

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 March 31, 2013

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 May 1, 2013 was 320,648,492.

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**LIQUIDMETAL TECHNOLOGIES, INC.**  
**FORM 10-Q**  
**FOR THE QUARTER ENDED MARCH 31, 2013**

**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 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, 2012 titled “Risk Factors,” as well as the following risks and uncertainties:

- Our ability to fund our operations in the short and long-term through financing transactions on terms acceptable to us, or at all;
- 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;
- 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; and
- Potential difficulties associated with protecting or expanding our intellectual property position.

We undertake no obligation 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)**

	<u>March 31, 2013</u>	<u>December 31, 2012</u>
	<u>(Unaudited)</u>	<u>(Audited)</u>
<b>Assets</b>		
Current assets:		
Cash	\$ 5,506	\$ 7,162
Trade accounts receivable, net of allowance for doubtful accounts of \$14 and \$11, respectively	123	64
Prepaid expenses and other current assets	637	689
Total current assets	<u>\$ 6,266</u>	<u>\$ 7,915</u>
Property and equipment, net	181	161
Patents and trademarks, net	840	869
Other assets	28	28
Total assets	<u><u>\$ 7,315</u></u>	<u><u>\$ 8,973</u></u>
<b>LIABILITIES AND SHAREHOLDERS' DEFICIT</b>		
Current liabilities:		
Accounts payable	81	154
Accrued liabilities	286	248
Accrued dividends	-	222
Deferred revenue	5	-
Convertible notes, net of debt discount of \$2,167 and \$4,635, respectively	1,833	2,365
Embedded conversion feature liabilities on convertible notes	2,256	3,934
Total current liabilities	<u>\$ 4,461</u>	<u>\$ 6,923</u>
Long-term liabilities		
Warrant liabilities	2,256	2,766
Other long-term liabilities	856	856
Total liabilities	<u>\$ 7,573</u>	<u>\$ 10,545</u>
Shareholders' deficit:		
Convertible, redeemable Series A Preferred Stock, \$0.001 par value; 10,000,000 shares authorized; 0 and 506,936 shares issued and outstanding at March 31, 2013 and December 31, 2012, respectively	-	-
Common stock, \$0.001 par value; 500,000,000 shares and 400,000,000 authorized at March 31, 2013 and December 31, 2012, respectively; 305,762,752 and 242,074,324 shares issued and outstanding at March 31, 2013 and December 31, 2012, respectively	306	242
Warrants	18,179	18,179
Additional paid-in capital	174,635	169,891
Accumulated deficit	(193,378)	(189,884)
Total shareholders' deficit	<u>\$ (258)</u>	<u>\$ (1,572)</u>
Total liabilities and shareholders' deficit	<u><u>\$ 7,315</u></u>	<u><u>\$ 8,973</u></u>

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)

	<b>Three Months Ended March 31,</b>	
	<b>2013</b>	<b>2012</b>
Revenue		
Products	\$ 117	\$ 183
Licensing and royalties	5	13
Total revenue	122	196
Cost of revenue, products	82	81
Gross margin	40	115
Operating expenses		
Selling, marketing, general and administrative	1,314	959
Research and development	236	188
Total operating expenses	1,550	1,147
Operating loss	(1,510)	(1,032)
Change in value of warrants, gain	510	-
Change in value of embedded conversion feature liabilities, gain	1,678	-
Debt discount amortization expense	(4,034)	-
Interest expense	(141)	(39)
Interest income	3	4
Loss before income taxes	(3,494)	(1,067)
Income taxes	-	-
Net loss	(3,494)	(1,067)
Per common share basic and diluted:		
Loss per share	\$ (0.01)	\$ (0.01)
Number of weighted average shares	282,675,201	153,707,246

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

**LIQUIDMETAL TECHNOLOGIES, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF SHAREHOLDERS' DEFICIT**  
**For the Three Months Ended March 31, 2013**  
(in thousands, except share data)  
(unaudited)

	<u>Preferred Shares</u>	<u>Common Shares</u>	<u>Common Stock</u>	<u>Warrants part of Additional Paid-in Capital</u>	<u>Additional Paid-in Capital</u>	<u>Accumulated Deficit</u>	<u>Total</u>
<b>Balance, December 31, 2012</b>	<b>506,936</b>	<b>242,074,324</b>	<b>\$ 242</b>	<b>\$ 18,179</b>	<b>\$ 169,891</b>	<b>\$ (189,884)</b>	<b>\$ (1,572)</b>
Conversion of preferred stock	(506,936)	16,896,070	17		(17)		-
Common stock issuance		46,792,358	47		4,427		4,474
Stock-based compensation					34		34
Restricted stock issued to officer					78		78
Dividend distribution					222		222
Net loss						(3,494)	(3,494)
<b>Balance, March 31, 2013</b>	<b>-</b>	<b>305,762,752</b>	<b>\$ 306</b>	<b>\$ 18,179</b>	<b>\$ 174,635</b>	<b>\$ (193,378)</b>	<b>\$ (258)</b>

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)

	<b>Three Months Ended March 31,</b>	
	<b>2013</b>	<b>2012</b>
<b>Operating activities:</b>		
Net Loss	\$ (3,494)	\$ (1,067)
Adjustments to reconcile net loss to net cash provided (used in) operating activities:		
Depreciation and amortization	44	50
Stock-based compensation	34	102
Restricted stock compensation issued to officer	78	-
Gain from change in value of warrants	(510)	-
Gain from change in value of embedded conversion feature liabilities	(1,678)	-
Debt discount amortization	4,034	-
Non-cash interest expense	140	-
Changes in operating assets and liabilities:		
Trade accounts receivable	(59)	47
Prepaid expenses and other current assets	(179)	71
Other assets	-	16
Accounts payable and accrued expenses	(35)	12
Deferred revenue	5	(19)
Other liabilities	-	248
Net cash used in operating activities	(1,620)	(540)
<b>Investing Activities:</b>		
Purchases of property and equipment	(36)	-
Investment in patents and trademarks	-	(35)
Net cash used in investing activities	(36)	(35)
<b>Financing Activities:</b>		
Proceeds from short-term debt	-	750
Net cash provided by financing activities	-	750
Net increase (decrease) in cash	(1,656)	175
Cash at beginning of period	7,162	122
Cash at end of period	\$ 5,506	\$ 297
<b>Supplemental Schedule of Non-Cash Investing and Financing Activities:</b>		
Pre-installment payment of convertible debt through common stock issuance	3,120	-

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

**LIQUIDMETAL TECHNOLOGIES, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**For the Three Months Ended March 31, 2013 and 2012**  
**(numbers in thousands, except 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 alloy technology. The Company partners with third-party manufacturers and licensees to develop and commercialize Liquidmetal alloy products. The Company believes that its proprietary bulk alloys are the only commercially viable bulk amorphous alloys currently available in the marketplace.

Amorphous alloys are, in general, unique materials that are distinguished by their ability to retain an amorphous atomic structure when they solidify, in contrast to the crystalline atomic structures that form 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 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. For example, in laboratory testing, 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. 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 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, which include non-consumer electronic devices, aerospace parts, medical products, automotive components, oil and gas exploration, and sports and leisure goods, 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.

**2. Basis of Presentation and Recent Accounting Pronouncements**

The accompanying unaudited interim consolidated financial statements as of and for the three months ended March 31, 2013 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 months ended March 31, 2013 are not necessarily indicative of the results that may be expected for any future periods or the year ending December 31, 2013. The accompanying unaudited consolidated financial statements should be read in conjunction with the Company's 2012 Annual Report on Form 10-K filed with the Securities and Exchange Commission on February 26, 2013.

Revenue Recognition

Revenue is recognized pursuant to applicable accounting standards including FASB ASC Topic 605 ("ASC 605"), Revenue Recognition. ASC 605 summarizes certain points of the SEC staff's views in applying generally accepted accounting principles to revenue recognition in financial statements and provides guidance on revenue recognition issues in the absence of authoritative literature addressing a specific arrangement or a specific industry.

The Company's revenue recognition policy complies with the requirements of ASC 605. Revenue is recognized when (i) persuasive evidence of an arrangement exists, (ii) delivery has occurred, (iii) the sales price is fixed or determinable, (iv) collection is probable and (v) all obligations have been substantially performed pursuant to the terms of the arrangement. Revenues primarily consist of the sales and prototyping of Liquidmetal mold and bulk alloys as well as licensing and royalties for the use of the Liquidmetal brand and bulk Liquidmetal alloys. Revenue is deferred and included in liabilities when the Company receives cash in advance for goods not yet delivered or if the licensing term has not begun.

License revenue arrangements in general provide for the grant of certain intellectual property rights for patented technologies owned or controlled by the Company. These rights typically include the grant of an exclusive or non-exclusive right to manufacture and/or sell products covered by patented technologies owned or controlled by the Company. The intellectual property rights granted may be perpetual in nature, extending until the expiration of the related patents, or can be granted for a defined period of time.

