

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2017

OR

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

Commission file number: 001-38015

Sigma Labs, Inc.

(Exact name of registrant as specified in its charter)

NEVADA

(State or other jurisdiction of
incorporation or organization)

27-1865814

(IRS Employer Identification No.)

3900 Paseo del Sol
Santa Fe, NM 87507

(Address of principal executive offices)

(505) 438-2576

(Registrant's telephone number)

(Former Name or Former Address, if Changed Since Last Report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, 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 | <input type="checkbox"/> | Accelerated Filer | <input type="checkbox"/> |
| Non-accelerated filer (do not check if a smaller reporting company) | <input type="checkbox"/> | Smaller reporting company | <input checked="" type="checkbox"/> |
| | | Emerging growth company | <input type="checkbox"/> |

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: As of May 15, 2017, the issuer had 4,570,199 shares of common stock outstanding.

SIGMA LABS, INC.

For the quarter ended March 31, 2017

FORM 10-Q

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PART I

ITEM 1. FINANCIAL STATEMENTS.

**Sigma Labs, Inc.
Condensed Balance Sheets**

| | (Unaudited) | |
|--|----------------------------|----------------------------|
| | March 31, 2017 | December 31, 2016 |
| ASSETS | | |
| Current Assets: | | |
| Cash | \$ 4,633,046 | \$ 398,391 |
| Accounts Receivable, net | 157,354 | 288,236 |
| Note Receivable, net | 500,000 | - |
| Inventory | 200,973 | 187,241 |
| Prepaid Assets | 29,017 | 36,056 |
| Total Current Assets | <u>5,520,390</u> | <u>909,924</u> |
| Other Assets: | | |
| Property and Equipment, net | 558,310 | 564,933 |
| Intangible Assets, net | 237,365 | 226,450 |
| Investment in Joint Venture | 500 | 500 |
| Prepaid Stock Compensation | 165,208 | 167,562 |
| Total Other Assets | <u>961,383</u> | <u>959,445</u> |
| TOTAL ASSETS | \$ <u>6,481,773</u> | \$ <u>1,869,369</u> |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Current Liabilities: | | |
| Accounts Payable | \$ 280,020 | \$ 112,175 |
| Notes Payable, net of original issue discount \$55,228 at March 31, 2017 and net of original issue discount \$79,886 and net of debt discount \$358,280 at December 31, 2106 | 944,772 | 561,834 |
| Accrued Expenses | 161,781 | 125,116 |
| Total Current Liabilities | <u>1,386,573</u> | <u>799,125</u> |
| Long-Term Liabilities | | |
| Derivative Liability | - | 93,206 |
| Total Long-Term Liability | <u>-</u> | <u>93,206</u> |
| TOTAL LIABILITIES | 1,386,573 | 892,331 |
| Stockholders' Equity | | |
| Preferred Stock, \$0.001 par; 10,000,000 shares authorized; | - | - |
| None issued and outstanding | - | - |
| Common Stock, \$0.001 par; 7,500,000 shares authorized; | | |
| 4,570,199 and 3,133,789 issued and outstanding at | | |
| March 31, 2017 and 2016, respectively | 4,570 | 3,135 |
| Additional Paid-In Capital | 15,795,550 | 10,734,857 |
| Accumulated Deficit | (10,704,919) | (9,760,954) |
| Total Stockholders' Equity | <u>5,095,201</u> | <u>977,038</u> |
| TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY | \$ <u>6,481,773</u> | \$ <u>1,869,369</u> |

The accompanying notes are an integral part of these financial statements

Sigma Labs, Inc.
Condensed Statements of Operations
(Unaudited)

| | Three Months Ended | |
|---|---------------------------|-----------------------|
| | March 31, 2017 | March 31, 2016 |
| Revenues | \$ 150,203 | \$ 358,455 |
| COST OF REVENUE | 74,534 | 107,581 |
| GROSS PROFIT | 75,669 | 250,874 |
| EXPENSES: | | |
| Other General and Administration | 643,795 | 395,488 |
| Payroll Expense | 376,621 | 215,589 |
| Stock-Based Compensation | 139,632 | 71,551 |
| Research and Development | 48,762 | 39,071 |
| Total Expenses | 1,208,810 | 721,699 |
| OTHER INCOME (EXPENSE) | | |
| Interest Income | 343 | 158 |
| Other Income | 152,068 | - |
| Other Income-Decrease in fair value of derivative liabilities | 93,206 | - |
| Other Expense - Debt discount amortization | (56,441) | - |
| Total Other Income | 189,176 | 158 |
| LOSS BEFORE PROVISION FOR INCOME TAXES | (943,965) | (470,667) |
| Provision for income Taxes | - | - |
| Net Loss | \$ (943,965) | \$ (470,667) |
| Net Loss per Common Share - Basic and Diluted | \$ (0.25) | \$ (0.08) |
| Weighted Average Number of Shares Outstanding | | |
| - Basic and Diluted | 3,835,875 | 3,116,865 |

The accompanying notes are an integral part of these financial statements

Sigma Labs, Inc. and Subsidiaries
Condensed Statements of Cash Flows
(Unaudited)

| | Three Months Ended | |
|--|---------------------------|---------------------|
| | 2017 | 2016 |
| OPERATING ACTIVITIES | | |
| Net Loss | \$ (943,965) | \$ (470,667) |
| Adjustments to reconcile Net Income (Loss) to Net Cash used in operating activities: | | |
| Noncash Expenses: | | |
| Amortization | 6,526 | 5,002 |
| Depreciation | 39,623 | 42,868 |
| Stock Compensation | 140,671 | 71,551 |
| Revaluation of derivative liability and debt discount related to notes payable | (93,206) | - |
| Note payable original issue discount | 24,658 | - |
| Note payable debt discount amortization | 56,441 | - |
| Change in assets and liabilities: | | |
| Accounts Receivable | 130,882 | (101,087) |
| Inventory | (13,732) | (74,057) |
| Prepaid Assets | 7,039 | 16,622 |
| Accounts Payable | 167,845 | 105,633 |
| Accrued Expenses | 36,665 | 11,107 |
| NET CASH USED IN OPERATING ACTIVITIES | <u>(440,553)</u> | <u>(393,028)</u> |
| INVESTING ACTIVITIES | | |
| Purchase of Furniture and Equipment | (33,000) | (25,430) |
| Purchase of Intangible Assets | (17,441) | (34,988) |
| Notes receivable | (500,000) | - |
| NET CASH USED IN INVESTING ACTIVITIES | <u>(550,441)</u> | <u>(60,418)</u> |
| FINANCING ACTIVITIES | | |
| Proceeds from issuance of common stock and warrants | 5,225,649 | - |
| NET CASH PROVIDED BY FINANCING ACTIVITIES | <u>5,225,649</u> | <u>-</u> |
| NET CASH DECREASE FOR PERIOD | 4,234,655 | (453,446) |
| CASH AT BEGINNING OF PERIOD | <u>398,391</u> | <u>1,539,809</u> |
| CASH AT END OF PERIOD | <u>\$ 4,633,046</u> | <u>\$ 1,086,363</u> |
| Supplemental Disclosure for Cash Flow Information: | | |
| Cash paid during the period for: | | |
| Interest | \$ <u>20,114</u> | \$ <u>-</u> |
| Income Taxes | \$ <u>-</u> | \$ <u>-</u> |
| Supplemental Schedule of Noncash Investing and Financing Activities: | | |
| Issuance of Common Stock for services | \$ <u>51,408</u> | \$ <u>-</u> |

The accompanying notes are an integral part of these financial statements

SIGMA LABS, INC.
NOTES TO UNAUDITED CONDENSED FINANCIAL STATEMENTS
March 31, 2017

NOTE 1 – Summary of Significant Accounting Policies

Nature of Business – On September 13, 2010 Sigma Labs, Inc., formerly named Framewaves, Inc., a Nevada corporation, acquired 100% of the shares of B6 Sigma, Inc. by exchanging 6.67 shares of Framewaves, Inc. restricted common stock for each issued and outstanding share of B6 Sigma, Inc. The acquisition has been accounted for as a “reverse purchase” and, accordingly, the operations of Framewaves, Inc. prior to the date of acquisition have been eliminated. Unless otherwise indicated or the context otherwise requires, the term “B6 Sigma” refers to B6 Sigma, Inc., a Delaware corporation, which, until the short-form merger referenced below, was our wholly-owned, operating company acquired in September 2010; the terms the “Company,” “Sigma,” “we,” “us” and “our” refer to Sigma Labs, Inc., together with B6 Sigma, Inc. Prior to December 29, 2015, we conducted substantially all of our operations through B6 Sigma. On December 29, 2015, we completed a short-form merger of B6 Sigma into Sigma. As a result, B6 Sigma became part of Sigma and no longer exists as a subsidiary.

B6 Sigma, Inc., incorporated February 5, 2010, was founded by a group of scientists, engineers and businessmen to develop and commercialize novel and unique manufacturing and materials technologies. The Company believes that some of these technologies will fundamentally redefine conventional quality assurance and process control practices by embedding them into the manufacturing processes in real time, enabling process intervention and ultimately leading to closed loop process control. The Company anticipates that its core technologies will allow its clientele to combine advanced manufacturing quality assurance and process control protocols with novel materials to achieve breakthrough product potential in many industries including aerospace, defense, oil and gas, bio-medical, and power generation.

Basis of Presentation – The accompanying financial statements have been prepared by the Company in accordance with Article 8 of U.S. Securities and Exchange Commission Regulation S-X. In the opinion of management, all adjustments (which include only normal recurring adjustments) necessary to present fairly the financial position, results of operations and cash flows at March 31, 2017 and 2016 and for the periods then ended have been made. Certain information and footnote disclosures normally included in financial statements prepared in accordance with U.S. generally accepted accounting principles have been condensed or omitted. The Company suggests these condensed financial statements be read in conjunction with the December 31, 2016 audited financial statements and notes thereto included in the Company’s Form 10-K. The results of operations for the periods ended March 31, 2017 and 2016 are not necessarily indicative of the operating results for the full year.

