

LIQUIDMETAL TECHNOLOGIES INC

Form 10-Q

November 06, 2018

Table of Contents

**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 September 30, 2018**

**OR**

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

**For the transition period from      to**

**Commission File No. 001-31332**

---

**LIQUIDMETAL TECHNOLOGIES, INC.**

(Exact name of Registrant as specified in its charter)

**Delaware**

**33-0264467**

(State or other jurisdiction of  
incorporation or organization)

(I.R.S. Employer  
Identification No.)

**20321 Valencia Circle**

**Lake Forest, CA 92630**

(Address of principal executive offices, zip code)

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

---

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes      No

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

Yes      No

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

Large accelerated filer              Accelerated filer              Non-accelerated filer

Smaller reporting company      Emerging growth company

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

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

Yes      No

The number of common shares outstanding as of November 2, 2018 was 913,832,666.

---

Table of Contents

**LIQUIDMETAL TECHNOLOGIES, INC.  
FORM 10-Q  
FOR THE QUARTER ENDED September 30, 2018**

**FORWARD-LOOKING INFORMATION**

This Quarterly Report on Form 10-Q of Liquidmetal Technologies, Inc. contains “forward-looking statements” that may state our management’s plans, future events, objectives, current expectations, estimates, forecasts, assumptions or projections about the company and its business. Any statement in this report that is not a statement of historical fact is a forward-looking statement, and in some cases, words such as “believes,” “estimates,” “projects,” “expects,” “intends,” “may,” “anticipates,” “plans,” “seeks,” and similar words or expressions identify forward-looking statements. Forward-looking statements involve risks and uncertainties that could cause actual outcomes and results to differ materially from the anticipated outcomes or results. These statements are not guarantees of future performance, and undue reliance should not be placed on these statements. It is important to note that our actual results could differ materially from what is expressed in our forward-looking statements due to the risk factors described in the section of our Annual Report on Form 10-K for the year ended December 31, 2017 entitled “Risk Factors,” as well as the following risks and uncertainties:

- Our ability to fund our operations in the 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;
- Our limited history of licensing our technology to third parties;
- Lengthy customer adoption cycles and unpredictable customer adoption practices;
- Our ability to identify, develop, and commercialize new product applications for our technology;
- Competition from current suppliers of incumbent materials or producers of competing products;
- Our ability to identify, consummate, and/or integrate strategic partnerships;
- The potential for manufacturing problems or delays; and
- Potential difficulties associated with protecting or expanding our intellectual property position.

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

Table of Contents

**TABLE OF CONTENTS**

**PART I - Financial Information**

<u>Item 1 – Consolidated Financial Statements</u>	4
<u>Item 2 – Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>	18
<u>Item 3 – Quantitative and Qualitative Disclosures about Market Risk</u>	23
<u>Item 4 – Controls and Procedures</u>	23

**PART II – Other Information**

<u>Item 1 – Legal Proceedings</u>	24
<u>Item 1A – Risk Factors</u>	24
<u>Item 2 – Unregistered Sales of Equity Securities and Use of Proceeds</u>	24
<u>Item 3 – Defaults Upon Senior Securities</u>	24
<u>Item 4 – Mine Safety Disclosures</u>	24
<u>Item 5 – Other Information</u>	24
<u>Item 6 – Exhibits</u>	25
<u>Signatures</u>	26

Table of Contents**PART I****FINANCIAL INFORMATION****Item 1 – Financial Statements****LIQUIDMETAL TECHNOLOGIES, INC. AND SUBSIDIARIES****CONSOLIDATED BALANCE SHEETS**

(\$ in thousands, except par value and share data)

	<b>September 30, 2018 (Unaudited)</b>	<b>December 31, 2017 (Audited)</b>
<b><u>ASSETS</u></b>		
Current assets:		
Cash and cash equivalents	\$ 36,348	\$41,309
Restricted cash	5	5
Trade accounts receivable, net of allowance for doubtful accounts	172	157
Inventory	19	391
Prepaid expenses and other current assets	348	326
<b>Total current assets</b>	<b>\$ 36,892</b>	<b>\$42,188</b>
Property and equipment, net	11,884	12,465
Patents and trademarks, net	343	408
Other assets	14	14
<b>Total assets</b>	<b>\$ 49,133</b>	<b>\$55,075</b>
<b><u>LIABILITIES AND SHAREHOLDERS' EQUITY</u></b>		
Current liabilities:		
Accounts payable	196	92
Accrued liabilities	292	365
Deferred revenue	13	7
<b>Total current liabilities</b>	<b>\$ 501</b>	<b>\$464</b>
Long-term liabilities:		
Warrant liabilities, long-term	1,599	2,192
Other long-term liabilities	856	856
<b>Total liabilities</b>	<b>\$ 2,956</b>	<b>\$3,512</b>

Edgar Filing: LIQUIDMETAL TECHNOLOGIES INC - Form 10-Q

Shareholders' equity:

Preferred Stock, \$0.001 par value; 10,000,000 shares authorized; 0 shares issued and outstanding at September 30, 2018 and December 31, 2017, respectively	-	-
Common stock, \$0.001 par value; 1,100,000,000 shares authorized; 909,972,342 and 908,768,116 shares issued and outstanding at September 30, 2018 and December 31, 2017, respectively	910	909
Warrants	18,179	18,179
Additional paid-in capital	278,773	277,924
Accumulated deficit	(251,611 )	(245,376 )
Non-controlling interest in subsidiary	(74 )	(73 )
<b>Total shareholders' equity</b>	<b>46,177</b>	<b>51,563</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$ 49,133</b>	<b>\$ 55,075</b>

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

Table of Contents**LIQUIDMETAL TECHNOLOGIES, INC. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF OPERATIONS and COMPREHENSIVE LOSS**

(\$ in thousands, except share and per share data)

(unaudited)

	<b>For the Three Months Ended September 30,</b>		<b>For the Nine Months Ended September 30,</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
Revenue				
Products	\$205	\$36	\$340	\$142
Licensing and royalties	48	-	48	-
<b>Total revenue</b>	<b>253</b>	<b>36</b>	<b>388</b>	<b>142</b>
Cost of sales	884	87	1,026	216
<b>Gross loss</b>	<b>(631</b>	<b>) (51</b>	<b>) (638</b>	<b>) (74</b>
Operating expenses				
Selling, marketing, general and administrative	1,381	1,739	4,493	4,791
Research and development	601	500	1,855	1,331
<b>Total operating expenses</b>	<b>1,982</b>	<b>2,239</b>	<b>6,348</b>	<b>6,122</b>
<b>Operating loss</b>	<b>(2,613</b>	<b>) (2,290</b>	<b>) (6,986</b>	<b>) (6,196</b>
Change in value of warrant liabilities, gain (loss)	585	(1,674)	593	(2,563)
Interest income	89	13	157	42
<b>Net loss and comprehensive loss</b>	<b>(1,939</b>	<b>) (3,951</b>	<b>) (6,236</b>	<b>) (8,717</b>
Net loss attributable to non-controlling interest	1	-	1	3
<b>Net loss and comprehensive loss attributable to Liquidmetal Technologies shareholders</b>	<b>\$(1,938</b>	<b>) \$(3,951</b>	<b>) \$(6,235</b>	<b>) \$(8,714</b>
<b>Net loss per common share attributable to Liquidmetal Technologies shareholders, basic and diluted</b>	<b>\$(0.00</b>	<b>) \$(0.00</b>	<b>) \$(0.01</b>	<b>) \$(0.01</b>
<b>Number of weighted average shares - basic and diluted</b>	<b>909,972,342</b>	<b>899,432,109</b>	<b>909,366,218</b>	<b>894,198,803</b>

