

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 June 30, 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 August 14, 2017, the issuer had 4,569,688 shares of common stock outstanding.

**SIGMA LABS, INC.**

**For the quarter ended June 30, 2017**

**FORM 10-Q**

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## PART I

## ITEM 1. FINANCIAL STATEMENTS.

**Sigma Labs, Inc.**  
**Condensed Balance Sheets**  
**(Unaudited)**

|   | <u>June 30,<br/>2017</u> | <u>December 31,<br/>2016</u> |
|---|--------------------------|------------------------------|
| <b>ASSETS</b>   |                          |                              |
| <b>Current Assets:</b>  |                          |                              |
| Cash  | \$ 3,384,499             | \$ 398,391                   |
| Accounts Receivable, net  | 235,467                  | 288,236                      |
| Note Receivable, net  | 762,034                  | -                            |
| Inventory   | 227,827                  | 187,241                      |
| Prepaid Assets  | 37,176                   | 36,056                       |
| <b>Total Current Assets</b>   | <u>4,647,003</u>         | <u>909,924</u>               |
| <b>Other Assets:</b>  |                          |                              |
| Property and Equipment, net   | 491,188                  | 564,933                      |
| Intangible Assets, net  | 241,978                  | 226,450                      |
| Investment in Joint Venture   | 500                      | 500                          |
| Prepaid Stock Compensation  | 111,070                  | 167,562                      |
| <b>Total Other Assets</b>   | <u>844,736</u>           | <u>959,445</u>               |
| <b>TOTAL ASSETS</b>   | <u>\$ 5,491,739</u>      | <u>\$ 1,869,369</u>          |
| <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>   |                          |                              |
| <b>Current Liabilities:</b>   |                          |                              |
| Accounts Payable  | \$ 137,605               | \$ 112,175                   |
| Notes Payable, net of original issue discount \$30,297 at June 30, 2017 and net of original issue discount \$69,703 and net of debt discount \$358,280 at December 31, 2016 | 969,703                  | 561,834                      |
| Accrued Expenses  | 165,336                  | 125,116                      |
| <b>Total Current Liabilities</b>  | <u>1,272,644</u>         | <u>799,125</u>               |
| <b>Long-Term Liabilities</b>  |                          |                              |
| Derivative Liability  | -                        | 93,206                       |
| <b>Total Long-Term Liability</b>  | <u>-</u>                 | <u>93,206</u>                |
| <b>TOTAL LIABILITIES</b>  | 1,272,644                | 892,331                      |
| <b>Stockholders' Equity</b>   |                          |                              |
| 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 June 30, 2017 and 2016, respectively                              | 4,570                    | 3,135                        |
| Additional Paid-In Capital  | 15,908,185               | 10,734,857                   |
| Accumulated Deficit   | (11,693,660)             | (9,760,954)                  |
| <b>Total Stockholders' Equity</b>   | <u>4,219,095</u>         | <u>977,038</u>               |
| <b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>   | <u>\$ 5,491,739</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 |                  | Six Months Ended |                  |
|--|--------------------|------------------|------------------|------------------|
|  | June 30,<br>2017   | June 30,<br>2016 | June 30,<br>2017 | June 30,<br>2016 |
| <b>Revenues</b>  | \$ 290,553         | \$ 93,824        | \$ 440,756       | \$ 452,279       |
| <b>COST OF REVENUE</b>   | 111,412            | 30,904           | 185,946          | 138,485          |
| <b>GROSS PROFIT</b>  | -                  | -                | -                | -                |
| <b>EXPENSES:</b>   |                    |                  |                  |                  |
| Other General and Administration   | 594,193            | 480,697          | 1,237,988        | 876,185          |
| Payroll Expense  | 300,661            | 252,895          | 677,282          | 468,484          |
| Stock-Based Compensation   | 166,773            | 59,362           | 306,405          | 130,913          |
| Research and Development   | 118,853            | 11,907           | 167,615          | 50,978           |
| <b>Total Expenses</b>  | 1,180,480          | 804,861          | 2,389,290        | 1,526,560        |
| <b>OTHER INCOME (EXPENSE)</b>  |                    |                  |                  |                  |
| Interest Income  | 12,598             | 95               | 12,941           | 253              |
| Other Income   | -                  | -                | 152,068          | -                |
| Other Income-Decrease in fair value of derivative liabilities            | -                  | -                | 93,206           | -                |
| Other Expense - Debt discount amortization                               | -                  | -                | (56,441)         | -                |
| <b>Total Other Income</b>  | 12,598             | 95               | 201,774          | 253              |
| <b>LOSS BEFORE PROVISION FOR INCOME TAXES</b>                            | (988,741)          | (741,846)        | (1,932,706)      | (1,212,513)      |
| <b>Provision for income Taxes</b>  | -                  | -                | -                | -                |
| <b>Net Loss</b>  | \$ (988,741)       | \$ (741,846)     | \$ (1,932,706)   | \$ (1,212,513)   |
| <b>Net Loss per Common Share - Basic and Diluted</b>                     | \$ (0.24)          | \$ (0.24)        | \$ (0.46)        | \$ (0.38)        |
| <b>Weighted Average Number of Shares Outstanding - Basic and Diluted</b> | 4,570,199          | 3,117,851        | 4,207,116        | 3,117,851        |