Licensing revenues that are one time fees upon the granting of the license are recognized when (i) the license term begins in a manner consistent with the nature of the transaction and the earnings process, (ii) collectability is reasonably assured or upon receipt of an upfront fee, and (iii) all other revenue recognition criteria have been met. Pursuant to the terms of these agreements, the Company has no further obligation with respect to the grant of the license. Licensing revenues that are related to royalties are recognized as the royalties are earned over the related period.



**LIQUIDMETAL TECHNOLOGIES, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
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Fair Value Measurements

The estimated fair values of amounts reported in the consolidated financial statements have been determined using available market information and valuation methodologies, as applicable. The fair value of cash, trade receivables, prepaid expenses and other current assets, accounts payable, and accrued liabilities approximate their carrying value due to their short maturities. The fair value of non-current assets and liabilities approximate their carrying value unless otherwise stated. The carry amounts reported for debt obligations approximate fair value due to the effective interest rate of these obligations reflecting the Company's current borrowing rate.

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.

The Company has one Level 2 financial instrument, warrants that are recorded at fair value on a periodic basis. Warrants are evaluated under the hierarchy of FASB ASC Subtopic 480-10, FASB ASC Paragraph 815-25-1 and FASB ASC Subparagraph 815-10-15-74 addressing embedded derivatives. The fair value of such warrants is estimated using the Black-Scholes option pricing model. The foregoing warrants have certain anti-dilution and exercise price reset provisions which qualify the warrants to be classified as a liability under FASB ASC 815 (see note 8).

The Company has one Level 3 financial instrument, an embedded derivative that is recorded at fair value on a periodic basis. The embedded derivative is evaluated under the hierarchy of FASB ASC Subtopic 480-10, FASB ASC Paragraph 815-25-1 and FASB ASC Subparagraph 815-10-15-74 addressing embedded derivatives. The fair value of such embedded derivative is estimated using the Monte Carlo simulation model. The foregoing embedded derivative has certain anti-dilution and exercise price reset provisions which qualify the embedded derivative to be classified as a liability under FASB ASC 815 (see note 7).

As of March 31, 2013, 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:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Embedded conversion feature liability	-	-	-	\$ 2,256
Warrant liabilities	-	-	\$ 2,256	-

Recent Accounting Pronouncements

In June 2011, the FASB issued guidance regarding the presentation of comprehensive income. The new guidance eliminates the option to report other comprehensive income and its components in the statement of changes in equity. Instead, an entity is required to present either a continuous statement of net income and other comprehensive income or 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 adopted the guidance beginning on January 1, 2012.

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 adopted the guidance beginning on January 1, 2012.

**LIQUIDMETAL TECHNOLOGIES, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
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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.

### **3. Significant Transactions**

#### July 2012 Private Placement

On July 2, 2012, the Company entered into a private placement transaction (the "July 2012 Private Placement") for \$12,000 in principal amount of senior convertible notes due on September 1, 2013. The notes are convertible at any time at the option of the holders, into shares of the Company's common stock at a conversion price of \$0.352 per share. In the event that the Company issues or sells shares of the Company's common stock for a price per share that is less than the conversion price then in effect, the conversion price then in effect will be decreased to such lower price, subject to customary exceptions. The notes bear interest at 8% per annum and are payable in twelve equal monthly installments of principal and interest beginning on October 1, 2012. Each monthly installment payment may be made in cash, shares of the Company's common stock, or a combination thereof. If paid in shares, such shares will be valued at the lower of (i) the then applicable conversion price or (ii) a price that is 87.5% of the arithmetic average of the ten (or in some cases fewer) lowest weighted average prices of the Company's common stock during the twenty trading day period ending two trading days before the payment date or the date on which the Company elects to pay in shares, whichever is lower (the "Measurement Period"). The Company's ability to make such payments with shares of the Company's common stock will be subject to certain conditions including (i) a minimum of \$250 in average daily trading volume during the Measurement Period, (ii) a minimum of \$150 in daily trading volume during each day during the Measurement Period, with certain exceptions, and (iii) the effectiveness of a resale registration statement with respect to the shares. As of March 31, 2013, the Company issued 96,963,776 shares of common stock in satisfaction of the first eight monthly installments under the July 2012 Private Placement (see note 7).

As a part of the July 2012 Private Placement, the Company issued warrants to purchase 18,750,000 shares of the Company's common stock at an exercise price of \$0.384 per share, and such warrants first became exercisable within six months of the issuance date thereof. In the event that the Company issues or sells shares of the Company's common stock at a price per share that is less than the exercise price then in effect, the exercise price of the warrants will be reduced based on a weighted-average formula. In addition, on the two year anniversary of the issuance date, the then applicable exercise price may be reset to equal the lesser of (i) the then current exercise price or (ii) 87.5% of the arithmetic average of the ten lowest weighted average prices of the common stock during the twenty trading day period ending two trading days immediately preceding the reset date. All of the warrants will expire on July 2, 2017 (see note 8).

#### June 2012 Visser MTA Agreement

On June 1, 2012, the Company entered into a Master Transaction Agreement (the "Visser MTA Agreement") with Visser Precision Cast, LLC ("Visser") relating to a strategic transaction for manufacturing services and financing.

Under the manufacturing and service component of the Visser MTA Agreement, the Company has agreed to engage Visser as a perpetual, exclusive manufacturer of non-consumer electronic products and to not, directly or indirectly, conduct manufacturing operations, subcontract for the manufacture of products or components or grant a license to any other party to conduct manufacturing operations, except for certain limited exceptions. Further, the Company has agreed to sublicense to Visser, on a fully-paid up, royalty-free, irrevocable, perpetual, worldwide basis, all intellectual property rights held by the Company. In addition, Visser has a right of first refusal over any proposed transfer by the Company of its technology pursuant to any license, sublicense, sale or other transfer, other than a license to a machine or alloy vendor.

Under the financing component of the Visser MTA Agreement, the Company issued and sold to Visser in a private placement transaction (i) 30,000,000 shares of common stock at a purchase price of \$0.10 per share resulting in proceeds of \$3,000, (ii) warrants to purchase 15,000,000 shares of common stock (subsequently increased to 16,861,416 warrants for anti-dilution impact, see note 8) at an original exercise price of \$0.22 per share (subsequently reduced to \$0.20 for anti-dilution impact, see note 8) which expire on June 1, 2017 and (iii) a secured convertible promissory note (the "Promissory Note") in the aggregate principal amount of up to \$2,000 which was convertible into shares of common stock at a conversion rate of \$0.22 per share. The Promissory Note was issued pursuant to a \$2,000 loan facility made available by Visser, but no borrowings were made by the Company under this loan facility, and the deadline for making borrowings under the facility expired on November 15, 2012. All of the shares of common stock issuable upon exercise of the warrants are subject to a lock-up period through December 31, 2016.

The warrants under the Visser MTA Agreement contain certain anti-dilution and exercise price reset provisions which results in liability accounting under FASB ASC 815 (see note 8). In relation to the financing cost component to the Visser transaction, the Company performed a prorated allocation of the fair value of the warrants on the convertible promissory note and the common stock based on their relative fair values. The Company capitalized deferred financing costs in relation to the convertible promissory note totaling \$1,355 and offset additional paid-in capital for \$2,905 in relation to the warrant. The Company assessed the value of the deferred financing costs as of the quarter ended June 30, 2012 and determined that the value was impaired due to the limitations on the Company's ability to request for advances as discussed above. Therefore, the Company expensed the deferred financing costs totaling \$1,355 as of the quarter ended June 30, 2012.

**LIQUIDMETAL TECHNOLOGIES, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**For the Three Months Ended March 31, 2013 and 2012**  
**(numbers in thousands, except share and per share data)**  
**(unaudited)**

In connection with the Visser MTA Agreement, the Company performed a valuation analysis of the manufacturing service and financing components of the Visser MTA Agreement as part of the bundled contract. The Company has assessed and determined that while these components may have market values on a standalone basis, the values of the manufacturing component and sublicense component were deemed immaterial for accounting purposes. Further, the Company's weighted average market stock price was approximately \$0.31 per share at the time of share issuances to Visser. As the actual share purchase price related to the financing component of the Visser MTA Agreement was \$0.10 per share, the \$0.21 per share difference was treated as manufacturing contract costs and \$6,300 was expensed as operating expenses during the second quarter ended June 30, 2012.

On January 17, 2012, February 27, 2012, March 28, 2012 and April 25, 2012, the Company issued 8% unsecured, bridge promissory notes to Visser that were due upon demand in the amounts of \$200, \$200, \$350 and \$300, respectively. The aggregate principal amount of \$1,050 and accrued interest under the bridge promissory notes were all paid off on June 1, 2012 by utilizing a portion of the proceeds received under the financing component of the Visser MTA Agreement.

