percentage of	Increase (Decrease)
				Revenue				Revenue	
Revenue	\$ 0.7	\$ 5.8	\$ 6.5	100%	\$ 0.4	\$ 4.5	\$ 4.9	100%	\$ 1.6
Cost of Sales	0.5	3.8	4.3	66%	0.1	3.0	3.1	63%	1.2
Selling, General and Administrative Expenses	1.9	1.3	3.2	50%	1.4	1.3	2.7	55%	0.5
Research and Development Expenses	0.6	0.1	0.7	11%	0.4	0.1	0.5	10%	0.2
Change in Value of Warrants, (loss) gain	(3.1)	-	(3.1)	(47)%	2.8	-	2.8	58%	(5.9)
Change in Value of Conversion Feature, gain	-	-	-	-	0.4	-	0.4	9%	(0.4)
Loss from Discontinued Operations, net	-	-	-	-	0.6	-	0.6	13%	(0.6)
Other Income	-	-	-	-	0.1	-	0.1	1%	(0.1)
Other Expense	0.6	-	0.6	9%	-	-	-	0%	0.6
Interest Expense	-	0.7	0.7	11%	1.9	0.7	2.6	52%	(1.9)

Revenue. The \$1.4 million increase in revenue for the three months ended June 30, 2011 as compared to the three months ended June 30, 2010 is mainly due to increases in revenue from sales of our coating products and application services. In particular, the Coatings applications business added more new customer accounts during the three months ended June 30, 2011. The \$1.6 million increase in revenue for the six months ended June 30, 2011 as compared to the six months ended June 30, 2010 is mainly due to a \$1.3 million increase in revenue from sales of our coating products into new markets including China and application services adding more new customer accounts and a \$0.3 million license fee revenue from a bulk Liquidmetal alloy license agreement.

Cost of Sales. The \$1.3 million increase in cost of sales for the three months ended June 30, 2011 as compared to the three months ended June 30, 2010 was mainly due to an increase in revenue activity of our coatings application services from new customer accounts. The \$1.2 million increase in cost of sales for the six months ended June 30, 2011 compared to the six months ended June 30, 2010 is mainly due to the increased revenue activity of our coatings application services from new customer accounts as well as our coating products business entering into new markets in China and the increase in Liquidmetal bulk alloy production at AMM.

Selling, General and Administrative Expenses. The increase in selling, general and administrative expense for the three and six months ended June 30, 2011 as compared to the three and six months ended June 30, 2010 is mainly due to increases in salary for additional sales and marketing force for our bulk Liquidmetal alloy segment and additional administrative and management personnel, an increase in patent and trademark expense and an increase in legal expense.

Research and Development Expenses. We continue to perform research and development of new Liquidmetal alloys and related processing capabilities, develop new manufacturing techniques, and contract with consultants to advance the development of Liquidmetal alloys.

Change in Value of Warrants. The change in value of warrants, consisting of warrants issued in connection with convertible and subordinated notes and convertible preferred stock issued between 2004 and 2009, was a significant gain for the three months ended June 30, 2011 compared to the three months ended June 30, 2010, primarily due to the decrease in our stock price and the timely expiration of certain warrants that occurred during the three months ended June 30, 2011. The change in value of warrants was a loss for the six months ended June 30, 2011 compared to the six months ended June 30, 2010, primarily due to the increase in our stock price during the six months ended June 30, 2011.

Change in Value of Conversion Feature. There was no change in value of conversion feature expenses recorded for the three and six months ended June 30, 2011, due to the retirement of our convertible notes in 2010. The gain in change in value of conversion feature expenses for the three and six months ended June 30, 2010 was due to the decrease in our stock price since the three and six months ended June 30, 2010.

Loss from Discontinued Operations, net. Loss from discontinued operations was due to the discontinuation of our South Korean subsidiary in the fourth quarter of 2010.

Other Income. Other income consisted of write-off of accounts payable for the three and six months ended June 30, 2010. There was no other income for the three and six months ended June 30, 2011.

Other Expense. Other expense of \$0.6 million during the three and six months ended June 30, 2011 was due to the recording of a contingent liability as of June 30, 2011 related to our SAGA settlement on April 6, 2011.

Interest Expense. Interest expense consists primarily of debt discount amortization and interest accrued on outstanding convertible and subordinated notes and a revolving loan agreement. The decrease was due to the retirement of our senior convertible notes in 2010.

Liquidity and Capital Resources

Our cash used in operating activities was \$2.7 million and \$1.8 million for the six months ended June 30, 2011 and 2010, respectively. Our working capital deficit increased from \$18.6 million at December 31, 2010 to \$29.2 million at June 30, 2011. Our working capital deficit increase of \$10.6 million was attributable largely to an increase in long-term debt of majority owned subsidiary, current portion, of \$7.2 million, an increase in warrant liabilities of \$3.1 million and an increase in deferred revenue of \$0.3 million.

Our cash used in investing activities was \$0.8 million for the six months ended June 30, 2011 primarily from purchase of property and equipment.

Our majority owned subsidiary provided cash from financing activities of \$1.3 million for the six months ended June 30, 2011. Our majority owned subsidiary borrowed \$4.7 million from a revolving loan, which was offset by the payment of \$3.4 million for a revolving and term loan agreement that was executed in June 2010. Our cash and cash equivalents as of June 30, 2011 was \$2.8 million.

We anticipate that our current capital resources, together with anticipated cash from operations, will be sufficient to fund our operations through the fourth quarter of 2011. However, we will likely require additional funding at or prior to that time. We are actively seeking additional sources of capital through strategic and other potential transactions. We cannot guarantee that adequate funds will be available when needed, and if we do not receive sufficient capital, we may be required to alter or reduce the scope of our operations.

On August 5, 2010, we entered into a license transaction with Apple Inc. ("Apple"). We used proceeds from the transaction to pay off our then outstanding debt. However, as of June 30, 2011, our majority owned subsidiary, LMC, has \$12.0 million of outstanding debt, including accrued interest payable. All such LMC debt is secured only by the assets of LMC.

Additionally, LMC has \$2.0 million of preferred units and unpaid distribution outstanding as of June 30, 2011. If by December 31, 2011 the preferred units are not redeemed in full, LMC is required to initiate a private unit offering to the then-existing members LMC for an amount of proceeds that will be adequate to fully redeem the preferred units. If by January 31, 2012, LMC is still not able to redeem in full the preferred units, the preferred unit holders will receive additional common membership units equal to 12% of the common membership units then outstanding and an additional 2% of the common membership units per quarter until the preferred units are redeemed in full. We have the potential to lose LMC as a majority owned subsidiary at which point we would deconsolidate LMC for financial reporting purposes.

On May 27, 2011, Virginia Electric and Power Company (“Dominion”) filed a lawsuit against LMC’s wholly owned subsidiary, Liquidmetal Coatings Solutions, LLC. (“LMCS”), in Circuit Court of Chesterfield County, Virginia claiming damages of \$2.5 million. Dominion is alleging that LMCS breached its contract with Dominion by not complying with the coating requirements set forth in the contract. The lawsuit filed by Dominion is limited to LMCS and to claims against LMC and LMCS’ assets only. On July 11, 2011, LMC responded by filing a counterclaim against Dominion for a breach of contract. In the counterclaim, LMC claimed damages of \$1.8 million and requested that Dominion be required to pay the remaining balance on the contract.

Our capital requirements during the next twelve months will depend on numerous factors, including the success of existing products either in manufacturing or development, the development of new applications for Liquidmetal alloys, the resources we devote to develop and support our Liquidmetal alloy products and the success of pursuing strategic licensing and funded product development relationships with external partners.

We have outstanding liens of \$2.3 million against assets located in our South Korean subsidiary by various creditors related to \$3.2 million of past-due trade payables and accrued liabilities as of June 30, 2011. We are currently working to resolve the matter with each creditor by seeking a forbearance or compromise. If we cannot repay the amounts due or obtain a forbearance or compromise, the creditors may seek to foreclose on the Company’s assets located in South Korea.

Off Balance sheets Arrangements

An off-balance sheets arrangement is any transaction, agreement or other contractual arrangement involving an unconsolidated entity under which a company has (1) made guarantees, (2) retained a contingent interest in transferred assets, (3) an obligation under derivative instruments classified as equity, or (4) any obligation arising out of a material variable interest in an unconsolidated entity that provides financing, liquidity, market risk or credit risk support to the company, or that engages in leasing, hedging, or research and development arrangements with the Company.

As of June 30, 2011, the Company did not have any off-balance sheets arrangement.

Item 3 – Quantitative and Qualitative Disclosures about Market Risk

Not applicable.

Item 4 – Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of our disclosure controls and procedures, as such term is defined under Rule 13a-15(e) promulgated under the Securities Exchange Act of 1934, as amended (the “Exchange Act”). Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of the end of the period covered by this Quarterly Report on Form 10-Q to ensure information required to be disclosed in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC’s rules and forms. These disclosure controls and procedures include controls and procedures designed to ensure that information required to be disclosed by us in the reports we file or submit under the Exchange Act is accumulated and communicated to management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

We have concluded that the consolidated financial statements in this Quarterly Report fairly present, in all material respects, our financial position, results of operations and cash flows as of the dates, and for the periods, presented, in conformity with Generally Accepted Accounting Principles.

Changes in Internal Control

Subsequent to the filing of the Company’s Form 10-K for the year ended December 31, 2010, it was determined that reclassification of revenues and certain expenses related to discontinued operations of the Company’s manufacturing operations in South Korea were not properly reported in accordance with FASB ASC 205-20 *Presentation of Financial Statements – Discontinued Operations* and the Company restated its numbers in the Form 10-K/A, filed on April 5, 2011.

As a result of the error described above, management has re-evaluated the Company's internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) and has performed additional analyses and post-closing review procedures designed to provide reasonable assurance that our consolidated financial statements were properly prepared, including engaging an outside accounting consultant to assist in reviewing the Form 10-Q for the three and six months ended June 30, 2011.

There have been no other changes in our internal control over financial reporting that occurred during the quarter ended June 30, 2011 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II OTHER INFORMATION

Item 1 – Legal Proceedings

On May 27, 2011, Dominion filed a lawsuit against LMC’s wholly owned subsidiary, Liquidmetal Coatings Solutions, Inc. (“LMCS”), in Circuit Court of Chesterfield County, Virginia claiming damages of \$2.5 million. Dominion is alleging that LMCS breached its contract with Dominion by not complying with the coating requirements set forth in the contract. The lawsuit filed by Dominion is limited to LMCS and to claims against LMC and LMCS’ assets only. On July 11, 2011, LMCS responded by filing a counterclaim against Dominion for a breach of contract. In the counterclaim, LMCS claimed damages of \$1.8 million and requested that Dominion be required to pay the remaining balance on the contract.

On August 6, 2010, SAGA, SpA in Padova, Italy (“SAGA”), filed a complaint against us in the County of Orange in California claiming damages of \$3.2 million for payment on an alleged loan and for alleged breach of contract in connection with the formation of Liquidmetal Saga Italy, Srl (“LSI”), a joint venture between us and SAGA. On April 6, 2011 (the “Effective Date”), we entered into a Settlement and Equity Interest Purchase Agreement with SAGA pursuant to which (i) the joint venture between us and SAGA was terminated, (ii) we and SAGA both agreed to cause certain pending legal action against each other to be dismissed with prejudice, (iii) we paid SAGA \$2.8 million in the form of 4,496,429 restricted shares (“Shares”) of our common stock in exchange for SAGA’s equity interest in LSI, and (iv) the Liquidmetal technology license to LSI was terminated. A total of \$0 and \$3.1 million was accrued for the settlement and legal fees as of June 30, 2011 and December 31, 2010, respectively, which is included in accrued liabilities on our consolidated balance sheets.