The accompanying notes are an integral part of these financial statements

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

|   | <b>Six Months ended</b> |                  |
|---|-------------------------|------------------|
|   | <b>2017</b>             | <b>2016</b>      |
| <b>OPERATING ACTIVITIES</b>   |                         |                  |
| Net Loss  | \$ (1,932,706)          | \$ (1,212,513)   |
| <b>Adjustments to reconcile Net Income (Loss) to Net Cash used in operating activities:</b> |                         |                  |
| <b>Noncash Expenses:</b>  |                         |                  |
| Amortization  | 6,526                   | 5,764            |
| Depreciation  | 85,125                  | 87,054           |
| Stock Compensation  | 307,445                 | 130,913          |
| Loss on Joint Venture   | -                       | 103              |
| Revaluation of derivative liability and debt discount related to notes payable              | (93,206)                | -                |
| Note payable original issue discount  | 49,589                  | -                |
| Note payable debt discount amortization   | 56,441                  | -                |
| <b>Change in assets and liabilities:</b>  |                         |                  |
| Accounts Receivable   | 52,769                  | 27,564           |
| Inventory   | (40,586)                | (70,765)         |
| Prepaid Assets  | (1,120)                 | 7,344            |
| Accounts Payable  | 25,430                  | 63,974           |
| Accrued Expenses  | 40,220                  | 46,006           |
| <b>NET CASH USED IN OPERATING ACTIVITIES</b>  | <b>(1,444,073)</b>      | <b>(914,556)</b> |
| <b>INVESTING ACTIVITIES</b>   |                         |                  |
| Purchase of Furniture and Equipment   | (11,380)                | (25,430)         |
| Purchase of Intangible Assets   | (22,054)                | (46,835)         |
| Notes receivable  | (762,034)               | -                |
| <b>NET CASH USED IN INVESTING ACTIVITIES</b>  | <b>(795,468)</b>        | <b>(72,265)</b>  |
| <b>FINANCING ACTIVITIES</b>   |                         |                  |
| Proceeds from issuance of common stock and warrants   | 5,225,649               | -                |
| <b>NET CASH PROVIDED BY FINANCING ACTIVITIES</b>  | <b>5,225,649</b>        | <b>-</b>         |
| <b>NET CASH DECREASE FOR PERIOD</b>   | 2,986,108               | (986,821)        |
| <b>CASH AT BEGINNING OF PERIOD</b>  | 398,391                 | 1,539,809        |
| <b>CASH AT END OF PERIOD</b>  | \$ 3,384,499            | \$ 552,988       |
| <b>Supplemental Disclosure of Cash Flow Information:</b>                                    |                         |                  |
| Cash paid during the period for:  |                         |                  |
| Interest  | \$ 50,418               | \$ -             |
| Income Taxes  | \$ -                    | \$ -             |
| <b>Supplemental Schedule of Noncash Investing and Financing Activities:</b>                 |                         |                  |
| Issuance of Common Stock for services   | \$ 51,408               | \$ 44,998        |