#### 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, 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 the Company a perpetual, worldwide, fully-paid, exclusive license to commercialize such intellectual property in all other fields of use. Additionally, in connection with the license transaction, Apple required the Company to complete a statement of work related to the exchange of Liquidmetal intellectual property information. The Company recognized a portion of the one-time license fee upon receipt of the initial payment and completion of the foregoing requirements under the license transaction. The remaining portion of the one-time license fee was recognized at the completion of the required statement of work.

Under the agreements relating to the license transaction with Apple, the Company is obligated to contribute all intellectual property that it developed through February 2012 (and subsequently amended to extend through February 2014) to CIP. 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.

#### Other License Transactions

On January 31, 2012, the Company and Engel Austria GmbH ("Engel") entered into a Supply and License Agreement for a five year term whereby Engel was granted a non-exclusive license to manufacture and sell injection molding machines to the Company's licensees.

On November 16, 2011, the Company and Materion Brush Inc. ("Materion") entered into a Development Agreement to evaluate, analyze and develop amorphous alloy feedstock to be supplied in commercial quantities. Further, on June 17, 2012, the Company entered into a Sales Representation Agreement with Materion whereby Materion shall promote the sale of Liquidmetal's products for certain commissions. This agreement is for a two year initial term with annual, automatic renewals. To date, there have been no commission payments related to this agreement.

The Company's Liquidmetal Golf subsidiary 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 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. Liquidmetal Technologies owns 79% of the outstanding common stock in Liquidmetal Golf.

In June 2003, the Company entered into an exclusive license agreement with LLPG, Inc. ("LLPG"). 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. The exclusive license agreement with LLPG expires on December 31, 2021.

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 rights. 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. Liquidity and Capital Resources**

The Company's cash used in operations was \$1,620 for the three months ended March 31, 2013, while cash used in operations was \$540 for the three months ended March 31, 2012. The Company's cash used in investing activities was \$36 for the three months ended March 31, 2013. The Company had no financing activities during the three months ended March 31, 2013. As of March 31, 2013, the Company's cash balance was \$5,506.

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On July 2, 2012, the Company entered into definitive agreements relating to a private placement of \$12,000 in principal amount of Senior Convertible Notes due on September 1, 2013 and Warrants to the purchasers of such Senior Convertible Notes giving such purchasers the right to purchase up to an aggregate of 18,750,000 shares of the Company's common stock at an exercise price of \$0.384 per share. At March 31, 2013, the outstanding principal under the Senior Convertible Notes was \$4,000 (see note 3). There was no unpaid accrued interest as of March 31, 2013.

The Company does not believe that the Company has the financial ability to make all payments on the Senior Convertible Notes in cash when due. Accordingly, the Company intends to make such payments in shares of our common stock to the greatest extent possible. Because the price at which the Company will issue shares to the notes will vary with the market price of the Company's common stock, the repayment of the Senior Convertible Notes with shares of the Company's common stock will continue to be highly dilutive. The Company is able to make such payments in shares of common stock only if the holders of the notes consent with the method of payment.

The Company anticipates that the Company's current capital resources, together with income from operations, will be sufficient to fund the Company's operations through the end of 2013. The Company has a relatively limited history of producing bulk amorphous alloy components and products on a mass-production scale. Furthermore, Visser's ability to produce the Company's products in desired quantities and at commercially reasonable prices is uncertain and is dependent on a variety of factors that are outside of the Company's control, including the nature and design of the component, the customer's specifications, and required delivery timelines. Such factors will likely require that the Company raise additional funds to support the Company's operations beyond 2013. There is no assurance that the Company will be able to raise such additional funds on acceptable terms, if at all. If the Company raises additional funds by issuing securities, existing stockholders may be diluted. If funding is insufficient at any time in the future, the Company may be required to alter or reduce the scope of the Company's operations or to cease operations entirely. As a result of these and other factors, the Company's independent registered public accounting firm has indicated, in their audit opinion on the Company's 2012 consolidated financial statements, that there is substantial doubt about the Company's ability to continue as a going concern.

#### **5. Prepaid Expenses and Other Current Assets**

On July 2, 2012, the Company entered into the July 2012 Private Placement (see note 3). In connection with this transaction, the Company capitalized legal and banking fees totaling \$1,033 as deferred issuance costs. These deferred issuance costs will be amortized as debt discount amortization over the fourteen month term of the Senior Convertible Notes under the transaction. Deferred issuance costs are included in prepaid expenses and other current assets in the Company's consolidated balance sheet and were \$187 as of March 31, 2013, reflecting \$212 of amortization expensed during the three months ended March 31, 2013. The deferred issuance costs were \$399 as of December 31, 2012.

#### **6. Patents and Trademarks, net**

Net Patents and trademarks totaled \$840 and \$869 as of March 31, 2013 and December 31, 2012, respectively, and it primarily consists 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 agreements.

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 \$33 and \$38 for the three months ended March 31, 2013 and 2012, respectively.

#### **7. Convertible Note and Embedded Conversion Feature Liability**

On July 2, 2012, the Company entered into the July 2012 Private Placement for \$12,000 in principal amount of Senior Convertible Notes due on September 1, 2013 (see note 3). The notes will be convertible at any time at the option of the holders, into shares of the Company's common stock at a conversion price of \$0.352 per share. Pursuant to ASC 815-40, due to the anti-dilution provision of the notes, the conversion feature of the notes is not indexed to the Company's owned stock and should be bifurcated and recognized as a derivative liability in the consolidated balance sheets and measured at fair value. The notes bear interest at 8% per annum and are payable in twelve equal monthly installments of principal and interest beginning on October 1, 2012. At March 31, 2013, the Company had \$4,000 of principal outstanding and no unpaid accrued interest.

The embedded conversion feature liability and warrants issued in connection with the Senior Convertible Notes were valued utilizing the Monte Carlo simulation and Black Sholes pricing model at \$8,865 and \$5,053, respectively, totaling \$13,918 as of July 2, 2012. \$12,000 of this total was recorded as debt discount and the excess of the face value of the embedded conversion feature liability and warrants of \$1,918 was booked to debt discount amortization on July 2, 2012.

Pursuant to the terms of the Senior Convertible Notes, the Company opted to pay the first eight monthly installment payment due prior to March 31, 2013 with shares of the Company's common stock. As of March 31, 2013, the Company issued 96,963,776 shares of common stock at a weighted average conversion price of \$0.0888 for the first eight installment payments prior to March 31, 2013, consisting of \$8,000 principal and \$580 of interest.



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Interest expense on the Senior Convertible Notes was \$140 for the three months ended March 31, 2013 and the balance on the notes (net of debt discount) was \$1,833 as of March 31, 2013 as follows:

	<u>Convertible Note</u>	<u>Debt Discount</u>	<u>Net Total</u>
Beginning Balance - December 31, 2012	\$ 7,000	\$ (4,635)	\$ 2,365
Installment Payments in Shares	(3,000)	-	(3,000)
Amortization	-	2,468	2,468
Ending Balance - March 31, 2013	<u>\$ 4,000</u>	<u>\$ (2,167)</u>	<u>\$ 1,833</u>

As of March 31, 2013, the Company re-valued the embedded derivatives under the Senior Convertible Notes with the Monte Carlo simulation model under the following assumptions: (i) expected life of 0.42 years, (ii) volatility of 129%, (iii) risk-free interest rate of 0.10%, and (iv) dividend rate of 0. As of March 31, 2013, the embedded derivative was valued at \$2,256 and the variance of \$1,678 was recorded as a change in value of embedded conversion feature liability for the three months ended March 31, 2013. The embedded derivatives are classified as embedded conversion feature liability on convertible notes in the consolidated balance sheet as follows:

	<u>March 31, 2013</u>
Beginning Balance - January 1, 2013	\$ 3,934
Change in value of embedded conversion feature liability, gain	(1,678)
Ending Balance - March 31, 2013	<u>\$ 2,256</u>

#### **8. Warrant Liability**

Pursuant to FASB ASC 815, the Company is required to report the value of certain warrants as a liability at fair value and record the changes in the fair value of the warrant liabilities as a gain or loss in its statement of operations and comprehensive loss due to the price-based anti-dilution rights of warrants.

During June 2012, the Company issued warrants to purchase a total of 15,000,000 shares to Visser under the Visser MTA Agreement (see note 3). These warrants had an original exercise price of \$0.22 per share and expire on June 1, 2017 and were originally valued at \$4,260. The foregoing warrants have certain anti-dilution and exercise price reset provisions which qualify the warrants to be classified as a liability under FASB ASC 815. As a result of paying down our convertible notes with common stock, which resulted in an anti-dilution impact, the exercise price of these warrants were reduced to \$0.21 as of December 31, 2012 and \$0.20 as of March 31, 2013. In addition, the number of warrants to be issued as a result of the anti-dilution provision increased to 15,776,632 and 16,861,416 as of December 31, 2012 and March 31, 2013, respectively. As of March 31, 2013, these warrants were valued at \$1,105 under the Black Scholes valuation model utilizing the following assumptions: (i) expected life of 4.17 years, (ii) volatility of 152%, (iii) risk-free interest rate of 0.77%, and (iv) dividend rate of 0. The change in warrant valuation for these warrants for the three months ended March 31, 2013 was a gain of \$155.