Reclassification – Certain amounts in prior-period financial statements have been reclassified for comparative purposes to conform to presentation in the current-period financial statements.

Loss Per Share – The computation of loss per share is based on the weighted average number of shares outstanding during the period in accordance with ASC Topic No. 260, “Earnings Per Share.”

Recently Enacted Accounting Standards – The FASB established the Accounting Standards Codification (“Codification” or “ASC”) as the source of authoritative accounting principles recognized by the FASB to be applied by nongovernmental entities in the preparation of financial statements in accordance with generally accepted accounting principles in the United States (“GAAP”). Rules and interpretive releases of the Securities and Exchange Commission (“SEC”) issued under authority of federal securities laws are also sources of GAAP for SEC registrants.

Recent Accounting Standards Updates (“ASU”) through ASU No. 2015-01 contain technical corrections to existing guidance or affects guidance to specialized industries or situations. The Company has evaluated recently issued technical pronouncements and has determined that these updates have no current applicability to the Company or their effect on the financial statements would not have been significant.

Accounting Estimates - The preparation of financial statements in conformity with generally accepted accounting principles in the United States requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities, the disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimated by management. Significant accounting estimates that may materially change in the near future are impairment of long-lived assets, values of stock compensation awards and stock equivalents granted as offering costs, and allowance for bad debts and inventory obsolescence.

NOTE 2 – Stockholders' Equity

Common Stock

Effective March 17, 2016, our Amended and Restated Articles of Incorporation were amended pursuant to a Certificate of Change Pursuant to Nevada Revised Statutes 78.209 (the "Certificate of Change") filed with the Nevada Secretary of State. The Certificate of Change provided for both a reverse stock split of the outstanding shares of our common stock on a 1-for-100 basis (the "Reverse Stock Split"), and a corresponding decrease in the number of shares of our common stock that we are authorized to issue (the "Share Decrease").

As a result of the Reverse Stock Split, the number of issued and outstanding shares of our common stock on March 17, 2016 decreased from 622,969,835 pre-Reverse Stock Split shares to 6,229,710 post-Reverse Stock Split shares (after adjustment for any fractional shares). Pursuant to the Share Decrease, the number of authorized shares of our common stock decreased from 750,000,000 to 7,500,000 shares of common stock. All amounts shown for common stock included in these financial statements are presented post-Reverse Stock Split.

On April 28, 2016, the Company's Amended and Restated Articles of Incorporation were amended to increase the number of authorized shares of the Company's common stock from 7,500,000 to 15,000,000 shares of common stock.

Effective February 15, 2017, our Amended and Restated Articles of Incorporation were amended pursuant to a Certificate of Change Pursuant to Nevada Revised Statutes 78.209 (the "Certificate of Change") filed with the Nevada Secretary of State. The Certificate of Change provided for both a reverse stock split of the outstanding shares of our common stock on a 1-for-2 basis (the "Reverse Stock Split"), and a corresponding decrease in the number of shares of our common stock that we are authorized to issue (the "Share Decrease").

As a result of the Reverse Stock Split, the number of issued and outstanding shares of our common stock on February 15, 2017 decreased from 6,307,577 pre-Reverse Stock Split shares to 3,153,801 post-Reverse Stock Split shares (after adjustment for any fractional shares). Pursuant to the Share Decrease, the number of authorized shares of our common stock decreased from 15,000,000 to 7,500,000 shares of common stock, \$0.001 par value per share. As of March 31, 2017, the Company had 7,500,000 shares of authorized common stock, \$0.001 par value per share.

In January, 2017, the Company issued 20,000 shares of common stock to two directors in equal amounts of 10,000 shares each, valued at \$1.72 per share, or \$34,404.

In February, 2017, the Company issued 5,232 shares of common stock to a director valued at \$3.25 per share, or \$17,004.

On February 14, 2017, The NASDAQ Stock Market LLC informed the Company that it had approved the listing of the Company's common stock The NASDAQ Capital Market, effective as of February 15, 2017. The Company's common stock ceased trading on the OTCQB on February 15, 2017, and on such date the common stock commenced trading on The NASDAQ Capital Market under the ticker symbol "SGLB".

As of March 31, 2017 and 2016, there were 4,570,199 and 3,133,789 shares of common stock issued and outstanding, respectively.

Preferred Stock

The Company is authorized to issue 10,000,000 shares of preferred stock, \$0.001 par value. No shares of preferred stock were issued and outstanding at March 31, 2017 and 2016.

Stock Options

During the quarter ended March 31, 2017, the Company granted a total of 123,750 options to an officer with an eighteen month vesting period. The weighted average period over which total the compensation cost of the options of \$278,314 (\$162,350 in 2017) will be recognized is 1.5 years. The weighted average exercise price of all outstanding options as of March 31, 2017 is \$4.00 and the weighted average fair value of the options on the grant dates was \$2.85. The estimated fair value of the options was determined using the Black-Scholes pricing model using the following assumptions:

| | |
|--------------------------|----------------|
| Expected term: | 1.5 - 10 years |
| Volatility: | 67.3 – 139.5% |
| Dividend yield: | 0.00% |
| Risk-free interest rate: | .79 - 2.32% |

Warrants

As of March 31, 2017, the Company had outstanding warrants to purchase a total of 80,000 shares of common stock at an exercise price of \$4.13 per share. If not exercised, the warrants to purchase the 80,000 shares will expire on October 17, 2019. In addition, as of March 31, 2017, the Company had outstanding warrants to purchase a total of 1,621,500 shares of common stock at an exercise price of \$4.00 per share. If not exercised, the warrants to purchase the 1,621,500 shares will expire on February 21, 2022. The 1,621,500 warrants trade on The NASDAQ Capital Market under the ticker symbol "SGLBW".

Unit Purchase Option

On February 15, 2017, Sigma Labs, Inc. (the "Company") entered into an underwriting agreement (the "Underwriting Agreement") with Dawson James Securities, Inc., as underwriter (the "Underwriter") in connection with a public offering (the "Offering") of the Company's securities. Pursuant to the Underwriting Agreement, the Company has granted the Underwriter the right to purchase from the Company 70,500 Units at an exercise price equal to 125% of the public offering price of the Units in the Offering, or \$5.1625 per Unit. The Unit Purchase Option has a term of five years and is not redeemable by us. A "Unit" is defined as of one share of the Company's common stock, par value \$0.001 per share and one warrant to purchase one share of the Company's common stock, par value \$0.001 per share, at an exercise price of \$4.00 per share.

NOTE 3 – Note Receivable

On March 27, 2017, the Company completed funding a loan in the principal amount of \$500,000 to Morf3D, Inc., an Illinois corporation, pursuant to a Secured Convertible Promissory Note dated March 27, 2017 delivered by Morf3D to the Company. The loan bears interest at the rate of 7% per annum, is due and payable in full on March 27, 2018, is secured by certain assets of Morf3D, and is convertible at the Company's option into 10% of the outstanding shares of the common stock of Morf3D unless Morf3D exercises its right under specified circumstances to repay all principal and accrued interest on the loan. The purpose of the loan is to provide working capital to Morf3D to, among other things, lease an EOS M 400 system for Morf3D for Morf3D to expand production for contracts related to AM of high-precision aerospace and defense components, in furtherance of our strategic alliance and in contemplation of a possible acquisition of or merger with Morf3D.

NOTE 4 – Notes Payable

Effective October 17, 2016, the Company entered into a Securities Purchase Agreement with two accredited investors (the "Investors") for the private placement by the Company of Secured Convertible Notes in the aggregate principal amount of \$1,000,000 (the "Notes") and warrants (the "Warrants") to purchase up to 80,000 shares (the "Warrant Shares") of the Company's common stock ("Common Stock") (subject to adjustment in certain circumstances), for aggregate gross proceeds, before expenses, to the Company of \$900,000 (the "Financing Transaction").

The Notes carry a one-time upfront interest charge of a total of \$100,000, which is being expensed to interest expense monthly over the 1-year term of the Notes and correspondingly increases in the Notes Payable balance each period. As of March 31, 2017, the Notes Payable balance is \$944,772. However, the effective Notes Payable balance is \$1 million since that is the amount we would have to pay in order to payoff the note anytime between now and the maturity date of October 17, 2017, in addition to accrued interest and a 15% pre-payment penalty.

The Notes carry an interest rate of 10% per annum, calculated on the basis of a 360-day year, based on the \$1 million Notes Payable effective balance. Such interest is payable every three months in cash, or, at the holder's option, in unrestricted shares of Common Stock, if a registration statement is then in effect for such shares of common stock.

In connection with the Financing Transaction, the Company entered into a Registration Rights Agreement, dated October 17, 2016, with the Investors (the "Registration Rights Agreement"), pursuant to which the Company agreed to file a registration statement related to the Financing Transaction with the Securities and Exchange Commission ("SEC") covering the resale of (i) the shares of Common Stock that will be issued to the Investors upon conversion of the Notes (the "Conversion Shares"), and (ii) the Warrant Shares that will be issued to the Investors upon exercise of the Warrants.

The Notes are secured by the assets of the Company pursuant to a Security Agreement, dated October 17, 2016, between the Company and the "collateral agent" (as defined in the Notes) for the benefit of itself and each of the Investors.

The Notes are convertible into shares of Common Stock at a conversion price equal to the lesser of (i) the final unit price of the Company's proposed public offering initially filed with the SEC on July 28, 2016, and (ii) 150% of the closing price of the Common Stock as reported by the OTC Markets Group, Inc. on the date of issuance of the Notes (subject to adjustment as provided therein). As such, as of March 31, 2017, the conversion price of the Notes was \$4.13, which is the final unit price of the Company's public offering.

Each Warrant has an exercise price equal to the lesser of (i) the final unit price of the Company's proposed public offering initially filed with the SEC on July 28, 2016, and (ii) 150% of the closing price of the Common Stock as reported by the OTC Markets Group, Inc. on the date of issuance of the Warrants (subject to adjustment as provided therein), which Warrants may be exercised on a cashless basis as provided in the Warrants. As such, as of March 31, 2017, the exercise price of the Warrants was \$4.13, which is the final unit price of the Company's public offering.

