# 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, 2021

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 | 27-1865814 |
|---|---|
| (State or other jurisdiction of incorporation or organization) | (IRS Employer Identification No.) |

3900 Paseo del Sol
Santa Fe, NM 87507
(Address of principal executive offices)

(505) 438-2576
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

| Title of each class | Trading symbol | Name of each exchange on which registered |
|---|---|---|
| Common Stock, par value $0.001 per share | SGLB | The NASDAQ Stock Market LLC |
| Warrants to Purchase Common Stock, par value $0.001 per share | SGLBW | The NASDAQ Stock Market LLC |

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).
Yes ☒ No ☐

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

| | | | |
|---|---|---|---|
| Large accelerated filer | ☐ | Accelerated Filer | ☐ |
| Non-accelerated filer | ☒ | Smaller reporting company | ☒ |
| Emerging growth company | ☐ | | |

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: As of July 21, 2021, the issuer had 10,493,598 shares of common stock outstanding.

**SIGMA LABS, INC.**

**FORM 10-Q**

**TABLE OF CONTENTS**

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS.

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

| | June 30, 2021 | December 31, 2020 |
|---|---|---|
| **ASSETS** | | |
| **Current Assets:** | | |
| Cash | $ 14,731,115 | $ 3,700,814 |
| Accounts Receivable, net | 389,450 | 331,562 |
| Inventory | 846,999 | 659,651 |
| Prepaid Assets | 168,326 | 90,735 |
| **Total Current Assets** | **16,135,890** | **4,782,762** |
| | | |
| **Other Assets:** | | |
| Property and Equipment, net | 157,490 | 138,626 |
| Intangible Assets, net | 793,465 | 753,122 |
| Long-Term Prepaid Asset | - | 26,000 |
| **Total Other Assets** | **950,955** | **917,748** |
| | | |
| **TOTAL ASSETS** | **$ 17,086,845** | **$ 5,700,510** |
| | | |
| **LIABILITIES AND STOCKHOLDERS' EQUITY** | | |
| | | |
| **Current Liabilities:** | | |
| Accounts Payable | $ 315,768 | $ 128,937 |
| Deferred Revenue | 63,569 | 77,957 |
| Accrued Expenses | 184,099 | 243,815 |
| **Total Current Liabilities** | 563,436 | **450,709** |
| | | |
| **Long-Term Liabilities:** | | |
| Stock Appreciation Rights | 93,525 | 48,341 |
| CARES Act Deferred Payroll Tax Liability | 37,728 | 37,728 |
| Total Long-Term Liabilities | 131,253 | 86,069 |
| | | |
| **TOTAL LIABILITIES** | **694,689** | **536,778** |
| | | |
| **Stockholders' Equity** | | |
| Preferred Stock, $0.001 par; 10,000,000 shares authorized; 465 and 715 issued and outstanding, respectively | 1 | 1 |
| Common Stock, $0.001 par; 24,000,000 shares authorized; 10,493,598 and 5,995,320 issued and outstanding, respectively | 10,494 | 5,995 |
| Additional Paid-In Capital | 52,058,003 | 38,262,744 |
| Accumulated Deficit | (35,676,342) | (33,105,008) |
| **Total Stockholders' Equity** | **16,392,156** | **5,163,732** |
| | | |
| **TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY** | **$ 17,086,845** | **$ 5,700,510** |

See accompanying notes to condensed financial statements.