On July 2, 2012, the Company issued warrants to purchase a total of 18,750,000 shares related to the July 2012 Private Placement (see note 3). These warrants have an exercise price of \$0.384 per share and expire on July 2, 2017 and were originally valued at \$5,053. The foregoing warrants have certain anti-dilution and exercise price reset provisions which qualify the warrants to be classified as a liability under FASB ASC 815. As of March 31, 2013, these warrants were valued at \$1,151 under the Black Scholes valuation model utilizing the following assumptions: (i) expected life of 4.25 years, (ii) volatility of 152%, (iii) risk-free interest rate of 0.77%, and (iv) dividend rate of 0. The change in warrant valuation for these warrants for the three months ended March 31, 2013 was a gain of \$355.

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The following table summarizes the change in the Company's warrant liability as of March 31, 2013:

	<b>Visser MTA Agreement</b>	<b>July 2, 2012 Private Placement</b>	<b>Total</b>
Beginning Balance - December 31, 2012	\$ 1,260	\$ 1,506	2,766
Change in value of warrant liability, gain	(155)	(355)	(510)
Ending Balance - March 31, 2013	<u>\$ 1,105</u>	<u>\$ 1,151</u>	<u>\$ 2,256</u>

The Company had warrants to purchase 65,390,973 and 64,306,189 shares outstanding as of March 31, 2013 and December 31, 2012, respectively. Of these, warrants to purchase 35,611,416 shares were valued and classified as a liability under FASB ASC 815 (see note 11).

### 9. Other Long-term Liabilities

Other long-term liabilities balance was \$856 as of March 31, 2013 and December 31, 2012, and consists 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 write-off.

### 10. Stock Compensation Plan

Under the Company's 2002 Equity Incentive Plan which provided for the grant of stock options to officers, employees, consultants and directors of the Company and its subsidiaries, the Company granted options to purchase the Company's common stock. All options granted under this plan had exercise prices that were equal to the fair market value on the date of grant. During the three months ended March 31, 2013, the Company did not grant any options. Under this plan, the Company had grants of options to purchase 3,342,000 and 3,392,000 shares outstanding as of March 31, 2013 and December 31, 2012, respectively.

On June 28, 2012, the Company adopted the 2012 Equity Incentive Plan, with the approval of the shareholders, which provided for the grant of stock options to officers, employees, consultants and directors of the Company and its subsidiaries. All options granted under this plan had exercise prices that were equal to the fair market value on the dates of grant. During the three months ended March 31, 2013, the Company granted options to purchase 12,597,500 shares. Under this plan, the Company had grants of options to purchase 12,807,500 and 330,000 shares outstanding as of March 31, 2013, and December 31, 2012, respectively.

### 11. Shareholders' Deficit

#### Common stock

In June 2012, the Company issued 30,000,000 shares of common stock to Visser in connection with the Visser MTA Agreement (see note 3).

Pursuant to the terms of the Company's Senior Convertible Notes issued in the July 2012 Private Placement, the Company opted to pay the first eight monthly installment payments due prior to March 31, 2013 with shares of the Company's common stock. As of March 31, 2013, the Company issued 96,963,776 shares of common stock at a weighted average conversion price of \$0.0888 for the first eight installment payments on the Senior Convertible Notes (see notes 3 and 7).

During the three months ended March 31, 2013, the holders of the Company's Series A Preferred Stock converted all of the outstanding 506,936 shares of preferred stock into 16,896,070 shares of the Company's common stock (see "Preferred stock" below). After giving effect to such conversion, the Company has no shares of preferred stock outstanding.

On February 28, 2013, the Company's stockholders approved an amendment to the Certificate of Incorporation of the Company increasing the number of authorized shares of common stock from 400 million shares to 500 million shares.

#### 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 of Series A-2 Preferred Stock with an original issue price of \$5.00 per share as part of a financing transaction. In October 2009, the Company entered into an agreement with various investors to issue 180,000 shares of Series A-1 Preferred Stock with identical terms as the Series A-1 Preferred Stock issued on May 1, 2009.

The Series A Preferred Stock and any accrued and unpaid dividends thereon was convertible, at the option of the holder of the Series A Preferred Stock, into common stock of the Company at a conversion price of \$.10 per share in the case of the Series A-1 Preferred Stock and a conversion price of \$.22 per share in the case of the Series A-2 Preferred Stock (in both cases subject to adjustments for any stock dividends, splits, combinations and similar events).

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As of December 31, 2012, the Company had 506,936 of Series A Preferred Stock outstanding, representing 105,231 and 401,705 shares of Series A-1 and Series A-2 Preferred Stock, respectively. Preferred stock as of December 31, 2012 was \$0 due to an insignificant balance, and Accrued dividends on the Series A Preferred Stock as of December 31, 2012 was \$222.

During the three months ended March 31, 2013, all of the holders of the Company's Series A Preferred Stock converted all of the outstanding shares of preferred stock and accrued dividends into 16,896,070 shares of the Company's common stock. Therefore, as of March 31, 2013, the Company no longer had any Preferred Stock and the related \$222 Accrued dividends were re-classified to Additional Paid-in Capital as of March 31, 2013.

#### Warrants

In connection with the Series A Preferred Stock issuances, warrants to purchase 29,779,557 shares of the Company's common stock were outstanding as of December 31, 2012 and March 31, 2013. These warrants do not contain anti-dilution provisions and are reflected as equity as they do not meet the criteria under FASB ASC 815 for liability treatment. Warrants classified as equity were recorded at \$18,179 as of December 31, 2012 and March 31, 2013. All of such warrants have an exercise price of \$0.49 and expire on July 15, 2015.

#### Minority Interest

The Company's Liquidmetal Golf subsidiary has the exclusive right and license to utilize the Company's Liquidmetal alloy technology for purposes of golf equipment applications. Liquidmetal Technologies owns 79% of the outstanding common stock in Liquidmetal Golf. The minority interest for Liquidmetal Golf was insignificant for the three months ended March 31, 2013 and therefore, is not included in the consolidated financial statements.

### **12. 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.

Options to purchase 16,149,500 shares of common stock at prices ranging from \$0.08 to \$4.57 per share were outstanding at March 31, 2013, but were not included in the computation of diluted EPS for the same period as the inclusion would have been antidilutive. Warrants to purchase 65,390,973 shares of common stock with prices ranging from \$0.20 to \$0.49 per share outstanding at March 31, 2013 were not included in the computation of diluted EPS for the same period as the inclusion would have been antidilutive. Shares issuable upon conversion or installment payments with common stock under the July 2012 Private Placement Senior Convertible Notes were not included in the computation of diluted EPS for the same period because the inclusion would have been antidilutive (see note 7).

Options to purchase 3,722,000 shares of common stock at prices ranging from \$0.09 to \$5.00 per share were outstanding at December 31, 2012, but were not included in the computation of diluted EPS for the same period as the inclusion would have been antidilutive. Warrants to purchase 64,306,189 shares of common stock with prices ranging from \$0.21 to \$0.49 per share outstanding at December 31, 2012 were not included in the computation of diluted EPS for the same period as the inclusion would have been antidilutive.

### **13. Commitments and Contingencies**

The Company leases its office and warehouse facility under a lease agreement that expires on April 30, 2016. Rent payments are subject to escalations through the end of the lease term. Rent expense was \$49 and \$50 for the three months ended March 31, 2013 and 2012, respectively.

### **14. Related Party Transactions**

On August 5, 2011, the Company signed a Stock Purchase Agreement (the "Stock Purchase Agreement") with IMG Materials Group, LLC ("IMG"), a California limited liability company which is majority owned by Mr. Kang, a former Chief Executive Officer and Chairman of the Company, to sell all of the stock of the Company's former Chinese subsidiary, Advanced Metals Materials ("AMM") for \$720. As part of the consideration, the Company received a \$200 Promissory Note due August 5, 2012, bearing an interest rate of 8% per annum. In conjunction with the Stock Purchase Agreement, the Company also entered into a license agreement (the "IMG 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. The IMG License Agreement granted a non-exclusive license to certain product categories, as well as an exclusive license to specific types of consumer eyewear products and obligated IMG to pay the Company a running royalty based on its sales of licensed products through August 5, 2021. The Company recognized \$0 and \$12 in royalty revenues from IMG during the three months ended March 31, 2013 and 2012, respectively.