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





Table of Contents**LIQUIDMETAL TECHNOLOGIES, INC. AND SUBSIDIARIES****CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY****For the Nine Months Ended September 30, 2018****(\$ in thousands, except share data)****(unaudited)**

	Preferred Shares	Common Shares	Common Stock	Warrants part of Additional Paid-in Capital	Additional Paid-in Capital	Accumulated Deficit	Non- Controlling Interest	Total
<b>Balance, December 31, 2017</b>	-	<b>908,768,116</b>	<b>\$ 909</b>	<b>\$ 18,179</b>	<b>\$ 277,924</b>	<b>\$ (245,376 )</b>	<b>\$ (73 )</b>	<b>\$ 51,563</b>
Stock option exercises		1,204,226	1		124			125
Stock-based compensation					725			725
Net loss						(6,235 )	(1 )	(6,236 )
<b>Balance, September 30, 2018</b>	-	<b>909,972,342</b>	<b>\$ 910</b>	<b>\$ 18,179</b>	<b>\$ 278,773</b>	<b>\$ (251,611 )</b>	<b>\$ (74 )</b>	<b>\$ 46,177</b>

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

Table of Contents**LIQUIDMETAL TECHNOLOGIES, INC. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF CASH FLOWS**

(\$ in thousands, except per share data)

(unaudited)

	<b>For the Nine Months Ended September 30, 2018      2017</b>	
<b>Operating activities:</b>		
Net loss	\$(6,236 ) \$(8,717 )	
Adjustments to reconcile net loss to net cash used in operating activities:		
Mark-down of inventory	641	-
Depreciation and amortization	802	429
Stock-based compensation	725	1,018
Change in value of warrant liabilities, (gain) loss	(593 )	2,563
Changes in operating assets and liabilities:		
Trade accounts receivable	(15 )	91
Inventory	(269 )	(332 )
Prepaid expenses and other current assets	(22 )	(96 )
Other assets	-	22
Accounts payable and accrued liabilities	31	(741 )
Deferred revenue	6	(5 )
<b>Net cash used in operating activities</b>	<b>(4,930 )</b>	<b>(5,768 )</b>
<b>Investing Activities:</b>		
Purchases of property and equipment	(156 )	(11,156)
<b>Net cash used in investing activities</b>	<b>(156 )</b>	<b>(11,156)</b>
<b>Financing Activities:</b>		
Proceeds from exercise of stock options	125	891
Proceeds from exercise of warrants	-	414
<b>Net cash provided by financing activities</b>	<b>125</b>	<b>1,305</b>
<b>Net decrease in cash and cash equivalents and restricted cash</b>	<b>(4,961 )</b>	<b>(15,619)</b>
<b>Cash and cash equivalents and restricted cash at beginning of period</b>	<b>41,314</b>	<b>58,896</b>
<b>Cash and cash equivalents and restricted cash at end of period</b>	<b>\$36,353</b>	<b>\$43,277</b>

**Supplemental Schedule of Non-Cash Investing and Financing Activities:**

Edgar Filing: LIQUIDMETAL TECHNOLOGIES INC - Form 10-Q

Cashless exercise of warrants	-	1,487
Accrued capital expenditures	-	(13 )

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

7

---

Table of Contents

**LIQUIDMETAL TECHNOLOGIES, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**For the Nine Months Ended September 30, 2018 and 2017**

(numbers in thousands, except share and per share data)

(unaudited)

**1. Description of Business**

Liquidmetal Technologies, Inc. (the “Company”) is a materials technology and manufacturing 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 utilizes the advantages offered by amorphous alloys technology. The Company designs, develops, manufactures and sells products and custom parts from bulk amorphous alloys to customers in a wide range of industries. The Company also partners with third-party manufacturers and licensees to develop and commercialize Liquidmetal alloy products.

Amorphous alloys are, in general, unique materials that are distinguished by their ability to retain a random atomic structure when they solidify, in contrast to the crystalline atomic structure that forms in other metals and alloys when they solidify. Liquidmetal alloys are proprietary amorphous alloys that possess a combination of performance, processing, and potential cost advantages that the Company believes will make them preferable to other materials in a variety of applications. The amorphous atomic structure of bulk alloys enables them to overcome certain performance limitations caused by inherent weaknesses in crystalline atomic structures, thus facilitating performance and processing characteristics superior in many ways to those of their crystalline counterparts. The Company’s alloys and the molding technologies it employs results in components that exhibit: exceptional dimensional control and repeatability that rivals precision machining, excellent corrosion resistance, brilliant surface finish, high strength, high hardness, high elastic limit, alloys that are non-magnetic, and the ability to form complex shapes common to the injection molding of plastics. Interestingly, all of these characteristics are achievable from the molding process, so design engineers do not have to select specific alloys to achieve one or more of the characteristics as is the case with crystalline materials. The Company believes these advantages could result in Liquidmetal alloys supplanting high-performance alloys, such as titanium and stainless steel, and other incumbent materials in a wide variety of applications. Moreover, the Company believes these advantages could enable the introduction of entirely new products and applications that are not possible or commercially viable with other materials.

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

## 2. Basis of Presentation and Recent Accounting Pronouncements

The accompanying unaudited interim consolidated financial statements as of and for the three and nine months ended September 30, 2018 and September 30, 2017 have been prepared in accordance with accounting principles generally accepted in the United States of America (“US GAAP”) for interim financial information and in accordance with the instructions to Form 10-Q. Accordingly, they do not include all of the information and notes required by US GAAP for complete financial statements. In the opinion of management, all adjustments (consisting only of normal recurring accruals) considered necessary for a fair presentation have been included. All intercompany balances and transactions have been eliminated in consolidation. Operating results for the three and nine months ended September 30, 2018 are not necessarily indicative of the results that may be expected for any future periods or the year ending December 31, 2018. The accompanying unaudited consolidated financial statements should be read in conjunction with the Company's 2017 Annual Report on Form 10-K filed with the Securities and Exchange Commission (“SEC”) on March 6, 2018.

### Revenue Recognition

On January 1, 2018, the Company adopted Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) 606, Revenue from Contracts with Customers and all the related amendments (the “new revenue standard”) with respect to all contracts using the modified retrospective method. As a majority of the Company’s sales revenue continues to be recognized when products are shipped from its manufacturing facility, and there was no change in the recognition model historically applied to active license and royalty contracts under the new revenue standard, there was no adjustment to the opening balance of retained earnings. The impact to the Company’s results of operations is not expected to be material, on an on-going basis, because the analysis of the Company’s contracts under the new revenue standard supports a recognition model consistent with the Company’s current revenue recognition model. Revenue on the majority of the Company’s contracts will continue to be recognized over time because of the continuous transfer of control to the customer.

*Products-* Product revenues are primarily generated from the sale and prototyping of molds and bulk alloy products. 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. When the Company receives consideration, or such consideration is unconditionally due, from a customer prior to transferring goods or services to the customer under the terms of a sales contract, it records deferred revenue, which represents a contract liability. The Company will recognize deferred revenue as products revenue after it has transferred control of the goods or services to the customer and all revenue recognition criteria are met. Such amounts are not expected to be material on an ongoing basis.



Table of Contents

**LIQUIDMETAL TECHNOLOGIES, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**For the Nine Months Ended September 30, 2018 and 2017**

(numbers in thousands, except share and per share data)

(unaudited)

*Licensing and royalties*- License revenue arrangements in general provide for 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 is complete, ii) when collectability is reasonably assured or upon receipt of an upfront fee, and iii) when 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.