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

| | Three Months Ended June 30, 2021 | Three Months Ended June 30, 2020 | Six Months Ended June 30, 2021 | Six Months Ended June 30, 2020 |
|---|---|---|---|---|
| **REVENUES** | $ 144,148 | $ 167,688 | $ 602,288 | $ 389,418 |
| **COST OF REVENUE** | 116,397 | 57,684 | 244,728 | 302,387 |
| **GROSS PROFIT (LOSS)** | **27,751** | **110,004** | **357,560** | **87,031** |
| **OPERATING EXPENSES:** | | | | |
| Salaries & Benefits | 985,348 | 605,295 | 1,832,520 | 1,257,492 |
| Stock-Based Compensation | 116,441 | 270,818 | 233,919 | 424,989 |
| Operating R&D Costs | 280,700 | 111,647 | 477,040 | 165,335 |
| Investor & Public Relations | 114,762 | 97,702 | 223,103 | 287,009 |
| Organization Costs | 158,529 | 80,096 | 236,145 | 155,675 |
| Legal & Professional Service Fees | 244,019 | 212,496 | 420,866 | 397,386 |
| Office Expenses | 151,871 | 78,843 | 300,096 | 226,590 |
| Depreciation & Amortization | 25,783 | 17,970 | 48,814 | 35,983 |
| Other Operating Expenses | 91,198 | 51,687 | 177,554 | 135,736 |
| **Total Operating Expenses** | **2,168,651** | **1,526,554** | **3,950,057** | **3,086,195** |
| LOSS FROM OPERATIONS | (2,140,900) | (1,416,550) | (3,592,497) | (2,999,164) |
| **OTHER INCOME (EXPENSE)** | | | | |
| Interest Income | 7,018 | 31 | 7,073 | 882 |
| State Incentives | - | 151,657 | - | 151,657 |
| Exchange Rate Gain (Loss) | 208 | (31) | 158 | (1,422) |
| Interest Expense | (2,029) | (6,244) | (3,382) | (6,675) |
| Loss on Dissolution of Joint Venture | - | (201) | - | (201) |
| Other Income | 290,156 | 361,700 | 1,092,441 | 361,700 |
| **Total Other Income (Expense)** | **295,353** | **506,912** | **1,096,290** | **505,941** |
| **LOSS BEFORE PROVISION FOR INCOME TAXES** | **(1,845,547)** | **(909,638)** | **(2,496,207)** | **(2,493,223)** |
| **Provision for income Taxes** | - | - | - | - |
| **Net Loss** | **$ (1,845,547)** | **$ (909,638)** | **$ (2,496,207)** | **$ (2,493,223)** |
| Preferred Dividends | (14,220) | (691,880) | (75,127) | (1,007,127) |
| Net Loss Applicable to Common Stockholders | **$ (1,859,767)** | **$ (1,601,518)** | **$ (2,571,334)** | **$ (3,500,350)** |
| **Net Loss per Common Share – Basic and Diluted** | **$ (0.18)** | **$ (0.49)** | **$ (0.28)** | **$ (1.48)** |
| **Weighted Average Number of Shares Outstanding – Basic and Diluted** | 10,493,598 | 3,256,098 | 9,149,328 | 2,359,862 |

See accompanying notes to condensed financial statements.

**Sigma Labs, Inc.**
**Statement of Stockholders' Equity**
**For the Three and Six Months Ended June 30, 2021 and 2020**
**(Unaudited)**

## For the Three Months Ended June 30, 2021 and June 30, 2020

| | Preferred Stock | | Common Stock | | Additional | | |
|---|---|---|---|---|---|---|---|
| | Shares Outstanding | Preferred Stock | Shares Outstanding | Common Stock | Paid-in Capital | Accumulated Deficit | Total |
| Balances, March 31, 2021 | 465 | $ 1 | 10,493,598 | $ 10,494 | $ 47,225,812 | $ (33,816,575) | $ 13,419,732 |
| Net Loss | - | - | - | - | - | (1,845,547) | (1,845,547) |
| Extinguishment of Derivative Liability | - | - | - | - | 4,615,771 | - | 4,615,771 |
| Preferred Stock Dividends | - | - | - | - | 14,220 | (14,220) | - |
| Securities Issued for Third Party Services | - | - | - | - | 24,956 | - | 24,956 |
| Stock Options Awarded to Employees | - | - | - | - | 116,441 | - | 116,441 |
| Stock Options Awarded to Directors | - | - | - | - | 60,803 | - | 60,803 |
| Balances, June 30, 2021 | 465 | $ 1 | 10,493,598 | $ 10,494 | $ 52,058,003 | $ (35,676,342) | $ 16,392,156 |