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On December 31, 2012, IMG and the Company signed an amendment to the IMG License Agreement whereby the \$200 Promissory Note from IMG along with the accrued interest of \$21 was forgiven in exchange for the return of the eyewear license to the Company. The Company accounted for this transaction as an exchange of non-monetary assets and re-classed the \$221 to eyewear license fee. While the Company continues to maintain an active interest in leveraging the eyewear license for prospective opportunities in the eyewear industry from both a products and licensing perspective, the Company determined that there was insufficient historical market data on the potential license applications presently available to provide a reasonable basis to fair value the license and its period of useful life. Therefore, the Company recognized a \$221 impairment loss for accounting purposes for the year ended December 31, 2012.

During 2012, the Company incurred \$2 in 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 had agreed to reimburse Mr. Kang's legal fees incurred on this issue through December 31, 2012.

On February 1, 2012, Mr. Tony Chung, the Company's Chief Financial Officer, converted his 10,000 shares of Series A-1 Preferred Stock into a total of 565,344 shares of the Company's common stock, including dividends received in the form of common stock.

In February 2013, Mr. Abdi Mahamedi, the Company's Chairman, converted his 58,600 shares of Series A-1 Preferred Stock and 260,710 shares of Series A-2 Preferred Stock into a total of 10,387,883 shares of the Company's common stock, including dividends received in the form of common stock. Mr. Mahamedi is a greater-than-5% beneficial owner of the Company.

The Company has an exclusive license agreement with LLPG, Inc. ("LLPG"), a corporation owned principally by Jack Chitayat, former director of the Company. 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. The exclusive license agreement with LLPG expires on December 31, 2021. There were no revenues recognized from product sales and licensing fees from LLPG during 2013 and 2012.

On February 27, 2013, Mr. Chitayat converted his 28,928 shares of Series A-1 Preferred Stock and 109,528 shares of Series A-2 Preferred Stock into a total of 4,626,840 shares of the Company's common stock, including dividends received in the form of common stock. Mr. Chitayat is a greater-than-5% beneficial owner of the Company.

On January 17, 2012, February 27, 2012, March 28, 2012 and April 25, 2012, the Company issued 8% unsecured, bridge promissory notes to Visser Precision Cast, LLC that were due upon demand in the amounts of \$200, \$200, \$350 and \$300, respectively. The aggregate principal amount of \$1,050 and accrued interest under the bridge promissory notes were all paid off on June 1, 2012 by utilizing a portion of the proceeds received under the financing component of the Visser MTA Agreement (see note 3). Visser is a greater-than-5% beneficial owner of the Company.

## 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 (in thousands, except 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, 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 for the fiscal year ended December 31, 2012 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). 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 bulk alloys and composites that utilize the advantages offered by amorphous alloy technology. We design, develop and sell products and components 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. We believe that our proprietary bulk alloys are the only commercially viable bulk amorphous alloys currently available in the marketplace.

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 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 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 (i) selling our bulk Liquidmetal alloy products, which include non-consumer electronic devices, medical products, automotive components, oil and gas exploration, and sports and leisure goods, (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.

Our cost of sales consists primarily of the costs of outsourcing our manufacturing to third parties. 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 bulk 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.

### Licensing Transactions

#### Transaction with Visser Precision Cast, LLC

On June 1, 2012, we entered into a Master Transaction Agreement (the “Visser MTA Agreement”) with Visser Precision Cast, LLC (“Visser”) relating to a strategic transaction for manufacturing services and financing.

Under the manufacturing and service component of the Visser MTA Agreement, we have agreed to engage Visser as a perpetual, exclusive manufacturer of non-consumer electronic products and to not, directly or indirectly, conduct manufacturing operations, subcontract for the manufacture of products or components or grant a license to any other party to conduct manufacturing operations, except for certain limited exceptions. Further, we have agreed to sublicense to Visser, on a fully-paid up, royalty-free, irrevocable, perpetual, worldwide basis, all intellectual property rights held by us. In addition, Visser has a right of first refusal over any proposed transfer of our technology pursuant to any license, sublicense, sale or other transfer, other than a license to a machine or alloy vendor.

Under the Visser MTA Agreement, we issued and sold to Visser in a private placement transaction (i) 30,000,000 shares of common stock at a purchase price of \$0.10 per share resulting in proceeds of \$3,000, and (ii) warrants to purchase 15,000,000 shares of common stock (subsequently increased to 16,861,416 warrants for anti-dilution impact) at an original exercise price of \$0.22 per share (subsequently reduced to \$0.20 for anti-dilution impact), which expire on June 1, 2017. All of the shares of common stock issuable upon exercise of the warrants are subject to a lockup period through December 31, 2016.

#### Apple License Transaction

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, 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. Additionally, in connection with the license transaction, Apple required us to complete a statement of work related to the exchange of Liquidmetal intellectual property information. We recognized a portion of the one-time license fee upon receipt of the initial payment and completion of the foregoing requirements under the license transaction. The remaining portion of the one-time license fee was recognized at the completion of the required statement of work.

Under the agreements relating to the license transaction with Apple, we are obligated to contribute all intellectual property that we developed through February 2012 (and subsequently amended to extend through February 2014) to CIP. 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 License Transactions

On January 31, 2012, we entered into a Supply and License Agreement for a five year term with Engel Austria GmbH (“Engel”) whereby Engel was granted a non-exclusive license to manufacture and sell injection molding machines to our licensees.

On November 16, 2011, we entered into a Development Agreement with Materion Brush Inc. (“Materion”) to evaluate, analyze and develop amorphous alloy feedstock to be supplied in commercial quantities. Further, on June 17, 2012, we entered into a Sales Representation Agreement with Materion whereby Materion shall promote the sale of our products for certain commissions. This agreement is for a two year initial term with annual, automatic renewals. To date, there have been no commission payments related to this agreement.

Our Liquidmetal Golf subsidiary has the exclusive right and license to utilize our Liquidmetal alloy technology for purposes of golf equipment applications. This right and license is set forth in an intercompany license agreement between us 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. We own 79% of the outstanding common stock in Liquidmetal Golf.

In June 2003, we entered into an exclusive license agreement with LLPG, Inc. (“LLPG”). 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. We, in turn, will receive royalty payments over the life of the contract on all Liquidmetal products produced and sold by LLPG. The exclusive license agreement with LLPG expires on December 31, 2021.

In March 2009, we entered into a license agreement with Swatch Group, Ltd. (“Swatch”) under which Swatch was granted a perpetual 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 our license agreement with LLPG was simultaneously amended to exclude watches from LLPG’s rights. 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
- Valuation of embedded convertible feature liability and warrants
- Debt discount
- Share based compensation

Our Annual Report on Form 10-K for the year ended December 31, 2012, contains further discussions on our critical accounting policies and estimates.

## Results of Operations

Comparison of the three months ended March 31, 2013 and 2012

	For the three months ended March 31,			
	2013		2012	
	in 000's	% of Revenue	in 000's	% of Revenue
<b>Revenue</b>	<b>(unaudited)</b>			
Products	\$ 117		\$ 183	
Licensing and royalties	5		13	
<b>Total revenue</b>	<b>122</b>		<b>196</b>	
Cost of revenue	82	67%	81	41%
<b>Gross margin</b>	<b>40</b>	<b>33%</b>	<b>115</b>	<b>59%</b>
Selling, marketing, general and administrative	1,314	1077%	959	489%
Research and development	236	193%	188	96%
Total operating expense	1,550		1,147	
<b>Operating loss</b>	<b>(1,510)</b>		<b>(1,032)</b>	
Change in value of warrants, gain	510		-	
Change in value of embedded conversion feature liabilities, gain	1,678		-	
Debt discount amortization expense	(4,034)		-	
Interest expense	(141)		(39)	
Interest income	3		4	
<b>Net loss</b>	<b>\$ (3,494)</b>		<b>\$ (1,067)</b>	

In discussing our results of our operations, we have categorized the specific items of our statements of operations into various categories to facilitate the understanding of our core business operations. Explanations of each category as well as analyses of specific items contained in that category are discussed below:

### Operating revenue and expenses

The "Operating revenue and expenses" category of statements of operations items represent those items that pertain to our core operations in the bulk alloy manufacturing and licensing business as follows:

*Revenue.* Revenue decreased to \$122 for the three months ended March 31, 2013 from \$196 for the three months ended March 31, 2012. The decrease for the three-month period was primarily attributable to a decrease in general prototype and other revenue.

*Cost of Revenue.* Cost of revenue was \$82 or 67% of revenue, for the three months ended March 31, 2013 from \$81, or 41% of revenue, for the three months ended March 31, 2012. The cost to manufacture parts from our bulk alloys manufacturing business is variable and differs based on the unique design of each product. In addition, much of our current product mix consists of prototype parts and other revenue which have variable cost percentages relative to revenue. Therefore, our cost of revenue as a percentage of revenue may not be representative of our future cost percentages. When and if we begin increasing our revenues with shipments of routine, commercial parts through our third party contract manufacturer, we expect our cost of revenue percentages to stabilize and be more predictable.

