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, 2022

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	**33-0264467**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

20321 Valencia Circle
Lake Forest, CA 92630
(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 every Interactive Data File required to be submitted 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 such files).
Yes ☒ No ☐

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

Large accelerated filer ☐ Accelerated filer ☐ Non-accelerated filer ☒

Smaller reporting company ☒ Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes ☐ No ☒

Securities registered pursuant to Section 12(b) of the Exchange Act: None

The number of common shares outstanding as of August 11, 2022 was 917,285,149.

LIQUIDMETAL TECHNOLOGIES, INC.
FORM 10-Q
FOR THE QUARTER ENDED JUNE 30, 2022

FORWARD-LOOKING INFORMATION

This Quarterly Report on Form 10-Q of Liquidmetal Technologies, Inc. contains “forward-looking statements” that may state our management’s plans, future events, objectives, current expectations, estimates, forecasts, assumptions or projections about the company and its business. Any statement in this report that is not a statement of historical fact is a forward-looking statement, and in some cases, words such as “believes,” “estimates,” “projects,” “expects,” “intends,” “may,” “anticipates,” “plans,” “seeks,” and similar words or expressions identify forward-looking statements. Forward-looking statements involve risks and uncertainties that could cause actual outcomes and results to differ materially from the anticipated outcomes or results. These statements are not guarantees of future performance, and undue reliance should not be placed on these statements. It is important to note that our actual results could differ materially from what is expressed in our forward-looking statements due to the risk factors described in the section of our Annual Report on Form 10-K for the year ended December 31, 2021 entitled “Risk Factors,” as well as the following risks and uncertainties:

- Our history of operating losses and the uncertainty surrounding our ability to achieve or sustain profitability;
- Our limited history of developing and selling products made from our bulk amorphous alloys;
- Challenges associated with having products manufactured from our alloys and the use of third parties for manufacturing;
- Our limited history of licensing our technology to third parties;
- Lengthy customer adoption cycles and unpredictable customer adoption practices;
- Our ability to identify, develop, and commercialize new product applications for our technology;
- Competition from current suppliers of incumbent materials or producers of competing products;
- Our ability to identify, consummate, and/or integrate strategic partnerships;
- The potential for manufacturing problems or delays;
- Potential difficulties associated with protecting or expanding our intellectual property position; and
- Economic and business uncertainties relating to the COVID-19 pandemic.

We undertake no obligation, other than as required by applicable law, to update publicly any forward-looking statements, whether as a result of new information, future events or otherwise.

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PART I
FINANCIAL INFORMATION

Item 1 – Financial Statements

LIQUIDMETAL TECHNOLOGIES, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
($ in thousands, except par value and share data)

	June 30, 2022 (Unaudited)	December 31, 2021 (Audited)
ASSETS		
Current assets:		
Cash and cash equivalents	$ 3,055	$ 4,091
Restricted cash	5	5
Investments in debt securities- short term	13,186	13,852
Trade accounts receivable, net of allowance for doubtful accounts	34	147
Inventory	32	35
Prepaid expenses and other current assets	262	505
Total current assets	$ 16,574	$ 18,635
Investments in debt securities- long term	9,134	8,267
Property and equipment, net	8,137	8,295
Patents and trademarks, net	85	102
Other assets	329	306
Total assets	$ 34,259	$ 35,605
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 37	112
Accrued liabilities	245	246
Deferred revenue	41	56
Total current liabilities	$ 323	$ 414
Long-term liabilities		
Other long-term liabilities	902	899
Total liabilities	$ 1,225	$ 1,313
Shareholders' equity:		
Common stock, $0.001 par value; 1,100,000,000 shares authorized; 917,285,149 and 914,449,957 shares issued and outstanding at June 30, 2022 and December 31, 2021, respectively	917	914
Warrants	18,179	18,179
Additional paid-in capital	287,947	287,641
Accumulated deficit	(273,584)	(272,303)
Accumulated other comprehensive loss	(347)	(62)
Non-controlling interest in subsidiary	(78)	(77)
Total shareholders' equity	$ 33,034	$ 34,292
Total liabilities and shareholders' equity	$ 34,259	$ 35,605

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

LIQUIDMETAL TECHNOLOGIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
($ in thousands, except share and per share data)
(unaudited)

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2022	**2021**	**2022**	**2021**
Revenue				
Products	$ 103	$ 231	$ 266	$ 294
Licensing and royalties	22	12	22	21
Total revenue	$ 125	$ 243	$ 288	$ 315
Cost of sales	84	154	228	209
Gross profit	$ 41	$ 89	$ 60	$ 106
Operating expenses				
Selling, marketing, general and administrative	771	849	1,575	1,728
Research and development	17	38	27	60
Total operating expenses	$ 788	$ 887	$ 1,602	$ 1,788
Operating loss	(747)	(798)	(1,542)	(1,682)
Lease income	132	132	265	264
Interest and investment income (loss)	-	41	(5)	102
Loss before income taxes	$ (615)	$ (625)	$ (1,282)	$ (1,316)
Income taxes	-	-	-	-
Net loss	$ (615)	$ (625)	$ (1,282)	$ (1,316)
Net loss attributable to non-controlling interest	1	1	1	1
Net loss attributable to Liquidmetal Technologies shareholders	$ (614)	$ (624)	$ (1,281)	$ (1,315)
Per common share basic and diluted:				
Net loss per common share attributable to Liquidmetal Technologies shareholders, basic and diluted	$ (0.00)	$ (0.00)	$ (0.00)	$ (0.00)
Number of weighted average shares - basic and diluted	917,285,149	914,449,957	916,812,617	914,449,957

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

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

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2022	**2021**	**2022**	**2021**
Net loss	$ (615)	$ (625)	$ (1,282)	$ (1,316)
Other comprehensive loss, net of tax				
Net unrealized gains (losses) on available-for-sale securities	(75)	26	(285)	(90)
Other comprehensive loss income (loss), net of tax	(75)	26	(285)	(90)
Comprehensive loss	$ (690)	$ (599)	$ (1,567)	$ (1,406)
Less: Comprehensive loss attributable to noncontrolling interests	1	1	1	1
Comprehensive loss attributable to Liquidmetal Technologies shareholders	$ (689)	$ (598)	$ (1,566)	$ (1,405)

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

LIQUIDMETAL TECHNOLOGIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
($ in thousands, except per share data)
(unaudited)