The accompanying notes are an integral part of these financial statements

**SIGMA LABS, INC.**  
**NOTES TO UNAUDITED CONDENSED FINANCIAL STATEMENTS**  
**June 30, 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 merger” 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 June 30, 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 June 30, 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 June 30, 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 June 30, 2017 and 2016.

### **Stock Options**

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.

The weighted average period over which total the compensation cost of the options of \$62,857 (\$10,476 in 2017) will be recognized is 4 years. The weighted average exercise price of all outstanding options as of June 30, 2017 is \$3.94 and the weighted average fair value of the options on the grant dates was \$2.86. 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 – 159.3%  |
| Dividend yield:          | 0.00%          |
| Risk-free interest rate: | .79 - 2.32%    |

### **Warrants**

As of June 30, 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 June 30, 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 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 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 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 (although discussions regarding a possible acquisition of or merger with Morf3D are not currently ongoing).

### **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 June 30, 2017, the Notes Payable balance is \$969,703. 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, pursuant to which the Company filed 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, 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 June 30, 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 February 17, 2017, 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 June 30, 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 June 30, 2017 and 2016:

|  | 6 Months Ending       |                       |
|--|-----------------------|-----------------------|
|  | 6-30-17               | 6-30-16               |
| Loss from continuing<br>Operations available to<br>Common stockholders (numerator)                                   | \$ <u>(1,932,706)</u> | \$ <u>(1,212,513)</u> |
| Weighted average number of<br>common shares Outstanding<br>used in loss per share during<br>the Period (denominator) | <u>4,207,116</u>      | <u>3,117,851</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 August 8, 2017, we entered into an “at will” unwritten employment arrangement with John Rice, effective as of August 1, 2017, pursuant to which Mr. Rice serves as our interim Chief Executive Officer. Under his employment arrangement, Mr. Rice is entitled to receive a monthly salary of \$9,000, and is eligible to receive medical and dental benefits, life insurance, and long-term and short-term disability coverage. Further, Mr. Rice is eligible under his employment arrangement to participate in the Company’s 2013 Equity Incentive Plan, with equity compensation to Mr. Rice to be determined by the Company’s Compensation Committee at a later date. Effective as of Mr. Rice’s July 24, 2017 appointment as interim Chief Executive Officer, Mr. Rice is no longer entitled to receive compensation for his service as a director of the Company.

On August 8, 2017, Dennis Duitch was appointed to the Company’s Board of Directors. Mr. Duitch was also appointed to serve as Chairman of the Audit Committee and interim Chairman of the Compensation Committee and the Nominating and Corporate Governance Committee. In conjunction with Mr. Duitch’s appointment as a director, the Company issued Mr. Duitch 7,489 shares of common stock of the Company, which shares will vest in four equal (as closely as possible), successive quarterly installments beginning on the first quarterly anniversary of the grant date, provided that Mr. Duitch remains in the Company’s continuous service as a director through the applicable quarterly anniversary date.

## 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® (aka, real-time computer-aided inspection ("CAI")), which Sigma believes solves the major problems that have prevented large-scale metal part production using 3D printers. GE Aviation 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, unless companies that utilize a 3D production facility like GE Aviation are able to effectively 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 simplify the qualification of printed parts with an in-process monitoring method and therefore will be unable to improve the workflow of 3D printing functional metal parts. 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 such part is being made*. We enable 3D prototyping to become 3D manufacturing. Instead of performing quality assurance ("QA") post production, our PrintRite3D® software has been designed to 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 digital 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 actual parts. 3D printing has been applied to the manufacture of plastic parts for decades. 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. Worldwide 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 helping the transformation of analog manufacturing of precision, high-tolerance parts in the U.S. today to a digital enterprise of tomorrow complete with automation, robotics and closed-loop process control. We believe that the on-going success of 3D printing for metal parts will be highly dependent upon the evolution of digital quality assurance procedures used, such as our PrintRite3D® process control.