The number of Shares issued to SAGA was based on the 30 day trailing, volume weighted average price (“Average Market Price”) of our stock as of the Effective Date (“Base Price”). At any time prior to October 6, 2011 (“Determination Date”), we may redeem and repurchase all of the Shares from SAGA. If we elect to redeem all of the Shares, we will pay a redemption price that is either (i) 110% of the Base Price if the Average Market Price on the Determination Date is greater than or equal to 110% of the Base Price, or (ii) the Average Market Price on the Determination Date, if the Average Market Price on the Determination Date is greater than or equal to the Base Price, but less than 110% of the Base Price. If the Average Market Price on the Determination Date is less than the Base Price, we will issue a promissory note (“Note”) to SAGA having a principal amount equal to the difference between such average closing prices, multiplied by the number of Shares. The Note would bear interest at the rate of 8% per annum and mature on the twelve month anniversary of the Note’s issuance. On June 30, 2011, our stock price was less than the Base Price and the Company recorded a contingent liability of \$585, which was included in other long-term liabilities, net of current portion, on our consolidated balance sheets as of June 30, 2011.

There are no other material legal proceedings that are pending.

Item 1A – Risk Factors

There have been no material changes to the risk factors disclosed in our Form 10-K/A filed with the SEC on April 5, 2011.

Item 2 – Unregistered Sales of Equity Securities and Use of Proceeds

None

Item 3 – Defaults Upon Senior Securities

None

Item 4 – Removed and Reserved

Item 5 – Other Information

On June 22, 2011, LMC amended its Credit Agreement, dated June 25, 2010, with Enterprise Bank & Trust to modify certain terms and provide for (i) a revision of the maturity date for the Term Note to December 22, 2011, (ii) an extension of the maturity date of Revolving Note to December 22, 2011, and (iii) an adjustment of interest rate for the Term Note to 7%, the Revolving Note to 7.5% per annum and the Equipment Note to 6.75%. LMC is required to make monthly principal payments of \$50 thousand per month and a balloon payment of the remaining amount of the Term Note upon maturity. Interest payments under the Term Note are due at the beginning of each month and upon maturity of the Term Note.

On July 27, 2011, we signed an Amendment No. 1 to Restricted Stock Award with Thomas Steipp, our President and Chief Executive Officer, to change the vesting date of the first 20% of his restricted shares from August 5, 2011 to December 15, 2011. The remaining 80% of the restricted shares will continue to vest in one-fifth increments on each of the anniversary of his employment with us.

On August 5, 2011, we signed a Stock Purchase Agreement (the "Stock Purchase Agreement") with Innovative Materials Group ("IMG"), which is majority owned by John Kang, our former Chairman, to sell all of the stock of AMM for \$0.7 million (the "Purchase Price") where IMG will apply to the payment of the Purchase Price the \$0.5 million deposit previously paid to us and the \$0.2 million balance of the Purchase Price will be paid in the form of a Promissory Note due August 5, 2012, bearing an interest rate of 8% per annum. Interest shall accrue and be paid at maturity along with the principal balance.

In conjunction with the Stock Purchase Agreement, we also entered into a License Agreement (the "License Agreement") with IMG to license certain patents and technical information for the limited purpose of manufacturing certain licensed products with the Company's existing first generation, die cast machines, as defined by the License Agreement (the "Licensed Products"). The license agreement grants a non-exclusive license to certain product categories listed in the License Agreement, as well as an exclusive license to specific types of consumer eyewear products. The License Agreement obligates IMG to pay us a running royalty based on its sales of Licensed Products, and the license will expire on August 5, 2021.

Item 6 – Exhibits

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

<u>Exhibit Number</u>	<u>Description of Document</u>
10.1	Second Amendment to Credit Agreement, dated June 22, 2011, between Liquidmetal Coatings, LLC, Liquidmetal Coatings Solutions, LLC and Enterprise Bank & Trust.
10.2	Amendment No. 1 to Restricted Stock Award Agreement, dated July 27, 2011, between Liquidmetal Technologies, Inc. and Thomas Steipp.
10.3	Stock Purchase Agreement, dated August 5, 2011, between Liquidmetal Technologies, Inc. and Innovative Materials Groups, LLC.
10.4*	License Agreement, dated August 5, 2011, between Liquidmetal Technologies, Inc. and Innovative Materials Groups, LLC.
31.1	Certification of Principal Executive Officer, Thomas Steipp, as required by Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Principal Financial Officer, Tony Chung, as required by Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Written Statement of the Chief Executive Officer, Thomas Steipp, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	Written Statement of the Chief Financial Officer, Tony Chung, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101	The following financial statements from the Company's Form 10-Q for the quarter ended June 30, 2011, formatted in XBRL: (i) Condensed Consolidated Balance sheets, (ii) Condensed Consolidated Statement of Operations and Comprehensive Income (Loss), (iii) Condensed Consolidated Statements of Shareholders' Deficiency (iv) Notes to Condensed Consolidated Financial Statements
*	Portions of this exhibit have been omitted pursuant to a confidential treatment request. Omitted information has been filed separately with the Securities and Exchange Commission

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 thereunto duly authorized.

LIQUIDMETAL TECHNOLOGIES, INC.
(Registrant)

Date: August 10, 2011

/s/ Thomas Steipp

Thomas Steipp
President and Chief Executive Officer
(Principal Executive Officer)

Date: August 10, 2011

/s/ Tony Chung

Tony Chung
Chief Financial Officer
(Principal Financial and Accounting Officer)

SECOND AMENDMENT TO CREDIT AGREEMENT

This Second Amendment to Credit Agreement (the "Amendment") is made as of June 22, 2011, among LIQUIDMETAL COATINGS, LLC, a Delaware limited liability company ("LMC"), LIQUIDMETAL COATINGS SOLUTIONS, LLC, a Delaware limited liability company ("LMCS"), and ENTERPRISE BANK & TRUST, a Missouri banking corporation (the "Bank"). LMC and LMCS are each referred to herein as a "Borrower" and are collectively referred to herein as the "Borrowers."

Preliminary Statements

(a) The Borrowers and the Bank are parties to a Credit Agreement dated as of June 23, 2010, as amended by a First Amendment to Credit Agreement dated as of January 12, 2011 (as so amended, the "Credit Agreement"). Capitalized terms used and not defined in this Amendment have the meanings given to them in the Credit Agreement.

(b) The Borrowers have requested that the Revolving Credit Termination Date be extended.

(c) The Bank is willing to agree to the foregoing request by the Borrowers, subject, however, to the terms, conditions and agreements set forth in this Amendment.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

1. Extension of Revolving Credit Termination Date. The definition of Revolving Credit Termination Date in Section 1.1 of the Credit Agreement is amended to read as follows:

"Revolving Credit Termination Date" means December 22, 2011, or, if such day is not a Business Day, the immediately preceding Business Day.

2. Adjustment of Interest Rate for Revolving Credit Loans. The definition of Applicable Rate in Section 1.1 of the Credit Agreement is amended to read as follows:

"Applicable Rate" means, at any time, (1) with respect to Revolving Credit Loans, seven and one-half percent (7.5%) per annum, (2) with respect to the Term Loan, seven percent (7%) per annum, and (3) with respect to Equipment Loans, six and three-quarters percent (6.75%) per annum.

3. Extension of Term Loan Termination Date. The definition of Term Loan Termination Date in Section 1.1 of the Credit Agreement is amended to read as follows:

"Term Loan Termination Date" means December 22, 2011, or, if such day is not a Business Day, the immediately preceding Business Day.

4. **Modification of Term Loan Principal Repayment Schedule.** Section 3.2(b) of the Credit Agreement is amended to read as follows:

(b) Term Loan.

- (1) Interest. Accrued interest on the outstanding principal balance of the Term Loan is payable on the earlier to occur of (A) first day of each month, or (B) the Term Loan Termination Date.
- (2) Principal. Beginning July 1, 2011, principal installments in respect of the Term Loan, in the amount of \$50,000 each, are payable on the first day of each month until the first day of the month in which the Term Loan Termination Date occurs; and
- (3) Termination Date; Balloon Payment. On the Term Loan Termination Date, the remaining principal outstanding under the Term Loan and any other amounts owing under the Credit Documents (other than any Equipment Loans then outstanding) shall be due and payable in their entirety.

5. **Updated Disclosure.** Section 5.1(f) of the Credit Agreement is amended to read as follows:

(f) Litigation. Except as disclosed in Schedule 5.1(f) of this Agreement, there is no pending or, to any Borrower's knowledge, threatened action or proceeding affecting any Borrower or any Guarantor or any of their respective properties before any court, governmental agency or arbitrator which, if determined adversely to such Borrower or any such Guarantor, could reasonably be expected to have a Material Adverse Effect.

A new Schedule 5.1(f) is added to the Credit Agreement in form of Schedule 5.1(f) to this Amendment.

6. **No Other Amendments or Waivers.** Except as amended hereby, the Credit Agreement and the other Credit Documents shall remain in full force and effect and be binding on the parties in accordance with their respective terms. Nothing in this Amendment shall constitute a waiver by the Bank of any Default or Event of Default which may exist on the date hereof; and nothing herein shall require the Bank to waive any Default or Event of Default which may arise hereafter. Nothing herein shall act to release any Lien on any Collateral or limit the scope or amount of the obligations secured thereby.

7. **Reaffirmation of Credit Documents.** Each Borrower ratifies and reaffirms its obligations under the Credit Agreement, as amended hereby, and the other Credit Documents to which it is a party or by which it is bound, and represents, warrants and covenants to the Bank, as a material inducement to the Bank to enter into this Amendment, that (a) such Borrower has no and in any event waives any defense, claim or right of setoff or recoupment with respect to its obligations under, or in any other way relating to, the Credit Agreement, as amended hereby, or any of the other Credit Documents to which it is a party, or the Bank's actions or inactions, and (b) except as otherwise expressly provided in this Amendment, all representations and warranties made by such Borrower in the Credit Agreement or the other Credit Documents to which it is a party are true and complete on the date hereof as if made on the date hereof.

8. Representations and Warranties. Each Borrower represents and warrants to the Bank as follows: (a) it is a validly existing Delaware limited liability company and has full limited liability company power and authority to enter into this Amendment and any documents or transactions contemplated hereby and to pay and perform any obligations it may have in respect of the foregoing; (b) its execution, delivery and performance of this Amendment and any documents or transactions contemplated hereby do not violate or conflict with, or require any consent under, (1) its organizational documents or any other agreement or document relating to its formation, existence or authority to act, (2) any agreement or instrument by which it or any its properties is bound, (3) any court order, judicial proceeding or any administrative or arbitral order or decree, or (4) any applicable law, rule or regulation; and (c) no authorization, approval or consent of or by, and no notice to or filing or registration with, any governmental authority or any other Person is necessary for it to enter into this Amendment or any document or transaction contemplated hereby or to perform any of its obligations with respect to any of the foregoing.

9. Conditions Precedent to Amendment. Unless and to the extent the Bank waives the benefits of this sentence by giving written notice thereof to the Borrowers, the Bank shall have no duties under this Amendment, nor shall any extensions, waivers or other concessions by the Bank under this Amendment be effective, in each case until the Bank has received fully executed originals of each of the following, each in form and substance satisfactory to the Bank, and any other conditions set forth below have been fulfilled to the Bank's reasonable satisfaction:

- (a) Amendment. This Amendment;
- (b) Other. Such other documents, consents, agreements or other items as the Bank may reasonably request.

10. Expenses. The Borrowers shall jointly and severally pay the reasonable out-of-pocket legal fees and expenses incurred by the Bank in connection with the preparation and closing of this Amendment and any other documents referred to herein and the consummation of any transactions referred to herein or therein.

11. Joint and Several Liability. Notwithstanding anything in this Amendment to the contrary, all obligations of each Borrower under this Amendment shall be the joint and several obligations of all Borrowers.

12. Governing Law. This Amendment shall be governed by the same law that governs the Credit Agreement.

13. Counterparts; Fax Signatures. This Amendment, including, without limitation, any attachments hereto, may be executed in one or more counterparts and by different parties thereto, all of which counterparts, when taken together, shall constitute but one agreement. This Amendment may be validly executed and delivered by fax, e-mail or other electronic means and any such execution or delivery shall be fully effective as if executed and delivered in person.

[signature page(s) to follow]

IN WITNESS WHEREOF, the parties have entered into this Amendment as of the date first above written.