*Gross margin.* Our gross margin decreased from \$115 to \$40 for the three-month periods ended March 31, 2012, and 2013, respectively. Our gross margin percentage decreased from 59% to 33% for the three-month periods ended March 31, 2012, and 2013, respectively. As discussed above under "Cost of revenue", much of our current product mix consists of prototype parts and other revenue which have variable cost percentages relative to revenue. As such, our gross margin percentages may not be representative of our future business. When and if we begin increasing our revenues with shipments of routine, commercial parts through our third party contract manufacturer, we expect our gross margin percentages to stabilize and be more predictable.

*Selling, Marketing, General, and Administrative.* Selling, marketing, general and administrative expense increased to \$1,314, or 1077% of revenue, for the three months ended March 31, 2013 from \$959, or 489% of revenue, for the three months ended March 31, 2012. The increase from the prior first quarter was mainly due to additional payroll expenses for new hires including an Executive Vice President of Business Development and Operations and a Sales Engineer to facilitate the adoption of our technology.

*Research and Development.* Research and development expenses increased to \$236, or 193% of revenue, for the three months ended March 31, 2013 from \$188, or 96% of revenue, for the three months ended March 31, 2012. The expenses increased as 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. The increase from the prior period was also due to additional payroll expenses for a Vice President of Engineering to invest further in our research and development efforts to facilitate the adoption of our technology.

*Operating loss.* Operating loss was \$1,032 and \$1,510 for the three-month periods ended March 31, 2012, and 2013, respectively. The increase in our operating loss is primarily attributable to the increase 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 where we can either i) increase our revenues with shipments of routine, commercial parts through our third party contract manufacturer or ii) obtain significant licensing revenues, we expect to have operating losses for the foreseeable future.

### **Non-operational expenses**

Our statement of operations contains various, significant items that are non-operational in nature. These categories of expenses may have significant gains and losses based on the volatility of our stock price as follows:

*Change in Value of Warrants.* The change in value of warrants was a non-cash gain of \$510 for the three months ended March 31, 2013, which resulted from periodic valuation adjustments for warrants issued in connection with the Visser MTA Agreement and our senior convertible notes issued as part of the July 2012 Private Placement. The gain was primarily due to a decrease in our stock price during the three months ended March 31, 2013 from \$0.10 at December 31, 2012 to \$0.08 at March 31, 2013. Changes in the value of our warrants are non-cash and do not affect the operations of our business.

*Change in Value of Embedded Conversion Feature Liability.* Change in value of embedded conversion feature liability was a non-cash gain of \$1,678 for the three months ended March 31, 2013. The change in value of embedded conversion feature liability is due to changes in our stock price, as noted above under "Change in value of warrants", associated with the valuation of our embedded conversion feature liability related to the Senior Convertible Notes issued as part of the July 2012 Private Placement, as well as the gradual decrease in the embedded conversion feature liability in conjunction with the amortization of our Senior Convertible Notes (see "-- Significant Transactions").

*Debt Discount Amortization.* Debt discount amortization was \$4,034 of non-cash expense for the three months ended March 31, 2013. Debt discount amortization primarily relates to the amortization of \$12,000 of original debt discount over the term of the Senior Convertible Notes issued as part of the July 2012 Private Placement along with its issuance cost. The amount includes amortization of debt discount of \$2,680 under the effective interest method, as well as \$1,354 of expense associated with the variance between the estimated versus actual monthly issuances of shares to amortize our Senior Convertible Notes. Such debt discount will be fully amortized on September 1, 2013.

*Interest Expense.* Interest expense for the three-month period ended March 31, 2013 was \$141 and consists of the 8% interest related to the Senior Convertible Notes issued as part of the July 2012 Private Placement. Interest expense for the three-month period ended March 31, 2012 was \$39 and primarily related to the short-term bridge notes issued to Visser Precision Cast, LLC.

*Interest Income.* Interest income was \$3 and \$4 for the years ended March 31, 2013 and 2012, respectively, from interest earned on cash deposits.

### **Liquidity and Capital Resources**

Our cash used in operations was \$1,620 for the three months ended March 31, 2013, while cash used in operations was \$540 for the three months ended March 31, 2012. Our cash used in investing activities was \$36 for the three months ended March 31, 2013. We had no financing activities in our operations during the three months ended March 31, 2013. As of March 31, 2013, our cash balance was \$5,506.

On July 2, 2012, we entered into definitive agreements relating to a private placement of \$12,000 in principal amount of Senior Convertible Notes due on September 1, 2013 and Warrants to the purchasers of such notes giving such purchasers the right to purchase up to an aggregate of 18,750,000 shares of our common stock at an exercise price of \$0.384 per share. At March 31, 2013, the outstanding principal under the Senior Convertible Notes was \$4,000. There was no unpaid accrued interest as of March 31, 2013.

We do not believe that we have the financial ability to make all payments on the Senior Convertible Notes in cash when due. Accordingly, we intend to make such payments in shares of our common stock to the greatest extent possible. Because the price at which we will issue shares to the notes will vary with the market price of our common stock, the repayment of the Senior Convertible Notes with shares of our common stock will continue to be highly dilutive. We are able to make such payments in shares of our common stock only if the holders consent with the method of payment.

We anticipate that our current capital resources, together with income from operations, will be sufficient to fund our operations through the end of 2013. We have a relatively limited history of producing bulk amorphous alloy components and products on a mass-production scale. Furthermore, Visser's ability 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. Such factors will likely require that we raise additional funds to support our operations beyond 2013. There is no assurance that we will be able to raise such additional funds on acceptable terms, if at all. If we raise additional funds by issuing securities, existing stockholders may be diluted. If funding is insufficient at any time in the future, we may be required to alter or reduce the scope of our operations or to cease operations entirely. As a result of these and other factors, our independent registered public accounting firm has indicated, in their audit opinion on our 2012 consolidated financial statements, that there is substantial doubt about our ability to continue as a going concern.

#### **Off Balance Sheet Arrangements**

As of March 31, 2013, we did not have any off-balance sheet arrangements.

#### **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 (Principal Executive Officer) and Chief Financial Officer (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) as of March 31, 2013. Based on their evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures were effective as of March 31, 2013.

##### Changes in Internal Control over Financial Reporting.

There have been no changes to our internal control over financial reporting that occurred during the three months ended March 31, 2013, 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**

There are no material legal proceedings currently pending.

**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 2012 Annual Report.

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

As previously described in a Form 8-K filed on July 3, 2012, we completed on July 2, 2012, a private placement of \$12.0 million in Senior Convertible Notes (the “Notes”). During the period covered by this Quarterly Report on Form 10-Q, we issued an aggregate of 46,792,358 shares of our common stock to the five holders of the Notes in satisfaction of \$3.0 million in monthly installment payments that were due under the Notes during the period. We also issued, after the period covered by this Quarterly Report and through the date on which this Quarterly Report is filed, an aggregate of 14,885,740 shares of our common stock to the holders of the Notes in satisfaction of \$1.0 million in monthly installment payments due under the Notes. Through the date on which this Quarterly Report is filed, we issued an aggregate of 111,849,516 shares of common stock to the holders of the Notes in satisfaction of principal and interest under the Notes. We anticipate that we will issue over the next five months to the holders of the Notes at least an additional 45,000,000 shares of common stock to complete our repayment of the Notes (based on a share trading price of \$0.07 per share). The foregoing issuances were made pursuant to the exemption from registration provided by Section 4(2) of the Securities Act of 1933, as amended, including pursuant to Rule 506 thereunder. Such issuances were made solely to “accredited investors” under Rule 506 and were made without any form of general solicitation and with full access to any information requested by the holders of the Notes (in connection with the private placement in which the Notes were offered and sold) regarding the Company or the securities offered in the private placement.

**Item 3 – Defaults Upon Senior Securities**

None.

**Item 4 – Mine Safety Disclosures**

None.

**Item 5 – Other Information**

None.



## Item 6 – Exhibits

The following documents are filed as exhibits to this Report:

<u>Exhibit Number</u>	<u>Description of Document</u>
3.1	Certificate of Incorporation
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	Certification of 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	Certification of 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 Liquidmetal Technologies, Inc.'s Quarterly Report on Form 10-Q for the quarter ended March 31, 2013 (unaudited), formatted in XBRL: (i) Consolidated Balance Sheets as of March 31, 2013 and December 31, 2012, (ii) Consolidated Statements of Operations and Comprehensive Loss for the three months ended March 31, 2013 and 2012, (iii) Consolidated Statement of Shareholders' Deficit for the three months ended March 31, 2013, (iv) Consolidated Statements of Cash Flows for the three months ended March 31, 2013 and 2012, and (v) Notes to Consolidated Financial Statements.

## 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: May 14, 2013

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

Date: May 14, 2013

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

**CERTIFICATE OF INCORPORATION**

**OF**

**Liquidmetal TECHNOLOGIES, INC.**

**ARTICLE 1**

The name of the corporation is Liquidmetal Technologies, Inc. (the "Corporation").