## About Quality Assurance in 3D Printing

Current methods for providing quality in 3DP are generally cost prohibitive because an estimated approximately 25% of parts produced by 3D printing are destroyed in the post-production quality control process. Additional costs may be 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 of 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. Most importantly is the ability of our software to reduce risk associated with the qualification of printed parts.

By using PrintRite3D® software, a high-precision manufacturer would have the ability to offer its customers product guarantees and assurances that its printed parts were produced in compliance with stringent quality requirements. Orders for our software 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, Desktop Metal 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 as 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 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 qualification 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-compliant 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® Digital Quality Record (“DQR”) and report, 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.

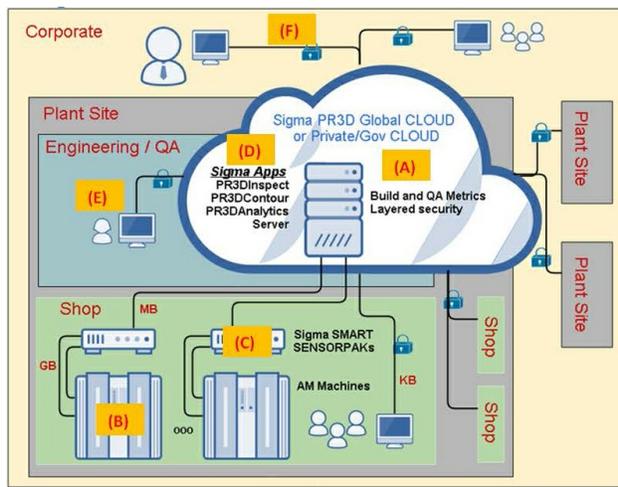


Figure 1. Sigma's Industrial IoT / PrintRite3D® Cloud Architecture

### 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 materials and 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 digital 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 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 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 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 engineering 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 engineering services and support to businesses licensing our PrintRite3D® software Apps.

Our President and Chief Technology 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 past 34 years. Due to his work with the DOE, our President and Chief Technology 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](http://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 August 3, 2017, we announced signing Jeta Enterprises as a new manufacturer’s representative for sales of Sigma contract printing and AM services in the Northwest region of the U.S., including Oregon and Washington states. Jeta’s strong customer base in Aerospace and Medical Devices coupled with its expertise in custom-engineered components positions it to serve a growing base of demand for advanced component manufacturing with Sigma’s suite of products and services.

On July 27, 2017, we announced changes in senior management. Mr. Cola, who serves as President, was appointed as Sigma’s Chief Technology Officer, responsible for building and implementing the Sigma technological strategy and guiding key technical advancements towards digitalization in the context of the Industrial Internet of Things (IIoT). Together with our executive team members, Mr. Cola will seek to expand and grow the Company through next-generation products and key customer development in a broad range of industries. John Rice, who has served as Chairman of the Board of the Company since his appointment in April 2017, replaced Mr. Cola as Chief Executive Officer effective as of July 24, 2017. As Chairman of the Board and interim Chief Executive Officer, Mr. Rice will oversee our implementation of internal and external growth, with an emphasis on internal focus technology, sales, and efficiency, and externally, reaching into the marketplace to expand the Company’s digital technical bandwidth with respect to our IPQA® technology and additive manufacturing. Mr. Rice brings substantial operating and investment experience to these tasks, including with respect to operations of startup and emerging companies, corporate finance, and mergers and acquisitions.