	For the Six Months Ended June 30, 2022	2021
Operating activities:		
Net loss	$ (1,282)	$ (1,316)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	175	194
Stock-based compensation	97	207
Changes in operating assets and liabilities:		
Trade accounts receivable	113	87
Inventory	3	(118)
Prepaid expenses and other current assets	243	233
Other assets and liabilities	(20)	(29)
Accounts payable and accrued liabilities	(76)	(23)
Deferred revenue	(15)	41
Net cash used in operating activities	**(762)**	**(724)**
Investing Activities:		
Purchases of debt securities	(11,738)	(10,722)
Proceeds from sales of debt securities	11,252	20,857
Net cash provided (used in) by investing activities	**(486)**	**10,135**
Financing Activities:		
Common stock issuance	212	-
Net cash provided by financing activities	**212**	**-**
Net increase (decrease) in cash, cash equivalents, and restricted cash	(1,036)	9,411
Cash, cash equivalents, and restricted cash at beginning of period	4,096	1,519
Cash, cash equivalents, and restricted cash at end of period	**$ 3,060**	**$ 10,930**

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

LIQUIDMETAL TECHNOLOGIES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Six Months Ended June 30, 2022 and 2021
(numbers in thousands, except percentages, share and per share data)
(unaudited)

1. Description of Business

Liquidmetal Technologies, Inc. (the "Company") is a materials technology company that develops and commercializes products made from amorphous alloys. The Company's family of alloys consists of a variety of bulk alloys and composites that utilize the advantages offered by amorphous alloys technology. The Company designs, develops, and sells products and custom parts from bulk amorphous alloys to customers in a wide range of industries. The Company also partners with third-party manufacturers and licensees to develop and commercialize Liquidmetal alloy products.

Amorphous alloys are, in general, 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 the Company believes will make them preferable to other materials in a variety of applications. The amorphous atomic structure of bulk 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. The Company believes that the alloys and the molding technologies it employs may result in components, for many applications, that exhibit: exceptional dimensional control and repeatability that rivals precision machining, excellent corrosion resistance, brilliant surface finish, high strength, high hardness, high elastic limit, alloys that are non-magnetic, and the ability to form complex shapes common to the injection molding of plastics. Interestingly, all of these characteristics are achievable from the molding process, so design engineers often do not have to select specific alloys to achieve one or more of the characteristics as is the case with crystalline materials. The Company believes 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, the Company believes these advantages could enable the introduction of entirely new products and applications that are not possible or commercially viable with other materials.

The Company's revenues are derived from i) selling bulk Liquidmetal alloy products to customers who produce medical devices, automotive assemblies, sports and leisure goods, and non-consumer electronic devices, ii) selling tooling and prototype parts such as demonstration parts and test samples for customers with products in development, iii) product licensing and royalty revenue, and iv) research and development revenue. The Company expects that these sources of revenue will continue to significantly change the character of the Company's revenue mix.

2. Basis of Presentation and Recent Accounting Pronouncements

The accompanying unaudited interim consolidated financial statements as of and for the three and six months ended June 30, 2022 and June 30, 2021 have been prepared in accordance with accounting principles generally accepted in the United States of America ("US GAAP") for interim financial information and in accordance with the instructions to Form 10-Q. Accordingly, they do not include all of the information and notes required by US GAAP 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 in consolidation. Operating results for the three and six months ended June 30, 2022 are not necessarily indicative of the results that may be expected for any future periods or the year ending December 31, 2022. The accompanying unaudited consolidated financial statements should be read in conjunction with the Company's 2021 Annual Report on Form 10-K filed with the Securities and Exchange Commission ("SEC") on March 29, 2022.

Investments in Debt Securities

The Company will invest excess funds to maximize investment yield, while maintaining liquidity and minimizing credit risk. Debt securities are carried at fair value and consist primarily of investments in obligations of the United States Treasury, various U.S. and foreign corporations, and certificates of deposits. The Company classifies its investments in debt securities as available-for-sale with all unrealized gains or losses included as part of other comprehensive income. The Company evaluates its debt securities with unrealized losses on a quarterly basis for potential other-than-temporary impairments in value. As a result of this assessment, the Company did not recognize any other-than-temporary impairment losses considered to be credit related for the three and six months ended June 30, 2022 and 2021.

Fair Value Measurements

The estimated fair values of financial instruments reported in the consolidated financial statements have been determined using available market information and valuation methodologies, as applicable. The fair value of cash and restricted cash approximate their carrying value due to their short maturities and are classified as Level 1 instruments within the fair value hierarchy.

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;

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.

As of June 30, 2022, the following table represents the Company's fair value hierarchy for items that are required to be measured at fair value on a recurring basis:

	Fair Value	Level 1	Level 2	Level 3
Investments in debt securities (short-term)	$ 13,186	$ 10,111	$ 3,075	$ -
Investments in debt securities (long-term)	9,134	2,389	6,745	-

As of December 31, 2021, the following table represents the Company's fair value hierarchy for items that are required to be measured at fair value on a recurring basis:

	Fair Value	Level 1	Level 2	Level 3
Investments in debt securities (short-term)	$ 13,852	$ 10,138	$ 3,714	$ -
Investments in debt securities (long-term)	8,267	199	8,068	-

Leases

The Company leases its manufacturing facility under a long-term contract, which is accounted for as an operating lease. The lease provides for a fixed base rent and variable payments comprised of reimbursements for property taxes, insurance, utilities, and common area maintenance. The lease has a term of sixty-two months, exclusive of options to renew. In accordance with *ASC 842, Leases*, lease income, which includes escalating rents over the term of the lease, is recorded on a straight-line basis over the expected lease term. The difference between lease income and payments received is recorded as a rent receivable, which is included as a prepaid expense in the consolidated balance sheets. Amounts paid for broker commissions represent prepaid direct lease costs, and will be amortized as an off-set to lease income over the lease term.

Other Recent Pronouncements

Other recent accounting pronouncements issued by the FASB (including its Emerging Issues Task Force) 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.

3. Significant Transactions

Yihao Manufacturing Agreement

On January 12, 2022, the Company entered into a manufacturing agreement ("Manufacturing Agreement") with Dongguan Yihao Metal Materials Technology Co. Ltd. ("Yihao") to become the primary contract manufacturer of the Company's products. Under the Manufacturing Agreement, which has a term of five years, Yihao has agreed to serve as a non-exclusive contract manufacturer for amorphous alloy parts offered and sold by the Company at prices determined on a "cost-plus" basis. Yihao is an affiliate of Dongguan Eontec Co. Ltd. and Professor Lugee Li, the Company's Chairman and largest beneficial owner of the Company's capital stock.