**ARTICLE II**

The address of the Corporation's registered office in the State of Delaware is 1209 Orange Street, in the City of Wilmington, County of New Castle 19801. The name of the Corporation's registered agent at such address is CT Corporation System.

**ARTICLE III**

The purpose of the Corporation is to engage in any lawful act or activity for which corporations may be organized under the Delaware General Corporation Law, as the same may be amended or supplemented from time to time (the "DGCL").

**ARTICLE IV**

The Corporation shall have authority to issue One Hundred Ten Million (110,000,000) shares of capital stock, consisting of One Hundred Million (100,000,000) shares of Common Stock, \$0.001 par value per share, and Ten Million (10,000,000) shares of Preferred Stock, \$0.001 par value per share. The Preferred Stock authorized by the Certificate of Incorporation may be issued from time to time in one or more series. The Board of Directors is hereby authorized to fix or alter the rights, preferences, privileges and restrictions granted to or imposed upon any series of Preferred Stock, and the number of shares constituting any such series and the designation thereof, or of any of them.

**ARTICLE V**

The name and mailing address of the incorporator is:

**Steven Vazquez  
Foley & Lardner  
100 North Tampa Street, Suite 2700  
Tampa, FL 33602**

**ARTICLE VI**

To the fullest extent permitted by the DGCL, no director of the Corporation shall be personally liable to the Corporation or its stockholders for monetary damages for breach of fiduciary duty as a director, except for liability (i) for any breach of the director's duty of loyalty to the Corporation or its stockholders, (ii) for acts or omissions which involve intentional misconduct or a knowing violation of law, (iii) under Section 174 of the DGCL or (iv) for any transaction from which the director derived an improper personal benefit. If the DGCL is amended after the effective date of this Certificate of Incorporation to authorize corporate action further eliminating or limiting the personal liability of directors, then the liability of a director of the Corporation shall be eliminated or limited to the fullest extent permitted by the DGCL, as so amended.

The Corporation shall indemnify to the fullest extent permitted by the DGCL (including, without limitation, Section 145 thereof), as the same may be amended and supplemented from time to time, any and all persons whom it shall have power to indemnify under the DGCL. The indemnification provided for herein shall not be exclusive of any other rights to which those seeking indemnification may be entitled as a matter of law under any Bylaw, agreement, vote of stockholders or disinterested directors of the Corporation, or otherwise, both as to action in such indemnified person's official capacity and as to action in another capacity while serving as a director, officer, employee, or agent of the Corporation, and shall continue as to a person who has ceased to be a director, officer, employee, or agent of the Corporation, and shall inure to the benefit of the heirs, executors and administrators of such person.

Any repeal or modification of this Article VI or amendment to the DGCL shall not adversely affect any right or protection of a director, officer, agent, or other person existing at the time of, or increase the liability of any director of the Corporation with respect to any acts or omissions of such director, officer, or agent occurring prior to, such repeal, modification, or amendment.

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## ARTICLE VII

The Board of Directors shall have the power to adopt, amend, or repeal Bylaws of the Corporation, subject to the right of the stockholders of the Corporation to adopt, amend, or repeal any Bylaw. In addition, the Bylaws may be amended by the affirmative vote of holders of majority of the outstanding shares of voting stock of the Corporation entitled to vote at an election of directors.

## ARTICLE VIII

The number of directors of the Corporation shall be determined by resolution of the Board of Directors. Elections of directors need not be by written ballot, unless the Bylaws of the Corporation shall so provide.

Advance notice of stockholder nominations for the election of directors and of any other business to be brought before any meeting of the stockholders shall be given in the manner provided in the Bylaws of the Corporation. At each annual meeting of stockholders, directors of the Corporation shall be elected to hold office until the expiration of the term for which they are elected, or until their successors have been duly elected and qualified; except that if any such election shall not be so held, such election shall take place at a stockholders' meeting called and held in accordance with the DGCL.

Vacancies occurring on the Board of Directors for any reason may be filled by vote of a majority of the remaining members of the Board of Directors, even if less than a quorum, at any meeting of the Board of Directors. A person so elected by the Board of Directors to fill a vacancy shall hold office for the remainder of the full term of the director for which the vacancy was created or occurred and until such director's successor shall have been duly elected and qualified.

## ARTICLE IX

The Corporation reserves the right to amend, alter, change, or repeal any provision contained in this Certificate of Incorporation, in the manner now or hereafter prescribed by statute, and all rights conferred upon stockholders herein are granted subject to this reservation.

IN WITNESS WHEREOF, the undersigned incorporator has executed this Certificate of Incorporation on May 15, 2003.

LIQUIDMETAL TECHNOLOGIES, INC.

By: /s/ Steven Vasquez  
Steven Vasquez, Incorporator

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**CERTIFICATE OF AMENDMENT  
TO THE CERTIFICATE OF INCORPORATION OF  
LIQUIDMETAL TECHNOLOGIES, INC.**

Liquidmetal Technologies, Inc., a corporation organized and existing under and by virtue of the General Corporation Law of the State of Delaware (the "General Corporation Law"), does hereby certify as follows:

**FIRST:** That the original Certificate of Incorporation of Liquidmetal Technologies, Inc. (the "Corporation") was filed with the Secretary of State of the State of Delaware on May 15, 2003, and that a Certificate of Ownership and Merger of Liquidmetal Technologies (a California corporation) with and into the Corporation was filed with the Secretary of State of the State of Delaware on May 21, 2003.

**SECOND:** That, at a meeting of the Board of Directors of the Corporation, resolutions were duly adopted setting forth proposed amendments to the Certificate of Incorporation of the Corporation, declaring said amendments to be advisable, and calling a meeting of the stockholders of the Corporation for consideration thereof. The resolution setting forth the proposed amendments is as follows:

**RESOLVED,** that the Certificate of Incorporation of this Corporation be amended by changing Article IV thereof so that, as amended, Article IV shall be and read as follows:

"The Corporation shall have authority to issue Three Hundred Ten Million (310,000,000) shares of capital stock, consisting of Three Hundred Million (300,000,000) shares of common stock, \$0.001 par value per share (the "Common Stock"), and Ten Million (10,000,000) shares of preferred stock, \$0.001 par value per share (the "Preferred Stock"), of which One Million Eight Hundred Seventy-Five Thousand (1,875,000) shares are hereby designated as "Series A-1 Preferred Stock" and Three Million Two Hundred Eighty-One Thousand Two Hundred Fifty-Three (3,281,253) shares are hereby designated as "Series A-2 Preferred Stock." The Preferred Stock authorized by the Certificate of Incorporation, as amended, may be issued from time to time in one or more series. The Board of Directors is hereby authorized to fix or alter the rights, preferences, privileges and restrictions granted to or imposed upon any series of Preferred Stock, and the number of shares constituting any such series and the designation thereof, or any of them. The voting powers, designations, preferences and other special rights, and qualifications, limitations and restrictions of the Series A-1 Preferred Stock and Series A-2 Preferred Stock (collectively, the "Series A Preferred Stock") are set forth in a Certificate of Designation, Preferences, and Rights previously filed by the Corporation with the Secretary of State of Delaware on May 1, 2009 (the "Series A Certificate of Designation")."

**RESOLVED,** that the Certificate of Incorporation of this Corporation be amended by changing Article VIII thereof so that, as amended, Article VIII shall be and read as follows:

"(a) Directors – General. Subject to Section (b) below, the number of directors of the Corporation shall be determined by resolution of the Board of Directors. Elections of directors need not be by written ballot, unless the Bylaws of the Corporation shall so provide.

(b) Series A Directors and Common Directors. Notwithstanding the foregoing, for as long as at least 25% of the number of shares of Series A Preferred Stock issued on May 1, 2009 (the initial issuance date of the Series A Preferred Stock) are outstanding, the Board of Directors of the Company shall consist of five (5) members. In any election of directors taking place after May 1, 2009, as long as at least 25% of the number of shares of Series A Preferred Stock issued on May 1, 2009 are outstanding, (i) the holders of the Series A Preferred Stock, voting as a separate class, shall have the right to elect two of the members of the Corporation's Board of Directors, (ii) the holders of the Common Stock, voting as a separate class, shall have the right to elect two of the members of Company's Board of Directors (the "Common Directors"), and (iii) the holders of the Common Stock and the holders of the Series A Preferred Stock, voting together as a single class (with the holders of Preferred Stock voting on an as converted to Common Stock basis as described in the last sentence of this Section (b)), shall have the right to elect one of the members of the Company's Board of Directors.