LIQUIDMETAL COATINGS, LLC

By: /s/ Larry Buffington

Name: Larry Buffington

Title: CEO/President

LIQUIDMETAL COATINGS SOLUTIONS, LLC

By: /s/ Larry Buffington

Name: Larry Buffington

Title: COE/President

ENTERPRISE BANK & TRUST

By: /s/ Judson Stanion

Name: Judson Stanion

Title:

Schedule 5.1(f)

(Litigation)

1. Dominion Matter. On or about May 31, 2011, LMC received a complaint filed by Virginia Electric and Power Company (d/b/a Dominion Virginia Power) against LMCS. The complaint alleges that a job performed by LMCS in November of 2010 did not comply with the specifications due to the material used and that profile measurements were not taken. The complaint seeks damages of \$2,500,000. LMC and LMCS believe that the material used did comply with specifications and that conditions (controlled by Dominion or its contractor) did not permit for profile measurements. LMC and/or LMCS have retained local counsel in Virginia and are in the process of preparing a response to the complaint.

[end of schedule]

Schedule 5.1 (f)

AMENDMENT NO. 1 TO RESTRICTED STOCK AWARD AGREEMENT

This is Amendment No. 1, dated July 27, 2011 (the "Amendment No. 1"), to a Restricted Stock Award Agreement, dated August 3, 2010 (the "Award Agreement"), between Liquidmetal Technologies, Inc., a Delaware corporation (the "Company"), and Thomas Steipp (the "Employee").

Background

WHEREAS, pursuant to the terms of the Award Agreement, Employee was granted an aggregate of 6,000,000 shares (the "Granted Shares") of the common stock, par value \$0.001 per share, of the Company, subject to the vesting terms and other terms and conditions of the Award Agreement; and

WHEREAS, the Award Agreement provides that, subject to the terms and conditions thereof, the first 1,200,000 of the Granted Shares will vest August 3, 2011 (the "First Vesting Date"); and

WHEREAS, the Board of Directors of the Company and Employee desire to amend the Award Agreement to change the First Vesting Date from August 3, 2011 to December 15, 2011.

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

Terms

1. The foregoing recitals are true and correct and incorporated herein by reference. Any capitalized terms used but not defined herein shall have the same meaning ascribed to them in the Award Agreement.

2. Section 2(a) of the Award Agreement is hereby deleted in its entirety and replaced with the following:

"a. Subject to Section 2(c) hereinbelow, the Restricted Shares will vest as follows: twenty percent (20%) of the Restricted Shares will vest on December 15, 2011, and an additional twenty percent (20%) of the Restricted Shares will vest on each of August 3, 2012, August 3, 2013, August 3, 2014, and August 3, 2015."

3. Except as amended hereby, the Award Agreement shall remain in full force and effect in accordance with the terms thereof.

4. This Amendment No. 1 may be executed in any number of counterparts, each of which shall be deemed to be an original, and all of which together shall constitute one document.

5. This Amendment No. 1, together with the Award Agreement, contains the final, complete, and exclusive expression of the parties' understanding and agreement concerning the matters contemplated herein and supersedes any prior or contemporaneous agreement of representation, oral or written, among them.

6. This instrument shall be binding upon, and shall inure to the benefit of, each of the parties' respective personal representatives, heirs, successors, and assigns.

7. This instrument shall be governed by, and construed and enforced in accordance with the laws of the State of California, without reference to principles of choice of law thereunder.

IN WITNESS WHEREOF, the parties have executed this Amendment No. 1 on the day and year first written above.

LIQUIDMETAL TECHNOLOGIES, INC.

By: /s/ Tony Chung
Tony Chung, Chief Financial Officer

EMPLOYEE

By: /s/ Thomas Steipp
Thomas Steipp, individually

STOCK PURCHASE AGREEMENT

THIS STOCK PURCHASE AGREEMENT (this "Agreement") is made and entered into as of August 5, 2011, by and between INNOVATIVE MATERIALS GROUP, LLC, a California limited liability company (the "Buyer"), and LIQUIDMETALS TECHNOLOGIES, INC., a Delaware corporation (the "Seller").

RECITALS:

A. The Seller desires to sell to the Buyer, and the Buyer desire to purchase from the Seller, all of the stock (the "Stock") held by Seller in Advanced Metal Materials (Weihai) Co., Ltd., a Chinese limited liability company and wholly owned subsidiary of Seller (the "Company").

B. The Seller and Buyer desire to consummate the purchase and sale of the Stock upon the terms and conditions set forth in this Agreement.

Now, therefore, in consideration of the foregoing recitals and the terms, covenants, and agreements set forth herein, the parties hereto agree as follows:

SECTION 1.

Purchase and Sale of Common Stock

1.1 Sale of Stock. At the Closing (as defined below), the Seller shall sell to the Buyer, and the Buyer shall purchase from the Seller, the Stock, free and clear of all liens, claims, and encumbrances other than conditions or approvals required by the governmental authorities of the People's Republic of China. The purchase price for the Stock (the "Purchase Price") will be an amount equal to Seven Hundred Twenty Thousand and 00/100 U.S. Dollars (\$720,000 USD). The aggregate Purchase Price will be paid as follows: (i) at the Closing, the Seller will apply to the payment of the Purchase Price the \$520,000 deposit previously paid by Buyer to Seller (the "Deposit"), and (ii) the \$200,000 balance of the Purchase Price will be paid in the form of a Promissory Note in substantially the form attached as Exhibit A hereto.

1.2 Closing. The purchase and sale of the Stock by the Buyer (the "Closing") shall take place at the offices of the Company on the date hereof, or at such other time and place upon which the parties shall mutually agree.

1.3 Approval of Chinese Authorities. The parties will cooperate in good faith and use their reasonable commercial efforts to obtain from the applicable authorities of the People's Republic of China all necessary approvals or registrations necessary to effectuate the transactions contemplated hereby (the "Approvals"). Buyer will be responsible for all out-of-pocket expenses of the parties' relating to obtaining the Approvals. In the event that the Approvals have not been obtained by December 31, 2011 or in the event that the parties earlier agree in writing that the Approvals cannot be obtained (an "Approval Failure"), then this Agreement shall terminate and be null and void and of no further force and effect as of the date of the Approval Failure, and all transactions hereunder shall be deemed to be rescinded as of the Approval Failure.

1.4 Satisfaction of Payable to PRI. In addition to the other obligations herein, on or before the Closing, Buyer shall provide to Seller documentation from PRI reasonably acceptable to Seller that, as of the Closing, Seller and its subsidiaries shall have no outstanding obligation to PRI.

SECTION 2.
Representations and Warranties of the Seller

The Seller hereby makes the following representations and warranties to the Buyer, all of which shall survive the Closing:

2.1 Ownership of Stock.

(a) The Stock is owned by the Seller free and clear of all liens, encumbrances, charges, and assessments of every nature and subject to no restrictions with respect to transferability. The Seller has full power and authority to assign and transfer the Stock to the Buyer in accordance with the terms hereof.

(b) Except for this Agreement, there are no outstanding options, contracts, calls, commitments, agreements, rights to purchase, rights of first refusal, proxies, powers of attorney, demands, or rights of any character relating to the Stock.

2.2 Authority. Other than the Approvals, no act, consent, or proceeding on the part of any person or entity is necessary to authorize this Agreement and the transfer and sale of the Stock pursuant hereto. This Agreement constitutes the valid and binding agreement of the Seller, enforceable in accordance with its terms, except as such may be limited by bankruptcy, insolvency, reorganization, or other laws affecting creditors' rights generally, and by general equitable principles.

SECTION 3.
Representations and Warranties of the Buyer

The Buyer hereby makes the following representations and warranties to the Seller, all of which shall survive the Closing:

3.1 Information. The Buyer understands that a purchase of the Stock involves a high degree of risk and substantial uncertainty, and there can be no assurance the Company's business objectives will be obtained. The Buyer further represents that it believes that it has received all the information that it considers necessary or appropriate for deciding whether to purchase the Stock. Buyer understands that, other than the specific representations and warranties set forth in Section 2 above, Seller makes no representations and warranties regarding the Stock, the Company, or the Company's assets or liabilities, or any other matter whatsoever.

3.2 Authorization; Power. The Buyer has all requisite legal power and authority to execute and deliver this Agreement and to carry out and perform its obligations under the terms of this Agreement and the transactions contemplated hereby. This Agreement, when executed and delivered by the Buyer, will constitute a valid and legally binding obligation of the Buyer, enforceable in accordance with its terms, except (i) as limited by applicable bankruptcy, insolvency, reorganization, moratorium, and other laws of general application affecting enforcement of creditors' rights generally, and (ii) as limited by laws relating to the availability of specific performance, injunctive relief or other equitable remedies.

3.3 Broker's and Finders' Fees. The Buyer has not incurred, and will not incur, directly or indirectly, any liability for brokerage or finders' fees or agents' commissions or any similar charges in connection with this Agreement or any transaction contemplated hereby.

3.4 Information. The Buyer has delivered to Seller a true, correct, and complete list of persons or entities who have a beneficial interest in the units or other equity securities of the Buyer and Performance Material Korea Co., Ltd. ("PMK") or who have a right to acquire any such units or other equity securities.

SECTION 4. Miscellaneous

4.1 Entire Agreement. This Agreement constitutes the entire agreement between the parties with respect to the subject matter hereof and supersedes all prior agreements and understandings, both written and oral, between the parties with respect to the subject matter hereof.

4.2 Assignment. The rights and obligations of the Buyer hereunder may not be assigned, transferred or encumbered without the prior written consent of the Seller. This Agreement shall be binding upon and inure to the benefit of the parties hereto and the permitted successors and assigns of the parties.

4.3 Governing Law; Disputes. The validity, construction, enforcement, and interpretation of this Agreement are governed by the laws of the State of California without regard to principles of conflict of laws. All disputes arising from or relating to this Agreement or the transactions contemplated hereby shall be resolved exclusively in the state or federal courts located in Orange County, California.

4.4 Amendments. This Agreement may not be amended except in a writing executed by the party against whom enforcement of the amendment is sought.

4.5 Counterparts. This Agreement may be executed in counterparts, each of which shall constitute an original, and all of which, together, shall constitute the same instrument.

4.6 Headings. The headings of the sections of this Agreement are for convenience and shall not by themselves determine the interpretation of this Agreement.

4.7 Expenses. Each of the parties shall bear its own expenses and the expenses of its counsel and other agents in connection with the transactions contemplated hereby.

[Signatures on following page(s)]

IN WITNESS WHEREOF, the parties hereto have executed this Stock Purchase Agreement as of the day and year first above written.

SELLER

LIQUIDMETAL TECHNOLOGIES, INC.

By: /s/ Thomas Steipp
Thomas Steipp, President

Address:
30452 Esperanza
Rancho Santa Margarita, CA 92629

BUYER:

INNOVATIVE MATERIALS GROUP, LLC

By: /s/ John Kang

Name: John Kang

Title: _____

Address:
2749 Saturn St.
Brea, CA 92821

EXHIBIT A

PROMISSORY NOTE

\$200,000.00

Rancho Santa Margarita, California
August 5, 2011

FOR VALUE RECEIVED, INNOVATIVE MATERIALS GROUP, LLC, a California limited liability company (the "Payor"), hereby agrees to pay to LIQUIDMETAL TECHNOLOGIES, INC., a Delaware corporation (the "Holder"), at 30452 Esperanza, Rancho Santa Margarita, California 92629, or at such other place as the Holder may designate in writing from time to time, the principal sum of TWO HUNDRED THOUSAND DOLLARS (\$200,000.00), together with interest on the principal balance of this obligation from time to time remaining unpaid, at the rate and at the times provided in this Note. All payments required by this Note must be by legal tender of the United States of America. This Note is being issued pursuant to that certain Stock Purchase Agreement of even date herewith between Payor and Holder (the "Stock Purchase Agreement"). In the event of the occurrence of an Approval Failure (as defined in the Stock Purchase Agreement), this Note shall be deemed to be cancelled and paid in full.