Manufacturing Facility Purchase and Lease

On February 16, 2017, the Company purchased a 41,000 square foot manufacturing facility (the “Facility”) located in Lake Forest, CA, where operations commenced during July 2017. The purchase price for the Facility was $7,818.

On January 23, 2020, 20321 Valencia, LLC, a Delaware limited liability company and wholly owned subsidiary of the Company, entered into a lease agreement (the “Facility Lease”) pursuant to which the Company leased to MatterHackers, Inc., a Delaware corporation (“Tenant”), an approximately 32,534 square foot portion of the Facility. The lease term is for 5 years and 2 months and is scheduled to expire on April 30, 2025. The base rent payable under the Facility Lease is $32,534 per month initially and is subject to periodic increases up to a maximum of approximately $54,000 per month. Tenant will pay approximately 79% of common operating expresses. The Facility Lease has other customary provisions, including provisions relating to default and usage restrictions. The Facility Lease grants to Tenant a right to extend the lease for one additional 60-month period at market rental value.

Eontec License Agreement

On March 10, 2016, the Company and DongGuan Eontec Co., Ltd., a Hong Kong corporation (“Eontec”), entered into a Parallel License Agreement (the “License Agreement”) pursuant to which the parties agreed to cross-license certain patents, technical information, and trademarks between the Company and Eontec. In particular, the Company granted to Eontec a paid-up, royalty-free, perpetual license to the Company’s patents and related technical information to make, have made, use, offer to sell, sell, export, and import products in certain geographic areas outside of North America and Europe. In turn, Eontec granted to the Company a paid-up, royalty-free, perpetual license to Eontec’s patents and related technical information to make, have made, use, offer to sell, sell, export, and import products in certain geographic areas outside of specified countries in Asia. The license granted by the Company to Eontec is exclusive (including to the exclusion of the Company) in the countries of Brunei, Cambodia, China (P.R.C and R.O.C.), East Timor, Indonesia, Japan, Laos, Malaysia, Myanmar, Philippines, Singapore, South Korea, Thailand, and Vietnam. The license granted by Eontec to the Company is exclusive (including to the exclusion of Eontec) in North America and Europe. The cross-licenses are non-exclusive in geographic areas outside of the foregoing exclusive territories.

Beyond the License Agreement, the Company collaborates with Eontec to accelerate the commercialization of amorphous alloy technology. This includes but is not limited to developing technologies to reduce the cost of amorphous alloys, working on die cast machine technology platforms to pursue broader markets, sharing knowledge to broaden our intellectual property portfolio, and utilizing Eontec’s volume production capabilities as a third party contract manufacturer.

Eutectix Business Development Agreement

On January 31, 2020, the Company entered into a Business Development Agreement (the “Agreement”) with Eutectix, LLC, a Delaware limited liability company (“Eutectix”), which provides for collaboration, joint development efforts, and the manufacturing of products based on the Company’s proprietary amorphous metal alloys. Under the Agreement, the Company licensed to Eutectix specified equipment owned by the Company, including two injection molding machines, two diecasting machines, and other machines and equipment, all of which will be used to make product for Company customers and Eutectix customers. The licensed machines and equipment represented substantially all of the machinery and equipment then held by the Company. The Company has also licensed to Eutectix various patents and technical information related to the Company’s proprietary technology. Under the Agreement, Eutectix agreed to pay the Company a royalty of six percent (6%) of the net sales price of licensed products sold by Eutectix, and Eutectix will also manufacture for the Company product ordered by the Company. The Agreement has a term of five years, subject to renewal provisions and the ability of either party to terminate earlier upon specified circumstances.

Apple License Transaction

On August 5, 2010, the Company entered into a license transaction with Apple Inc. (“Apple”) pursuant to which (i) the Company contributed substantially all of its 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, exclusive license to commercialize such intellectual property in the field of consumer electronic products, as defined in the license agreement, in exchange for a one-time, upfront license fee, and (iii) CIP granted back to the Company a perpetual, worldwide, fully-paid, exclusive license to commercialize such intellectual property in all other fields of use.

Under the agreements relating to the license transaction with Apple, the Company was obligated to contribute, to CIP, all intellectual property developed through February 2016. The Company is also obligated to maintain certain limited liability company formalities with respect to CIP at all times after the closing of the license transaction.

Liquidmetal Golf Sublicense Agreement

Liquidmetal Golf Inc. ("Liquidmetal Golf" or "LMG") is a majority-owned subsidiary which has the exclusive right and license to utilize the Company's Liquidmetal alloy technology for purposes of golf equipment applications. This right and license is set forth in an intercompany license agreement dated January 1, 2002 between Liquidmetal Technologies and Liquidmetal Golf. This license agreement provides that Liquidmetal Golf has a perpetual and exclusive license to use Liquidmetal alloy technology for the purpose of manufacturing, marketing, and selling golf club components and other products used in the sport of golf. The Company owns 79% of the outstanding common stock in Liquidmetal Golf.

On January 13, 2022, Liquidmetal Golf entered into a sublicense agreement ("LMG Sublicense Agreement") with Amorphous Technologies Japan, Inc. ("ATJ"), a newly formed Japanese entity that was established by Twins Corporation, a sporting goods company operating in Japan. Under the agreement, LMG granted to ATJ a nonexclusive worldwide sublicense to the Company's amorphous alloy technology and related trademarks to manufacture and sell golf clubs and golf related products. The LMG Sublicense Agreement has a term of three years and provides for the payment of a running royalty to LMG of 3% of the net sales price of licensed products.

Swatch Group License

In March 2009, the Company entered into a license agreement with Swatch Group, Ltd. ("Swatch") under which Swatch was granted a 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 as against all third parties (including the Company), but non-exclusive as to Apple. The Company will receive royalty payments over the life of the contract on all Liquidmetal products produced and sold by Swatch. The license agreement with Swatch will expire on the expiration date of the last licensed patent.

4. Investments in Debt Securities

The following table sets forth amortized cost fair value, and unrealized gains (losses) of investments in debt securities (short-term and long-term):

		Amortized Cost		Fair Value	
	Longest Maturity Date	**June 30, 2022**	**December 31, 2021**	**June 30, 2022**	**December 31, 2021**
U.S. government and agency securities	2024	9,307	7,327	9,270	7,323
Corporate bonds	2024	13,112	11,635	12,800	11,576
Certificates of deposit	One-year	250	-	250	-
		22,669	18,962	22,320	18,899

Loss from these investments totaled $5 and $0 during the three and six months ended June 30, 2022, respectively. Income from these investments totaled $41 and $102 during the three and six months ended June 30, 2021, respectively. Such amounts are included as a portion of interest and investment income on the Company's consolidated statements of operations.