NOTE 5 - Continuing Operations

The Company has sustained losses and has negative cash flows from operating activities since its inception. However, the Company has raised significant equity capital and is currently developing new product lines to increase future revenues. On February 21, 2017, the Company closed an underwritten public offering of equity securities resulting in net proceeds of approximately \$5.25 million, after deducting underwriting discounts and commissions and other offering expenses payable by the Company. As such, the Company believes it has adequate working capital and cash to fund operations through 2017.

NOTE 6 – Loss Per Share

The following data show the amounts used in computing loss per share and the weighted average number of shares of dilutive potential common stock for the periods ended March 31, 2017 and 2016:

| | <u>Three Months Ending</u> | |
|---|----------------------------|-----------------------|
| | <u>March 31, 2017</u> | <u>March 31, 2016</u> |
| Loss from continuing Operations available to Common stockholders (numerator) | \$ <u>(943,965)</u> | \$ <u>(470,667)</u> |
| Weighted average number of common shares Outstanding used in loss per share during the Period (denominator) | <u>3,835,875</u> | <u>3,116,865</u> |

Dilutive loss per share was not presented as the Company had no common equivalent shares for all periods presented that would affect the computation of diluted loss per share or its effect is anti-dilutive.

NOTE 7 – Subsequent Events

On May 1, 2017, the Company completed funding a loan in the principal amount of \$250,000 to Jaguar Precision Machine, LLC, a New Mexico limited liability company, pursuant to a Secured Convertible Promissory Note dated May 1, 2017 delivered by Jaguar to the Company. The loan bears interest at the rate of 7% per annum, is due and payable in full on May 1, 2018, is secured by certain assets of Jaguar, and is convertible at the Company's option into 10% of the outstanding shares of the common stock of Jaguar unless Jaguar exercises its right under specified circumstances to repay all principal and accrued interest on the loan. The purpose of the loan is to provide working capital to Jaguar to, among other things, stand up a metallurgical laboratory and become ASM9100 certified for contracts related to AM of high-precision aerospace and defense components, in furtherance of our strategic alliance. Sigma will receive from Jaguar priority for use of certain machines and services of Jaguar.

On April 19, 2017, the Company granted a stock option to an officer to purchase up to of 20,000 shares of common stock, at an exercise price equal to \$3.27 per share, which was the closing market price of our common stock on April 19, 2017 (i.e., the date of grant), which option is subject to vesting.



ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

Forward-looking statements

This Quarterly Report, including any documents which may be incorporated by reference into this Report, contains "Forward-Looking Statements." All statements other than statements of historical fact are "Forward-Looking Statements" for purposes of these provisions, including any projections of revenue or other financial items, any statements of the plans and objectives of management for future operations, any statements concerning proposed new products or services, any statements regarding future economic conditions or performance, and any statements of assumptions underlying any of the foregoing. All Forward-Looking Statements included in this document are made as of the date hereof and are based on information available to us as of such date. We assume no obligation to update any Forward-Looking Statement. In some cases, Forward-Looking Statements can be identified by the use of terminology such as "may," "will," "expects," "plans," "anticipates," "intends," "believes," "estimates," "potential," or "continue," or the negative thereof or other comparable terminology. Although we believe that the expectations reflected in the Forward-Looking Statements contained herein are reasonable, there can be no assurance that such expectations or any of the Forward-Looking Statements will prove to be correct, and actual results could differ materially from those projected or assumed in the Forward-Looking Statements. Future financial condition and results of operations, as well as any Forward-Looking Statements are subject to inherent risks and uncertainties, including any other factors referred to in our press releases and reports filed with the Securities and Exchange Commission ("SEC"). All subsequent Forward-Looking Statements attributable to the Company or persons acting on its behalf are expressly qualified in their entirety by these cautionary statements. Additional factors that may have a direct bearing on our operating results are described under the caption "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2016 and elsewhere in this report.

Overview

Sigma Labs, Inc. (the "Company," "we," "us," or "Sigma") is a software company that has developed quality assurance software known as PrintRite3D®, which Sigma believes solves some of the major problems that have prevented large-scale metal part production using 3D printers...real-time computer-aided inspection ("CAI"). GE Aviation, for example, has stated that it plans to commit \$3.5 billion by 2020 to, among other things, build a metal 3D production facility for its Leap engine and other engines to produce the applicable 3D printed parts. However, without companies like GE Aviation effectively being able to check each part for shape, density, strength and consistency real-time during the manufacturing process, we believe that such companies will not be able to adequately address the major problems currently preventing large-scale metal 3D production. We believe that our software, which is positioned "inside" the 3D metal printer, solves these problems by assuring each part is being made to the specifications of the computer file as it is being made. We enable 3D prototyping to become 3D manufacturing. Instead of performing quality assurance ("QA") post production, our PrintRite3D® software could fundamentally redefine conventional QA by embedding quality assurance and process control into the manufacturing process in real time. We have filed patent applications directed to our In-Process Quality Assurance™ ("IPQA®") procedure for advanced manufacturing. In addition, we anticipate that our core PrintRite3D® software will enable our customers to combine their advanced manufacturing technologies with our 3D manufacturing QA to achieve both cost savings and stronger parts. Vertical markets that we believe would benefit from our technology and software include aerospace, defense, bio-medical, power generation, and oil & gas industries. We provide our software products to customers in the form of Software as a Service ("SaaS").

About 3D Printing

3D printing ("3DP") or additive manufacturing ("AM") is changing the world by going directly from computer graphics to real parts. 3D printing has been applied to the manufacture of plastic parts for several years. 3D manufacturing of metal parts involves directing a laser or other energy source at a layer of powdered metal and melting it. These layers become melted together from the bottom up. Revenues attributable to 3D manufacturing for metal products were \$88.1 million in 2015 (Wohlers Report 2016, 3D Printing and Additive Manufacturing State of the Industry – Annual Worldwide Progress Report).

The application of 3D printing to high-tolerance, precision manufactured metal parts has only recently emerged. 3D printing of metal parts today represents only a minor percentage of all 3D manufacturing. However, we believe the greatest future growth for 3D printing appears to be in metal parts given the interest and investment being made by Fortune 100 companies, Federal government laboratories and agencies as well as university-based institutions. Emphasis from these high-end manufacturers and technology leaders is strongly focused on quality and precision manufacturing for high-tolerance parts. We believe the on-going success of 3D printing for metal parts will be highly dependent upon the quality assurance procedure used such as our PrintRite3D® methodology.

About Quality Assurance in 3D Printing

Current methods for providing quality are cost prohibitive because approximately 25% of parts produced by 3D printing need to be destroyed in the post-production quality control process. Additional costs are incurred by using non-traditional x-ray scanning technology on these parts. We offer our clients the ability to use real-time sensors to track each layer, and our software continuously analyzes the part so that when it is finished we know if it is production quality. We believe our PrintRite3D® software could reduce inspection costs by a factor of 10 and development time for new parts by 50% or more.

By using PrintRite3D® software, a high-precision manufacturer would have the ability to offer its customers, on an exclusive basis, product guarantees and assurances that its product was produced in compliance with stringent quality requirements. Initial orders have been received from GE Aviation, Honeywell Aerospace, Aerojet Rocketdyne, Woodward, Siemens Pratt and Whitney, and Solar Turbines.

We believe there is potential for our PrintRite3D® software to be incorporated into a majority of 3D metal printing devices made by companies like Electro-Optical Systems (“EOS”), Additive Industries, Concept Lasers, Trumpf Lasers, Renishaw, Sentrol, Farsoon and others.

Sigma’s Cloud-Based IIoT Solutions

The process of making a 3D printed part could start with our customers loading a computer aided design (“CAD”) model of the part into the Cloud shown in “A” in Figure 1. Next, computer aided engineering (“CAE”) and/or computer aided manufacturing (“CAM”) instructions are sent to the 3D printer (see “B”, as shown in Figure 1). Metal powder in the machine is then deposited onto the build platform where a laser beam, or other energy source, focused onto the build platform melts each successive layer of powder in 20-50 micron increments. Our CAI sensors (see “C” in Figure 1) detect, record, analyze and compare the part as it is being made layer-by-layer against the CAD/CAM specifications and physical reference points for quality assurance during the manufacturing. Our software certifies the shape, strength, and internal density of each part, which eliminates the need to: (1) destroy a large percentage of the parts during process validation and in post-production quality assurance; and (2) retain all of the metal as opposed to cutting pieces and wasting metal.

Our PrintRite3D® CAI web-based software (see “D” in Figure 1) is being designed to reside in the Cloud (see “A” in Figure 1) of the Industrial Internet of Things (“IIoT”). We enable manufacturing engineers to assure the part quality layer-by-layer, provide for manufacturing statistical process control and harvest, aggregate, and analyze Big Data from the manufacturing real-time data collected from our PrintRite3D® SENSORPAK™ (see “C” in Figure 1), as well as post-process manufacturing data collected by our customers (see “E” in Figure 1).

Our specialized sensor suite (see “C” in Figure 1), known as PrintRite3D® SENSORPAK™, is an IIoT-enabled computing device. It contains the modular hardware and software necessary to connect to “cyber-physical” objects (see “B” in Figure 1) living on the manufacturing floor. It allows for bi-directional information flow between the manufacturing floor and the Cloud (see “A” in Figure 1). It starts a million-fold data reduction that finishes with our PrintRite3D® CAI software, which provides customers with product guarantees and assurances that parts were produced in compliance with stringent quality standards. It can collect, analyze, aggregate, filter, and then further communicate data from the manufacturing floor to the Cloud (see “A” in Figure 1) and enable links to other areas (see “F” in Figure 1) of the IIoT.