1. **Interest.** The outstanding principal amount of this Note shall bear interest beginning on the date of this Note at a rate equal to eight percent (8%) per annum, calculated on the basis of a 360-day year for the actual number of days elapsed through the actual payment date. Interest shall accrue and be paid at maturity with the principal balance.
 2. **Method of Repayment.** The total amount of this Note shall be paid in one payment on the first (1st) anniversary of the date of this Note.
 3. **Prepayments.** This Note may be prepaid at Payor's option without the consent of the Holder, either in whole or in part, at any time and from time to time without premium or penalty.
-

4. Events of Default. For purposes of this Note, an “Event of Default” is: (i) a failure to pay any portion of the principal amount or interest on this Note when due, (ii) admission by the Payor of its inability to pay its debts generally as they become due or otherwise acknowledges its insolvency; (iii) the filing of a petition in bankruptcy by the Payor or the execution by the Payor of a general assignment for the benefit of creditors; (iv) the filing against the Payor of a petition in bankruptcy or a petition for relief under the provisions of the federal bankruptcy code or another state or federal law for the relief of debtors and the continuation of such petition without dismissal for a period of ninety (90) days or more, or (v) the Payor’s ceasing to carry on business, or the termination of the License Agreement of even date herewith between Payor and Holder by reason of a material breach thereof by Payor. Upon or after the occurrence of an Event of Default, then Holder may, upon written notice to the Payor, declare all of the then outstanding principal amount of this Note and any accrued plus unpaid interest thereon to be due and payable immediately.

5. Waivers. No delay on the part of the Holder in exercising any right or remedy hereunder shall operate as a waiver of such right or remedy. No single or partial exercise of a right or remedy shall preclude other or further exercise of that or any other right or remedy. The failure of the Holder to insist upon the strict performance of any term of this Note, or to exercise any right or remedy hereunder, shall not be construed as a waiver or relinquishment by the Holder for the future of that term, right or remedy. No waiver of any right of the Holder hereunder shall be effective unless in writing executed by the Holder.

6. Severability. The unenforceability or invalidity of any provision or provisions of this Note as to any persons or circumstances shall not render that provision or those provisions unenforceable or invalid as to any other provisions or circumstances, and all provisions hereof, in all other respects, shall remain valid and enforceable.

7. WAIVER OF JURY TRIAL. THE PAYOR AND THE HOLDER ACKNOWLEDGE THAT THE RIGHT TO TRIAL BY JURY MAY BE WAIVED. EACH PARTY, AFTER CONSULTING (OR HAVING HAD THE OPPORTUNITY TO CONSULT) WITH COUNSEL OF THEIR CHOICE, KNOWINGLY AND VOLUNTARILY, AND FOR THEIR MUTUAL BENEFIT, WAIVES ANY RIGHT TO TRIAL BY JURY IN THE EVENT OF LITIGATION REGARDING THE PERFORMANCE OR ENFORCEMENT OF, OR IN ANY WAY RELATED TO, THIS NOTE.

8. Binding Effect. This Note shall be binding on and inure to the benefit of the parties hereto and their respective successors and assigns.

9. Governing Law and Venue. This Note shall be governed by and construed in accordance with the laws of the State of California, without reference to principles of choice of law thereunder. The exclusive venue for any judicial or arbitration proceedings arising out of this Note or the obligations hereunder shall be in the state or federal courts located in Orange County, California.

10. Compliance With Usury Laws. As it is the intent of all parties to this transaction to abide by the interest limitations of any applicable usury law, it is expressly agreed, anything herein to the contrary notwithstanding, that the Holder shall not be allowed or entitled to collect any interest (or any sum which is considered interest by law) which is in excess of any legal rate applicable hereto. Should any amount be collected hereunder which would cause the interest to exceed said lawful rate, such part of said amount in excess of the lawful rate shall automatically be credited to principal, or, if all principal amounts have been paid, shall be refunded to Payor. The provisions of this Note are hereby modified to the extent necessary to conform with the limitations and provisions of this paragraph. This paragraph shall govern over all other provisions in any document or agreement now or hereafter existing.

11. Costs. In the event that this Note is collected by law or through attorneys at law, or under advice therefrom, the Payor hereby agrees to pay all costs of collection, including reasonable attorneys' fees and costs, whether or not suit is brought, and whether incurred in connection with collection, trial, appeal, bankruptcy or other creditors' proceedings or otherwise.

12. Application of Payments. All principal, interest and any other amounts due under this Note shall be payable in lawful money of the United States of America at the place or places above stated. All payments shall be credited first to costs and expenses, if any, incurred by Holder in collecting any amounts due hereunder, second to accrued but unpaid interest, third to principal and any other amounts due hereunder.

IN WITNESS WHEREOF, the Payor has executed and delivered this Note effective as of the date stated above.

PAYOR:

INNOVATIVE MATERIALS GROUP, LLC

By: /s/ John Kang

Name: John Kang

Title: Partner

[*] = CERTAIN CONFIDENTIAL INFORMATION CONTAINED IN THIS DOCUMENT, MARKED BY BRACKETS AND AN ASTERISK, HAS BEEN OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO RULE 24B-2 OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED.

LICENSE AGREEMENT

THIS LICENSE AGREEMENT (this “Agreement”) is made and entered into as of the 5th day of August, 2011 (the “Effective Date”), by and between **LIQUIDMETAL TECHNOLOGIES, INC.**, a Delaware corporation having its principal place of business at 30452 Esperanza, Rancho Santa Margarita, CA 92629 (“Licensor”), and **INNOVATIVE MATERIALS GROUP, LLC**, a California limited liability company having its principal place of business at 2749 Saturn St., Brea, CA, 92821 (“Licensee”). This Agreement is being entered into pursuant to that certain Stock Purchase Agreement of even date herewith between Licensor and Licensee (the “Stock Purchase Agreement”), and the parties hereto agree that this Agreement shall automatically terminate and be null and void *ab initio* and of no further force and effect upon the occurrence of an Approval Failure (as defined in the Stock Purchase Agreement).

RECITALS:

- A. Licensor is engaged in the business of developing, manufacturing, and marketing products made from Amorphous Alloys (as defined herein).
- B. Licensor has certain patents and technical information pertaining to the composition, processing, properties, and applications of Amorphous Alloys.
- C. Licensee is a manufacturer which desires to license from Licensor certain patents and technical information for the limited purpose of producing certain licensed products within a specified field of use, subject to the terms and conditions of this Agreement.

AGREEMENTS:

NOW, THEREFORE, in consideration of the foregoing recitals and the mutual covenants and agreements set forth herein, Licensor and Licensee agree as follows:

**ARTICLE 1
DEFINITIONS**

For purposes of this Agreement and except as otherwise specifically set forth herein, the following capitalized terms shall have the following meanings:

- 1.1. **“Amorphous Alloy”** means any one or more amorphous alloys or bulk metallic glasses (or composite materials containing amorphous alloys or bulk metallic glasses).

1.2. **“Casting Machines”** means the casting machines in existence of the date of this Agreement that are owned by AMM or the Licensor’s Korean subsidiary as of the date of the AMM Equity Acquisition.

1.3. **“Confidential Information”** shall mean any and all commercial, technical, financial, proprietary, and other information relating to the Discloser, its affiliates, and their respective business operations, including, but not limited to, samples, data, technical information, know-how, formulas, ideas, inventions, discoveries, Patents, Patent applications, Intellectual Property, product development plans, demonstrations, business and financial information, applications and designs, and all manifestations or embodiments relating to the foregoing and all improvements made thereto, in whatever form provided, whether oral, written, visual, machine-readable, electronic, or otherwise. For purposes of this Agreement, Licensor’s Confidential Information shall include, but not be limited to, the Licensed Patents, Licensed Technical Information, the design and functionality of the Casting Machines, and any and all information relating to the composition, processing, properties, and applications of Liquidmetal Alloys. “Confidential Information” also includes any information described above which the Discloser obtains from a third party and which the Discloser treats as proprietary or designates as confidential, whether or not owned or developed by the Discloser.

1.4. **“Discloser”** shall mean the party that is disclosing Confidential Information under this Agreement, regardless of whether such Confidential Information is being provided directly by such party, by a Representative of the party, or by any other person that has an obligation of confidentiality with respect to the Confidential Information being disclosed.

1.5. **“Field”** shall mean any customer and any industry throughout the world, but subject to the restrictions set forth in Exhibit B hereto and subject to the provisions of Section 2.5 below, the

1.6. **“Improvements”** means all discoveries and/or inventions (whether patented or not) that constitute a modification of the licensed invention or process described in a Licensed Patent, provided such modification, if unlicensed, would infringe one or more claims of the Licensed Patent.

1.7. **“Intellectual Property”** means any and all inventions (whether or not protected or protectable under patent laws), works of authorship, information fixed in any tangible medium of expression (whether or not protected or protectable under copyright laws), moral rights, trade secrets, developments, designs, applications, processes, know-how, discoveries, ideas (whether or not protected or protectable under trade secret laws), and all other subject matter protected or protectable under patent, copyright, moral right, trademark, trade secret, or other laws, including, without limitation, all new or useful art, combinations, formulae, manufacturing techniques, technical developments, applications, data, and research results.

1.8. **“Licensed Patents”** means the Patents listed in Exhibit A attached hereto (which are owned by Crucible Intellectual Property, LLC and which are sublicensed to Licensee hereunder), and all Patents issuing from later filed divisionals, reissues, reexaminations, continuations, continuations-in-part, renewals, extensions, substitutions, and foreign equivalents and counterparts thereof; any future Improvements to the Licensed Patents; and, upon the prior written approval of Licensor (which approval will not be unreasonably withheld), any future Patents of Licensor which relate to the production of Licensed Products within the Field. Any such future Patent which relates to the production of Licensed Products within the Field shall not constitute a Licensed Patent hereunder unless and until Licensor has provided written notification to Licensee describing such Patent and confirming that such Patent is then a Licensed Patent, and further provided that no future Patent shall be a Licensed Patent if and to the extent that the Licensor or its Affiliates are subject to any contractual restrictions with a third-party that would prevent the license or sublicense of such Patent hereunder. A Patent shall cease to be a “Licensed Patent” for purposes of this Agreement on the date on which such Patent expires.

1.9. **“Licensed Products”** means parts and/or products that either (i) incorporate or utilize any material, technology, or process covered by at least one claim of a Licensed Patent or (ii) are manufactured or processed using the Casting Machines, subject in all cases to the restrictions set forth in Exhibit B hereto and subject to the provisions of Section 2.5 below.

1.10. **“Licensed Technical Information”** means unpublished research and development information, unpatented inventions, know-how, trade secrets, and technical data now or hereafter in the possession of Licensor that are reasonably necessary for using the Licensed Patents to produce Licensed Products within the Field, provided Licensor has the right to disclose such items to Licensee and is not contractually prohibited from doing so.

1.11. **“Licensee Affiliate”** means any corporation, limited liability company, or other legal entity which directly or indirectly controls, is controlled by, or is under common control with Licensee or its successors or assigns, or any successor or assign of such an entity. For the purposes of this Agreement, “control” shall mean the direct or indirect ownership of more than fifty percent (50%) of the outstanding shares on a fully diluted basis or other voting rights of the subject entity to elect directors or managers, or the right to direct or cause the direction of the management and policies of the subject entity whether by contract or otherwise, or if not meeting the preceding, any entity owned or controlled by, or owning or controlling, the subject entity at the maximum control or ownership right permitted in the country where such entity exists; and the terms “controlling” and “controlled” have meanings correlative to the foregoing. The parties agree that Performance Material Korea Co., Ltd., a Korean company, is deemed to be a Licensee Affiliate.

1.12. **“Liquidmetal Alloy”** means an Amorphous Alloy composition that is proprietary to Liquidmetal.

1.13. **“Net Sales Price”** means, for purposes of computing royalties under this Agreement, Licensee’s invoice price, after deduction of regular trade and quantity discounts, but before deduction of any other items, including, but not limited to, freight allowances, cash discounts, taxes, and agents’ commissions.

1.14. **“New Amorphous Alloy Technology”** shall have the meaning ascribed to it in Article 8 (Intellectual Property) hereof.