Based on the Company's review of its debt securities that are individually in an unrealized loss position at June 30, 2022, it determined that the losses were primarily the result current economic factors, impacting all global debt and equity markets, that are the result of global macro events. The impact to the Company's investment portfolio is considered to be temporary, rather than a deterioration of overall credit quality. As of June 30, 2022, all investments are current on their schedule interest and dividend payments. The Company does not intend to sell and it is not more likely than not that the Company will be required to sell these securities prior to recovering their amortized cost. As such, the Company does not consider these securities to be other-than-temporarily impaired at June 30, 2022.

5. Trade Accounts Receivable

Trade accounts receivable were comprised of the following:

	June 30, 2022	December 31, 2021
Trade accounts receivable	$ 34	$ 147
Less: Allowance for doubtful accounts	-	-
Trade accounts receivable	$ 34	$ 147

6. Prepaid Expenses and Other Current Assets

Prepaid expenses and other current assets totaled $262 and $505 as of June 30, 2022 and December 31, 2021, respectively. Included within these totals are the following:

	June 30, 2022	December 31, 2021
Prepaid service invoices	$ 72	$ 110
Prepaid insurance premiums	66	265
Prepaid lease costs and receivables- short term	24	22
Interest and other receivables	100	108
Total	$ 262	$ 505

As of June 30, 2022, prepaid lease costs and receivables- short term are comprised of $19 in prepaid broker commissions that are expected to be amortized within the next twelve months and $5 in receivables for allocated utility costs.

7. Inventory

Inventory totaled $32 and $35 as of June 30, 2022 and December 31, 2021, respectively. Included within these totals are the following:

	June 30, 2022	December 31, 2021
Work in progress	$ 32	$ 35
Finished goods	-	-
Total	$ 32	$ 35

8. Property and Equipment, net

Property and equipment consist of the following:

	June 30, 2022	December 31, 2021
Land, building, and improvements	$ 9,610	$ 9,610
Machinery and equipment	1,304	1,304
Computer equipment	272	272
Office equipment, furnishings, and improvements	51	51
Total	11,237	11,237
Accumulated depreciation	(3,100)	(2,924)
Total property and equipment, net	$ 8,137	$ 8,295

Depreciation expense for three and six months ended June 30, 2022 was $79 and $158, respectively. Depreciation expense for three and six months ended June 30, 2021 was $80 and $160, respectively. Such amounts were included in selling, marketing, general, and administrative expenses within Company's consolidated statements of operations.

9. Patents and Trademarks, net

Net patents and trademarks totaled $85 and $102 as of June 30, 2022 and December 31, 2021, respectively, and primarily consisted of purchased patent rights and internally developed patents.

Purchased patent rights represent the exclusive right to commercialize the bulk amorphous alloy and other amorphous alloy technology acquired from California Institute of Technology ("Caltech"), through a license agreement with Caltech and other institutions. All fees and other amounts payable by the Company for these rights and licenses have been paid or accrued in full, and no further royalties, license fees, or other amounts will be payable in the future under the license agreement.

In addition to the purchased and licensed patents, the Company has internally developed patents. Internally developed patents include legal and registration costs incurred to obtain the respective patents. The Company currently holds various patents and numerous pending patent applications in the United States, as well as numerous foreign counterparts to these patents outside of the United States.

The Company amortizes capitalized patents and trademarks over an average of 10 to 17 year periods. Amortization expense for patents and trademarks was $7 and $17 for the three and six months ended June 30, 2022, respectively. This compares to $15 and $34 for the three and six months ended June 30, 2021, respectively

10. Other Assets

Other assets totaled $329 and $306 as of June 30, 2022 and December 31, 2021, respectively. Included within these totals are the following:

	June 30, 2022	December 31, 2021
Utility deposits	$ 14	$ 14
Prepaid lease costs and receivables- long term	315	292
Total	$ 329	$ 306

As of June 30, 2022, prepaid lease costs and receivables-long term are comprised of $35 in unamortized prepaid broker commissions that are not expected to be amortized within the next twelve months and $280 in straight-line rent accruals.

11. Accrued Liabilities

Accrued liabilities totaled $245 and $246 as of June 30, 2022 and December 31, 2021, respectively. Included within these totals are the following:

	June 30 2022	December 31, 2021
Accrued payroll, vacation, and bonuses	$ 118	$ 111
Accrued severance	56	56
Accrued audit fees	71	79
Total	$ 245	$ 246

12. Other Long-Term Liabilities

Other long-term liabilities were $902 as of June 30, 2022 and $899 as of December 31, 2021, and consisted primarily of $856 of long-term, aged payables to vendors, individuals, and other third parties that have been outstanding for more than 5 years. The Company is in the process of researching and resolving the balances for settlement and/or escheatment in accordance with applicable state law. Included in the balance for June 30, 2022 is $43 in tenant deposits and $3 credit for ConMed Corporation. Included in the balance for December 31, 2021 is $43 in tenant deposits.

13. Stock Compensation Plans

On June 28, 2012, the Company adopted the 2012 Equity Incentive Plan ("2012 Plan"), with the approval of the shareholders, which provides for the grant of stock options to officers, employees, consultants, and directors of the Company and its subsidiaries. The 2012 Plan provides for the granting to employees of incentive stock options within the meaning of Section 422 of the Internal Revenue Code of 1986, as amended, and for the granting to employees and consultants of non-statutory stock options. In addition, the Plan permits the granting of stock appreciation rights, or SARs, with or independently of options, as well as stock bonuses and rights to purchase restricted stock. A total of 30,000,000 shares of the Company's common stock may be granted under the 2012 Plan, and all options granted under the 2012 Plan had exercise prices that were equal to the fair market value on the date of grant. Under this plan, the Company had outstanding grants of options to purchase 5,674,000 and 7,009,192 shares of the Company's common stock as of June 30, 2022 and December 31, 2021, respectively.

On January 27, 2015, the Company adopted its 2015 Equity Incentive Plan ("2015 Plan"), which provided for the grant of stock options to officers, employees, consultants, and directors of the Company and its subsidiaries. A total of 40,000,000 shares of the Company's common stock are available for issuance under the 2015 Plan. All options granted under the 2015 Plan had exercise prices that were equal to the fair market value on the dates of grant. Under this plan, the Company had outstanding grants of options to purchase 20,941,667 and 20,441,667 shares of the Company's common stock as of June 30, 2022 and December 31, 2021, respectively.