On July 20, 2017, we announced the June 30, 2016 publication of our U.S. Patent Application No. US 2016/0185048; Multi-Sensor Quality Inference and Control For Additive Manufacturing Processes. This patent application is related to real-time quality analysis during AM processes and the characterization of material properties using acoustic signals emitted during AM which can be used in addition to optical signals to simplify the qualification of printed parts.

On July 6, 2017, we announced that the Company has signed a Technology Development Agreement ("TDA") with OXYS Corporation, a technology company in Cambridge, MA working in the Industrie 4.0 space. The first project to be executed under the TDA will be a new architecture platform for the Company's PrintRite3D® INSPECT. The Company expects that the completed project will allow for miniaturization of the sensor/hardware PrintRite3D® product, enhancements to the level of hardware/software integration moving it towards board-level integration, as well as broaden the market reach of the Company's PrintRite3D® technology to the Smart Factory and the larger Digital Enterprise, including polymer-based 3D printing.

On June 28, 2017, we announced that our PrintRite3D® INSPECT® software Version 2.0 was recently installed at Honeywell Aerospace in Honeywell's Advanced Manufacturing Engineering Center in Phoenix, AZ, in connection with Sigma Labs' ongoing participation in the Honeywell lead, DARPA Phase III.

On June 6, 2017, we announced that the Company has entered into agreements with two additional, non-exclusive sales agents in the Asia Pacific region, driven by strong customer interest in the region for PrintRite3D®. One such agent, Enervision Inc., will target the high growth expectations in the South Korean AM market, driven by the Korean government's announcement in April 2017 of a \$37 million investment to accelerate the development of 3D printing across the country. Our other new sales agent is Beijing Yida Sifang Technology Co., Ltd, a leading metal AM reseller with multiple offices in China, will assist Sigma Labs with its expansion into the China AM market.

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](http://www.rapid3devent.com)), North America's preeminent event for discovery, innovation, and networking in 3D manufacturing.

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 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 Developers Kit for PrintRite3D® INSPECT™ quality assurance software version 2.0. The Company has placed its alpha version with a European OEM partner for test, evaluation and incorporation into its additive manufacturing 3D printers. The Developers 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 market place.

#### **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 six months ended June 30, 2017, we recognized revenue of \$440,756, as compared to \$452,279 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 that generated three months of revenue in 2016 but no revenue in 2017. We financed our operations during the six months ended June 30, 2017 and 2016 primarily from PrintRite3D® system sales, Darpa and Aerojet programs, engineering consulting services we provided to third parties during these periods and through sales of our common stock and debt securities. We anticipate 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 Booster Propulsion program and Honeywell Aerospace for the DARPA Phase III and Plus up efforts. Our cost of service revenue for the three months ended June 30, 2017 was \$185,946 as compared to \$138,485 for the same period in 2016. The \$47,461 increase is attributable to generating more commercial revenue in 2017 that resulted in lower margins versus generating more programmatic and engineering consulting revenue in 2016 that resulted in higher margins.

Our general and administrative expenses for the six months ended June 30, 2017, were \$1,237,988, as compared to \$876,185 for the same period in 2016. Our payroll expenses for the six months ended June 30, 2017 were \$677,282, as compared to \$468,484 for the same period in 2016. Our expenses relating to stock-based compensation for the six months ended June 30, 2017 were \$306,405 as compared to \$130,913 for the same period in 2016. Our research and development expenses for the six months ended June 30, 2017 were \$167,615 as compared to \$50,978 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 increase in general and administrative expenses for the six months ended June 30, 2017 as compared to the same period in 2016 is principally the result of fees relating to our February 2017 public offering that resulted in net proceeds of approximately \$5,250,000, fees incurred in connection with investing in strategic partners, along with the continued development of our IPQA®-enabled PrintRite3D® technologies and our related efforts to expand our services. The increase in payroll expenses for the six months ended June 30, 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 increase in research and development expenses for the six months ended June 30, 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 increase in stock-based compensation costs is due to the fact that the majority of stock options were granted after June 30, 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 six months ended June 30, 2017 increased over the prior year period and totaled \$1,932,706 as compared to \$1,212,513 for the same period in 2016. This increase in net loss was attributable to a decrease in revenue and an increase in expenses as noted above.