*Practical Expedients and Exemptions*- The Company generally expenses sales commissions when incurred because the amortization period would have been one year or less. These costs are recorded within selling, marketing, general and administrative expenses. The Company does not disclose the value of unsatisfied performance obligations for (i) contracts with an original expected length of one year or less and (ii) contracts for which the Company recognizes revenue at the amount for which it has the right to invoice for services performed.

Cash and Cash Equivalents

The Company considers all highly liquid investments with maturity dates of three months or less when purchased to be cash equivalents. The Company limits the amount of credit exposure to each individual financial institution and places its temporary cash into investments of high credit quality with a financial institution that exceeds federally insured limits. The Company has not experienced any losses related to these balances and believes its credit risk to be minimal. As of September 30, 2018 and December 31, 2017, the Company held deposits of \$15,098 and \$0, respectively, in such highly liquid investments.

Inventory



Inventory is stated at the lower of weighted-average cost or net realizable value. Inventory is recorded at actual cost when purchased and then expensed at weighted-average cost as used in production and/or shipped to satisfy customer orders. We perform an analysis of our inventory balances at least quarterly to determine if the carrying amount of inventories exceeds their net realizable value. The analysis of estimated net realizable value is based on the forecasted pipeline for customer orders, market trends and historical pricing. If the carrying amount exceeds the estimated net realizable value, the carrying amount is reduced to the estimated net realizable value.

### Impairment of Long-Lived Assets

The Company reviews long-lived assets to be held and used in operations for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may be impaired. These evaluations may result from significant decreases in the overall market outlook for the Company's technology or the market price of an asset, a significant adverse change in the extent or manner in which an asset is being used in its physical condition, a significant adverse change in legal factors or in the business climate that could affect the value of an asset, as well as economic or operational analyses. An impairment loss is recognized when the estimated fair value of the assets is less than the carrying value of the assets. Based on the Company's review of both qualitative and quantitative factors no impairment charges have been recognized during the nine months ended September 30, 2018 and 2017, respectively.

### Fair Value Measurements

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

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

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

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

Level 3 —

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

Table of Contents

**LIQUIDMETAL TECHNOLOGIES, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**For the Nine Months Ended September 30, 2018 and 2017**

(numbers in thousands, except share and per share data)

(unaudited)

The Company has several financial instruments, namely warrant liabilities that are recorded at fair value on a periodic basis using Level 2 measurement inputs. These instruments 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 the accounting for certain financial instruments with characteristics of both liabilities and equity and derivative accounting. The fair value of such instruments is estimated using the Black-Scholes option pricing model. Due to the presence of certain anti-dilution and exercise price reset provisions, such instruments are required to be classified as liabilities (see Note 10).

As of September 30, 2018, 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:

	<b>Fair Value</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
Warrant liabilities (long-term)	1,599	-	1,599	-

As of December 31, 2017, 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:

	<b>Fair Value</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
Warrant liabilities (long-term)	2,192	-	2,192	-

Recent Accounting Pronouncements*Leases*

In February 2016, the FASB issued an accounting standards update which modifies the accounting for leasing arrangements, particularly those arrangements classified as operating leases. This update will require entities to recognize the assets and liabilities arising from operating leases on the balance sheet. This guidance is effective for fiscal and interim periods beginning after December 15, 2018 and is required to be applied retrospectively to all leasing arrangements. The adoption of this guidance is not expected to have a significant impact on the Company's consolidated financial statements.

Other recent accounting pronouncements issued by the FASB (including its Emerging Issues Task Force), the American Institute of Certified Public Accountants and the Securities and Exchange Commission ("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**

#### Manufacturing Facility Purchase

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

#### 2016 Purchase Agreement

On March 10, 2016, the Company entered into a Securities Purchase Agreement (the "2016 Purchase Agreement") with Liquidmetal Technology Limited, a Hong Kong company (the "Investor"), which is controlled by the Company's Chairman and CEO, Professor Lugee Li ("Professor Li"). The 2016 Purchase Agreement provided for the purchase by the Investor of a total of 405,000,000 shares of the Company's common stock for an aggregate purchase price of \$63,400. The transaction occurred in multiple closings, with the Investor having purchased 105,000,000 shares at a purchase price of \$8,400 (or \$0.08 per share) at the initial closing on March 10, 2016 and the remaining 200,000,000 shares at \$0.15 per share and 100,000,000 shares at \$0.25 per share for an aggregate purchase price of \$55,000 on October 26, 2016.

In addition to the shares issuable under the 2016 Purchase Agreement, the Company issued to the Investor a warrant to acquire 10,066,809 shares of common stock (with respect to which the right to purchase 2,609,913 of the warrant shares vested on March 10, 2016 and the right to purchase the remaining 7,456,896 warrant shares vested on October 26, 2016) at an exercise price of \$0.07 per share. The warrant will expire on the tenth anniversary of its issuance date.

Table of Contents

**LIQUIDMETAL TECHNOLOGIES, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**For the Nine Months Ended September 30, 2018 and 2017**

**(numbers in thousands, except share and per share data)**

**(unaudited)**

Further, the 2016 Purchase Agreement provided that the Investor would have the right to designate three members of the Company's board of directors, with one such member serving as Chairman. The 2016 Purchase Agreement also provided that, with certain limited exceptions, if the Company issues any shares of common stock at any time through the fifth anniversary of the 2016 Purchase Agreement, the Investor will have a preemptive right to subscribe for and to purchase at the same price per share (or at market price, in the case of issuance of shares pursuant to stock options) the number of shares necessary to maintain its ownership percentage of Company-issued shares of common stock.

Eontec License Agreement

On March 10, 2016, in connection with the 2016 Purchase Agreement, the Company and DongGuan Eontec Co., Ltd., a Hong Kong corporation ("Eontec"), entered into a Parallel License Agreement (the "License Agreement") pursuant to which the Company and Eontec agreed to cross-license their respective technologies. The Company's Chairman and CEO, Professor Li, is also a major shareholder and Chairman of Eontec.

The License Agreement provides for the cross-license of certain patents, technical information, and trademarks between the Company and Eontec. In particular, the Company granted to Eontec a paid-up, royalty-free, perpetual license to the Company's patents and related technical information to make, have made, use, offer to sell, sell, export and import products in certain geographic areas outside of North America and Europe. In turn, Eontec granted to the Company a paid-up, royalty-free, perpetual license to Eontec's patents and related technical information to make, have made, use, offer to sell, sell, export and import products in certain geographic areas outside of specified countries in Asia. The license granted by the Company to Eontec is exclusive (including to the exclusion of the Company) in the countries of Brunei, Cambodia, China (P.R.C and R.O.C.), East Timor, Indonesia, Japan, Laos, Malaysia, Myanmar, Philippines, Singapore, South Korea, Thailand and Vietnam. The license granted by Eontec to the Company is exclusive (including to the exclusion of Eontec) in North America and Europe. The cross-licenses are non-exclusive in geographic areas outside of the foregoing exclusive territories.

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

contract manufacturer.

During March 2017, the Company signed contracts with Eontec to purchase two hot-crucible amorphous metal molding machines (“Machines”) at a total purchase price of \$780. The Machines were delivered to the Company’s new manufacturing facility located in Lake Forest, CA in April 2017 and were operational during the fourth quarter of 2017.

#### 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.

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

#### Other License Transactions

On January 31, 2012, the Company 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 the Company’s licensees. Since that time, the Company and Engel have agreed on an injection molding machine configuration that can be commercially supplied and supported by Engel. On December 6, 2013, the companies entered into an Exclusivity Agreement for a 10-year term whereby the Company agreed, with certain exceptions and limitations, that the Company and its licensees would purchase amorphous alloy injection molding machines exclusively from Engel in exchange for certain royalties to be paid by Engel to the Company based on a percentage of the net sales price of such injection molding machines.