| | Preferred Stock | | Common Stock | | Additional | | |
|---|---|---|---|---|---|---|---|
| | Shares Outstanding | Preferred Stock | Shares Outstanding | Common Stock | Paid-in Capital | Accumulated Deficit | Total |
| Balances, March 31, 2020 | 1,378 | $ 2 | 1,817,834 | $ 1,818 | $ 29,425,382 | $ (27,994,426) | $ 1,432,776 |
| Net Loss | - | - | - | - | - | (909,638) | (909,638) |
| Common Shares Sold in Public Offering | - | - | 493,027 | 493 | 1,499,507 | - | 1,500,000 |
| Preferred Stock Dividends | - | - | 323,624 | 323 | 691,557 | (691,880) | - |
| Common Shares issued for Conversion of Preferred Shares | (2,729) | (2) | 1,280,360 | 1,281 | (1,279) | - | - |
| Preferred Shares issued for Exercise of Preferred Warrants | 1,684 | 1 | - | - | 1,641,899 | - | 1,641,900 |
| Securities Issued for Third Party Services | - | - | - | - | 15,306 | - | 15,306 |
| Stock Options Awarded to Employees | - | - | - | - | 262,950 | - | 262,950 |
| Common Shares Awarded to Employees | - | - | 11,517 | 11 | 7,859 | - | 7,870 |
| Offering Costs | - | - | - | - | (391,352) | - | (391,352) |
| Balances, June 30, 2020 | 333 | $ 1 | 3,926,362 | $ 3,926 | $ 33,151,829 | $ (29,595,944) | $ 3,559,812 |

## For the Six Months Ended June 30, 2021 and June 30, 2020

| | **Preferred Stock** | | **Common Stock** | | **Additional** | | |
|---|---|---|---|---|---|---|---|
| | **Shares Outstanding** | **Preferred Stock** | **Shares Outstanding** | **Common Stock** | **Paid-in Capital** | **Accumulated Deficit** | **Total** |
| Balances, December 31, 2020 | 715 | $ 1 | 5,995,320 | $ 5,995 | $ 38,262,744 | $ (33,105,008) | $ 5,163,732 |
| Net Loss | - | - | - | - | - | (2,496,207) | (2,496,207) |
| Common Shares Sold in Public Offerings | - | - | 3,901,783 | 3,902 | 14,865,997 | - | 14,869,899 |
| Extinguishment of Derivative Liability | - | - | - | - | (1,092,441) | - | (1,092,441) |
| Preferred Stock Dividends | - | - | 19,000 | 19 | 75,108 | (75,127) | - |
| Common Shares issued for Conversion of Preferred Shares | (250) | - | 100,000 | 100 | (100) | - | - |
| Common Shares issued for Exercise of Common Warrants | - | - | 475,995 | 476 | 1,135,534 | - | 1,136,010 |
| Securities Issued for Third Party Services | - | - | 1,500 | 2 | 55,935 | - | 55,937 |
| Stock Options Awarded to Employees | - | - | - | - | 233,919 | - | 233,919 |
| Stock Options Awarded to Directors | - | - | - | - | 122,274 | - | 122,274 |
| Offering Costs | - | - | - | - | (1,600,967) | - | (1,600,967) |
| Balances, June 30, 2021 | 465 | $ 1 | 10,493,598 | $ 10,494 | $ 52,058,003 | $ (35,676,342) | $ 16,392,156 |