## Liquidity and Capital Resources

As of June 30, 2017, we had \$3,384,499 in cash and had a working capital surplus of \$3,374,359, as compared with \$398,391 in cash and a working capital surplus of \$110,799 as of December 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 June 30, 2017, we generated revenue and financed our operations primarily from PrintRite3D®-enabled engineering consulting services as well as thru the programmatic work performed on both the Darpa Phase II and Aerojet programs we provided during this period and through 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 we anticipate 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 June 30, 2017 increased to \$1,440,304 from \$914,556 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 six months ended June 30, 2017 offset by more non-cash expenses during the quarter, as compared to the same period in 2016. Cash used in investing activities increased during the three months ended June 30, 2017 to \$795,468, as compared to \$72,265 during the same period in 2016, due primarily to the increase in notes receivables related to our loans to Morf3D and Jaguar Precision Machine in conjunction with our strategic alliances. Cash flows provided by financing activities during the six months ended June 30, 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 be entitled to 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 August 14, 2017, and the proceeds we expect to receive under our PrintRite3D®-enabled engineering consulting agreements, from selling or licensing our PrintRite3D® systems and software, and sales of contract AM manufacturing for metal AM parts, 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. Revenue we generate from licensing our technologies is not expected to increase significantly during 2017 and we also anticipate that there will be an increase in the amount of cash we will use during the remainder of 2017 in connection with our efforts to identify compatible businesses to possibly acquire that will be synergistic with our business (although there is no assurance that any acquisition will be consummated). 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 quarterly 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 June 30, 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 will hold our annual meeting of stockholders on October 2, 2017.

## ITEM 6. EXHIBITS.

|                      |   |
|----------------------|---|
| <a href="#">3.1</a>  | Amendment Number One to Amended and Restated Bylaws of Sigma Labs, Inc.**   |
| 10.1                 | Amended and Restated Employment Agreement, dated as of July 24, 2017, between Sigma Labs, Inc. and Mark J. Cola. (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed July 27, 2017 and incorporated herein by reference).* |
| <a href="#">31.1</a> | Rule 13a-14(a) Certification of Principal Executive Officer, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.**  |
| <a href="#">31.2</a> | Rule 13a-14(a) Certification of Principal Financial Officer, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.**  |
| <a href="#">32.1</a> | 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.

August 14, 2017

By: /s/ John Rice  
John Rice  
Chairman of the Board and Interim Chief Executive  
Officer (Interim Principal Executive Officer)

August 14, 2017

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

**Amendment Number One to Amended and Restated Bylaws of Sigma Labs, Inc.  
(A Nevada Corporation)**

The Amended and Restated Bylaws (the "Bylaws") of Sigma Labs, Inc. are hereby amended as follows:

1. The first sentence of the second paragraph of Article II, Section 2 of the Bylaws is hereby amended and restated to read in its entirety as follows:

"To be properly brought before the annual meeting, business must be either (i) specified in the notice of annual meeting (or any supplement or amendment thereto) signed by the Chief Executive Officer or by such other person or persons as the Board of Directors shall designate, (ii) otherwise brought before the annual meeting by or at the direction of the Board of Directors, or (iii) otherwise properly brought before the annual meeting by a stockholder."

2. The first sentence of Article II, Section 7 of the Bylaws is hereby amended and restated to read in its entirety as follows:

"Special meetings of the stockholders, for any purpose, or purposes, unless otherwise prescribed by statute or by the Articles of Incorporation, may be called only by the Chairman of the Board, the Chief Executive Officer, the Board of Directors or, in the absence of a Chief Executive Officer, the President."