1.15. **“Patents”** means any and all letters patent (including, but not limited to, patents of implementation, improvement, or addition, utility model and appearance design patents, and inventors certificates, as well as all divisionals, reissues, reexaminations, continuations, continuations-in-part, renewals, extensions, substitutions, foreign equivalents and counterparts, and any other forms of patent protection directed to the inventions covered by any of the foregoing), applications for letters patent (including, but not limited to, all foreign counterpart patent applications), and letters patent that may issue on such applications.

1.16. **“Recipient”** shall mean the party receiving Confidential Information that is protected under this Agreement.

1.17. **“Representatives”** shall mean the respective directors, officers, employees, financial advisors, accountants, attorneys, agents, and consultants of a party.

1.18. **“Trademark”** shall mean the “Liquidmetal®” mark.

ARTICLE 2 LICENSE GRANT

2.1. **Patent License.**

(a) ***Nonexclusive License.*** Licensor hereby grants to Licensee a non-exclusive, royalty-bearing, non-transferable license under the Licensed Patents to make, use, offer to sell, sell, export, and import Licensed Products within the Field during the term of this Agreement. This license shall not include the right to grant sublicenses without the prior written consent of Licensor, except, however, upon the written notice to Licensor, Licensee can sublicense to any Licensee Affiliate who agrees in writing to be party to this Agreement (and subject to the restrictions and liable to Licensor herein) just as if it were Licensee hereunder and to be jointly and severally liable with Licensee hereunder for all obligations, restrictions, and liabilities of Licensee hereunder. Upon the request of Licensor, Licensee will cause any non-U.S. Licensee Affiliate to enter into any further agreements or execute any additional documents directly with Licensor as shall be necessary or helpful to ensure that the terms of this Agreement are fully enforceable against such Licensee Affiliate.

(b) ***Exclusive License for Eyewear Products.*** Licensor hereby grants to Licensee an exclusive, royalty-bearing, non-transferable license under the Licensed Patents to make, use, offer to sell, sell, export, and import Eyewear Products during the term of this Agreement. This license shall not include the right to grant sublicenses without the prior written consent of Licensor, except, however, upon the written notice to Licensor, Licensee can sublicense to any Licensee Affiliate who agrees in writing to be party to this Agreement (and subject to the restrictions and liable to Licensor herein) just as if it were Licensee hereunder and to be jointly and severally liable with Licensee hereunder for all obligations, restrictions, and liabilities of Licensee hereunder. Upon the request of Licensor, Licensee will cause any non-U.S. Licensee Affiliate to enter into any further agreements or execute any additional documents directly with Licensor as shall be necessary or helpful to ensure that the terms of this Agreement are fully enforceable against such Licensee Affiliate. The exclusive license set forth in this paragraph shall be subject in all cases to the restrictions set forth in Exhibit B hereto and subject to the provisions of Section 2.5 below. For purposes of this Agreement, “Eyewear Products” means Licensed Products that constitute reading eyeglasses, prescription eyeglasses, or sun glasses that are intended for normal and everyday use by consumers in ordinary climates and environments and that are not made primarily or specifically for use (whether or not by consumers) in connection with (i) any industrial, medical, military, or manufacturing activity, or (ii) the use of specific devices or equipment (such as, without limitation, 3D glasses for use in connection with televisions or other media or glasses made specifically for use in connection with game systems). In no case shall “Eyewear Products” include any Consumer Electronic Product, as defined in Exhibit B to this Agreement. At any time after the third (3rd) anniversary of this Agreement and upon written notice to Licensee, Licensor may terminate the rights and licenses set forth in this paragraph if the cumulative Net Sales Price of Eyewear Products sold by Licensee under this Agreement during the first three (3) years of this Agreement do not equal or exceed Five Hundred Thousand Dollars (\$500,000).

2.2. **Technical Information License.** Licensor hereby grants to Licensee a non-exclusive, royalty-bearing, limited, non-transferable license under the Licensed Technical Information to make, use, offer to sell, sell, export, and import Licensed Products within the Field during the term of this Agreement. This license shall not include the right to grant sublicenses without the prior written consent of Licensor, except, however, upon the written notice to Licensor, Licensee can sublicense to any Licensee Affiliate who agrees in writing to be party to this Agreement (and subject to the restrictions and liable to Licensor herein) just as if it were Licensee hereunder and to be jointly and severally liable with Licensee hereunder for all obligations, restrictions, and liabilities of Licensee hereunder. Upon the request of Licensor, Licensee will cause any non-U.S. Licensee Affiliate to enter into any further agreements or execute any additional documents directly with Licensor as shall be necessary or helpful to ensure that the terms of this Agreement are fully enforceable against such Licensee Affiliate.

2.3. **Reservation of Rights.** The parties agree and acknowledge that Licensor shall at all times retain the right to engage in research and technology development activities relating to the Licensed Patents and the Licensed Technical Information and Licensor shall have the unlimited right to engage, partner with, or otherwise work with third parties of its choosing in connection with such activities. Additionally, all rights not specifically granted to Licensee by this Agreement are expressly reserved by Licensor.

2.4. **Delivery of Materials Relating to Licensed Patents and Technical Information of Licensor.** In connection with the grant of the licenses set forth in Sections 2.1 and 2.2 above, at all reasonable times and upon reasonable request of Licensee, Licensor shall make available to Licensee, in each case within a commercially reasonable time frame, for Licensee's internal use pursuant to this Agreement and subject to the confidentiality provisions of this Agreement, one copy of all Licensed Technical Information and one copy of all documentation relating to the Licensed Patents, in each case to the extent then already in possession and control of Licensor and reasonably reproducible. Licensor has the obligation to assure a continuous flow of information in favor of Licensee, so as to keep Licensee updated on Amorphous Alloy as well as New Amorphous Alloy Technology.

2.5. **Modification to Scope of License.**

(a) Notwithstanding the rights of Licensee under this Agreement, at any time during the term of this Agreement and upon written notice to Licensee, Licensor and its affiliates shall be permitted to grant an exclusive license with respect to any of the Licensor's or its affiliates' current or future Intellectual Property, including without limitation the Licensed Patents and/or Licensed Technical Information ("Third-Party Licensed Technology"), to any third party or group of third parties (a "Third Party") within one or more specified exclusive fields and/or products and regardless of whether the scope of the exclusivity is defined in terms of geographic area, application area, product category, and/or other features (such fields and scope of exclusivity being referred to as the "Scope of Third Party Exclusivity"). Immediately upon the grant of any such license by the Licensor, the scope of Licensee's non-exclusive license as set forth herein shall be automatically, and without any further action by the parties hereto, be adjusted so that the license and rights granted herein shall no longer include a license to the Third-Party Licensed Technology within the Scope of Third-Party Exclusivity. In such event, the provisions hereof, including without limitation the definitions of "Licensed Product," "Field," "Licensed Patents," and "Licensed Technical Information" herein, shall be automatically deemed to be amended to the extent necessary to provide that Licensee will thereafter have no further rights or licenses of any type with respect to the Third-Party Licensed Technology in the Scope of Third Party Exclusivity.

(b) In the event that Licensor desires to grant a license of the type described in Section 2.5(a) above (a "Proposed License"), and in the event that the Scope of Third Party Exclusivity of the Proposed License would by reason of Section 2.5(a) hereof preclude Licensee from continuing to make and sell Existing Products to Existing Customers, then Licensor shall, no less than thirty (30) days before granting the Proposed License, inform Licensee in writing of the Proposed License and the terms, conditions, and licensee thereunder. Licensee shall have the right, within fifteen (15) days after delivery of such written notice, to provide to Licensor a written offer to acquire a license having the same scope of the Proposed License upon the same or better terms as the Proposed License, and in the event that Licensee makes any such proposal, the Board of Directors of Licensor shall have a good faith obligation to consider such Licensee proposal. However, any good faith determination by the Board of Directors of Licensor to refuse to accept such Licensee proposal shall be final and binding on the parties hereto and shall not be subject to challenge.

(c) Licensee acknowledges that the provisions of this Section 2.5, as well as the other terms, restrictions, and conditions of this Agreement, shall apply to permitted sublicensees of Licensee and shall operate to restrict or limit the rights of such permitted sublicensees just as though they were the Licensee hereunder. However, the rights of Licensee set forth in Section 2.5(b) above are granted to Licensee alone and not to any sublicensee.

2.6. **Compliance with Laws.** In the exercise of its rights and licenses hereunder, Licensee shall at all times comply (and shall cause any permitted sublicensees to comply) with any federal, state, local, and foreign laws, rules, or regulations applicable to the exercise of its rights hereunder or its business operations, including acquiring any necessary governmental permits or licenses in the Peoples' Republic of China or any other jurisdiction.

2.7. **Relationship Between Licensee and Licensor.** Licensee acknowledges that Licensor and Licensees are independent contractors and independent companies and that Licensee will at no time act (or purport to act) on behalf of Licensor or bind (or purport to bind) Licensor or any Licensor's affiliates. In all of its dealings and business affairs, Licensee and its affiliates will clearly indicate to third-parties that Licensee is an independently owned company and is not an affiliate of Licensor. Licensee shall cause all of its directors, representatives, owners, employees, contractors, consultants, distributors, and sale agent to comply with the foregoing terms and provisions of this paragraph.

2.8. **Technical and Parts Information.** Upon the request of Licensor, Licensee shall (i) share with Licensor all technical information and data relating to any Licensed Products and the Amorphous Alloys used in such Licensed Products, including without limitation any product or alloy quality information and manufacturing and/or processing parameters and (ii) provide Licensor with reasonable sample quantities of Licensed Products.

2.9. **Trademark License.** Licensee may market, promote, and sell the Licensed Products under the Trademark only with the prior written approval of Licensor, which approval will not be unreasonably withheld. It shall not be considered unreasonable for Licensor to withhold such approval for, among other reasons, product quality concerns or because the use of the Trademark may be inconsistent with the Licensor's branding and product strategy. In the event of a Licensed Product that is not made with Liquidmetal Alloy, then Licensor may withhold such approval for any reason whatsoever. With respect to any Licensed Product as to which Licensee desires to market, promote, and/or sell under the Trademark (a "Trademarked Product"), Licensee shall first deliver samples of the proposed Trademarked Product to Licensor and shall provide Licensor with all packaging, copy, and other materials or products on which the Trademark will appear in substantially the manner in which Licensee desires the Trademark to be used and appear (the "Proposed Usage"). Licensor will use reasonably commercial efforts to promptly approve or disapprove the Proposed Usage. Subject to such approval, Licensor hereby grants to Licensee a worldwide, royalty-free, fully paid up, non-transferable license to use the Trademark in connection with the marketing and sale of Licensed Products in accordance with any Proposed Usage approved by Licensor in writing, subject to the following terms and conditions:

(a) Except as otherwise agreed to by Licensor in writing, all use of the Trademark by Licensee is subject to Licensor's standard trademark usage policy in effect from time to time (provided that Licensor delivers a copy of such policy to Licensee).

(b) All stylized use of the Trademark shall be solely in the original logotype identified by Licensor, except as otherwise agreed in writing by Licensor.

(c) Licensee agrees not to affix the Trademark to products other than the Licensed Products. Furthermore, Licensee agrees not to attach any additional trademarks, logos, or designations to the Licensed Products without the prior written consent of Licensor (which consent will not be unreasonably withheld. The “®” icon shall always follow the Trademark.

(d) Licensee shall not challenge the validity of Licensor’s rights in and to the Trademark or the validity of the Trademark or any registration(s) thereof. Licensee agrees that it shall not register or attempt to register the Trademark or any other trademark or trade name of Licensor, or use or register any other trademark or trade name which may be confusingly similar to the Trademark or any other trademark or trade name of Licensor.