Table of Contents

**LIQUIDMETAL TECHNOLOGIES, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**For the Nine Months Ended September 30, 2018 and 2017**

**(numbers in thousands, except share and per share data)**

**(unaudited)**

The Company's majority-owned 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 parts and other products used in the sport of golf. The Company owns 79% of the outstanding common stock of 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 exclusive 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 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, but non-exclusive as to Apple, 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. Prepaid Expenses and Other Current Assets**

Prepaid expenses and other current assets totaled \$348 and \$326 as of September 30, 2018 and December 31, 2017, respectively. Included within these totals are the following:



	<b>September 30, 2018</b>	<b>December 31, 2017</b>
Prepaid service invoices	\$ 76	\$ 116
Prepaid manufacturing and mold costs	11	-
Prepaid insurance premiums	261	210
Total	348	326

## 5. Inventory

Inventory totaled \$19 and \$391 as of September 30, 2018 and December 31, 2017, respectively. Included within these totals are the following:

	<b>September 30, 2018</b>	<b>December 31, 2017</b>
Raw materials	\$ -	\$ 367
Work in progress	19	24
Total	19	391

During the third quarter of 2018, the Company recorded a \$641 write-down to raw materials inventory, with a corresponding increase to cost of sales. The write-down, comprising the full capitalized amount of raw materials inventory, was recorded in response to market conditions regarding part pricing for the Company's technology and the overall view of the platform and materials that will be used to fulfill future prototyping and production contracts. Given market entry challenges for a new technology, and continued pressure to be price competitive with existing solutions, the Company cannot objectively predict the timing of volume production, the materials that will support such production, nor if such production can be fulfilled at a profit. While the Company continues to expect that volume production is achievable, and with viable economics, the lack of a current sales backlog and the Company's lack of sales history does not support any future value with respect to on-hand raw materials as of September 30, 2018.

Table of Contents

**LIQUIDMETAL TECHNOLOGIES, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**For the Nine Months Ended September 30, 2018 and 2017**

(numbers in thousands, except share and per share data)

(unaudited)

**6. Property and Equipment, net**

Property and equipment consist of the following:

	<b>September 30, 2018</b>	<b>December 31, 2017</b>
Land, building, and improvements	\$ 8,980	\$ 8,947
Machinery and equipment	5,683	5,577
Computer equipment	269	253
Office equipment, furnishings, and improvements	181	181
Total	15,113	14,958
Accumulated depreciation	(3,229 )	(2,493 )
Total property and equipment, net	\$ 11,884	\$ 12,465

Depreciation expense for three and nine months ended September 30, 2018 was \$253 and \$736, respectively. Depreciation expense for the three and nine months ended September 30, 2017 was \$161 and \$365, respectively. For the three and nine months ended September 30, 2018, \$18 and \$45 of depreciation expense, respectively, was included in cost of sales and \$235 and \$691 was included in selling, marketing, general and administrative expenses, respectively. For the three and nine months ended September 30, 2017, \$8 and \$22 of depreciation expense, respectively, was included in cost of sales and \$153 and \$343 was included in selling, marketing, general and administrative expenses, respectively.

On February 16, 2017, the Company purchased a 41,000 square foot building located at 20321 Valencia Circle, Lake Forest, California 92630. In July 2017, the Company commenced use of the facility, primarily for manufacturing and office space. The total purchase price for the property was \$7,818, exclusive of closing costs. The Company funded

the purchase through available cash on hand.

During March 2017, the Company signed contracts with Eontec to purchase two hot-crucible amorphous metal molding machines at a total purchase price of \$780. The machines were delivered to the Company's new manufacturing facility in April 2017 and were operational beginning in the fourth quarter of 2017.

The Company's current manufacturing efforts are focused on the identification, design, and successful prototyping of customer applications, including, but not limited to, medical and automotive components. Experience has shown that customers will perform numerous tests and extensively evaluate components and products before incorporating them into their finished products. The time required for testing, evaluating, and designing the Company's components and products for use in a customer's product, and in some cases, obtaining regulatory approval, can be significant, with an additional period of time before a customer commences volume production of products incorporating Liquidmetal components and products, if ever. The time it takes to transition a customer from limited production to full-scale production runs will depend upon the nature of the processes and products into which Liquidmetal alloys are integrated.

Investments in the Company's manufacturing infrastructure are made with the goal of reaching volume manufacturing levels, scaling and generating sustainable revenues, and ultimately reaching profitability. In the event applications in the current development pipeline do not result in meaningful revenues and/or there is a fundamental shift in the Company's market outlook for the technology, the Company's overall business strategy may need to change. Such decisions, depending on their nature, may result in future impairments of the Company's manufacturing assets, inclusive of patents and trademarks. Pending a change in operational direction, and significant assumptions impacting ultimate recovery of these assets, the Company plans to continue to pursue volume manufacturing from its facility.

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

Net patents and trademarks totaled \$343 and \$408 as of September 30, 2018 and December 31, 2017, respectively, and primarily consisted of purchased patent rights and internally developed patents.

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



Table of Contents

**LIQUIDMETAL TECHNOLOGIES, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**For the Nine Months Ended September 30, 2018 and 2017**

**(numbers in thousands, except share and per share data)**

**(unaudited)**

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 \$22 and \$66 for the three and nine months ended September 30, 2018, respectively. This compares to \$21 and \$64 for the three and nine months ended September 30, 2017, respectively.

**8. Other Assets**

Other assets totaled \$14 and \$14 as of September 30, 2018 and December 31, 2017, respectively, and consisted of long-term deposits.

**9. Accrued Liabilities**

Accrued liabilities totaled \$292 and \$365 as of September 30, 2018 and December 31, 2017, respectively. Included within these totals are the following:

	<b>September 30, 2018</b>	<b>December 31, 2017</b>
Accrued payroll, vacation, and bonuses	\$ 238	\$ 149
Accrued severance	12	164
Accrued audit fees	42	52
Total	292	365

## 10. Warrant Liabilities

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 consolidated statements 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 of common stock to Visser Precision Cast, LLC under a Master Transaction Agreement (the “Visser MTA Agreement”). These warrants had an original exercise price of \$0.22 per share and an expiration date of June 1, 2017 and were originally valued at \$4,260. These warrants also had certain anti-dilution and exercise price reset provisions which qualified the warrants to be classified as a liability under FASB ASC 815. As a result of subsequent issuances of the Company’s common stock, which resulted in an anti-dilution impact, the exercise price of these warrants was reduced to \$0.16 as of March 22, 2017 and December 31, 2016. In addition, the number of shares to be issued under the warrants as a result of the anti-dilution provision increased to 21,317,094 as of March 22, 2017 and December 31, 2016. On March 22, 2017, Visser Precision Cast exercised, on a cashless basis, all 21,317,094 warrants, resulting in the issuance of 4,241,386 shares of the Company’s common stock. Upon exercise, the Company reclassified \$975 of the associated warrant liability to additional paid in capital, with \$4 being allocated to common stock and \$971 to additional paid in capital. The change in warrant value for these warrants for the three and nine months ended September 30, 2018 was \$0 and \$0, respectively. This compares to a gain of \$0 and (\$553) for the three and nine months ended September 30, 2017, respectively.