Stock based compensation expense attributable to these plans was $54 and $97 for the three and six months ended June 30, 2022, respectively. This compares to $100 and $207 for the three and six months ended June 30, 2021, respectively.

14. Facility Lease

Amounts collected under the Facility Lease are comprised of base rents and reimbursements for direct facility expenses (property taxes and insurance), common area maintenance, and utilities. Amounts recorded to lease income are comprised of base rents and direct facility expenses, recorded on a straight-line basis over the lease term. Reimbursements for common area maintenance and utility expense are recorded as reductions to like expenses within sales, general, and administrative costs.

The future minimum rents due to the Company under the Facility Lease are as follows:

Year		Base Rents
2022 (remaining six months)	$	244
2023		651
2024		699
2025		237
2026		-
Thereafter		-
	$	1,831

15. Consolidated Statements of Changes in Equity

The following table provides the Company's changes in equity for the three months ended June 30, 2022:

	Preferred Shares	Common Shares	Common Stock	Warrants part of Additional Paid-in Capital	Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income	Non-Controlling Interest	Total
Balance, March 31, 2022	**-**	**917,285,149**	**$ 917**	**$ 18,179**	**$ 287,893**	**$ (272,970)**	**$ (272)**	**$ (77)**	**$ 33,670**
Stock-based compensation					54				54
Net loss						(614)		(1)	(615)
Other comprehensive income							(75)		(75)
Balance, June 30, 2022	**-**	**917,285,149**	**$ 917**	**$ 18,179**	**$ 287,947**	**$ (273,584)**	**$ (347)**	**$ (78)**	**$ 33,034**

The following table provides the Company's changes in equity for the six months ended June 30, 2022:

	Preferred Shares	Common Shares	Common Stock	Warrants part of Additional Paid-in Capital	Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income	Non-Controlling Interest	Total
Balance, December 31, 2021	**-**	**914,449,957**	**$ 914**	**$ 18,179**	**$ 287,641**	**$ (272,303)**	**$ (62)**	**$ (77)**	**$ 34,292**
Common stock issuance		2,835,192	3		209				212
Stock-based compensation					97				97
Net loss						(1,281)		(1)	(1,282)
Other comprehensive loss							(285)		(285)
Balance, June 30, 2022	**-**	**917,285,149**	**$ 917**	**$ 18,179**	**$ 287,947**	**$ (273,584)**	**$ (347)**	**$ (78)**	**$ 33,034**

The following table provides the Company's changes in equity for the three months ended June 30, 2021:

	Preferred Shares	Common Shares	Common Stock	Warrants part of Additional Paid-in Capital	Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income	Non-Controlling Interest	Total
Balance, March 31, 2021	**-**	**914,449,957**	**$ 914**	**$ 18,179**	**$ 287,290**	**$ (269,617)**	**$ -**	**$ (76)**	**$ 36,690**
Stock-based compensation					100				100
Net loss						(624)		(1)	(625)
Other comprehensive income							26		26
Balance, June 30, 2021	**-**	**914,449,957**	**$ 914**	**$ 18,179**	**$ 287,390**	**$ (270,241)**	**$ 26**	**$ (77)**	**$ 36,191**

The following table provides the Company's changes in equity for the six months ended June 30, 2021:

	Preferred Shares	Common Shares	Common Stock	Warrants part of Additional Paid-in Capital	Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income	Non-Controlling Interest	Total
Balance, December 31, 2020	**-**	**914,449,957**	**$ 914**	**$ 18,179**	**$ 287,183**	**$ (268,926)**	**$ 116**	**$ (76)**	**$ 37,390**
Stock-based compensation					207				207
Net loss						(1,315)		(1)	(1,316)
Other comprehensive loss							(90)		(90)
Balance, June 30, 2021	**-**	**914,449,957**	**$ 914**	**$ 18,179**	**$ 287,390**	**$ (270,241)**	**$ 26**	**$ (77)**	**$ 36,191**

16. Accumulated Other Comprehensive Income (Loss) ("AOCI")

The following table presents a summary of the changes in each component of AOCI for the three months ended June 30, 2022:

	Unrealized gains (losses) on available-for-sale securities	Total
Accumulated other comprehensive income (loss), net of tax, as of March 31, 2022	$ (272)	$ (272)
Other comprehensive loss before reclassifications	(75)	(75)
Amounts reclassified from accumulated other comprehensive income (loss)	-	-
Net increase in other comprehensive income (loss)	(75)	(75)
Accumulated other comprehensive income (loss), net of tax, as of June 30, 2022	$ (347)	$ (347)

The following table presents a summary of the changes in each component of AOCI for the six months ended June 30, 2022:

	Unrealized gains (losses) on available-for-sale securities	Total
Accumulated other comprehensive income (loss), net of tax, as of December 31, 2021	$ (62)	$ (62)
Other comprehensive loss before reclassifications	(285)	(285)
Amounts reclassified from accumulated other comprehensive income (loss)	-	-
Net increase in other comprehensive income (loss)	(285)	(285)
Accumulated other comprehensive income (loss), net of tax, as of June 30, 2022	$ (347)	$ (347)

The following table presents a summary of the changes in each component of AOCI for the three months ended June 30, 2021:

	Unrealized gains (losses) on available-for-sale securities	Total
Accumulated other comprehensive income (loss), net of tax, as of March 31, 2021	$ -	$ -
Other comprehensive loss before reclassifications	26	26
Amounts reclassified from accumulated other comprehensive income (loss)	-	-
Net increase in other comprehensive income (loss)	26	26
Accumulated other comprehensive income (loss), net of tax, as of June 30, 2021	$ 26	$ 26

The following table presents a summary of the changes in each component of AOCI for the six months ended June 30, 2021:

	Unrealized gains (losses) on available-for-sale securities	Total
Accumulated other comprehensive income (loss), net of tax, as of December 31, 2020	$ 116	$ 116
Other comprehensive loss before reclassifications	(90)	(90)
Amounts reclassified from accumulated other comprehensive income (loss)	-	-
Net increase in other comprehensive income (loss)	(90)	(90)
Accumulated other comprehensive income (loss), net of tax, as of June 30, 2021	$ 26	$ 26

17. 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 applicable period. Diluted EPS reflects the potential dilution of securities that could share in the earnings.

Options to purchase 26,615,667 shares of common stock, at prices ranging from $0.07 to $0.38 per share, were outstanding at June 30, 2022, but were not included in the computation of diluted EPS for the same period as the inclusion would have been antidilutive, given the Company's net loss. Warrants to purchase 10,066,809 shares of common stock, with a price of $0.07 per share, outstanding at June 30, 2022, were not included in the computation of diluted EPS for the same period as the inclusion would have been antidilutive, given the Company's net loss.