(e) Licensee shall promptly, upon receipt of notice thereof, fully inform Licensor as to any actual or proposed action, by any governmental agency, consumer or environmental group, media or other organization, directed toward removing from the market any Licensed Product based on alleged injury or death, alleged potential for harm, product defect, alleged contamination, tampering or similar occurrence, actual or alleged violation of law in connection with production, labeling, packaging, storage, shipment, advertising or sale, or for any other reason whatsoever. Licensee shall likewise promptly inform Licensor as to any proposal to remove from the market any such Licensed Product as described above on account of suspected nonconformity with applicable product quality or safety standards, improper labeling, possibility of consumer harm, and/or violation of any law or regulation. Licensee shall not issue any public statement stating or implying that Licensor has any responsibility for the manufacture, packaging, labeling, shipping, advertising or any other activity related to the sale of Licensed Products, without first reviewing the same with and seeking the input on the same from Licensor.

(f) Licensee shall not vary the Proposed Usage which is approved in writing by Licensor, unless the variation of the Proposed Usage is approved in advance by Licensor in writing, in which case the term “Proposed Usage” will refer to the Proposed Usage as varied by the approved variation.

(g) Upon written notice to the Licensee, Licensor shall have the right to revoke any prior approval of a Proposed Usage with respect to any Licensed Product as to which there has been a breach of Section 2.10 below.

2.10. **Quality Guidelines and Distributors.** Licensor may from time to time publish and distribute to its partners and licensees written alloy and product quality guidelines that apply generally to Licensor, partners, and licensees and that relate to the quality of Amorphous Alloys and parts made in whole in or part therefrom (the “Quality Guidelines”). Licensee and the Licensed Products shall comply with any Quality Guidelines that are delivered to Licensee from and after the date that Licensee receives such Quality Guidelines. However, any failure to comply with the Quality Guidelines shall not be deemed to be a breach of this Section 2.10 unless and until (i) Licensor notifies Licensee in writing of such failure, (ii) Licensee fails to cure such noncompliance within a reasonable time after such notice. Any distributors of Licensed Products shall be subject to the prior written approval of Licensor, and (iii) such failure occurs with respect to a Licensed Product that is being manufactured, marketed, distributed, sold, or promoted under the Trademark or under any other brand or identity associated with the Licensor. The Quality Guidelines as applied to Licensee shall take into account the constraints and limitations of the casting machines that Licensee is permitted to use under this Agreement, the nature and type of the part being made therewith, and customer return rates; provided, however, that customer return rates of greater than ten percent (10%) shall automatically be deemed to be a breach of the Quality Guidelines.

ARTICLE 3
LICENSE FEES AND ROYALTIES

3.1. **Royalty Rate.** Licensee agrees to pay Licensor a royalty equal to [*] percent ([*]%) of the Net Sales Price of Licensed Products sold to Licensee's customers. Licensed Products are deemed to be sold on the date on which Licensee issues its invoice for the Licensed Products to the applicable customer, but no later than the date on which such Licensed Products are shipped by Licensee. All royalties will be paid in United States Dollars. If multiple Licensed Patents are used by Licensee, the above royalty rate applies only once to a particular Licensed Product (as multiple royalties shall not be payable on the same product).

3.2. **Net Sales Price Adjustment.** The parties acknowledge that some of the Licensed Products will not be sold separately, but rather will be sold in combination with or as parts of other products. For example, some products sold by Licensee may be "composites," which are materials made from two or more different materials (including, but not limited to, the combination of an amorphous material and a non-amorphous material of the same composition). Other products sold by Licensee may be "multi-component products," which are products composed of two or more different components. In all such cases, where Licensed Products are not sold separately, but are sold in combination with or as parts of other products, the Net Sales Price of the Licensed Products so sold shall be calculated for the purpose of computing royalties due by applying to the total Net Sales Price (as herein defined) of the combined or composite products a fractional multiplier having as its denominator the total manufacturing cost of the combined or composite products (determined in accordance with Licensee's customary accounting procedures) and as its numerator the manufacturing cost of the included Licensed Products (similarly determined). Licensee shall disclose its production calculations and the parties shall set forth in good faith the said calculation.

3.3. **Royalties for Transactions Not at Arm's Length.** In order to assure to Licensor the full royalty payments contemplated by this Agreement, Licensee agrees that in the event any Licensed Products shall be sold (1) to a Licensee Affiliate, or (2) to a corporation, firm, or association with which, or individual with whom, Licensee or its stockholders or affiliates shall have any agreement, understanding or arrangement (such as, among other things, an option to purchase stock, or an arrangement involving a division of profits or special rebates or allowances) without which agreement, understanding or arrangement, prices paid by such corporation, firm, association or individual for the Licensed Products would be higher than the Net Sales Price reported by Licensee, or if such agreement, understanding or arrangement results in extending to such corporation, firm, association or individual lower prices for Licensed Products than those charged to outside concerns buying similar products in similar amounts and under similar conditions, then, and in any such events, the royalties to be paid hereunder in respect of such Licensed Products shall be computed on the Net Sales Price at which the Licensee Affiliate or other purchaser of Licensed Products resells them, or if such Licensed Products are not resold, the Net Sales Price at which products of similar kind and quality, sold in similar quantities, are then currently being offered for sale by other manufacturers.

[*] = CERTAIN CONFIDENTIAL INFORMATION CONTAINED IN THIS DOCUMENT, MARKED BY BRACKETS AND AN ASTERISK, HAS BEEN OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO RULE 24B-2 OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED.

3.4. **Avoidance of Doubt.** Licensee agrees to pay to Licensor a royalty equal to a percentage of the Net Sales Price of a Licensed Product, be it a licensed alloy, a licensed shaping process or a licensed application. Licensee owes one such royalty as soon as one Licensed Patent is used; if several Licensed Patents are used, there is still only one royalty due (no multiple royalties).

3.5. **Quarterly Payment.** Royalties shall be paid to Licensor on a quarterly basis within forty-five (45) days following the end of each calendar quarter.

3.6. **Late Fees.** In the event Licensee is late in making payments to Licensor under any provision of this Agreement, for each month (or portion thereof) that such payments are late, Licensee shall pay Licensor a late charge equal to the lesser of one and one-half percent (1.5%) or the maximum rate permitted by law multiplied by the amount of the payment that is late (including any prior accumulated late charges).

3.7. **Taxes.** All payments due hereunder shall be paid without deduction for taxes. Moreover, each party bears its own taxes, independently of the present Agreement.

3.8. **Early Termination.** In the event Licensor terminates the license granted under this Agreement for nonpayment of royalties or other amounts owed by Licensee, in accordance with the terms of this Agreement, all amounts then owing by Licensee shall immediately become due and payable.

3.9. **Transfer of Eyewear License.** Notwithstanding anything in this Agreement to the contrary, Licensee may not transfer, assign, sell, or sublicense the right and license set forth in Section 2.1(b) above without the prior written consent of Licensor (which consent will not be unreasonably withheld). In the event of such a transfer, assignment, sale, or sublicense approved by Licensor (a "License Transfer"), Licensee shall (i) require the party to whom the License Transfer is made to comply the terms and provisions of this Agreement, including the provisions for the payment of royalties pursuant to Section 3.1 below, and (ii) pay to Licensor an amount (the "Sharing Payment") equal to ten percent (10%) of all consideration received by Licensee in connection with or as a result of such License Transfer (the "License Transfer Consideration"). The Sharing Payment shall be paid in U.S. dollars within ten (10) days after Licensee or its Affiliates receives any item of License Transfer Consideration. If any License Transfer Consideration is paid in the form of property or assets other than cash, then the portion of the Sharing Payment attributable thereto shall be paid in cash in an amount equal to the fair market value of such property or assets. "License Transfer Consideration" shall include all payments made to Licensee or its Affiliates as a result of, or in connection with the License Transfer, including without limitation running royalties, one-time license fees, milestone payments, consulting fee payments, services payments, marketing fees, and the like. However, if the License Transfer occurs on or prior to the first anniversary of this Agreement, the above Sharing Payment percentage shall be 30% (instead of 10%), and if it occurs on or prior to the second anniversary and after the first anniversary, it shall be 20%.

ARTICLE 4 REPORTS AND AUDITS

4.1. **Reports.** Licensee shall keep accurate and sufficient records to determine amounts owed to Licensor under this Agreement. Licensee shall make a written report detailing the basis for any computations to Licensor within thirty (30) days following each calendar quarter. Along with such reports, Licensee shall transmit payment for the royalty shown to be due. In the event no royalty is due, the report shall so state. Records necessary for the computation of amounts payable by Licensee under this Agreement shall be maintained by Licensee for a period of five (5) years following each accounting report due hereunder. In addition, within fifteen (15) days after the end of each calendar month, Licensee shall provide to Licensor a written report and description of all Licensed Products shipped during such month, the quantity shipped, the amounts invoiced therefor, and the "billed to" and "shipped to" recipients and their respective addresses.

4.2. **Audits.** Such records of Licensee shall be open once per year to inspection by Licensor or an auditor selected by Licensor and approved by Licensee during regular business hours of Licensee.

4.3. **Costs of the Auditor.** These costs shall be borne by Licensor. In the case of discovery of inaccuracies resulting in an underpayment of royalties by Licensee of more than five percent (5%), the costs of the auditor shall be borne by the Licensee.

ARTICLE 5 LICENSOR REPRESENTATIONS AND WARRANTIES

5.1. **Representations and Warranties.** Licensor represents and warrants that it either owns the Licensed Patents or has the full right and power to grant the licenses set forth herein.

5.2. **Disclaimer of Warranties.** THE WARRANTIES CONTAINED IN THIS ARTICLE ARE THE ONLY WARRANTIES MADE BY LICENSOR. LICENSOR EXPRESSLY DISCLAIMS ALL OTHER REPRESENTATIONS AND WARRANTIES, WHETHER EXPRESS, IMPLIED, STATUTORY, OR ARISING OUT OF CUSTOM OR TRADE USAGE, INCLUDING, BUT NOT LIMITED TO, THE IMPLIED WARRANTIES OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, AND NON-INFRINGEMENT. LICENSOR MAKES NO WARRANTIES WITH RESPECT TO FREEDOM FROM ALLEGED INFRINGEMENT OF THIRD PARTY PATENTS OR FREEDOM FROM THIRD PARTY INFRINGERS, AND LICENSOR IS NOT UNDER ANY OBLIGATION TO HOLD LICENSEE HARMLESS AGAINST SUCH ALLEGED INFRINGEMENT OF THIRD PARTY PATENTS NOR TO ENFORCE ITS PATENT PROPERTIES AGAINST ALLEGED INFRINGERS. NOTHING IN THIS AGREEMENT SHALL BE DEEMED TO BE A REPRESENTATION OR WARRANTY BY LICENSOR OF THE ACCURACY, SAFETY, OR USEFULNESS FOR ANY PURPOSE OF ANY TECHNICAL INFORMATION, TECHNIQUES, OR PRACTICES AT ANY TIME MADE AVAILABLE BY LICENSOR. PAYMENTS MADE UNDER THIS AGREEMENT DO NOT INCLUDE ANY CONSIDERATION FOR ASSUMPTION OF RISK. NO ORAL OR WRITTEN INFORMATION OR ADVICE GIVEN BY LICENSOR OR LICENSOR'S AUTHORIZED REPRESENTATIVES SHALL CREATE A WARRANTY OR REPRESENTATION OR IN ANY WAY INCREASE THE SCOPE OF THE WARRANTIES CONTAINED IN THIS ARTICLE. THIS SECTION SHALL BE ENFORCEABLE TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW.

5.3. **Licensed Products.** Licensor assumes no responsibility whatsoever for the performance, operation, maintenance, or manner of use of the Licensed Products made, used, sold, imported, or otherwise disposed of by Licensee. Licensor shall have no liability with respect to the Licensed Products.

ARTICLE 6 LICENSEE WARRANTIES AND INDEMNIFICATION

6.1. **Representations and Warranties.**

(a) **Authority.** Licensee hereby represents and warrants to Licensor that Licensee has full power and authority to enter into this Agreement and to perform the terms and conditions hereof.

(b) **Permits.** Licensee represents and warrants that it has obtained any and all governmental permits, licenses, or other approvals required for the performance of its obligations and the enjoyment of its rights under this Agreement.