On July 2, 2012, the Company issued warrants to purchase a total of 18,750,000 shares of common stock in connection with a private placement of senior convertible notes (“the July 2012 Private Placement”). These warrants had an exercise price of \$0.384 per share, expired on January 2, 2018, and were originally valued at \$5,053. These warrants had certain anti-dilution and exercise price reset provisions which qualified the warrants to be classified as a liability under FASB ASC 815. During the year ended December 31, 2017 investors party to the July 2012 Private Placement exercised a total of 10,540,750 warrants at an exercise price of \$0.17 per share. As a result of these warrant exercises, the Company issued 7,457,902 shares of common stock, for total consideration of \$712, and associated warrant liabilities of \$1,247 were reclassified to additional paid in capital. The change in warrant value for these warrants for the three and nine months ended September 30, 2018 was \$0 and \$0, respectively. This compares to a loss of \$735 and \$1,398 for the three and nine months ended September 30, 2017, respectively.

On March 10, 2016, the Company issued warrants to purchase a total of 10,066,809 shares of common stock as part of the 2016 Purchase Agreement. These warrants have an exercise price of \$0.07 per share, expire on March 10, 2026, and were originally valued at \$760. These 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 September 30, 2018, these warrants were valued at \$1,599 under the Black-Scholes valuation model utilizing the following assumptions: (i) expected life of 7.44 years, (ii) volatility of 89%, (iii) risk-free interest rate of 3.05%, and (iv) dividend rate of 0. The change in fair value for these warrants for the three and nine months ended September 30, 2018 was a gain of \$585 and \$593, respectively. This compares to a loss of \$939 and \$1,718 for the three and nine months ended September 30, 2017, respectively.

Table of Contents

**LIQUIDMETAL TECHNOLOGIES, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**For the Nine Months Ended September 30, 2018 and 2017**

(numbers in thousands, except share and per share data)

(unaudited)

The following table summarizes the change in the Company's warrant liabilities as of September 30, 2018:

	<b>2016</b>
	<b>Purchase</b>
	<b>Agreement</b>
Beginning Balance - December 31, 2017	\$ 2,192
Change in value of warrant liabilities, (gain)	(593 )
Exercises	-
Ending Balance - September 30, 2018	\$ 1,599
Included in current liabilities	\$ -
Included in long-term liabilities	\$ 1,599

The Company had warrants to purchase 10,066,809 and 10,066,809 shares of common stock outstanding as of September 30, 2018 and December 31, 2017, respectively, which were valued and classified as liabilities under FASB ASC 815.

## **11. Other Long-Term Liabilities**

Other long-term liabilities were \$856 as of September 30, 2018 and December 31, 2017, and consisted of long-term, aged payables to vendors, individuals, and other third parties that have been outstanding for more than 5 years. The Company is in the process of researching and resolving the balances for settlement and/or escheatment in accordance with applicable state law.



## 12. Stock Compensation Plans

Under the Company's 2002 Equity Incentive Plan (the "2002 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. A total of 10,000,000 shares of the Company's common stock were available for issuance under the 2002 Plan. The 2002 Plan expired by its terms in April 2012 but remains in effect only with respect to the equity awards that had been granted prior to its expiration. Under the 2002 Plan, the Company had outstanding grants of options to purchase 189,000 and 189,000 shares of the Company's common stock as of September 30, 2018 and December 31, 2017, respectively.

On June 28, 2012, the Company adopted its 2012 Equity Incentive Plan, with the approval of the Company's 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 Nine months ended September 30, 2018, the Company granted options to purchase 1,077,175 shares of common stock. Under this plan, the Company had outstanding grants of options to purchase 21,273,401 and 21,570,994 shares of the Company's common stock as of September 30, 2018 and December 31, 2017, respectively.

On January 27, 2015, the Company adopted its 2015 Equity Incentive Plan, which provided for the grant of stock options to officers, employees, consultants and directors of the Company and its subsidiaries. A total of 40,000,000 shares of the Company's common stock are authorized for issuance under this plan. All options granted under this plan had exercise prices that were equal to the fair market value on the dates of grant. During the nine months ended September 30, 2018, the Company granted options to purchase 2,900,000 shares of common stock. Under this plan, the Company had outstanding grants of options to purchase 11,896,667 and 12,675,000 shares of the Company's common stock as of September 30, 2018 and December 31, 2017, respectively.

Stock based compensation expense attributable to these plans was \$179 and \$725 for the three and nine months ended September 30, 2018, respectively. This compares to \$322 and \$1,018 for the three and nine months ended September 30, 2017, respectively.

In connection with the separation of former executives and directors, the Company has modified previously granted equity awards to allow for the acceleration of vesting of equity awards, and the extension of the timing to exercise vested awards, following the respective separation dates. The Company incurred incremental stock-based compensation expense of \$0 and \$104 for the three and nine months ended September 30, 2018, respectively. This compares to \$89 and \$261 for the three and nine months ended September 30, 2017, respectively.



Table of Contents

**LIQUIDMETAL TECHNOLOGIES, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**For the Nine Months Ended September 30, 2018 and 2017**

(numbers in thousands, except share and per share data)

(unaudited)

**13. Shareholders' Equity**

Common Stock

In June 2012, the Company issued 30,000,000 shares of common stock to Visser Precision Cast in connection with the Visser MTA Agreement.

Pursuant to the terms of the Company's Senior Convertible Notes due September 1, 2013, which were issued in the July 2012 Private Placement, the Company opted to pay the twelve monthly installment payments prior to the September 1, 2013 maturity date with shares of the Company's common stock. Upon final settlement, the Company had issued 163,641,547 shares of common stock at a weighted average conversion price of \$0.0774, for the twelve installment payments due under the notes, consisting of \$12,000 of principal and \$680 of interest.

During the year ended December 31, 2013, the holders of the Company's Series A Preferred Stock converted all of the outstanding 506,936 shares of Series A Preferred Stock into 16,896,070 shares of the Company's common stock. After giving effect to such conversion, the Company has no shares of preferred stock outstanding.

In connection with the execution of a Common Stock Purchase Agreement in November 2013 (the "2013 Purchase Agreement"), the Company issued to each of the investors under the 2013 Purchase Agreement a pro rata portion of 2,666,667 shares of the Company's common stock. As of December 31, 2014, the Company had received an aggregate of \$16,000 under the 2013 Purchase Agreement through the issuance of 85,355,615 shares of its common stock at a weighted average price of \$0.19 per share. On August 22, 2014, the Company voluntarily terminated the 2013 Purchase Agreement, effective August 25, 2014.

On September 9, 2014, an initial registration statement covering 75,000,000 shares issued and issuable pursuant to the Common Stock Purchase Agreement between the Company and Aspire Capital Fund (the “2014 Purchase Agreement”) was declared effective by the SEC. As of September 30, 2015, the Company had received an aggregate of \$1,568 under the 2014 Purchase Agreement through the issuance of

12,500,000 shares of its common stock at a weighted average price of \$0.13 per share. On March 8, 2016, the Company voluntarily terminated the 2014 Purchase Agreement, effective March 9, 2016.

In connection with the execution of the 2016 Purchase Agreement on March 10, 2016, the Company issued 105,000,000 shares of the Company’s common stock, at a price of \$0.08 per share, for gross proceeds of \$8,400.

On October 26, 2016, the Company issued and sold to the Investor under the 2016 Purchase Agreement an aggregate of 300,000,000 shares of the Company’s common stock for an aggregate purchase price of \$55,000, comprised of 200,000,000 shares at a price of \$0.15 per share and 100,000,000 shares at a price of \$0.25 per share.

#### Non-Controlling 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. The Company owns 79% of the outstanding common stock of Liquidmetal Golf. As of September 30, 2018, non-controlling interest was a deficit of \$74. As of December 31, 2017, non-controlling interest was a deficit of \$73.