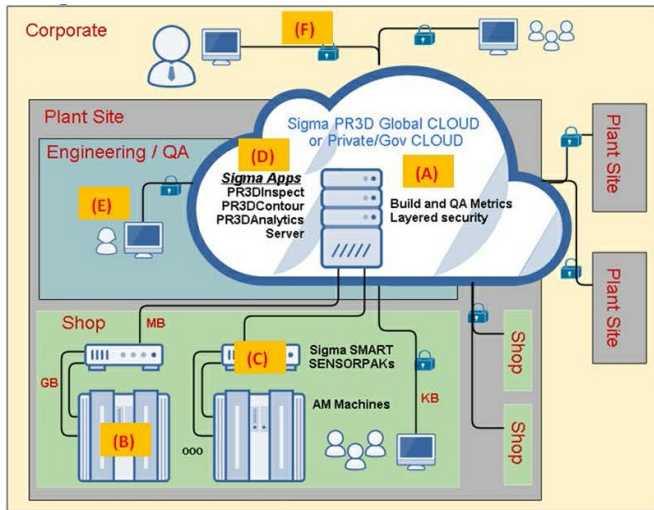


Figure 1. Sigma's Industrial IoT / PrintRite3D® Cloud Architecture

Business Activities and Industry Applications

Our principal business activities include the continued development and commercialization of our PrintRite3D® suite of software applications, with our main focus currently on the 3DP and the AM industry as well as making operational the contract additive manufacturing business for metal 3DP. Our strategy is to continue to leverage our advanced manufacturing knowledge, experience and capabilities through the following means:

- Identify, develop and commercialize our quality assurance software Apps for advanced manufacturing technologies designed to assure part quality in real time as the part is being made and improve process control practices for a variety of industries;
- Provide manufacturing process engineering consulting services in respect of our PrintRite3D® CAI quality assurance software Apps for advanced manufacturing to customers that have needs in developing next-generation technologies for advanced manufacturing technologies; and
- Build and run a contract manufacturing division for metal 3DP beginning with our EOS M290 state-of-the-art metal printer.

We are presently engaged in the following industry sectors:

- Aerospace and defense manufacturing; and
- Energy and power generation.

We also seek to be engaged in the following industry sectors and have begun to develop relationships with leading manufacturers in each such sector:

- Bio-medical manufacturing;
- Automotive manufacturing; and
- Other markets such as firearms and recreational equipment.

We generate revenues through PrintRite3D® hardware and sensor sales and CAI software licensing of our PrintRite3D® technology to customers that seek to improve their manufacturing production processes, and through ongoing annual software upgrades and maintenance fees. Additionally, we generate revenues from our contract manufacturing activities in metal AM. By running a contract AM services operation, we are able to understand the current needs of our customers and where they are going with their next-generation product development efforts. Contract AM further allows us a means for continuing/self-funding our IPQA®-enabled R&D and product development activities for PrintRite3D® CAI software. We provide our AM contract manufacturing services to customers in the form of Quality as a Service (“QaaS”). Starting with our PrintRite3D® cloud-based SaaS model, customers will contract with us for CAE, CAM and CAI services to generate and establish a digital quality record (“DQR”) for AM built parts. Each DQR is cloud-based and allows for archiving and storage of quality data, access to our big data ANALYTICS™ software App for continuous quality monitoring and improvement, and automatic industry benchmarking while maintaining firewalls between company-specific data.

In late 2015, we launched two programs— an Early Adopter Program (“EAP”) and an Original Equipment Manufacturer (“OEM”) Partner Program— designed to broaden our market presence and speed adoption of our PrintRite3D® technology. The EAP was designed to attract end user customers who have an existing, installed base of 3D metal printers and to offer them incentivized pricing in return for feedback on initial and beta releases of our PrintRite3D® software Apps. Our OEM Partner Program was specifically designed for AM machine manufacturers seeking to embed our PrintRite3D® quality assurance software Apps directly into their machines for customers purchasing a turnkey solution for their new AM machine purchases.

We possess the resident expertise to provide manufacturing materials and process (“M&P”) engineering services and support to companies using our PrintRite3D® software Apps for metal AM. Accordingly, in addition to our primary business focus, we intend to generate revenues by providing such manufacturing engineering services and support to businesses licensing our PrintRite3D® software Apps.

Additionally, our President and Chief Executive Officer has worked at or with the Edison Welding Institute, the United States Department of Energy (“DOE”) national laboratories (including the Knolls Atomic Power Laboratory, Bettis Atomic Power Laboratory, Los Alamos National Laboratory and Sandia National Laboratory) over the last 32 years. Due to his work with the DOE, our President and Chief Executive Officer has developed extensive relationships with the DOE and its network of national laboratories. Accordingly, we expect to leverage these relationships in connection with licensing and developing technologies created at such national laboratories for commercialization in the private sector.

Corporate Information

Our principal executive offices are located at 3900 Paseo del Sol, Santa Fe, New Mexico 87507, and our current telephone number at that address is (505) 438-2576. Our website address is www.sigmalabsinc.com. The Company’s annual reports, quarterly reports, current reports on Form 8-K and amendments to such reports filed or furnished pursuant to section 13(a) or 15(d) of the Exchange Act, and other information related to the Company, are available, free of charge, on that website as soon as we electronically file those documents with, or otherwise furnish them to, the SEC. The Company’s website and the information contained therein, or connected thereto, are not and are not intended to be incorporated into this Quarterly Report on Form 10-Q.

We incorporated as Messidor Limited in Nevada on December 23, 1985 and changed our name to Framewaves Inc. in 2001. On September 27, 2010, we changed our name from Framewaves Inc. to Sigma Labs, Inc.

Recent Developments (in reverse chronological order)

On May 9, 2017, we announced the unveiling of our PrintRite3D® INSPECT™ V.2.0 quality assurance software at RAPID + TCT 2017 (www.rapid3devent.com), North America’s preeminent event for discovery, innovation, and networking in 3D manufacturing. The Company exhibited at Rapid + TCT 2017, from May 9-11, 2017.

On April 18, 2017, we announced the receipt of a contract from Solar Turbines, Incorporated, a subsidiary of Caterpillar Inc. (NYSE: CAT) Solar Turbines will implement our In-Process Quality Assurance™ (IPQA®) technology for the production of gas turbine components using metal additive manufacturing (“AM”). The division makes mid-size industrial turbines for use in electric power generation, gas compression, and pumping systems. We plan to initially install our PrintRite3D® software on a 3D Systems’ ProX300 machine, with the potential for multiple system orders as the company ramps up to full serial production.

On April 5, 2017, we announced the release of our OEM Developer's Kit for PrintRite3D® INSPECT™ quality assurance software version 2.0. The Company has placed its alpha version with a European OEM partner for testing, evaluation and incorporation into its additive manufacturing 3D printers. The Developer's Kit allows an OEM to seamlessly and quickly embed PrintRite3D® technology directly into their OEM solutions allowing for rapid entry of their products into the marketplace.

On March 29, 2017, we announced that we entered into a long-term non-exclusive commercial agreement with Additive Industries B.V. of The Netherlands. As part of the multi-year agreement, which we believe could generate several million dollars over the next few years, Additive Industries will join our previously-announced OEM Partner Program – embedding and reselling our PrintRite3D® software within our AM equipment.

In March 2017, we entered into a non-binding LOI with Morf3D to commence negotiations on a mutually acceptable M&A Agreement with respect to a proposed merger with Morf3D. It is anticipated that this transaction, if consummated, would help the Company achieve its goal of becoming a fully integrated business able to charge for materials selection, design and manufacturing and in-process quality assurance. It is further the goal that the combined entity would emerge as a fully integrated additive manufacturing company poised to serve the aerospace and defense industry, which is rapidly transitioning to 3D metal additive manufacturing and which could provide the kind of cost savings required to meet the \$56 billion increase slated for the defense industry 2017 budget. The closing of the transaction is subject to definitive documentation and closing conditions, some of which are beyond the Company's control.

On March 27, 2017, we completed funding a loan in the principal amount of \$500,000 to Morf3D pursuant to a Secured Convertible Promissory Note dated March 27, 2017 delivered by Morf3D to us. The loan bears interest at the rate of 7% per annum, is due and payable in full on March 27, 2018, is secured by certain assets of Morf3D, and is convertible at our option into 10% of the outstanding shares of the common stock of Morf3D unless Morf3D exercises its right under specified circumstances to repay all principal and accrued interest on the loan. The purpose of the loan is to provide working capital to Morf3D to, among other things, lease an EOS M 400 system for Morf3D for Morf3D to expand production for contracts related to AM of high-precision aerospace & defense components, in furtherance of our strategic alliance and in contemplation of a possible acquisition of or merger with Morf3D.

On March 15, 2017, we announced that we signed a strategic alliance with Jaguar Precision Machine, LLC ("Jaguar") to expand our suite of integrated, advanced manufacturing services recently strengthened by the strategic alliance with Morf3D. The addition of Jaguar allows Sigma Labs to provide end-to-end 3D advanced component manufacturing capabilities, including: computer aided design (CAD); engineering (CAE); manufacturing (CAM); and inspection (CAI). Jaguar is a precision prototype machining facility located in Albuquerque, NM. Leveraging our 3D printing capability and PrintRite3D® quality assurance software, Jaguar will be able to provide increased production rates while ensuring consistent part quality. The two companies will also work together to manufacture 3D printed parts requiring exacting precision to demanding specifications, which could lead to contracts in 2017. On May 1, 2017, we completed funding a loan in the principal amount of \$250,000 to Jaguar to provide working capital to Jaguar to, among other things, stand up a metallurgical laboratory and become ASM9100 certified for contracts related to AM of high-precision aerospace and defense components, in furtherance of our strategic alliance. Sigma will receive from Jaguar priority for use of certain machines and services of Jaguar.

On March 2, 2017 we announced that we received a contract from Aerojet Rocketdyne, a subsidiary of Aerojet Rocketdyne Holdings, Inc. (NYSE:AJRD), as a follow-on to last year's award tied to a U.S. Air Force propulsion initiative. As previously announced in March, 2016, our technology is being evaluated by Aerojet Rocketdyne for its contract with the Air Force for liquid-fueled rocket engine applications – part of a plan to transition away from the Russian-made RD-180 engines currently used on the Atlas V launch vehicle.