Options to purchase 17,950,859 shares of common stock, at prices ranging from $0.07 to $0.38 per share, were outstanding at June 30, 2021, but were not included in the computation of diluted EPS for the same period as the inclusion would have been antidilutive, given the Company's net loss. Warrants to purchase 10,066,809 shares of common stock, with a price of $0.07 per share, outstanding at June 30, 2021, were not included in the computation of diluted EPS for the same period as the inclusion would have been antidilutive, given the Company's net loss.

18. Related Party Transactions

On March 10, 2016, the Company entered into a Securities Purchase Agreement (the "2016 Purchase Agreement") with Liquidmetal Technology Limited, a Hong Kong company (the "Investor"), which is controlled by the Company's Chairman, Professor Li. The 2016 Purchase Agreement provided for the purchase by the Investor of a total of 405,000,000 shares of the Company's common stock for an aggregate purchase price of $63,400. In relation to the foregoing investment, the Company issued to the Investor a warrant to acquire 10,066,809 shares of common stock at an exercise price of $0.07 per share. The warrant will expire on the tenth anniversary of its issuance date.

On March 20, 2016, in connection with the 2016 Purchase Agreement, the Company and Eontec, entered into a cross-license agreement to share their respective technologies. Eontec is a publicly held Hong Kong corporation of which Professor Li is the Chairman and major shareholder. Eontec is also an affiliate of Yihao. Yihao is currently the Company's primary outsourced manufacturer. As of June 30, 2022, Professor Li is a greater-than 5% beneficial owner of the Company and serves as the Company's Chairman. Equipment and services procured from Eontec, and their affiliates, were $63 and $155 during the three and six months ended June 30, 2022, respectively. Equipment and services procured from Eontec, and their affiliates, were $152 and $273 during the three and six months ended June 30, 2021, respectively.

On May 10, 2022, Mr. Abdi Mahamedi resigned as a director of the Company. Mr. Mahamedi did not resign because of any disagreement with the Company on any matter relating to the Company's operations, policies or practices. In connection with Mr. Mahamedi's resignation, the Board of Directors of the Company approved an amendment to Mr. Mahamedi's previously granted options to purchase an aggregate of 1,870,000 shares of Company common stock to provide for the extension of the exercise period of the options through May 10, 2025.

Upon Mr. Mahamedi's resignation as a director, the Company entered into a Consulting Agreement, dated May 10, 2022, with Rosewood LLC pursuant to which Mr. Mahamedi as the owner of Rosewood LLC will assess and present business opportunities for the licensing and sublicensing of the Company's technology. Mr. Mahamedi will also provide business development services and perform other special projects as requested by the Company. The Consulting Agreement has a term of 5 years, subject to the right of the Company or Mr. Mahamedi to terminate the agreement at any time after December 1, 2022 and subject to certain other early-termination rights. As sole consideration for the Consulting Agreement, the Company granted to Mr. Mahamedi an option to purchase up to 2.0 million shares of Company common stock at an exercise price of the closing market price of the Company's common stock on May 10, 2022 that will vest 33% on the first anniversary of the grant date and the remainder vesting monthly over the ensuing two years, provided that Mr. Mahamedi continues to be engaged as a consultant on each such vesting date. The options have a term of 5 years.

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 consolidated financial statements and notes included elsewhere in this Quarterly Report on Form 10-Q. All amounts described in this section are in thousands, except percentages, periods of time, and share and per share data.

This management's discussion and analysis, as well as other sections of this Quarterly Report on Form 10-Q, may contain "forward-looking statements" that involve risks and uncertainties, including statements regarding our plans, future events, objectives, expectations, estimates, forecasts, assumptions, or projections. 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 words or 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 in Part II herein, under the heading "Item 1A. Risk Factors" in our Annual Report on Form 10-K for the fiscal year ended December 31, 2021 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 and Form 8-K and other filings). We disclaim any intention or obligation, other than as required by applicable law, 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 bulk alloys and composites that utilize the advantages offered by amorphous alloy technology. We design, develop, and sell custom products and parts from bulk amorphous alloys to customers in various industries. We also partner with third-party manufacturers and licensees to develop and commercialize Liquidmetal alloy products.

Amorphous alloys are, in general, 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 will make them preferable to other materials in a variety of applications. The amorphous atomic structure of bulk 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. We believe the alloys and the molding technologies we employ can result in components for many applications that exhibit exceptional dimensional control and repeatability that rivals precision machining, excellent corrosion resistance, brilliant surface finish, high strength, high hardness, high elastic limit, alloys that are non-magnetic, and the ability to form complex shapes common to the injection molding of plastics. All of these characteristics are achievable from the molding process, so design engineers often do not have to select specific alloys to achieve one or more of the characteristics as is the case with crystalline materials. 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.

Licensing Transactions

Eontec License Agreement

On March 10, 2016, we entered into a Parallel License Agreement (the "License Agreement") with DongGuan Eontec Co., Ltd., a Hong Kong corporation ("Eontec") pursuant to which the parties agreed to cross-license certain patents, technical information, and trademarks between us and Eontec. In particular, we granted to Eontec a paid-up, royalty-free, perpetual license to our patents and related technical information to make, have made, use, offer to sell, sell, export, and import products in certain geographic areas outside of North America and Europe, and Eontec granted to us a paid-up, royalty-free, perpetual license to Eontec's patents and related technical information to make, have made, use, offer to sell, sell, export, and import products in certain geographic areas outside of specified countries in Asia. The license granted by us to Eontec is exclusive (including to the exclusion of us) in the countries of Brunei, Cambodia, China (P.R.C and R.O.C.), East Timor, Indonesia, Japan, Laos, Malaysia, Myanmar, Philippines, Singapore, South Korea, Thailand, and Vietnam. The license granted by Eontec to us is exclusive (including to the exclusion of Eontec) in North America and Europe. The cross-licenses are non-exclusive in geographic areas outside of the foregoing exclusive territories.

Beyond the License Agreement, we collaborate with Eontec to accelerate the commercialization of amorphous alloy technology. This includes but is not limited to developing technologies to reduce the cost of amorphous alloys, working on die cast machine technology platforms to pursue broader markets, sharing knowledge to broaden our intellectual property portfolio, and utilizing Eontec's volume production capabilities as a third party contract manufacturer.