#### **14. Loss Per Common Share**

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

Options to purchase 33,359,068 shares of common stock, at prices ranging from \$0.07 to \$0.47 per share, were outstanding at September 30, 2018, but were not included in the computation of diluted EPS for the same period as the inclusion would have been antidilutive, given the Company’s net loss. Warrants to purchase 10,066,809 shares of common stock, with a price of \$0.07 per share, outstanding at September 30, 2018, were not included in the computation of diluted EPS for the same period as the inclusion would have been antidilutive, given the Company’s net loss.

Options to purchase 36,919,218 shares of common stock, at prices ranging from \$0.07 to \$0.47 per share, were outstanding at September 30, 2017, but were not included in the computation of diluted EPS for the same period as the inclusion would have been antidilutive, given the Company's net loss. Warrants to purchase 17,113,684 shares of common stock, with prices ranging from \$0.07 to \$0.17 per share, outstanding at September 30, 2017 were not included in the computation of diluted EPS for the same period as the inclusion would have been antidilutive, given the Company's net loss.

Table of Contents

**LIQUIDMETAL TECHNOLOGIES, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**For the Nine Months Ended September 30, 2018 and 2017**

(numbers in thousands, except share and per share data)

(unaudited)

**15. Commitments and Contingencies**

Alloy Purchase Commitments

As of September 30, 2018, the Company had no outstanding purchase commitments for alloy supplies that will be delivered in future periods. Total commitments were \$308 as of December 31, 2017.

Operating Lease Commitments

The Company previously leased its offices and warehouse facilities under various lease agreements, certain of which were subject to escalations based upon increases in specified operating expenses or increases in the Consumer Price Index. During June 2017, the Company terminated the remaining portion of the lease agreements, effective June 30, 2017. The termination resulted in the Company paying certain fees, related to new tenant accommodations and broker fees, equaling \$125, which were off-set against previously recorded deferred rent expenses. This resulted in an additional expense of \$17, which was included in rent expense for the year ended December 31, 2017. Additionally, concurrent with ceasing operations at these facilities, the Company accelerated depreciation of remaining installed leasehold improvements in the amount of \$30. As of December 31, 2017, the Company had no further obligations under these lease agreements.

Rent expense was \$0 and \$0 for the three and nine months ended September 30, 2018, respectively. This compares to \$0 and \$125 for the three and nine months ended September 30, 2017, respectively.

## 16. Related Party Transactions

On August 16, 2017, the Company and Tony Chung, the Company's former Chief Financial Officer, entered into a Separation Agreement and General Release pursuant to which Mr. Chung resigned as an officer and employee of the Company (the "Chung Separation Agreement"). Concurrently, Mr. Chung was elected to serve as a director of the Company. The Chung Separation Agreement provided for the payment of severance compensation to Mr. Chung in the form of a continuation of his base annual salary of \$240 (subject to tax withholdings) for a period of 12 months and reimbursement for COBRA healthcare coverage for a period of 12 months. In addition, it provided for the accelerated vesting of 247,650 of the unvested stock options held by Mr. Chung as of the separation date and the extension of the exercise period of his options until the first anniversary of the date of the Chung Separation Agreement. This resulted in a total of 2,889,749 stock options being exercisable by Mr. Chung as of the separation date and resulted in an additional \$89 of stock-based compensation expense during the year ended December 31, 2017. In connection with the Chung Separation Agreement, Mr. Chung and the Company granted each other mutual general releases subject to customary exceptions. Subsequently, the Company extended the exercise period of Mr. Chung's options to the second anniversary of the date of the Chung Separation Agreement. This resulted in an additional \$48 of stock-based compensation expense during the nine months ended September 30, 2018. As of September 30, 2018 and December 31, 2017, the Company had accrued liabilities totaling \$0 and \$164, respectively, relating to the Chung Separation Agreement.

On March 10, 2016, the Company entered into the 2016 Purchase Agreement with Liquidmetal Technology Limited, providing for the purchase of 405,000,000 shares of the Company's common stock for an aggregate purchase price of \$63,400. Liquidmetal Technology Limited is a company owned by Professor Li that was formed in 2016 in contemplation of the 2016 Purchase Agreement. In connection with the 2016 Purchase Agreement and also on March 10, 2016, the Company and Eontec, entered into a license agreement pursuant to which the Company and Eontec entered into a cross-license of their respective technologies. Eontec is a publicly held Hong Kong corporation of which Professor Li is the Chairman and major shareholder. As of September 30, 2018, Professor Li is a greater-than 5% beneficial owner of the Company's common stock and served (and currently serves) as the Company's Chairman, President, and Chief Executive Officer. Equipment and services procured from Eontec were \$85 and \$133 during the three and nine months ended September 30, 2018, respectively. Equipment and services procured from Eontec were \$28 and \$757 during the three and nine months ended September 30, 2017, respectively.

Table of Contents

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

*This management’s discussion and analysis should be read in conjunction with the consolidated financial statements and notes included elsewhere in this Quarterly Report on Form 10-Q. All amounts described in this section are in thousands, except percentages, periods of time, and share and per share data.*

*This management’s discussion and analysis, as well as other sections of this Quarterly Report on Form 10-Q, may contain “forward-looking statements” that involve risks and uncertainties, including statements regarding our plans, future events, objectives, expectations, estimates, forecasts, assumptions, or projections. Any statement that is not a statement of historical fact is a forward-looking statement, and in some cases, words such as “believe,” “estimate,” “project,” “expect,” “intend,” “may,” “anticipate,” “plan,” “seek,” and similar words or expressions identify forward-looking statements. These statements involve risks and uncertainties that could cause actual outcomes and results to differ materially from the anticipated outcomes or results, and undue reliance should not be placed on these statements. These risks and uncertainties include, but are not limited to, the matters discussed under the heading “Item 1A. Risk Factors” in our Annual Report on Form 10-K for the fiscal year ended December 31, 2017 and other risks and uncertainties discussed in other filings made with the Securities and Exchange Commission (including risks described in subsequent reports on Form 10-Q and Form 8-K and other filings). We disclaim any intention or obligation, other than as required by applicable law, to update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise.*

**Overview**

We are a materials technology company that develops and commercializes products made from amorphous alloys. Our Liquidmetal® family of alloys consists of a variety of proprietary bulk alloys and composites that utilize the advantages offered by amorphous alloy technology. We design, develop and sell custom products and parts from bulk amorphous alloys to customers in various industries. We also partner with third-party manufacturers and licensees to develop and commercialize Liquidmetal alloy products.

Amorphous alloys are, in general, unique materials that are distinguished by their ability to retain a random atomic structure when they solidify, in contrast to the crystalline atomic structure that forms in other metals and alloys when they solidify. Liquidmetal alloys are proprietary amorphous alloys that possess a combination of performance, processing, and potential cost advantages that we believe will make them preferable to other materials in a variety of applications. The amorphous atomic structure of bulk alloys enables them to overcome certain performance limitations caused by inherent weaknesses in crystalline atomic structures, thus facilitating performance and processing characteristics superior in many ways to those of their crystalline counterparts. Our alloys and the molding



technologies we employ result in components that exhibit exceptional dimensional control and repeatability that rivals precision machining, excellent corrosion resistance, brilliant surface finish, high strength, high hardness, high elastic limit, alloys that are non-magnetic, and the ability to form complex shapes common to the injection molding of plastics. All of these characteristics are achievable from the molding process, so design engineers do not have to select specific alloys to achieve one or more of the characteristics as is the case with crystalline materials. We believe these advantages could result in Liquidmetal alloys supplanting high-performance alloys, such as titanium and stainless steel, and other incumbent materials in a wide variety of applications. Moreover, we believe these advantages could enable the introduction of entirely new products and applications that are not possible or commercially viable with other materials.