On February 22, 2017, we announced the signing of a strategic alliance with Morf3D to bring enhanced solutions for additive manufacturing ("AM") to the aerospace and defense ("A&D") sector. Morf3D, based in El Segundo, California, is an AM product developer specializing in high-level consulting and manufacturing services including conceptualization, optimization, metallurgical examination, certification and data analysis. Leveraging Sigma Labs' PrintRite3D® quality assurance software, Morf3D will be able to provide a means for customers to increase AM production rates while ensuring consistent part quality. The two companies will also work together to manufacture certain 3D printed parts going forward; contracts already in hand are expected to translate into substantial revenue for Sigma in 2017.

On February 21, 2017, we closed an underwritten public offering of 1,410,000 units, with each unit consisting of one share of our common stock and one warrant to purchase one share of common stock. The underwriter exercised the over-allotment option covering additional warrants to purchase up to 211,500 additional shares of common stock. Gross proceeds to us from the offering, including the exercise of the over-allotment option, were approximately \$5.8 million, before deducting underwriting discounts and commissions and other offering expenses payable by us.

On January 26, 2017, we announced that we signed a commercial agreement with Pratt & Whitney, a unit of United Technologies Corp., for our PrintRite3D® software along with participation by Pratt & Whitney in our Early Adopter Program.

On January 19, 2017, we announced that we entered into a long term non-exclusive commercial agreement with a leading European provider of cutting-edge products for additive manufacturing to join our previously-announced OEM Partner Program. Under the multi-year agreement – which we believe could generate up to \$6 million over its duration – this undisclosed OEM will embed and resell Sigma's PrintRite3D® software within its AM equipment.

Critical Accounting Policies

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts in the accompanying consolidated financial statements and related notes. These estimates and assumptions have a significant impact on our consolidated financial statements. Actual results could differ materially from those estimates. Critical accounting policies are those that require the most subjective and complex judgments, often employing the use of estimates about the effect of matters that are inherently uncertain. Our significant accounting policies are disclosed in Note 1 to the Consolidated Financial Statements included in our Annual Report Dated December 31, 2016. However, we do not believe that there are any alternative methods of accounting for our operations that would have a material effect on our financial statements.

Results of Operations

We expect to generate revenue primarily by selling and licensing our manufacturing and materials technologies to businesses that seek to improve their manufacturing production processes and/or manipulate and improve the most functional characteristics of the materials and other input components used in their business operations. We also expect to generate revenues through contract AM manufacturing using our in-house metal 3D printing capability. However, we presently make limited sales of these technologies and services, which include limited sales of non-exclusive licenses to use our PrintRite3D® technologies, including under our recently established Early Adopter Program and OEM Partner Program, as described above. Our ability to generate revenues in the future will depend on our ability to further commercialize and increase market presence of our PrintRite3D® technologies.

During the three months ended March 31, 2017, we recognized revenue of \$150,203, as compared to \$358,455 in revenue recognized during the same period in 2016. The decrease in revenue was primarily due to the completion of the GEA America Makes Program in 2016, providing three months of revenue in 2016 but no revenue in 2017, and the completion of the DARPA Phase II project in 2016, providing three months of revenue in 2016 but no revenue in 2017. We generated revenues and financed our operations during the three months ended March 31, 2017 and 2016 primarily from PrintRite3D® system sales as well engineering consulting services we provided to third parties during these periods and through sales of our common stock and debt securities. We expect that our revenue will increase in future periods as we seek to further commercialize and expand our market presence for our PrintRite3D®-related technologies, and obtain new contract manufacturing orders in connection with our EOS M290 metal printer, as well as further perform on our engineering consulting contracts for the Aerojet Rocketdyne USAF Booster Propulsion program and Honeywell Aerospace for the DARPA Period 3. Our cost of service revenue for the three months ended March 31, 2017 was \$74,534 as compared to \$107,582 for the same period in 2016.

Our general and administrative expenses for the three months ended March 31, 2017, were \$643,795, as compared to \$395,488 for the same period in 2016. Our payroll expenses for the three months ended March 31, 2017 were \$290,188, as compared to \$215,589 for the same period in 2016. Our expenses relating to stock-based compensation for the three months ended March 31, 2017 were \$139,632 as compared to \$77,551 for the same period in 2016. Our research and development expenses for the three months ended March 31, 2017 were \$135,195 as compared to \$39,071 for the same period in 2016.

General and administrative expenses principally include operating expenses and outside service fees, the largest component of which consists of services in connection with our obligations as an SEC reporting company, in addition to other legal, accounting, marketing and investor relations fees. The net increase in general and administrative expenses for the three months ended March 31, 2017 as compared to the same period in 2016 is principally the result of increased fees relating to our February 2017 public offering that resulted in net proceeds of approximately \$5,250,000, along with our continued development of our IPQA®-enabled PrintRite3D® technologies and our related efforts to expand our services. The net increase in payroll expenses for the three months ended March 31, 2017 as compared to the same period in 2016 is principally the result of our hiring of additional software development staff to assist in acceleration of our IPQA®-enabled PrintRite3D® technologies since March 2016. The net increase in research and development expenses for the three months ended March 31, 2017 as compared to the same period in 2016 is principally the result of the continued development and improvements of our software and technology. The net increase in stock-based compensation costs is due to the fact that the majority of stock options were granted after March 31, 2016, thus more stock option vesting occurred in the first quarter of 2017 than the same period in 2016.

As a result of our increased operating activities, including as we seek further commercialization of our IPQA®-enabled PrintRite3D® technologies, and our increased marketing and sales efforts associated with such technologies, including with respect to our EAP and OEM Partner Program, and our contract manufacturing activities, our general and administrative expenses in the future are expected to continue to increase. Similarly, we anticipate that our payroll and non-cash compensation expenses will continue to increase as we engage more employees and other service providers to support our efforts to grow our business.

Our net loss for the three months ended March 31, 2017 increased over the prior year and totaled \$943,965 as compared to \$470,667 for the same period in 2016. Our revenue decreased and we experienced a larger net increase in expenses as noted above.

Liquidity and Capital Resources

As of March 31, 2017, we had \$4,633,046 in cash and had a working capital surplus of \$4,133,817, as compared with \$398,391 in cash and a working capital surplus of \$110,799 as of March 31, 2016.

On February 21, 2017, the Company closed an underwritten public offering of equity securities resulting in net proceeds of approximately \$5,250,000, after deducting underwriting discounts and commissions and other offering expenses payable by the Company.

We expect to generate revenue primarily by licensing our manufacturing and materials technologies to businesses that seek to improve their manufacturing production processes and/or manipulate and improve the most functional characteristics of the materials and other input components used in their business operations. We also expect to generate revenues by providing contract AM services using our EOS M290 metal AM system. However, for the period from our inception through March 31, 2017, we generated revenue and financed our operations primarily from PrintRite3D®-enabled engineering consulting services we provided during this period and through private sales of Sigma common stock and debt securities. During the remainder of 2017, we expect to further ramp up our operations and our commercialization and marketing efforts, which will increase the amount of cash we will use in our operations.

We expect that our continued development of our IPQA®-enabled PrintRite3D® technology will enable us to further commercialize this technology for the AM metal market in the remainder of 2017. However, until commercialization of our full suite of PrintRite3D® technologies, we plan to continue funding our development activities and operating expenses by licensing our PrintRite3D® systems and supporting field services, as applicable, and providing PrintRite3D®-enabled engineering consulting services concerning our areas of expertise (materials and manufacturing quality assurance and process control technologies) and contract manufacturing for metal AM, and through the use of proceeds from sales of our securities.

Cash used in operating activities during the three months ended March 31, 2017 increased to \$440,553 from \$393,028 during the same period in 2016, primarily due to increases in general and administrative expenses as noted above, which were offset by the net effect of changes in accounts payable, accrued expenses and accounts receivable during the quarters. Also, there was a larger net loss during the three months ended March 31, 2017 offset by more non-cash expenses during the quarter, as compared to the same period in 2016. The Company anticipates less loss during the remainder of 2017 due to an expected increase in revenue, offset by an increase in salaries and related expenses in connection with our additional employees and potential acquisitions. Cash used in investing activities increased during the three months ended March 31, 2017 to \$550,441, as compared to \$60,418 during the same period in 2016, due primarily to the increase in notes receivables related to our loan to Morf3D in conjunction with our strategic alliance. Purchases during the remainder of 2017 are not expected to increase dramatically during 2017. Cash flows provided by financing activities during the three months ended March 31, 2017 increased to \$5,225,649 from \$0 during the same period in 2016 due to our February 2017 public offering. There were no cash flows used or provided by financing activities in 2016.

Some of our engineering consulting contracts, including the contracts from Honeywell Aerospace, Bendix King, Siemens, EOS, Solar Turbines, Pratt & Whitney and Aerojet Rocketdyne, are fixed-price contracts, for which we will receive a specified fee regardless of our cost to perform under such contract. In connection with entering into these fixed-contract consulting arrangements, we are required to estimate our costs of performance. To actually earn a profit on these contracts, we must accurately estimate costs involved and assess the probability of meeting the specified objectives, realizing the expected units of work or completing individual transactions, within the contracted time period. Accordingly, if we under-estimate the cost to complete a contract, we remain obligated to complete the work based on our initial cost estimate, which would reduce the amount of profit actually earned under the contract.