Eutectix Business Development Agreement

On January 31, 2020, we entered into a Business Development Agreement (the “Agreement”) with Eutectix, LLC, a Delaware limited liability company (“Eutectix”), which provides for collaboration, joint development efforts, and the manufacturing of products based on our proprietary amorphous metal alloys. Under the Agreement, we have agreed to license to Eutectix specified equipment owned by us, including two injection molding machines, the Machines, and other machines and equipment, all of which will be used to make products for our customers and Eutectix customers. The licensed machines and equipment represent substantially all of the machinery and equipment currently held by us. We have also licensed to Eutectix various patents and technical information related to our proprietary technology. Under the Agreement, Eutectix will pay us a royalty of six percent (6%) of the net sales price of licensed products sold by Eutectix, and Eutectix will also manufacture products for us. The Agreement has a term of five years, subject to renewal provisions and the ability of either party to terminate earlier upon specified circumstances.

Apple License Transaction

On August 5, 2010, we entered into a license transaction with 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, in exchange for a license fee, 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.

Under the agreements relating to the license transaction with Apple, we were obligated to contribute, to CIP, all intellectual property developed by us through February 2016. We are also obligated to maintain certain limited liability company formalities with respect to CIP at all times after the closing of the license transaction.

Other Material License Transactions

On January 13, 2022, our majority owned subsidiary, Liquidmetal Golf (“LMG”), entered into a sublicense agreement (“LMG Sublicense Agreement”) with Amorphous Technologies Japan, Inc. (“ATJ”), a newly formed Japanese entity that was established by Twins Corporation, a sporting goods company operating in Japan. Under the agreement, LMG granted to ATJ a nonexclusive worldwide sublicense to our amorphous alloy technology and related trademarks to manufacture and sell golf clubs and golf related products. The LMG Sublicense Agreement has a term of three years and provides for the payment of a running royalty to LMG of 3% of the net sales price of licensed products.

In March 2009, we entered into a license agreement with Swatch Group, Ltd. (“Swatch”) under which Swatch was granted a non-exclusive license to our 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 all third parties (including us), but non-exclusive as to Apple. We will receive royalty payments over the life of the contract on all Liquidmetal products produced and sold by Swatch. The license agreement with Swatch will expire on the expiration date of the last licensed patent.

Critical Accounting Policies and Estimates

The preparation of 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 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:

- Revenue recognition
- Impairment of long-lived assets and definite-lived intangibles
- Deferred tax assets
- Share based compensation

Our Annual Report on Form 10-K for the year ended December 31, 2021 (the “2021 Annual Report”) contains further discussions on our critical accounting policies and estimates.

Results of Operations

Comparison of the three and six months ended June 30, 2022 and 2021

	For the three months ended June 30,				For the six months ended June 30,			
	2022		2021		2022		2021	
	in 000's	% of Revenue	in 000's	% of Revenue	in 000's	% of Revenue	in 000's	% of Revenue
Revenue:								
Products	$ 103		$ 231		$ 266		$ 294	
Licensing and royalties	22		12		22		21	
Total revenue	**125**		**243**		**288**		**315**	
Cost of sales	84	67%	154	63%	228	79%	209	66%
Gross profit	**41**	33%	**89**	37%	**60**	21%	**106**	34%
Selling, marketing, general and administrative	771	617%	849	349%	1,575	547%	1,728	549%
Research and development	17	14%	38	16%	27	9%	60	19%
Total operating expense	788		887		1,602		1,788	
Operating loss	**(747)**		**(798)**		**(1,542)**		**(1,682)**	
Lease income	132		132		265		264	
Interest and investment income (loss)	-		41		(5)		102	
Net loss	**$ (615)**		**$ (625)**		**$ (1,282)**		**$ (1,316)**	

Revenue and operating expenses

Revenue. Total revenue decreased to $125 for the three months ended June 30, 2022 from $243 for the three months ended June 30, 2021. Total revenue decreased to $288 for the six months ended June 30, 2022 from $315 for the six months ended June 30, 2021. The decrease for both period was attributable to lower general production shipments of products made by our contract manufacturers and decreases in payments under development projects, following the Company's transition to outsourced manufacturing in 2020.

Cost of sales. Cost of sales was $84, or 67% of total revenue, for the three months ended June 30, 2022, a decrease from $154, or 63% of total revenue, for the three months ended June 30, 2021. Cost of sales was $288, or 79% of total revenue, for the six months ended June 30, 2022, an increase from $209, or 66% of total revenue, for the six months ended June 30, 2021. The decrease for the three months ended June 30, 2022 and 2021 was attributable to lower products revenue, increase in licensing and royalties revenue, and lower gross profit percentages. The increase for the six months ended June 30, 2022 and 2021 was attributable to higher products revenue, increase in licensing and royalties revenue, and lower gross profit percentages. If we begin increasing our products revenues with shipments of routine, commercial products and parts through third party contract manufacturers, we expect our cost of sales percentages to decrease, stabilize and be more predictable.

Gross profit. Our gross profit decreased to $41 for the three months ended June 30, 2022 from $89 for the three months ended June 30, 2021. Our gross profit as a percentage of total revenue, decreased to 33% for the three months ended June 30, 2022 from 37% for the three months ended June 30, 2021. Our gross profit decreased to $60 for the six months ended June 30, 2022 from $106 for the six months ended June 30, 2021. Our gross profit as a percentage of total revenue, decreased to 21% for the six months ended June 30, 2022 from 34% for the six months ended June 30, 2021. Early prototype and pre-production orders generally result in a higher cost mix, relative to revenue, than would otherwise be incurred in an on-site production environment, with higher volumes and more established operating processes, or through contract manufacturers. As such, our gross profit percentages have fluctuated and may continue to fluctuate based on volume and quoted production prices per unit and may not be representative of our future business. If we begin increasing our products revenues with shipments of routine, commercial products and parts through future orders to third party contract manufacturers, we expect our gross profit percentages to stabilize, increase, and be more predictable.

Selling, marketing, general and administrative. Selling, marketing, general, and administrative expenses were $771 and $1,575 for the three and six months ended June 30, 2022, respectively, compared to $849 and $1,728 for the three and six months ended June 30, 2021, respectively. The decrease in expenses was primarily attributable to lower stock based compensation as well as continued cost reductions.

Research and development. Research and development expenses were $17 and $27 for the three and six months ended June 30, 2022, respectively, compared to $38 and $60 for the three and six months ended June 30, 2021, respectively. We continue to perform research and development of new Liquidmetal alloys and related processing capabilities, albeit on a reduced basis in comparison with prior periods.

