

LIQUIDMETAL TECHNOLOGIES, INC.

CHARTER OF THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS

Revised as of March 25, 2004

I. PURPOSE

The Audit Committee is appointed by the Board of Directors of Liquidmetal Technologies, Inc. (the "Company") to assist the Board of Directors in monitoring (1) the integrity of the financial statements of the Company, (2) the compliance by the Company with legal and regulatory requirements, and (3) the independence and performance of the Company's internal and external auditors. The Audit Committee will fulfill these responsibilities by carrying out the activities enumerated in Section III of this Charter. This Charter, however, is not intended to, and does not, create any legal or fiduciary duties or responsibilities or form the basis for a breach of fiduciary duty or potential liability if these responsibilities are not fulfilled.

Although the Audit Committee has the responsibilities and powers set forth in this Charter, it is not the duty of the Audit Committee to plan or conduct audits or to determine that the Company's financial statements are complete and accurate and are in accordance with generally accepted accounting principles. This is the responsibility of management and the independent auditor. Nor is it the duty of the Audit Committee to conduct investigations, to resolve disagreements, if any, between management and the independent auditor or to assure compliance with laws and regulations.

II. COMPOSITION

The Audit Committee shall be comprised of at least three directors, each of whom shall meet the independence and experience requirements of The Nasdaq Stock Market, Inc., Section 10A(m)(3) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and the rules and regulations of the Securities and Exchange Commission ("SEC"). At least one member of the Committee must be an "audit committee financial expert" as defined by the SEC. Members of the Committee shall not simultaneously serve on audit committees of more than two other public companies without the prior consent of the Board.

The members of the Audit Committee shall be appointed by the Board of Directors. Unless a Chairman is elected by the Board of Directors, the members of the Audit Committee may designate a Chairman by majority vote of the Audit Committee.

The Audit Committee shall have the authority to retain special legal, accounting, or other consultants to advise the Audit Committee. The Audit Committee may request any officer or employee of the Company or the Company's outside counsel or independent auditor to attend a meeting of the Audit Committee or to meet with any members of, or consultants to, the Audit Committee. The Audit Committee may also meet with the Company's investment bankers or financial analysts who follow the Company.

The Audit Committee shall make regular reports to the Board. The Committee shall meet at least four times annually. The Committee should meet at least quarterly with the chief financial officer, the senior internal auditing executive and the independent auditor in separate executive sessions.

III. RESPONSIBILITIES

The Audit Committee shall:

Documents/Reports/Accounting Information Review

1. Review and reassess the adequacy of this Charter annually and recommend any proposed changes to the Board for approval.
2. Report to the Board all matters of substance covered in Audit Committee meetings.
3. Review the annual audited financial statements with management, including major issues regarding accounting and auditing principles and practices that could significantly affect the Company's financial statements.
4. Formally recommend to the Board that the audited financial statements be included in the Company's Annual Report on Form 10-K.
5. Review an analysis prepared by management and the independent auditor of significant financial reporting issues and judgments made in connection with the preparation of the Company's financial statements, including an analysis of the effect of alternative GAAP methods on the Company's financial statements and a description of any transactions as to which management obtained Statement on Auditing Standards No. 50 letters. To the extent relevant, this analysis should include matters such as:
 - (1) Consistency of accounting policies and their application.
 - (2) Clarity and completeness of financial statements and related disclosures.
 - (3) Estimates, judgments, and uncertainties.
 - (4) Unusual transactions.
 - (5) Significant financial statement items, including the timing of transactions and the period in which they are recorded.
6. Review with management and the independent auditor the effect of regulatory and accounting initiatives (including new accounting, financial reporting, and auditing standards) as well as off-balance sheet structures on the Company's financial statements
7. Review with management and the independent auditor the Company's quarterly financial statements prior to the filing of its Form 10-Q, including the results of the independent auditors' reviews of the quarterly financial statements.

8. Meet periodically with management to review the Company's major financial risk exposures and the steps management has taken to monitor and control such exposures.
9. Review major changes to the Company's auditing and accounting principles and practices as suggested by the independent auditor, internal auditors or management.

Independent Auditors

10. Recommend to the Board the appointment of the independent auditor, which firm is ultimately accountable to the Audit Committee and the Board.
11. Review the experience and qualifications of the senior members of the independent auditor team and the quality control procedures of the independent auditor.
12. Approve the fees to be paid to the independent auditor for audit services.
13. Approve the retention of the independent auditor for any non-audit service and the fee for such service.
14. Receive periodic reports from the independent auditor regarding the auditor's independence, discuss such reports with the auditor, consider whether the provision of non-audit services is compatible with maintaining the auditor's independence and, if so determined by the Audit Committee, recommend that the Board take appropriate action to satisfy itself of the independence of the auditor.
15. Evaluate together with the Board the performance of the independent auditor, and if so determined by the Audit Committee, recommend that the Board replace the independent auditor.
16. Meet privately with the independent auditor on a periodic basis.
17. If the Company has an internal audit function, review the appointment and replacement of the senior internal auditing executive.
18. Review the significant reports to management prepared by the internal auditing department and management's responses.
19. Meet with the independent auditor prior to the audit to review the scope of the audit, any significant changes to the audit plan from the prior year, and the planning and staffing of the audit.
20. Review and understand the independent auditors' assessment of financial statement materiality.
21. Obtain from the independent auditor assurance that Section 10A of the Securities Exchange Act of 1934 has not been implicated (i.e., the independent auditor becomes aware of information indicating that an illegal act has or may have occurred).

22. Obtain assurance from management, the Company's senior internal auditing executive, and/or the independent auditor that the Company's subsidiary/foreign affiliated entities are in conformity with applicable legal requirements, including disclosures of insider and affiliated party transactions.
23. Discuss with the independent auditor the matters required to be discussed by Statement on Auditing Standards No. 61 relating to the conduct of the audit
24. Review with the independent auditor any problems or difficulties the auditor may have encountered and any management letter provided by the auditor and the Company's response to that letter. Such review should include:
 - (1) Any difficulties encountered in the course of the audit work, including any restrictions on the scope of activities or access to required information, and any disagreements with management.
 - (2) Any changes required in the planned scope of the internal audit.
 - (3) The internal audit department responsibilities, budget and staffing.

Financial Reporting Processes

25. Discuss and review the adequacy of the Company's overall control environment, including internal financial controls and disclosure controls and procedures.
26. Establish and maintain procedures for the receipt, retention, and treatment of complaints regarding accounting, internal accounting controls, or auditing matters.
27. Establish and maintain procedures for the confidential, anonymous submission by Company employees regarding questionable accounting, internal accounting controls, or auditing matters.

Securities / Legal / Ethics

28. Prepare the report required by the rules of the Securities and Exchange Commission to be included in the Company's annual proxy statement and review the other Audit Committee required disclosures in the proxy statement.
29. Advise the Board with respect to the Company's policies and procedures regarding compliance with applicable laws and regulations.
30. Review with the Company's management and legal counsel legal matters that may have a material impact on the financial statements, the Company's compliance policies and any material reports or inquiries received from regulators or governmental agencies.
31. Review significant conflicts of interest and related-party transactions.

32. Ensure that the Company's codes of ethics are in compliance with all applicable laws, rules, and regulations related to the Audit Committee.