We do not have any material commitments for capital expenditures during the next twelve months. Based on the funds we have as of May 15, 2017, and the proceeds we expect to receive under our PrintRite3D®-enabled engineering consulting agreements, from selling or licensing our PrintRite3D® systems and software, sales of contract AM manufacturing for metal AM parts, and from sales of our securities, we believe that we will have sufficient funds to pay our administrative and other operating expenses through 2017. Until we are able to generate significant revenues and royalties from selling or licensing our PrintRite3D®-enabled technologies and our contract AM manufacturing services, our ability to continue to fund our liquidity and working capital needs will be dependent upon revenues from existing and future PrintRite3D®-enabled engineering consulting contracts, strategic partnerships, contract manufacturing orders in connection with our EOS M290 metal printer, and proceeds received from sales of our securities. Accordingly, we will have to obtain additional capital from the sale of additional securities or by borrowing funds from lenders to fulfill our business plans. If we issue additional equity or debt securities, stockholders may experience additional dilution or the new equity securities may have rights, preferences or privileges senior to those of existing holders of our common stock. There is no assurance that we will be successful in obtaining additional financing. Such financing, if in the form of equity, may be highly dilutive to our existing stockholders and may otherwise include onerous terms. Such financing, if in the form of debt, may include debt covenants and repayment obligations that are onerous and that adversely affect our business operations. If adequate funds are not available to us, we may be required to delay, limit or terminate our business operations. If we fail to obtain sufficient funding when needed, we may be forced to delay, scale back or eliminate all or a portion of our commercialization efforts and operations.

Inflation and changing prices have had no effect on our continuing operations over our two most recent fiscal years.

We have no off-balance sheet arrangements as defined in Item 303(a) of Regulation S-K.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

Not applicable.

ITEM 4. CONTROLS AND PROCEDURES.

Rule 13a-15(e) under the Exchange Act defines the term “disclosure controls and procedures” as those controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC rules and forms and that such information is accumulated and communicated to the company’s management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

Based upon an evaluation of the effectiveness of our disclosure controls and procedures performed by our management, with the participation of our President and Chief Executive Officer, and Principal Financial and Accounting Officer, as of the end of the period covered by this annual report, our management concluded that our disclosure controls and procedures are effective at a reasonable assurance level in ensuring that information required to be disclosed by us in our reports is recorded, processed, summarized and reported within the required time periods. In addition, no change in our internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) occurred during the quarter ended March 31, 2017 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

**PART II
OTHER INFORMATION**

ITEM 1. LEGAL PROCEEDINGS.

Not applicable.

ITEM 1A. RISK FACTORS.

Not applicable.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS.

None

ITEM 3. DEFAULTS UPON SENIOR SECURITIES.

Not applicable.

ITEM 4. MINE SAFETY DISCLOSURES.

Not applicable.

ITEM 5. OTHER INFORMATION.

The Company previously reported that it would hold its annual meeting of shareholders on June 7, 2017. However, the Company has postponed such meeting and is in the process of determining a new date on which to hold the meeting.

ITEM 6. EXHIBITS.

- 3.1 Certificate of Change Pursuant to NRS 78.209 (filed as Exhibit 3.2 to the Company's Current Report on Form 8-K filed February 21, 2017, and incorporated herein by reference).
- 3.2 Certificate of Designation of Rights, Preference and Privileges of Series A Convertible Preferred Stock (filed as Exhibit 3.1 to the Company's Current Report on Form 8-K filed February 21, 2017, and incorporated herein by reference).
- 3.3 Amended and Restated Bylaws of the Company (filed as Exhibit 3.3 to the Company's Current Report on Form 8-K filed February 21, 2017, and incorporated herein by reference).
- 4.1 Warrant Agency Agreement, dated as of February 15, 2017, between the Company and Interwest Transfer Co., Inc. (filed as Exhibit 4.1 to the Company's Current Report on Form 8-K filed February 21, 2017, and incorporated herein by reference).
- 4.2 Form of Warrant Certificate (filed as Exhibit 4.2 to the Company's Current Report on Form 8-K filed February 21, 2017, and incorporated herein by reference).
- 4.3 Form of Unit Purchase Option (filed as Exhibit 4.3 to the Company's Current Report on Form 8-K filed February 21, 2017, and incorporated herein by reference).
- 10.1 Employment Agreement entered into on February 16, 2017 between the Company and Mark J. Cola (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed February 21, 2017 and incorporated herein by reference).*
- 10.2 Amendment to Sigma Labs, Inc. 2013 Equity Incentive Plan (filed as Exhibit 10.10 to the Company's Form 10-K filed on March 31, 2017, for the fiscal year ended December 31, 2016 and incorporated herein by reference).*
- 10.3 Secured Convertible Promissory Note dated March 27, 2017 issued by Morf3D.**
- 31.1 Rule 13a-14(a) Certification of Principal Executive Officer, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.**
- 31.2 Rule 13a-14(a) Certification of Principal Financial Officer, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.**
- 32.1 Certification of Principal Executive Officer and Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.**
- 101.INS XBRL Instance Document.**
- 101.SCH XBRL Schema Document.**
- 101.CAL XBRL Calculation Linkbase Document.**
- 101.DEF XBRL Definition Linkbase Document.**
- 101.LAB XBRL Labels Linkbase Document.**
- 101.PRE XBRL Presentation Linkbase Document.**

* Indicates a management contract or compensatory plan or arrangement.

** Filed herewith.

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.

SIGMA LABS, INC.

May 15, 2017

By: /s/ Mark J. Cola
Mark J. Cola
President and Chief Executive Officer (Principal Executive Officer)

May 15, 2017

By: /s/ Murray Williams
Murray Williams
Chief Financial Officer and Treasurer (Principal Financial and Accounting Officer)

MORF3D, INC.

SECURED CONVERTIBLE PROMISSORY NOTE

\$500,000.00

Los Angeles, California
March 27, 2017

WHEREAS, on March 13, 2017, Sigma Labs, Inc., a Nevada corporation (the "Holder") loaned to Morf3D, Inc., an Illinois corporation (the "Company"), \$150,000 (the "Original Loan") pursuant to a Secured Promissory Note (the "Original Note");

WHEREAS, the Original Loan was made in contemplation of a possible transaction or transactions in which the Holder would make an additional loan to the Company and, thereafter possibly acquire or merge with the Company (a "Possible Combination");

WHEREAS, the Holder is now willing to loan an additional \$350,000 (the "Additional Loan") to the Company and the Company is willing to accept this additional loan, in contemplation of the Possible Combination; and

WHEREAS, the Holder and the Company agree that the Original Note is hereby cancelled, of no further force and effect, and a copy of the Original Note shall be returned to the Company marked "cancelled", and that the outstanding principal amount of the Original Loan, all unpaid interest and other amounts due, along with the Additional Loan are hereby represented by this Secured Convertible Promissory Note (this "Note") in the aggregate principal amount of \$500,000.00.

1. Principal and Interest. The Company, for value received, hereby promises to pay to the order of the Holder in lawful money of the United States, the principal amount of Five Hundred Thousand and no/100 Dollars (\$500,000.00) (the "Loan"), together with interest accrued on the unpaid principal of this Note at the rate of seven percent (7.0%) per annum commencing on the date of disbursement of the Loan. Subject to the conversion provisions of this Note, accrued interest on this Note shall be payable on the Maturity Date or the Payment Date (as such terms are defined below), as applicable. The Company agrees to use the principal amount of this Note only for leasing an EOS M 400 system, Company payroll and general working capital.

Subject to the conversion provisions of this Note, this Note is due and payable in full (a) on March 27, 2018 (the "Maturity Date") or (b) on demand by written notice following an Event of Default (as defined below). The Company shall, on the Maturity Date or, if earlier, within one (1) business day of receipt of the written notice referred to in the immediately preceding sentence (the "Payment Date"), pay the outstanding principal and all accrued and unpaid interest on this Note as of the Maturity Date or the Payment Date, as applicable.

The Holder acknowledges and agrees that the provisions of this Note are not contingent on the occurrence of a Possible Combination, and that, absent an Event of Default, the Holder has no right to accelerate this Note prior to the Maturity Date or the Payment Date based solely on the failure of a Possible Combination to be consummated.

2. Prepayment. The Company may not prepay this Note (in whole or in part) within ninety (90) days following the date hereof without the prior written consent of the Holder, which may be withheld or granted in the Holder's sole discretion; *provided, however*, that, after such ninety (90) day period, the Company may prepay this Note (in whole or in part) without the prior written consent of the Holder.

3. No Usury. This Note is hereby expressly limited so that in no event whatsoever, whether by reason of deferment or advancement of Loan proceeds, acceleration of maturity of the Loan evidenced hereby, or otherwise, shall the amount paid or agreed to be paid to the Holder hereunder for the loan, use, forbearance or detention of money exceed the maximum interest rate permitted by the laws of the State of Nevada. If at any time the performance of any provision involves a payment exceeding the limit of the price that may be validly charged for the Loan, or the use, forbearance or detention of money under applicable law, then automatically and retroactively, ipso facto, the obligation to be performed shall be reduced to such limit, it being the specific intent of the Company and the Holder hereof that all payments under this Note are to be credited first to interest as permitted by law, but not in excess of (a) the agreed rate of interest hereunder, or (b) that permitted by law, whichever is the lesser, and the balance toward the reduction of principal.

4. Attorneys' Fees. If the indebtedness represented by this Note or any part thereof is collected in bankruptcy, receivership or other judicial proceedings or if this Note is placed in the hands of attorneys for collection after the occurrence of an Event of Default, the Company agrees to pay, in addition to the principal and interest payable hereunder, reasonable attorneys' fees and actual costs incurred by the Holder, as well as any and all interest that has accrued on the outstanding principal balance of this Note after the commencement of bankruptcy, receivership or other judicial proceedings.

5. Transfer. The rights and obligations of the Company and the Holder of this Note will be binding upon and inure to the benefit of the successors, assigns, heirs, administrators and transferees of the parties hereto. Notwithstanding anything to the contrary herein, this Note is not transferrable by the Company without the prior written consent of the Holder, which consent may be withheld, delayed or conditioned in the Holder's sole discretion.

6. Notices. All notices, requests or other communications required or permitted to be delivered hereunder shall be delivered in writing to such address as the Company or the Holder, as applicable, may from time to time specify in writing. Notices if (a) mailed by certified or registered mail or sent by hand or overnight courier service shall be deemed to have been given when received, (b) sent by facsimile during the recipient's normal business hours shall be deemed to have been given when sent (and if sent after normal business hours shall be deemed to have been given at the opening of the recipient's business on the next business day) and (iii) sent by e-mail shall be deemed received upon the sender's receipt of an acknowledgment from the intended recipient (such as by the "return receipt requested" function, as available, return e-mail or other written acknowledgment). Copies of all notices to the Company shall be provided to Aaron B. Zarkowsky, Howard & Howard Attorneys, 200 S. Michigan Ave. #1100, Chicago, IL 60604, Fax: 312.939.5617, abz@h2law.com.