In addition to any class voting rights provided by law and the Certificate of Incorporation, and subject to the first paragraph of this Section (b), the holders of Series A Preferred Stock shall have the right to vote together with the holders of Common Stock as a single class on any matter on which the holders of Common Stock are entitled to vote, at any annual or special meeting of the stockholders and not as a separate class, and may act by written consent in the same manner of the holders of the Common Stock; provided, however, that the holders of Series A Preferred Stock shall not have the right to vote on the election of the Common Directors. With respect to the voting rights of the holders of the Series A Preferred Stock pursuant to the preceding sentence, each holder of Series A Preferred Stock shall be entitled to one vote for each share of Common Stock that would be issuable to such holder upon the conversion of all the shares of Series A Preferred Stock held by such holder on the record date for the determination of shareholders entitled to vote at such meeting or the effective date of such written consent (after taking into account the conversion limitation set forth in Section 4M(1) of the Series A Certificate of Designation but disregarding the conversion limitation set forth in Section 4M(2) of the Series A Certificate of Designation), and shall have voting rights and powers equal to the voting rights and powers of the Common Stock, and shall be entitled to notice of any stockholders' meeting in accordance with the Bylaws of the Company."

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**THIRD:** That thereafter, pursuant to a resolution of the Board of Directors of the Corporation, an annual meeting of the stockholders of the Corporation was duly called and held upon notice in accordance with Section 222 of the General Corporation Law at which meeting the necessary number of shares as required by statute were voted in favor of the amendments.

**FOURTH:** That said amendments were duly adopted in accordance with the provisions of Section 242 of the General Corporation Law.

**FIFTH:** That said amendments shall be effective upon filing in the Office of the Secretary of State of the State of Delaware.

**IN WITNESS WHEREOF**, the Corporation has caused this Certificate of Amendment to be signed by a duly authorized officer this 31st day of July, 2009.

LIQUIDMETAL TECHNOLOGIES, INC.

By: /s/ Tony Chung  
Name: Tony Chung  
Title: Chief Financial Officer

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**SECOND CERTIFICATE OF AMENDMENT  
TO THE CERTIFICATE OF INCORPORATION OF  
LIQUIDMETAL TECHNOLOGIES, INC.**

Liquidmetal Technologies, Inc., a corporation organized and existing under and by virtue of the General Corporation Law of the State of Delaware (the "General Corporation Law"), does hereby certify as follows:

**FIRST:** That the original Certificate of Incorporation of Liquidmetal Technologies, Inc. (the "Corporation") was filed with the Secretary of State of the State of Delaware on May 15, 2003, and that a Certificate of Ownership and Merger of Liquidmetal Technologies (a California corporation) with and into the Corporation was filed with the Secretary of State of the State of Delaware on May 21, 2003.

**SECOND:** That a Certificate of Amendment to the Certificate of Incorporation was filed with the Secretary of State of the State of Delaware on August 4, 2009.

**THIRD:** That, at a meeting of the Board of Directors of the Corporation, resolutions were duly adopted setting forth proposed amendments to the Certificate of Incorporation of the Corporation, declaring said amendments to be advisable, and calling a meeting of the stockholders of the Corporation for consideration thereof. The resolution setting forth the proposed amendments is as follows:

**RESOLVED,** that the Certificate of Incorporation of the Corporation be amended by changing Article IV thereof so that, as amended, Article IV shall be and read as follows:

"The Corporation shall have authority to issue Four Hundred Ten Million (410,000,000) shares of capital stock, consisting of Four Hundred Million (400,000,000) shares of common stock, \$0.001 par value per share (the "Common Stock"), and Ten Million (10,000,000) shares of preferred stock, \$0.001 par value per share (the "Preferred Stock"), of which One Million Eight Hundred Seventy-Five Thousand (1,875,000) shares are hereby designated as "Series A-1 Preferred Stock" and Three Million Two Hundred Eighty-One Thousand Two Hundred Fifty-Three (3,281,253) shares are hereby designated as "Series A-2 Preferred Stock." The Preferred Stock authorized by the Certificate of Incorporation, as amended, may be issued from time to time in one or more series. The Board of Directors is hereby authorized to fix or alter the rights, preferences, privileges and restrictions granted to or imposed upon any series of Preferred Stock, and the number of shares constituting any such series and the designation thereof, or any of them. The voting powers, designations, preferences and other special rights, and qualifications, limitations and restrictions of the Series A-1 Preferred Stock and Series A-2 Preferred Stock (collectively, the "Series A Preferred Stock") are set forth in an Amended and Restated Certificate of Designation, Preferences, and Rights previously filed by the Corporation with the Secretary of State of Delaware on November 3, 2010 (the "Series A Certificate of Designation")."

**FOURTH:** That thereafter, pursuant to a resolution of the Board of Directors of the Corporation, an annual meeting of the stockholders of the Corporation was duly called and held upon notice in accordance with Section 222 of the General Corporation Law at which meeting the necessary number of shares as required by statute were voted in favor of the amendment.

**FIFTH:** That said amendments were duly adopted in accordance with the provisions of Section 242 of the General Corporation Law.

**SIXTH:** That said amendments shall be effective upon filing in the Office of the Secretary of State of the State of Delaware.

**IN WITNESS WHEREOF,** the Corporation has caused this Second Certificate of Amendment to be signed by a duly authorized officer this 28th day of June, 2012.

LIQUIDMETAL TECHNOLOGIES, INC.

By: /s/ Tony Chung  
Name: Tony Chung  
Title: Chief Financial Officer

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**THIRD CERTIFICATE OF AMENDMENT  
TO the CERTIFICATE OF INCORPORATION OF  
Liquidmetal Technologies, Inc.**

Liquidmetal Technologies, Inc., a corporation organized and existing under and by virtue of the General Corporation Law of the State of Delaware (the "General Corporation Law"), does hereby certify as follows:

**FIRST:** That the original Certificate of Incorporation of Liquidmetal Technologies, Inc. (the "Corporation") was filed with the Secretary of State of the State of Delaware on May 15, 2003, and that a Certificate of Ownership and Merger of Liquidmetal Technologies (a California corporation) with and into the Corporation was filed with the Secretary of State of the State of Delaware on May 21, 2003.

**SECOND:** That a Certificate of Amendment to the Certificate of Incorporation was filed with the Secretary of State of the State of Delaware on August 4, 2009, and a Second Certificate of Amendment to the Certificate of Incorporation was filed with the Secretary of State of the State of Delaware on June 28, 2012.

**THIRD:** That, at a meeting of the Board of Directors of the Corporation, resolutions were duly adopted setting forth a proposed amendment to the Certificate of Incorporation of the Corporation, declaring said amendment to be advisable, and calling a meeting of the stockholders of the Corporation for consideration thereof. The resolution setting forth the proposed amendments is as follows:

**RESOLVED,** that the Certificate of Incorporation of this Corporation be amended by changing Article IV thereof so that, as amended, Article IV shall be and read as follows:

"The Corporation shall have authority to issue Five Hundred Ten Million (510,000,000) shares of capital stock, consisting of Five Hundred Million (500,000,000) shares of common stock, \$0.001 par value per share (the "Common Stock"), and Ten Million (10,000,000) shares of preferred stock, \$0.001 par value per share (the "Preferred Stock"), of which One Million Eight Hundred Seventy-Five Thousand (1,875,000) shares are hereby designated as "Series A-1 Preferred Stock" and Three Million Two Hundred Eighty-One Thousand Two Hundred Fifty-Three (3,281,253) shares are hereby designated as "Series A-2 Preferred Stock." The Preferred Stock authorized by the Certificate of Incorporation, as amended, may be issued from time to time in one or more series. The Board of Directors is hereby authorized to fix or alter the rights, preferences, privileges and restrictions granted to or imposed upon any series of Preferred Stock, and the number of shares constituting any such series and the designation thereof, or any of them. The voting powers, designations, preferences and other special rights, and qualifications, limitations and restrictions of the Series A-1 Preferred Stock and Series A-2 Preferred Stock (collectively, the "Series A Preferred Stock") are set forth in an Amended and Restated Certificate of Designation, Preferences, and Rights previously filed by the Corporation with the Secretary of State of Delaware on November 2, 2010 (the "Series A Certificate of Designation")."

**FOURTH:** That thereafter, pursuant to a resolution of the Board of Directors of the Corporation, a special meeting of the stockholders of the Corporation was duly called and held upon notice in accordance with Section 222 of the General Corporation Law at which meeting the necessary number of shares as required by statute were voted in favor of the amendments.

**FIFTH:** That said amendments were duly adopted in accordance with the provisions of Section 242 of the General Corporation Law.

**SIXTH:** That said amendments shall be effective upon filing in the Office of the Secretary of State of the State of Delaware.

**IN WITNESS WHEREOF,** the Corporation has caused this Certificate of Amendment to be signed by a duly authorized officer this 5th day of March, 2013.

LIQUIDMETAL TECHNOLOGIES, INC.

By: /s/ Tony Chung  
Name: Tony Chung  
Title: Chief Financial Officer



## 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: May 14, 2013      /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: May 14, 2013

/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 March 31, 2013 (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

May 14, 2013

**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 March 31, 2013 (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

May 14, 2013