3. Article IV, Section 3 of the Bylaws is hereby amended and restated to read in its entirety as follows:

"Special meetings of the Board of Directors may be called by the Chairman of the Board, the Chief Executive Officer or, in the absence of a Chief Executive Officer, the President, on twenty-four hours' notice to each director, either personally, by telephone, by facsimile, by e-mail, by mail or by telegram; special meetings shall be called by the Chief Executive Officer, in the absence of a Chief Executive Officer, the President, or the Secretary in like manner and on like notice on the written request of two directors unless the Board consists of only one director, in which case special meetings shall be called by the Chief Executive Officer, in the absence of a Chief Executive Officer, the President, or the Secretary in like manner or on like notice on the written request of the sole director."

4. Article VIII, Section 1 of the Bylaws is hereby amended and restated to read in its entirety as follows:

"The officers of this Corporation shall be chosen by the Board of Directors and shall include a Chief Executive Officer, a President, a Secretary and a Treasurer. The Corporation may also have at the discretion of the Board of Directors such other officers as are desired, including a Chairman of the Board, one or more Vice Presidents, one or more Assistant Secretaries and Assistant Treasurers, and such other officers as may be appointed in accordance with the provisions of Section 3 hereof. In the event there are two or more Vice Presidents, then one or more may be designated as Executive Vice President, Senior Vice President, or other similar or dissimilar title. At the time of the election of officers, the directors may by resolution determine the order of their rank. Any number of offices may be held by the same person, unless the Articles of Incorporation or these By-Laws otherwise provide."

5. Article VIII, Section 7 of the Bylaws is hereby amended and restated to read in its entirety as follows:

"Subject to such supervisory powers, if any, as may be given by the Board of Directors to the Chairman of the Board, if there be such an officer, the Chief Executive Officer shall, subject to the control of the Board of Directors, have general supervision, direction and control of the business and officers of the Corporation. He shall preside at all meetings of the stockholders, and in the absence of the Chairman of the Board, at all meetings of the Board of Directors. He shall have the general powers and duties of management usually vested in the office of chief executive officer of a corporation, and shall have such other powers and duties as may be prescribed by the Board of Directors or by the By-Laws."

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6. Article VIII, Section 8 of the Bylaws is hereby amended and restated to read in its entirety as follows:

"In the absence or disability of the Chief Executive Officer, the President shall perform all the duties of the Chief Executive Officer, and when so acting shall have all the powers of and be subject to all the restrictions upon the Chief Executive Officer. The President shall have such other duties as from time to time may be prescribed for him or her by the Board of Directors."

7. A new Section 13 is added to the end of Article VIII of the Bylaws to read in its entirety as follows: "Section 13.

"The President shall perform all duties and have all powers which are delegated to him or her by the Board of Directors."

8. The third sentence of Article IX, Section 1 of the Bylaws is hereby amended and restated to read in its entirety as follows:

"Such certificate shall be signed by the Chairman of the Board or the Chief Executive Officer or, in the absence of a Chief Executive Officer, the President, or a Vice President, and by the Treasurer or an Assistant Treasurer or the Secretary or an Assistant Secretary."

Except as amended hereby, the Amended and Restated Bylaws of Sigma Labs, Inc. shall remain in full force and effect.

I, Amanda Cola, hereby certify that the forgoing Amendment Number One to Amended and Restated Bylaws of Sigma Labs, Inc. was duly adopted by written consent of the Board of Directors of Sigma Labs, Inc., effective as of July 24, 2017.

/s/ Amanda Cola  
Name: Amanda Cola,  
Secretary

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

I, John Rice, 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: August 14, 2017

By: /s/ John Rice  
Name: John Rice  
Title: Chairman of the Board and Interim Chief Executive Officer  
(Interim 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: August 14, 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, John Rice, the Interim 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 June 30, 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/ John Rice*

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John Rice  
Chairman of the Board and Interim Chief Executive Officer  
(Interim Principal Executive Officer)

*/s/ Murray Williams*

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

August 14, 2017

August 14, 2017