7. Security.

(a) To secure all of its obligations hereunder, the Company hereby collaterally assigns, pledges and grants to the Holder a security interest in all of the Company's right, title and interest in and to all of the Company's tangible and intangible assets and property of any kind, no matter where now or hereafter located or existing and whether such assets and property, including cash, are now owned or hereafter acquired or created, all accessions, additions, improvements, replacements and substitutions thereto, all books, records and software related thereto (whether computer-stored or otherwise), and any and all proceeds or products of (or additions or accessories to) any of the foregoing (the "Collateral"); provided, however, that the Collateral shall not include equipment leased by the Company or acquired by the Company with purchase money indebtedness, whether or not the subject of UCC-1 financing statements as of the date hereof. The Company will, from time to time, execute, deliver, file and record, as applicable, any statement, assignment, instrument, document, agreement or other paper and take any other action that from time to time may be necessary in order to create, preserve, perfect, confirm, validate, or protect the foregoing security interest. To the extent permitted by law, the Company hereby authorizes the Holder to file financing statements and continuation statements to perfect the Holder's security interest in the Collateral. The Company hereby further authorizes the Holder to file with the United States Patent and Trademark Office and the United States Copyright Office (and any successor office and any similar office in any state of the United States or in any other country) this Note and other documents for the purpose of perfecting, confirming, continuing, enforcing or protecting the security interest granted by the Company hereunder, without the signature of the Company where permitted by law. When all amounts due under this Note have been paid in full and/or converted per Section 11 of this Note, all of the provisions of this Note relating to the Collateral and the Holder's secured interest therein shall terminate, and the Holder, at the request of the Company, will execute and deliver to the Company the proper instruments (including UCC termination statements) acknowledging the termination of such provisions, and will duly assign, transfer and deliver to the Company the Collateral. Until all amounts due under this Note have been paid in full, the Company shall not transfer, assign, pledge or hypothecate any of the Collateral, whether by operation of law or otherwise, other than in the ordinary course of business.

(b) The Company represents and warrants to the Holder that, except for equipment leased by the Company or equipment acquired with purchase money indebtedness (whether or not the subject of UCC-1 financing statements) listed on Exhibit A hereto (the "Permitted Liens"), it owns good and marketable title to the Collateral, free and clear of any liens or encumbrances and that it has the full legal authority and power to grant the foregoing security interest in, and to assign, the Collateral to the Holder in the manner provided herein.

8. Event of Default.

(a) General. If an Event of Default (as defined below) occurs, the Holder may, by notice to the Company, declare the principal amount then outstanding of, and the accrued interest on, this Note to be immediately due and payable.

(b) Definition. For purposes of this Note, an "Event of Default" is any of the following occurrences:

(i) The Company shall fail to pay the outstanding principal and all accrued and unpaid interest on this Note on the Maturity Date; or

(ii) If the Company shall default (as principal or guarantor or other surety) in the payment of any principal of or premium or interest on any debt which is outstanding in a principal amount of at least \$50,000 in the aggregate, or if any event shall occur or condition shall exist in respect of any such debt or under any evidence of any such debt or of any mortgage, indenture or other agreement relating thereto which would permit or shall have caused the acceleration of the payment of such debt, and such default, event or condition shall continue for more than the period of grace, if any, specified therein and shall not have been waived pursuant thereto; or

(iii) If the Company shall (i) file, or consent by answer or otherwise to the filing against it of, a petition for relief or reorganization or arrangement or any other petition in bankruptcy, for liquidation or to take advantage of any bankruptcy or insolvency law of any jurisdiction, (ii) make an assignment for the benefit of its creditors, (iii) consent to the appointment of a custodian, receiver, trustee (or other officer with similar powers) of itself or of any substantial part of its property, (iv) be adjudicated insolvent or otherwise admit in writing its inability to pay its debt as it becomes due, or (v) take corporate action for the purpose of any of the foregoing; or

(iv) If a court or governmental authority of competent jurisdiction shall enter an order appointing, without consent by the Company, a custodian, receiver, trustee or other officer with similar powers with respect to it or with respect to any substantial part of its property, or if an order for relief shall be entered in any case or proceeding for liquidation or reorganization or otherwise to take advantage of any bankruptcy or insolvency law of any jurisdiction, or ordering the dissolution, winding-up or liquidation of the Company, or if any petition for any such relief shall be filed against the Company and such petition shall not be dismissed without thirty (30) days; or

(v) If there shall exist final judgments against the Company aggregating in excess of \$50,000 and if any one of such judgments shall have been outstanding for any period of forty-five (45) days or more from the date of its entry and shall not have been discharged in full or stayed pending appeal; or

(vi) The Company shall take any corporate action authorizing, or in furtherance of, any of the foregoing;
or

(vii) The Company shall have materially breached any covenant, representation or warranty in this Note, and such breach (to the extent capable of being cured) shall not have been cured within thirty (30) days following notice of such material breach by the Holder to the Company.

(c) Remedies on Default, etc. In case any one or more Events of Default shall occur and be continuing, and subject to the notice requirement set forth in Section 1 of this Note, the Holder may proceed to protect and enforce its rights by an action at law, suit in equity or other appropriate proceeding, whether for the specific performance of any agreement contained herein, or for an injunction against a violation of any of the terms hereof or thereof, or in aid of the exercise of any power granted hereby or thereby or by law or otherwise. In case of a default in the payment of any principal of or premium, if any, or interest on this Note, the Company will pay to the Holder such further amount as shall be sufficient to cover the actual cost and expenses of collection, including, without limitation, reasonable attorneys' fees, expenses and disbursements. No course of dealing and no delay on the part of the Holder in exercising any right, power or remedy shall operate as a waiver thereof or otherwise prejudice the Holder's rights, powers or remedies. No right, power or remedy conferred by this Note upon the Holder shall be exclusive of any other right, power or remedy referred to herein or therein or now or hereafter available at law, in equity, by statute or otherwise. Further, if any Event of Default shall have occurred and be continuing, the Holder, without any other notice to or demand upon the Company, may, to the fullest extent permitted under applicable law, assert all rights and remedies of a secured party under the UCC or other applicable law, including, without limitation, the right to take possession of, hold, collect, sell, lease, deliver, grant options to purchase or otherwise retain, liquidate or dispose of all or any portion of the Collateral.

9. Restrictive Covenants. So long as any amounts remain outstanding on this Note, the Company (a) shall not, without the prior written consent of the Holder (which consent may be withheld, delayed or conditioned in the sole discretion of the Holder), take any of the following actions: (i) pay cash dividends or distributions on any equity securities of the Company; (ii) liquidate, dissolve or wind up, or sell all or substantially all of its assets; (iii) incur any indebtedness for borrowed money (other than equipment leases or purchase money indebtedness), (iv) amend its charter documents, including, without limitation, its articles of incorporation and bylaws, in any manner that materially and adversely affects any rights of the Holder, (v) merge into, acquire or consolidate with any other entity, or undertake any transaction in which, after giving effect to such transaction, the shareholders of the Company immediately prior to such transaction would own less than 50% of the aggregate voting power of the Company or the successor entity of such transaction, (vi) make any loan to, extend credit to, guarantee the debt of, or invest in any third party (other than the extension of credit to customers in the ordinary course of business), (vii) raise the salaries of, or pay bonuses to, any employee or consultant of the Company, (viii) make any payment to any stockholder of the Company, (ix) change its corporate name, jurisdiction of incorporation or the location of the Collateral, or (x) agree in writing to take any of the foregoing actions, and (b) shall continue to carry on its business in the ordinary course and consistent with its past practices.

10. Additional Covenants. The Company agrees that while this Note is outstanding:

(a) the Company will, upon request made at any time and from time to time by the Holder, execute deposit account control agreements or other agreement as may be necessary to confirm and/or perfect the Holder's first priority interest in and to any and all deposit accounts that may be maintained with any depository institution in the manner provided in the Commercial Code of the state where such deposit accounts are maintained, or the state's laws that are otherwise applicable to such deposit accounts (and use best efforts to cause the applicable depository institution to execute such agreements).

(b) the Company will deliver to the Holder records and schedules, in a level of detail satisfactory to the Holder, which show the status and condition of the Collateral, including its location and a description of any contracts or other matters which affect the Collateral (collectively, "Collateral Material").

(c) Disclosure and Use of Collateral Material. The Holder shall not disclose any of the Collateral Material of the Company other than to the Holder's Representatives (a) who are subject to confidentiality and use obligations no less restrictive than those contained in this Note, and (b) on a need to know basis, as reasonably necessary for the purposes set forth in this Note. The Holder shall, and shall cause its representatives to, preserve the confidentiality of all Collateral Material and safeguard against its unauthorized disclosure or use, including advising all Representatives of the confidential nature of the Collateral Material. The Holder agrees that it shall, and shall cause its representatives to, use at least the same degree of care that it uses to protect its own confidential information, but no less than appropriate efforts to prevent the unauthorized use, dissemination, disclosure or publication of the Collateral Material. The Collateral Material of the Company shall not be reproduced by the Holder in any form except as required for the purpose of this Note. Any reproduction or derivative work of any Collateral Material shall remain the property of the Company and shall contain any and all confidential or proprietary notices or legends that appear on the original, unless otherwise authorized in writing by the Company. The Holder shall, and shall cause its Representatives to, use the Collateral Material solely for the purpose of this Note. The Holder will be fully responsible for any breach of this Section 10(c) by any of the Holder's Representatives.