6.2. **Product and Environmental Liability.** Licensee agrees that Licensor shall have no liability to Licensee or to any purchasers or users of Licensed Products made or sold by Licensee for any claims, demands, losses, costs, or damages suffered by Licensee, or purchasers or users of Licensed Products, which relate in any way to the manufacture, use, import, or sale of such Licensed Products, including, but not limited to, personal injury, death, property damage, environmental damage, or any claim of defects in design, materials or workmanship of any kind including in the Licensed Products (hereafter, the “Claims”). Licensee agrees to indemnify and hold Licensor, its officers, directors, employees, agents, representatives, successors and assigns harmless from and against all Claims, provided that (i) Licensee is notified promptly of any Claims being asserted against Licensor, (ii) Licensee has the right to control the defense and settlement of any litigation within the scope of this indemnity, and (iii) all indemnified parties cooperate to the extent reasonably necessary in the defense or settlement of any Claims. Licensee shall not be responsible for any compromise or settlement made without its consent.

ARTICLE 7 TECHNICAL ASSISTANCE

7.1. **Technical Assistance.** At the request of Licensee, the Licensor shall use reasonable commercial efforts to provide technical assistance with respect to the use of the Licensed Patents and Licensed Technical Information in the manufacture of Licensed Products. All such technical assistance shall be provided upon mutually agreeable terms and conditions.

ARTICLE 8 INTELLECTUAL PROPERTY

8.1. **Licensee Inventions and Improvements.** In the course of practicing the Licensed Patents and Licensed Technical Information pursuant to licenses granted by this Agreement, Licensee or its permitted sublicensees might develop or assist in the development of new Amorphous Alloys and/or new Intellectual Property relating to the composition, processing, properties, or applications of Amorphous Alloys, including, but not limited to, Improvements to the Licensed Patents (collectively, the “New Amorphous Alloy Technology”). The parties agree that New Amorphous Alloy Technology shall be owned based on inventorship thereof, except that any New Amorphous Alloy Technology constituting an Improvement to a Licensed Patent (“Improvement Technology”) shall be owned solely and exclusively by Licensor. Upon the conception or development of any New Amorphous Alloy Technology, whether alone or in conjunction with others, Licensee shall provide written notification to Licensor describing in sufficient detail the nature of the New Amorphous Alloy Technology, and Licensor shall within thirty (30) days of receipt of such written notification confirm in writing whether such New Amorphous Alloy Technology constitutes Improvement Technology, which determination by Licensor shall be binding absent bad faith or manifest error. Upon their disclosure to Licensor, items of Improvement Technology shall become part of the Licensed Patents and/or Licensed Technical Information hereunder, as appropriate.

8.2. **Assignment.** Title to any and all Improvement Technology shall vest solely and exclusively in Licensor, regardless of inventorship. Licensee hereby assigns to Licensor, and will cause its employees, contractors, representatives, successors, assigns, affiliates, parents, subsidiaries, officers and directors to assign to Licensor, all right, title and interest in and to any Improvement Technology in which Licensee or any of them acquire rights. Licensee agrees to cooperate and cause its employees and contractors to cooperate in the preparation and prosecution of Patent applications relating to Licensor’s Intellectual Property, including any Improvement Technology.

ARTICLE 9
TERM AND TERMINATION

9.1. **Term.** Unless earlier terminated pursuant to Section 9.2 below, this Agreement shall be in effect from the Effective Date and shall continue through the tenth (10th) anniversary of the Effective Date (the "Initial Term"). Upon the expiration of the Initial Term, this Agreement shall continue from year to year until one party terminates the Agreement by giving written at least ninety (90) days prior written notice to the other party.

9.2. **Early Termination.** Notwithstanding any other provision contained herein, this Agreement may be terminated as follows:

(a) **Material Breach.** This Agreement shall terminate on the sixtieth (60th) day after either party gives the other party written notice of a material breach by the other party of any term or condition of this Agreement, unless such breach is remedied to the reasonable satisfaction of the non-breaching party before the expiration of such 60-day period (although the breaching party shall not have a right to remedy any breach to the extent that such breach, or a substantially similar breach, has occurred two (2) or more times).

(b) **Bankruptcy.** This Agreement may be terminated immediately by a party in the event the other party becomes insolvent, files or has filed against it a petition under any chapter of the United States Bankruptcy Code (or any similar petition under the insolvency law of an applicable jurisdiction) and such petition is not dismissed within thirty (30) days, proposes any dissolution, liquidation, financial reorganization, or re-capitalization with creditors, or makes an assignment or trust mortgage for the benefit of creditors, or if a receiver, trustee, custodian, or similar agent is appointed or takes possession of any property or business of such other party.

(c) **Unlicensed Use.** This Agreement may be terminated immediately without liability by Licensor in the event that unlicensed use of the Licensed Patents, Licensed Technical Information, or other Confidential Information of Licensor has been made by Licensee or a person or party within its control.

(d) **Termination for Nonpayment of Note or other Material Obligations.** This Agreement may be terminated by Licensor upon written notice to Licensee in the event that (i) Licensee fails to timely make any payment of principal or interest under that certain Promissory Note of even date herewith in the original principal amount of \$200,000 payable by Licensee to Licensor, or (ii) Licensee or any Licensee Affiliate fails to pay any other payable or monetary obligation to Licensor within sixty (60) days after the date the same is due.

9.3. **Effect of Termination.**

(a) **Licensee's Rights Upon Termination.** Upon termination of this Agreement, the licenses and all other rights granted to Licensee under this Agreement shall immediately terminate.

(b) **Return of Confidential Materials.** Within fifteen (15) days after termination of this Agreement, Licensee shall return to Licensor all Licensed Technical Information and other Confidential Information of Licensor then in its possession, custody or control.

(c) **Continuation of Obligations.** After termination of this Agreement, the provisions of this Agreement concerning the parties' obligations and responsibilities under Article 10 (Confidentiality) shall continue in full force and effect for an additional period of ten (10) years, and indefinitely for trade secrets; and Licensee's payment and other obligations under Article 3 (License Fees and Royalties) shall continue in effect until paid. In the event Licensor terminates the licenses granted under this Agreement in accordance with the terms hereof for nonpayment of royalties or other breach by Licensee, all amounts then owing by Licensee shall immediately become due and payable.

(d) **No Damages for Termination; No Effect on Other Rights and Remedies.** Neither party shall be liable for damages of any kind as a result of properly exercising its respective right to terminate this Agreement according to the terms and conditions of this Agreement, and termination will not affect any other right or remedy of either party

9.4. **Bankruptcy Matters.** Licensor acknowledges that all rights and licenses granted by it under or pursuant to this Agreement are, and shall otherwise be deemed to be, for purposes of Section 365(n) of the United States Bankruptcy Code (the "Bankruptcy Code"), licenses of rights to "intellectual property" as defined under Section 101(56) of the Bankruptcy Code. Licensor acknowledges that if, as a debtor in possession or a trustee-in-bankruptcy in a case under the Bankruptcy Code, rejects this Agreement, Licensee may elect to retain its rights under this Agreement as provided in Section 365(n) of the Bankruptcy Code. Licensor irrevocably waives all arguments and defenses arising under 11 U.S.C. 365(c)(1) or successor provisions to the effect that applicable law excuses the party, other than the debtor, from accepting performance from or rendering performance to an entity other than the debtor or debtor in possession as a basis for opposing assumption of the Agreements by the other party in a case under Chapter 11 of the Bankruptcy Code to the extent that such consent is required under 11 U.S.C. § 365(c)(1) or any successor statute. In addition, Licensee shall be entitled to register the license set forth in this Agreement in any jurisdiction in order to perfect its rights hereunder as to third parties.

ARTICLE 10 CONFIDENTIALITY

10.1. **Terms of Agreement.** Each party agrees not to disclose any terms of this Agreement to any third party without the consent of the other party; provided, however, that disclosures may be made as required by securities or other applicable laws; or by either party to its accountants, attorneys, and other professional advisors. Neither party shall release any publicity or information concerning this Agreement without the other party's prior written approval, which shall not be unreasonably withheld or delayed.

10.2. **Restrictions on Disclosure and Use.**

(a) **Restrictions and Covenants.** Except as otherwise provided herein, each party agrees that, in its capacity as the Recipient of Confidential Information, it will (i) hold the Discloser's Confidential Information in strict confidence, use a high degree of care in safeguarding the Discloser's Confidential Information, and take all precautions necessary to protect the Discloser's Confidential Information including, at a minimum, all precautions the Recipient normally employs with respect to its own Confidential Information, (ii) not divulge any of the Discloser's Confidential Information or any information derived therefrom (including results of tests on material samples) to any other person (except as set forth in Section 10.2(b) (Disclosure to Representatives) hereof), (iii) not make any use whatsoever at any time of the Discloser's Confidential Information except as is necessary in the performance of Recipient's specific duties under this Agreement, (iv) notify the Discloser in writing immediately upon discovery by the Recipient or its Representatives of any unauthorized use or disclosure of the Discloser's Confidential Information, and (v) upon the termination or expiration of this Agreement, immediately return to the Discloser or destroy (at the option of the Recipient) all such Confidential Information, including all originals, copies and extracts.

(b) **Disclosure to Representatives.** The Recipient may only disseminate the Discloser's Confidential Information to its Representatives who have been informed of the Recipient's obligations under this Agreement and are bound by an obligation of confidentiality and non-use with respect to the Discloser's Confidential Information at least as broad in scope as the Recipient's obligations under this Agreement. The Recipient agrees to reasonably restrict disclosure of the Discloser's Confidential Information to the smallest number of the Recipient's Representatives which have a need to know the Confidential Information. The Recipient shall be responsible for enforcing this Agreement as to the Recipient's Representatives and shall take such action (legal or otherwise) to the extent necessary to cause them to comply with this Agreement.

(c) **Trade Secrets.** Any trade secrets of the Discloser will also be entitled to all of the protections and benefits of applicable trade secret law, and the Recipient agrees to be bound by all applicable trade secret laws, unfair competition laws, and any other similar laws with respect to the Discloser's Confidential Information. If any Confidential Information that the Discloser deems to be a trade secret is found by a court of competent jurisdiction not be a trade secret under applicable law, such Confidential Information will nevertheless still be protected by this Agreement.

(d) **Protection of Licensed Technical Information by Licensee.** Licensee acknowledges and agrees that the Licensed Technical Information derives economic value from not being generally known to other persons who can obtain economic value from its disclosure or use. Therefore, without the express written consent of Licensor, Licensee covenants and agrees that it, its employees, contractors, representatives, successors, assigns, affiliates, parents, subsidiaries, officers, directors, and the like will (1) hold the Licensed Technical Information in strict confidence, use a high degree of care in safeguarding the Licensed Technical Information, and take all precautions reasonably necessary to protect the Licensed Technical Information including, without limitation, all precautions Licensee normally takes with respect to its own most sensitive and confidential information, (2) not divulge any of the Licensed Technical Information or any information derived therefrom to any person other than Licensor, (3) not make any use whatsoever at any time of the Licensed Technical Information except in furtherance of Licensee's obligations to Licensor and as necessary to produce Licensed Products in accordance with the license granted under this Agreement, and (4) notify Licensor in writing immediately upon discovery of any unauthorized use or disclosure of the Licensed Technical Information by Licensee or its employees or any third party.

(e) **Enforcement.** Licensee acknowledges and agrees that due to the unique nature of the Licensed Technical Information and other Confidential Information of Licensor, there can be no adequate remedy at law for any breach of its obligations hereunder, which breach may result in irreparable harm to Licensor, and therefore, that upon any such breach or any threat thereof, Licensor shall be entitled to appropriate equitable relief, including injunction, without the requirement of posting a bond, in addition to whatever remedies it might have at law.

(f) **Exceptions.** Confidential Information does not include information:

(i) that becomes publicly known without breach of the Recipient's or its Representatives' obligations under this Agreement;

(ii) that is rightfully acquired by Recipient from a third party which is not subject to any restriction or obligation (whether contractual, fiduciary, or otherwise) on disclosure or use of such Confidential Information;

(iii) that is independently developed by employees of the Recipient without knowledge of or reference to such Confidential Information, as evidenced by written documentation or other tangible evidence of Recipient;

(iv) that is required to be disclosed by law or by court order or government order, provided that the Recipient (a) promptly notifies the Discloser of any such disclosure requirement so that the Discloser may seek an appropriate protective order (or other appropriate protections), and (b) provides reasonable assistance (at no cost to the Recipient) in obtaining such protective order or other form of protection; or

(v) as to which and to the extent to which the Recipient has received express written consent from an authorized officer of the Discloser to disclose or use.