Our revenues are derived from i) selling our bulk amorphous alloy custom products and parts for applications which include, but are not limited to, non-consumer electronic devices, medical products, automotive components, and sports and leisure goods; ii) selling tooling and prototype parts such as demonstration parts and test samples for customers with products in development; and iii) product licensing and royalty revenue. We expect that these sources of revenue will continue to significantly change the character of our revenue mix as operations are scaled.

Our cost of sales consists primarily of the costs of manufacturing, which include raw alloy and internal labor required to operate our on-site production cells. 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 expenses, 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.

Table of Contents

**Licensing Transactions**

Eontec License Agreement

On March 10, 2016, in connection with the 2016 Purchase Agreement, we entered into a Parallel License Agreement (the “License Agreement”) with DongGuan Eontec Co., Ltd., a Hong Kong corporation (“Eontec”), pursuant to which we each agreed to cross-license our respective technologies. The Company’s Chairman, President, and Chief Executive Officer, Professor Lugee Li, is also a major shareholder and Chairman of Eontec.

The License Agreement provides for the cross-license of certain patents, technical information, and trademarks between us and Eontec. In particular, we granted to Eontec a paid-up, royalty-free, perpetual license to our patents and related technical information to make, have made, use, offer to sell, sell, export and import products in certain geographic areas outside of North America and Europe. In turn, Eontec granted to us a paid-up, royalty-free, perpetual license to Eontec’s patents and related technical information to make, have made, use, offer to sell, sell, export and import products in certain geographic areas outside of specified countries in Asia. The license granted by us to Eontec is exclusive (including to the exclusion of us) in the countries of Brunei, Cambodia, China (P.R.C and R.O.C.), East Timor, Indonesia, Japan, Laos, Malaysia, Myanmar, Philippines, Singapore, South Korea, Thailand and Vietnam. The license granted by Eontec to us is exclusive (including to the exclusion of Eontec) in North America and Europe. The cross-licenses are non-exclusive in geographic areas outside of the foregoing exclusive territories.

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

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.

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

#### Visser Precision Cast, LLC License Transaction

On June 1, 2012, we entered into a Master Transaction Agreement (the “Visser MTA”) with Visser Precision Cast, LLC (“Visser”) relating to a strategic transaction for manufacturing services and financing. On May 20, 2014, we and Visser entered into a settlement agreement significantly amending the Visser MTA, whereby we granted to Visser a fully paid-up, royalty-free, irrevocable, perpetual, worldwide, non-transferable, nonexclusive sublicense to all of our intellectual property developed on or prior to May 20, 2014 (the “Effective Date”). Visser does not have any rights, now or in the future, to our intellectual property developed after the Effective Date. The license to our intellectual property developed on or prior to the Effective Date does not include the right to use the “Liquidmetal” trademark or any of our other trademarks, except in certain defined situations, as set forth in the amended and restated agreement.

In addition, the settlement amended and restated the two warrants we issued to Visser in June 2012 to purchase 15,000,000 shares of our common stock at an exercise price of \$0.22 per share. The amended and restated warrant agreement includes the effect of anti-dilution adjustments and is exercisable for 21,317,094 shares at an exercise price \$0.16 per share under the anti-dilution provisions of the warrants. On March 22, 2017, Visser exercised, on a cashless basis, all 21,317,094 warrants, resulting in the issuance of 4,241,386 shares of our common stock. Upon exercise, we reclassified \$975,000 of the associated warrant liability to permanent equity, with \$4,000 being allocated to common stock and \$971,000 being allocated to additional paid in capital. (see Note 10 in the accompanying Notes to the Consolidated Financial Statements).

#### 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. Since that time, we and Engel have agreed on an injection molding machine configuration that can be commercially supplied and supported by Engel. On December 6, 2013, we entered into an Exclusivity Agreement for a ten-year term whereby we agreed, with certain exceptions and limitations, that we and our licensees would purchase amorphous alloy injection molding machines exclusively from Engel in exchange for certain royalties to be paid by Engel to us based on a percentage of the net sales price of such injection molding machines.

## Table of Contents

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 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 parts and other products used in the sport of golf. We own 79% of the outstanding common stock of 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 exclusive 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 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, but non-exclusive as to Apple, 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 liability classified warrants and options and embedded derivatives
- Valuation of inventory
- Share based compensation

Our Annual Report on Form 10-K for the year ended December 31, 2017 (the “2017 Annual Report”) contains further discussions on our critical accounting policies and estimates.

Table of Contents**Results of Operations**Comparison of the three and nine months ended September 30, 2018 and 2017

	For the Three months ended				For the Nine months ended			
	September 30, 2018 (unaudited)		2017 (unaudited)		September 30, 2018 (unaudited)		September 30, 2017 (unaudited)	
	% of		% of		% of		% of	
	Products		Products		Products		Products	
	in 000's	Revenue	in 000's	Revenue	in 000's	Revenue	in 000's	Revenue
Revenue:								
Products	\$205		\$36		\$340		\$142	
Licensing and royalties	48		-		48		-	
<b>Total revenue</b>	253		36		388		142	
Cost of sales	\$884	431%	87	242%	\$1,026	302%	216	152%
<b>Gross loss</b>	(631 )	-308%	(51 )	-142%	(638 )	-188%	(74 )	-52%
Selling, marketing, general and administrative	1,381	674%	1,739	4831%	4,493	1321%	4,791	3374%
Research and development	601	293%	500	1389%	1,855	546%	1,331	937%
Total operating expense	1,982		2,239		6,348		6,122	
<b>Operating loss</b>	(2,613)		(2,290 )		(6,986 )		(6,196 )	
Change in value of warrant liabilities, gain (loss)	585		(1,674 )		593		(2,563 )	
Interest income	89		13		157		42	
<b>Net loss</b>	(1,939)		(3,951 )		(6,236 )		(8,717 )	

Revenue and operating expenses

*Revenue.* Total revenue increased to \$253 for the three months ended September 30, 2018 from \$36 the three months ended September 30, 2017. Total revenue increased to \$388 for the nine months ended September 30, 2018 from \$142 for the nine months ended September 30, 2017. The increase was primarily attributable to the recognition of the tooling component of future production orders and a higher volume of prototyping and pre-production orders during the 2018 period as compared to the respective 2017 period.

*Cost of sales.* Cost of sales was \$884, or 431% of products revenue, for the three months ended September 30, 2018, an increase from \$87, or 242% of products revenue, for the three months ended September 30, 2017. Cost of sales was \$1,026, or 302% of products revenue, for the nine months ended September 30, 2018, an increase from \$216, or 152% of products revenue, for the nine months ended September 30, 2017. The increase in our cost of sales for the three and nine months ended September 30, 2018 was primarily attributable to \$641 in markdowns on raw materials inventory, which was slightly offset by improved production throughput. The cost to manufacture products and parts from our bulk amorphous alloys is variable and differs based on the unique design of each product. Given the continued development and refinement of our manufacturing efforts, our cost of sales as a percentage of products revenue continues to be volatile and is expected to show continued improvement over time with increases in volume and continuous refinements to our internal processes. When we begin increasing our products revenues with shipments of routine, commercial products and parts through our manufacturing facility and/or third party contract manufacturers, we expect our cost of sales percentages to decrease, stabilize and be more predictable.