11. Conversion.

(a) Prior to the date that all amounts due and owing under this Note are paid in full, the Holder shall have the right, at the Holder's option, to convert the outstanding principal amount of this Note, plus all accrued and unpaid interest thereon, at any time, in whole but not in part, into that number of fully paid and nonassessable shares of the Company's common stock ("Common Stock") equal to 10% of the total issued and outstanding shares of Common Stock (treating as outstanding for this purpose all Common Stock equivalents, and all shares of Common Stock issuable upon conversion of all outstanding securities convertible into Common Stock and the exercise of all stock options and warrants to purchase Common Stock outstanding immediately before any such conversion) as of, and after giving effect to, the conversion of this Note (the "Percentage Interest").

(b) Before the Holder shall be entitled to convert this Note into Common Stock, the Holder shall surrender this Note, duly endorsed, at the office of the Company (or deliver a notice to the effect that the original Note has been lost, stolen or destroyed and an agreement whereby the Holder agrees to indemnify the Company from any loss incurred by it in connection with this Note) and shall give written notice, postage prepaid, to the Company at its principal corporate office, of the election to convert the same pursuant to Section 11(a) of this Note. The Company shall, as soon as practicable thereafter (but in any event within ten (10) days thereafter), without any further action needed by the Company, issue to the Holder a stock certificate for the number of shares of Common Stock equal to the Percentage Interest; *provided, however*, that if the Holder gives the foregoing written notice to the Company after ninety (90) days following the date hereof, the Company shall, as soon as practicable after such notice is given (but in any event within ten (10) days thereafter), without any further action needed by the Company, either (i) indefeasibly pay all amounts due and owing under this Note in full or (ii) issue to the Holder a stock certificate for the number of shares of Common Stock equal to the Percentage Interest. The conversion shall be deemed to have been effected immediately prior to the close of business on the date of the surrender of this Note, and the Holder shall be treated for all purposes as the record holder of such Common Stock as of such date.

(c) In the event that the business of the Company is conducted by the Company and its affiliates through an entity other than the Company and any wholly-owned subsidiary, then the Holder shall have the right thereafter to convert this Note into the Common Stock issuable upon the conversion of this Note and the equity securities of such other entity(ies) representing an equity stake in such other entity(ies) equivalent to the Percentage Interest.

(d) No fractional shares of Common Stock shall be issued upon conversion of this Note. In lieu of the Company issuing any fractional shares to the Holder upon the conversion of this Note, the Company shall pay cash to the Holder in the amount of outstanding principal and accrued interest that is not so converted.

12. Representations and Warranties. In order to induce the Holder to purchase this Note, the Company makes the following representations and warranties to the Holder:

(a) Organization and Corporate Power. The Company is a corporation duly organized, validly existing and in good standing under the laws of the State of Illinois and has all requisite corporate power and authority to own its properties and to carry on its business as presently conducted. The Company is duly licensed or qualified to do business as a foreign corporation in each jurisdiction wherein the character of its property, or the nature of the activities presently conducted by it, makes such qualification necessary or is otherwise required by law.

(b) Authorization. The Company has all necessary corporate power and has taken all necessary corporate action required for the due authorization, execution, delivery and performance by the Company of this Note. The issuance of the Note does not and will not require any further corporate action. This Note is a valid and binding obligation of the Company enforceable against the Company in accordance with its terms.

(c) Government Approvals. No consent, approval, license or authorization of, or designation, declaration or filing with, any court or governmental authority is or to the best of the Company's knowledge will be required on the part of the Company in connection with the execution, delivery and performance by the Company of this Note or the shares issuable upon conversion hereof (the "Shares").

(d) Subsidiaries. The Company does not have any subsidiaries or other equity investment in any other entity.

(e) Litigation. There is no litigation or governmental proceeding or investigation pending or, to the knowledge of the Company, threatened, against the Company or against any officer, key employee or stockholder of the Company in his capacity as such. Neither the Company, nor any officer, key employee or stockholder of the Company in his capacity as such is, to the knowledge of the Company or any such officer, key employee or stockholder of the Company, in default with respect to any order, writ, injunction, decree, ruling or decision of any court, commission, board or other government agency.

(f) Compliance with Laws and Other Instruments. The Company is in compliance with all of the provisions of its charter and by-laws, and in all respects with the provisions of any mortgage, indenture, lease, license, other agreement or instrument, judgment, decree, judicial order, statute, and regulation by which it is bound or to which the Company or any of its properties are subject. No consent or approval under any contract, agreement, lease, instrument or other documents to which the Company is a party is or will be required in connection with the execution, delivery or performance of this Note or the issuance of the Shares. Neither the execution, delivery or performance of this Note nor the issuance of the Shares will violate, or result in any breach of, or constitute a default under, or result in the imposition of any encumbrance upon any asset of the Company pursuant to any provision of the Company's charter or by-laws, or any statute, rule or regulation, contract or lease, judgment, decree or other document or instrument by which the Company is bound or to which the Company or any of its assets or properties are subject.

(g) Taxes. The Company has filed all tax returns (including statements of estimated taxes owed) required to be filed within the applicable periods for such filings and has paid all taxes required to be paid or will pay such taxes prior to the time they become delinquent.

(h) Licenses and Permits. The Company has all permits, licenses, orders, franchises and other rights and privileges of all federal, state, local or foreign governmental or regulatory bodies necessary for the Company to conduct its business as presently conducted. All such permits, licenses, orders, franchises and other rights and privileges are in full force and effect and, to the knowledge of the Company, no suspension or cancellation of any of them has occurred or is threatened.

(i) Use of Proceeds. The Company will apply the proceeds from the issuance and sale of this Note solely as described in Section 1 of this Note.

(j) Shares. Upon issuance of the Shares, the Shares will be duly and validly issued, fully paid and non-assessable shares of Common Stock.

(k) Security. This Note creates a valid security interest in favor of the Holder in the Collateral and, if properly perfected by filing in the appropriate jurisdictions, or by possession or control of such Collateral by the Holder or delivery of such Collateral to the Holder, shall constitute a valid, perfected, first-priority security interest in such Collateral subject to Permitted Liens.

13. Representations, Warranties and Covenants of Ivan Madera and Olya Havell. In order to induce the Holder to extend the Loan evidenced by this Note, each of Ivan Madera (“IM”) and Olya Havell (“OH”), in his and her individual capacity, jointly and severally make the following representations, warranties and covenants to the Holder. Notwithstanding the foregoing, the representations, warranties and covenants of IM and OH are solely contained in this Section 13:

(a) IM owns of record and beneficially 400 shares (the “IM Shares”) of Common Stock, representing 38.8% of the Company’s issued and outstanding capital stock (the “Company Shares”).

(b) OH owns of record and beneficially 400 shares (the “OH Shares”) of Common Stock, representing 38.8% of the Company Shares.

(c) So long as any amounts remain outstanding on this Note, IM and OH will not, without the Holder’s written consent (such consent not to be unreasonably withheld), directly or indirectly sell, transfer or otherwise dispose of any of the IM Shares or the OH Shares.

(d) If this Note is converted into Common Stock and thereafter (i) the Company receives a third-party offer for the sale of any Common Stock, the Company will first offer such Common Stock to the Holder on the same economic terms offered by such third-party before completing the sale to the third party (the “Company ROFR”), or (ii) IM or OH receives a third-party offer for the sale of any of the IM Shares or the OH Shares, as applicable, IM or OH will first offer the IM Shares and the OH Shares, as applicable, to the Holder on the same economic terms offered by such third-party before completing the sale to the third party (the “ROFR”). If the Company ROFR is not exercised by the Holder, then the Holder will be given the opportunity to participate pro rata in any such sale on the same economic terms applicable to the Company. If the ROFR is not exercised by the Holder, then the Holder will be given the opportunity to participate pro rata in any such sale on the same economic terms applicable to IM (as to the IM Shares) and OH (as to the OH Shares).

14. Waivers and Amendments. The Company hereby waives presentment, demand for performance, notice of non-performance, protest, notice of protest and notice of dishonor. No delay on the part of the Holder in exercising any right hereunder shall operate as a waiver of such right or any other right. Any term of this Note may be amended or waived only with the written consent of the Company and the Holder.

15. Governing Law. This Note is being delivered in, and shall be governed by and construed in accordance with, the laws of the State of Nevada, without regard to conflicts of laws provisions thereof.

[Signature Page Follows]

The Company has duly executed this Promissory Note as of the date first stated above.

MORF3D, INC.,
an Illinois corporation

By: /s/ Ivan Madera
Name: Ivan Madera
Title: President and Chief Executive Officer

/s/ Ivan Madera
Ivan Madera, in his individual capacity solely with respect to
Section 13 of this Note and not otherwise

/s/ Olya Havell
Olya Havell, in her individual capacity solely with respect to
Section 13 of this Note and not otherwise

SIGMA LABS, INC.,
a Nevada corporation

By: /s/ Mark J. Cola
Name: Mark Cola
Title: President and Chief Executive Officer

Exhibit A

Permitted Liens

(see attached)

Certification of Principal Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Mark J. Cola, certify that:

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

Date: May 15, 2017

By: /s/ Mark J. Cola
Name: Mark J. Cola
Title: President and Chief Executive Officer
(Principal Executive Officer)

Certification of Principal Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Murray Williams, certify that:

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

Date: May 15, 2017

By: /s/ Murray Williams
Name: Murray Williams
Title: Chief Financial Officer, Treasurer
(Principal Financial and Accounting Officer)

Certification Pursuant to 18 U.S.C. Section 1350 as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, Mark J. Cola, the President and Chief Executive Officer, and Murray Williams, the Chief Financial Officer, of Sigma Labs, Inc. (the "Company"), hereby certify, that, to their knowledge:

1. The Quarterly Report on Form 10-Q for the period ended March 31, 2017 (the "Report") of the Company fully complies with the requirements of Section 13(a) or Section 15(d), as applicable, of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Mark J. Cola

Mark J. Cola
President and Chief Executive Officer
(Principal Executive Officer)

May 15, 2017

/s/ Murray Williams

Murray Williams
Chief Financial Officer, Treasurer
(Principal Financial and Accounting Officer)

May 15, 2017