A specific item of Confidential Information shall not be deemed to fall within the foregoing exceptions merely because such specific item is embraced or implied by more general Confidential Information that falls within the foregoing exceptions.

10.3. **Nonsolicitation.** Each party hereby agrees that, during the term of this Agreement, such party will not without the prior written consent of the other party, either directly or through its Affiliates, solicit for employment or a consulting relationship any person such party knows or should reasonably know is an employee of the other party or of the other party's Affiliates. Notwithstanding the foregoing, a party may solicit and employ (or retain as a consultant) any person who (i) responds to a general solicitation of employment through an advertisement not specifically targeted at the other party, the other party's Affiliates, or their respective employees, (ii) is referred to the soliciting party by search firms, employment agencies, or other similar entities, provided that such entities have not been specifically instructed to solicit employees of the other party or its Affiliates, (iii) contacts the soliciting party on his or her own initiative without any direct or indirect solicitation, or (iv) was not an employee of the other party or its Affiliates during the six (6) months prior to such solicitation or employment.

ARTICLE 11 MISCELLANEOUS

11.1. **Force Majeure.** Excluding payment obligations, neither party shall be liable for, nor shall it be considered in breach of this Agreement due to, any failure to perform its obligations under this Agreement as a result of a cause beyond its control, including any act of God or public enemy, act of any military, civil or regulatory authority, terrorism or threat thereof, change in any law or regulation, fire, flood, earthquake, storm or other like event, disruption or outage of communications, power or other utility, labor problem, unavailability of supplies, or any other cause, whether similar or dissimilar to any of the foregoing, which could not have been prevented by the party with reasonable care, provided that the affected party in writing, stating that such cause has delayed or prevented its performance and the affected party thereafter takes all action within its power to comply with terms of this Agreement as fully and promptly as possible.

11.2. **Notices.** All notice, requests, demands and other communications hereunder shall be in English and shall be given in writing and shall be: (i) personally delivered; (ii) sent by telecopier, facsimile transmission or other electronic means of transmitting written documents with confirmation of receipt; or (iii) sent to the parties at their respective addresses indicated herein by registered or certified mail, return receipt requested and postage prepaid, or by private overnight mail courier services with confirmation of receipt. The respective addresses to be used for all such notices, demands or requests are as follows:

(a) If to Licensee:

Innovative Materials Group, LLC
2749 Saturn St.
Brea, CA 92821
Attention: William Larson, Member
Phone: 714-225-7667

Or to such other person or address as Licensee shall furnish to Licensor in writing.

(b) If to Licensor:

Liquidmetal Technologies
30452 Esperanza
Rancho Santa Margarita, CA (USA) 92688
Attention: Ricardo A. Salas, Executive Vice President
Phone No.: (949) 635-2100
Fax No.: (949) 315-3096

Or to such other person or address as Licensor shall furnish to Licensee in writing.

If personally delivered, such communication shall be deemed delivered upon actual receipt by the “attention” addressees or persons authorized to accept for such addressees; if transmitted by facsimile pursuant to this paragraph, such communication shall be deemed delivered the next business day after transmission (and sender shall bear the burden of proof of delivery); if sent by overnight courier pursuant to this paragraph, such communication shall be deemed delivered upon receipt by the “attention” addressees or persons authorized to accept for such addressees; and if sent by mail pursuant to this paragraph, such communication shall be deemed delivered as of the date of delivery indicated on the receipt issued by the relevant postal service, or, if the addressee fails or refuses to accept delivery, as of the date of such failure or refusal. Any party to this Agreement may change its address for the purposes of this Agreement by giving notice thereof in accordance with this paragraph.

11.3. **Independent Contractors.** In the performance of this Agreement, Licensor and Licensee are independent contractors. Neither party nor any of its employees or agents shall be considered an employee or agent of the other party. Nor shall any partnership, co-venture or joint-employer relationship be created or implied by virtue of this Agreement or of its performance. The parties intend that this Agreement shall not create a partnership for tax purposes.

11.4. **Survival.** Any provisions which by its express or implicit terms are intended to survive the expiration or termination of this Agreement, shall survive the expiration or termination of this Agreement and be enforceable in accordance with their terms.

11.5. **Severability.** Each provision contained in this Agreement is declared to constitute a separate and distinct covenant and provision and to be severable from all other separate, distinct covenants and provisions. It is agreed that should any clause, condition or term, or any part thereof, contained in this Agreement be unenforceable or prohibited by law or by any present or future legislation then such clause, condition, term or part thereof, shall be amended, and is hereby amended, so as to be in compliance with the said legislation or law but, if such clause, condition or term, or part thereof, cannot be amended so as to be in compliance with the said legislation or law, then such clause, condition, term or part thereof is severable from this Agreement, and all the rest of the clauses, terms and conditions or parts thereof contained in this Agreement shall remain unimpaired and continue in full force and effect.

11.6. **Amendment.** This Agreement may not be amended or modified other than by a written agreement executed by the parties hereto or their respective successors and legal representatives.

11.7. **Waiver.** No waiver of a breach of any provision of this Agreement shall be deemed to be, or shall constitute, a waiver of a breach of any other provision of this Agreement, whether or not similar, nor shall such waiver constitute a continuing waiver of such breach unless otherwise expressly provided in such waiver.

11.8. **Governing Law.** This Agreement, the legal relations between the parties, and any action, whether contractual or non-contractual, instituted by any party with respect to matters arising under or growing out of or in connection with or in respect of this Agreement shall be governed by and construed in accordance with the internal laws of the State of California (U.S.A.), excluding any choice of law rules that may direct the application of the laws of another jurisdiction, and except that questions affecting the construction and effect of any Patent shall be determined by the law of the country in which the Patent has been granted.

11.9. **Resolution of Disputes.** The parties irrevocably agree that any legal actions or proceedings brought by or against them with respect to this Agreement shall be brought exclusively in the courts in and for Orange County, California, and the United States District Court for the Orange County, California, and by execution and delivery hereof, the parties irrevocably submit to such jurisdiction and hereby irrevocably waive any and all objections which they may have with respect to venue in any of the above courts.

11.10. **Attorneys' Fees.** In any action between the parties for relief based in whole or in part on this Agreement (or the breach thereof), including actions to collect overdue royalty payments, the prevailing party shall be entitled to recover (in addition to any other relief awarded or granted) its reasonable costs and expenses (including attorneys' fees and expert witness fees) incurred in the proceeding.

11.11. **Entire Agreement.** This Agreement sets forth the complete agreement of the parties concerning the subject matter hereof. No claimed oral agreement in respect thereto shall be considered as any part hereof. No waiver of or change in any of the terms hereof subsequent to the execution hereof claimed to have been made by any representative of either party shall have any force or effect unless in writing, signed by duly authorized representatives of the parties.

11.12. **Assignment.** This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and permitted assigns. Neither party shall assign its rights or duties under this Agreement, in whole or in part, without the prior written consent of the other party.

11.13. **Headings; Recitals.** The section and paragraph headings in this Agreement are for convenience only and are not intended to affect the meaning or interpretation of this Agreement. The recitals set forth in the preamble to this Agreement are true and correct and are made a part of this Agreement.

11.14. **Counterparts.** This Agreement may be executed simultaneously in counterparts, each of which will be deemed an original, but all of which together will constitute the same Agreement.

11.15. **Language.** In the event of controversy between the parties respecting the interpretation or application of this Agreement, the English language version of the Agreement shall be controlling.

[signatures follow]

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed by their duly authorized representatives as of the Effective Date set forth above:

INNOVATIVE MATERIALS GROUP, LLC

By: /s/ John Kang

Name: John Kang

Title: _____

LIQUIDMETAL TECHNOLOGIES, INC.

By: /s/ Thomas Steipp

Thomas Steipp, President

EXHIBIT A

LICENSED PATENTS

U.S. Patents 5,288,344 through 7,862,957

U.S. Patent Applications 10/523,465 through 61/354,620

EXHIBIT B

LICENSE RESTRICTIONS

1. Licensed Products. The Licensed Products shall be limited to, and the rights and licenses in this Agreement shall apply only to, the following products (a “Specified Product”), unless Licensor and Licensee otherwise specifically agree in writing to include additional products under this Agreement upon mutually agreed terms, at which time any such additional products included in a written amendment to this Exhibit B signed by Licensor shall thereafter be deemed to be a Specified Product:

[*]

Eyewear Products (as defined in Section 2.1(b) of this Agreement)

Notwithstanding the foregoing, at any time after the third (3rd) anniversary of this Agreement and upon written notice to Licensee, Licensor may terminate Eyewear Products as a Specified Product hereunder if the cumulative Net Sales Price of Eyewear Products sold by Licensee under this Agreement during the first three (3) years of this Agreement do not equal or exceed Five Hundred Thousand Dollars (\$500,000).

2. Excluded Products. The licenses granted under Article 2 shall exclude the following products, even if such products are listed in Section 1 of this Exhibit B:

[*]

3. Method of Manufacturing. The Licensee will not be permitted to use any casting or molding machines for the processing of Liquidmetal Alloys other than the Casting Machines, which are the Licensor’s first generation die casting machines that were installed in Licensor’s Korean manufacturing facility (but not the second-generation 250-ton machine).

4. Alloy Feedstock Supply. Licensee must purchase all alloy feedstock necessary for the manufacture of Licensed Products from either Licensor or a Licensor-designated and authorized supplier of Liquidmetal alloy feedstock. This shall not preclude Licensee from manufacturing its own Liquidmetal alloy feedstock, but such feedstock shall be subject to such quality standards as is required by Licensor of other feedstock suppliers. The licenses and rights set forth in this Agreement shall not include the right and license to manufacture and/or sale of Liquidmetal alloy feedstock to third parties and shall be limited to the manufacture and sale of finished or semi-finished parts or products (unless Licensee otherwise becomes a “Certified Liquidmetal Alloying Partner” pursuant to a separate written agreement).

[*] = CERTAIN CONFIDENTIAL INFORMATION CONTAINED IN THIS DOCUMENT, MARKED BY BRACKETS AND AN ASTERISK, HAS BEEN OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO RULE 24B-2 OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED.

5. Limitation on Use of Liquidmetal Processing Technology. For purposes of clarification, the rights and licenses set forth in Section 2.1 and 2.2 of this Agreement shall not include the right to use any Liquidmetal Processing Technology other than (i) the Casting Machines or (ii) any other Licensed Patents and Licensed Technical Information incidental to the use of the Casting Machines. For this purpose, "Liquidmetal Processing Technology" means any technology or Intellectual Property relating to the casting or molding of Amorphous Alloys.

6. Use of Other Amorphous Alloys. Without the prior written consent of Licensor, Licensee shall not manufacture, market, or sell any part or product that contains both Liquidmetal Alloy and another Amorphous Alloy composition that is not a Liquidmetal Alloy.

CERTIFICATIONS

I, Thomas Steipp, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Liquidmetal Technologies, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting

Date: August 10, 2011

/s/ Thomas Steipp

Thomas Steipp
President and Chief Executive Officer
(Principal Executive Officer)

CERTIFICATIONS

I, Tony Chung, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Liquidmetal Technologies, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 10, 2011

/s/ Tony Chung

Tony Chung
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 certify, based on my knowledge, that the Quarterly Report on Form 10-Q of the Company for the quarter ended June 30, 2011 (the "Report") fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934 and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Thomas Steipp

Thomas Steipp, President and Chief Executive Officer

August 10, 2011

**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 certify, based on my knowledge, that the Quarterly Report on Form 10-Q of the Company for the quarter ended June 30, 2011 (the "Report") fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934 and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Tony Chung

Tony Chung, Chief Financial Officer

August 10, 2011