Operating loss. Operating loss was $747 and $1,542 for the three and six months ended June 30, 2022, respectively. This compares to $798 and $1,682 for the three and six months ended June 30, 2021, respectively. Fluctuations in our operating loss are primarily attributable to variations in operating expenses, as discussed above.

We continue to invest in our technology infrastructure to expedite the adoption of our technology, but we have experienced long sales lead times for customer adoption of our technology. Until that time when we can either (i) increase our revenues with shipments of routine, commercial products and parts through third party contract manufacturers or (ii) obtain significant licensing revenues, we expect to continue to have operating losses for the foreseeable future.

Other income and expenses

Lease income. Lease income relates to straight-line rental income received under the Facility Lease. Such amounts were $132 and $265 for the three and six months ended June 30, 2022, respectively. This compares to $132 and $264 for the three and six months ended June 30, 2021, respectively.

Interest and investment income (loss). Interest and investment income (loss) relates to interest earned from our cash deposits and investments in debt securities for the respective periods. Interest and investment loss was $0 and $5 for the three and six months ended June 30, 2021, respectively. This compares to interest and investment income of $41 and $102 during the three and six months ended June 30, 2021, respectively. The decrease during 2022 is due continued volatility in corporate debt and bond markets, which is resulting in reduced yields.

Liquidity and Capital Resources

Cash used in operating activities

Cash used in operating activities totaled $762 and $724 for the six months ended June 30, 2022 and 2021, respectively. The cash was primarily used to fund operating expenses related to our business and product development efforts.

Cash provided (used in) by investing activities

Cash used in investing activities totaled $486 and provided by investing activities totaled $10,135 for the six months ended June 30, 2022 and 2021, respectively. Investing inflows primarily consist of proceeds from the sale of debt securities. Investing outflows primarily consist of purchases of debt securities.

Cash provided by financing activities

Cash provided by financing activities totaled $212 for the six months ended June 30, 2022 related to the exercise of our stock options, and $0 for the six months ended June 30, 2021.

Financing arrangements and outlook

We have a relatively limited history of selling bulk amorphous alloy products and components on a mass-production scale. Furthermore, the ability of future contract manufacturers to produce our products in desired quantities and at commercially reasonable prices is uncertain and is dependent on a variety of factors that are outside of our control, including the nature and design of the component, the customer’s specifications, and required delivery timelines. These factors have previously required that we engage in equity sales under various stock purchase agreements to support its operations and strategic initiatives.

However, as of June 30, 2022, we had $3,055 in cash and restricted cash, as well as $22,320 in investments in debt securities. We view this total of $25,375 as readily available sources of liquidity in the event needed to advance our existing strategy, and/or pursue an alternative strategy. As such, we anticipate that our current capital resources, when considering expected losses from operations, will be sufficient to fund our operations for the foreseeable future.

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Item 3 – Quantitative and Qualitative Disclosures about Market Risk

None.

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 (our Principal Executive Officer and Principal Financial Officer), we carried out an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”)) as of June 30, 2022. Based on their evaluation, our Chief Executive Officer has concluded that our disclosure controls and procedures were effective as of June 30, 2022.

Changes in Internal Control over Financial Reporting.

There were no changes in our internal control over financial reporting (as that term is defined in Rules 13a-15(f) or 15d-15(f) under the Exchange Act) during the quarter ended June 30, 2022 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

None.

Item 1A – Risk Factors

For a detailed discussion of the risk factors that should be understood by any investor contemplating an investment in our stock, please refer to Part I, Item 1A "Risk Factors" in the 2021 Annual Report. There have been no material changes from the risk factors previously disclosed in Part I, Item 1A "Risk Factors" in the 2021 Annual Report.

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

During the period covered by this Quarterly Report on Form 10-Q, we did not issue or sell any unregistered equity securities.

Item 3 – Defaults Upon Senior Securities

None.

Item 4 – Mine Safety Disclosures

None.

Item 5 – Other Information

Resignation of Director and Consulting Agreement

On May 10, 2022, Mr. Abdi Mahamedi resigned as our director. Mr. Mahamedi did not resign because of any disagreement with us on any matter relating to our operations, policies or practices. In connection with Mr. Mahamedi's resignation, our Board of Directors approved an amendment to Mr. Mahamedi's previously granted options to purchase an aggregate of 1,870,000 shares of our common stock to provide for the extension of the exercise period of the options through May 10, 2025.

Upon Mr. Mahamedi's resignation as a director, we entered into a Consulting Agreement, dated May 10, 2022, with Rosewood LLC pursuant to which Mr. Mahamedi as the owner of Rosewood LLC will assess and present business opportunities for the licensing and sublicensing of our technology. Mr. Mahamedi will also provide business development services and perform other special projects as requested by us. The Consulting Agreement has a term of 5 years, subject to Mr. Mahamedi's or our right to terminate the agreement at any time after December 1, 2022 and subject to certain other early-termination rights. As sole consideration for the Consulting Agreement, we granted to Mr. Mahamedi an option to purchase up to 2.0 million our common stock at an exercise price of the closing market price of our common stock on May 10, 2022 that will vest 33% on the first anniversary of the grant date and the remainder vesting monthly over the ensuing two years, provided that Mr. Mahamedi continues to be engaged as a consultant on each such vesting date. The options have a term of 5 years.

Item 6 – Exhibits

The following documents are filed as exhibits to this Report:

Exhibit Number	Description of Document
31.1	Certification of Principal Executive Officer and Principal Financial Officer, Tony Chung, as required by Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Chief Executive Officer and Principal 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.
101.1	The following financial statements from Liquidmetal Technologies, Inc.'s Quarterly Report on Form 10-Q for the quarter ended June 30, 2022 (unaudited), formatted in Inline XBRL: (i) Consolidated Balance Sheets as of June 30, 2022 and December 31, 2021, (ii) Consolidated Statements of Operations for the three and six months ended June 30, 2022 and 2021, (iii) Consolidated Statements of Comprehensive Loss for the three and six months ended June 30, 2022 and 2021, (iv) Consolidated Statements of Cash Flows for the three and six months ended June 30, 2022 and 2021, and (v) Notes to Consolidated Financial Statements.
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).

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 11, 2022

/s/ Tony Chung
Tony Chung
Chief Executive Officer
(Principal Executive Officer and Principal Financial Officer)

Exhibit 31.1

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 11, 2022

/s/ Tony Chung
Tony Chung
Chief Executive Officer
(Principal Executive Officer and Principal Financial Officer)

Exhibit 32.1

WRITTEN STATEMENT
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 and Principal 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, 2022 (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 Executive Officer and Principal Financial Officer
August 11, 2022