*Gross loss.* Our gross loss increased to \$631 for the three month period ended September 30, 2018 from \$51 for the three month period ended September 30, 2017. Our gross loss, as a percentage of products revenue, increased to 308% for the three month period ended September 30, 2018 from 142% for the three month period ended September 30, 2017. Our gross loss increased to \$638 for the nine month period ended September 30, 2018 from \$74 for the nine month period ended September 30, 2017. Our gross loss, as a percentage of products revenue, increased to 188% for the nine month period ended September 30, 2018 from 52% for the nine month period ended September 30, 2017. In addition to book markdowns of raw materials inventory, early prototype and pre-production orders have generally resulted in a higher cost mix, relative to revenue, than would otherwise be incurred in an on-site production environment, with higher volumes and more established operating processes, or through contract manufacturers. As such, our gross loss percentages have fluctuated and may continue to fluctuate based on volume and quoted production prices per unit and may not be representative of our future business. When we begin increasing our products revenues with shipments of routine, commercial products and parts through future orders to our manufacturing facility and/or third party contract manufacturers, we expect our gross loss percentages to stabilize, increase and be more predictable.

Table of Contents

*Selling, marketing, general and administrative.* Selling, marketing, general and administrative expenses were \$1,381 and \$4,493 for the three and nine months ended September 30, 2018, respectively, compared to \$1,739 and \$4,791 for the three and nine months ended September 30, 2017, respectively. The decrease in expenses was primarily due to overall lower costs associated with employee compensation and severance payouts, as compared to prior periods.

*Research and development.* Research and development expenses were \$601 and \$1,855 for the three and nine months ended September 30, 2018, respectively, from \$500 and \$1,331 for the three and nine months ended September 30, 2017, respectively. The increase in expense was mainly due to increased headcount to support product and alloy development initiatives. We continue to (i) perform research and development with respect to new Liquidmetal alloys and related processing capabilities, (ii) develop new manufacturing techniques, and (iii) contract with consultants to advance the development of Liquidmetal alloys and related production processes.

*Operating loss.* Operating loss was \$2,613 and \$6,986 for the three and nine months ended September 30, 2018, respectively. This compares to \$2,290 and \$6,196 for the three and nine months periods ended September 30, 2017, respectively. Fluctuations in our operating loss are primarily attributable to variations in gross loss and operating expenses, as discussed above.

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

Other income and expenses

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 warrant liabilities, gain (loss).* The change in value of warrant liabilities was a non-cash gain of \$585 and \$593 for the three and nine months ended September 30, 2018, respectively. This compares to a non-cash loss of \$(1,674) and \$(2,563) for the three and nine months ended September 30, 2017, respectively. These adjustments result from periodic valuation adjustments related to fluctuations in our stock price, and other inputs, for warrants issued in connection with the Visser MTA, the July 2012 Private Placement, and the 2016 Purchase Agreement. Changes in the value of our warrants are non-cash and do not affect the core operations of our business or liquidity.



*Interest income.* Interest income relates to interest earned from our cash deposits for the respective periods. Such amounts were \$89 and \$157 for the three and nine months ended September 30, 2018 and 2017, respectively. This compares to \$13 and \$42 for the three and nine months ended September 30, 2017, respectively.

## **Liquidity and Capital Resources**

### Cash used in operating activities

Cash used in operating activities totaled \$4,930 and \$5,768 for the nine months ended September 30, 2018 and 2017, respectively. The cash was primarily used to fund operating expenses related to our business and product development efforts.

### Cash used in investing activities

Cash used in investing activities totaled \$(156) and \$(11,156) for the nine months ended September 30, 2018 and 2017, respectively. Investing outflows primarily consist of capital expenditures to support our manufacturing efforts including the purchase of our new manufacturing facility and additional production equipment.

### Cash provided by financing activities

Cash provided by financing activities totaled \$125 and \$1,305 for the nine months ended September 30, 2018 and 2017, respectively. Cash provided by financing activities is comprised of cash received for the issuance of shares following the exercise of stock options during the nine months ended September 30, 2018, and the exercise of stock options and warrants during the nine months ended September 30, 2017.

### Financing arrangements and outlook

During 2016, we raised a total of \$62.7 million through the issuance of 405,000,000 shares of our common stock in multiple closings under the 2016 Purchase Agreement. The Company has a relatively limited history of producing

bulk amorphous alloy products and components on a mass-production scale. Furthermore, the ability of future contract manufacturers 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. These factors have required that the Company engage in equity sales under various stock purchase agreements to support its operations and strategic initiatives. Uncertainty as to the outcome of these factors has previously raised substantial doubt about the Company's ability to continue as a going concern. As a result of the funding under the 2016 Purchase Agreement, the Company anticipates that its current capital resources, when considering expected losses from operations, will be sufficient to fund the Company's operations for the current operating cycle and for the foreseeable future.

Table of Contents

**Off Balance Sheet Arrangements**

As of September 30, 2018, we did not have any off-balance sheet arrangements.

**Item 3 – Quantitative and Qualitative Disclosures about Market Risk**

None.

**Item 4 – Controls and Procedures**

Evaluation of Disclosure Controls and Procedures

Under the supervision and with the participation of our management, including our Chief Executive Officer (Principal Executive Officer) and Vice President of Finance (Principal Financial Officer), we carried out an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”)) as of September 30, 2018. Based on their evaluation, our Chief Executive Officer and Vice President of Finance have concluded that our disclosure controls and procedures were effective as of September 30, 2018.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting (as that term is defined in Rules 13a-15(f) or 15d-15(f) under the Exchange Act) during the quarter ended September 30, 2018 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Table of Contents

**PART II**

**OTHER INFORMATION**

**Item 1 – Legal Proceedings**

There have been no significant developments with respect to legal proceedings specifically affecting Liquidmetal Technologies, Inc. or its subsidiaries since the filing of the 2017 Annual Report.

**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 2017 Annual Report. There have been no material changes from the risk factors previously disclosed in Part I, Item 1A “Risk Factors” in the 2017 Annual Report.

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

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

**Item 3 – Defaults Upon Senior Securities**

None.

**Item 4 – Mine Safety Disclosures**

None.

**Item 5 – Other Information**

None.

24

---

Table of Contents

**Item 6 – Exhibits**

The following documents are filed as exhibits to this Report:

Exhibit Number	Description of Document
31.1	<u>Certification of Principal Executive Officer, Lugee Li, as required by Section 302 of the Sarbanes-Oxley Act of 2002.</u>
31.2	<u>Certification of Principal Financial Officer, Bryce Van, as required by Section 302 of the Sarbanes-Oxley Act of 2002.</u>
32.1	<u>Certification of Chief Executive Officer, Lugee Li, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u>
32.2	<u>Certification of Vice President of Finance, Bryce Van, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u>
101.1	The following financial statements from Liquidmetal Technologies, Inc.'s Quarterly Report on Form 10-Q for the quarter ended June 30,

2018 (unaudited),  
formatted in XBRL: (i)  
Consolidated Balance  
Sheets as of September  
30, 2018 and December  
31, 2017, (ii) Consolidated  
Statements of Operations  
and Comprehensive Loss  
for the three and  
nine months ended  
September 30, 2018 and  
2017, (iii) Consolidated  
Statement of  
Shareholders' Equity for  
the nine months ended  
September 30, 2018, (iv)  
Consolidated Statements  
of Cash Flows for the  
nine months ended  
September 30, 2018 and  
2017, and (v) Notes to  
Consolidated Financial  
Statements.

Table of Contents

**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: November 6, 2018 /s/ Lugee Li  
Lugee Li  
President and Chief Executive Officer  
(Principal Executive Officer)

Date: November 6, 2018 /s/ Bryce Van  
Bryce Van  
Vice President of Finance  
(Principal Financial and Accounting Officer)