| | Preferred Stock | | Common Stock | | Additional | | |
|---|---|---|---|---|---|---|---|
| | Shares Outstanding | Preferred Stock | Shares Outstanding | Common Stock | Paid-in Capital | Accumulated Deficit | Total |
| Balances, December 31, 2019 | - | $ - | 1,403,759 | $ 1,404 | $ 26,746,439 | $ (26,095,594) | $ 652,249 |
| Net Loss | - | - | - | - | - | (2,493,223) | (2,493,223) |
| Common Shares Sold in Public Offering | - | - | 493,027 | 493 | 1,499,507 | - | 1,500,000 |
| Preferred Shares Sold in Private Offering | 1,973 | 3 | - | - | 2,099,997 | | 2,100,000 |
| Preferred Stock Dividends | - | - | 410,425 | 410 | 1,006,717 | (1,007,127) | - |
| Common Shares issued for Conversion of Preferred Shares | (3,836) | (4) | 1,601,877 | 1,602 | (1,598) | - | - |
| Preferred Shares issued for Exercise of Preferred Warrants | 2,196 | 2 | - | - | 2,141,098 | - | 2,141,100 |
| Securities Issued for Third Party Services | - | - | 2,500 | 3 | 54,921 | - | 54,924 |
| Stock Options Awarded to Employees | - | - | - | | 417,120 | - | 417,120 |
| Common Shares Awarded to Employees | - | - | 11,517 | 11 | 7,859 | - | 7,870 |
| Offering Costs | | | | | (820,228) | - | (820,228) |
| Issuance of Fractional Shares from Reverse Split | - | - | 3,257 | 3 | (3) | - | - |
| Balances, June 30, 2020 | 333 | $ 1 | 3,926,362 | $ 3,926 | $ 33,151,829 | $ (29,595,944) | $ 3,559,812 |

See accompanying notes to condensed financial statements.

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

| | Six Months Ended | |
|---|---|---|
| | **June 30, 2021** | **June 30, 2020** |
| **OPERATING ACTIVITIES** | | |
| **Net Loss** | $ (2,496,207) | $ (2,493,223) |
| **Adjustments to reconcile Net Loss to Net Cash used in operating activities:** | | |
| **Noncash Expenses:** | | |
| Depreciation and Amortization | 48,814 | 35,983 |
| Gain on Derivative Liability | (1,092,441) | - |
| Stock Based Compensation - Employees | 233,919 | 424,989 |
| Stock Based Compensation - Third Party Services | 55,937 | 54,924 |
| Stock Based Compensation - Directors | 122,274 | - |
| **Change in assets and liabilities:** | | |
| Accounts Receivable | (57,888) | (230,865) |
| Inventory | (187,348) | 13,078 |
| Prepaid Assets | (51,591) | 81,695 |
| Accounts Payable | 186,831 | (431,893) |
| Deferred Revenue | (14,388) | (39,860) |
| Accrued Expenses | (14,531) | 149,785 |
| **NET CASH USED IN OPERATING ACTIVITIES** | (3,266,620) | (2,435,387) |
| | | |
| **INVESTING ACTIVITIES** | | |
| Purchase of Property and Equipment | (52,931) | (11,474) |
| Purchase of Intangible Assets | (55,090) | (87,736) |
| Dissolution of Joint Venture | - | 500 |
| **NET CASH USED IN INVESTING ACTIVITIES** | (108,021) | (98,710) |
| | | |
| **FINANCING ACTIVITIES** | | |
| | | |
| Gross Proceeds from Public and Private Issuances of Securities | 14,869,899 | 3,600,000 |
| Less Offering Costs | (1,600,967) | (820,228) |
| Payment of Note Payable | - | (50,000) |
| Proceeds from Exercise of Warrants | 1,136,010 | 2,141,100 |
| Deferral of Payroll Taxes under the CARES Act | - | 22,072 |
| **NET CASH PROVIDED BY FINANCING ACTIVITIES** | 14,404,942 | 4,892,944 |
| | | |
| **NET CHANGE IN CASH FOR PERIOD** | 11,030,301 | 2,358,847 |
| | | |
| **CASH AT BEGINNING OF PERIOD** | 3,700,814 | 86,919 |
| | | |
| **CASH AT END OF PERIOD** | **$ 14,731,115** | **$ 2,445,766** |
| | | |
| **Supplemental Disclosures:** | | |
| **Noncash investing and financing activities disclosure:** | | |
| Issuance of Common Shares for Preferred Dividends | $ 75,108 | $ 1,006,717 |
| Issuance of Securities for services | $ 178,209 | $ 62,794 |
| **Disclosure of cash paid for:** | | |
| Interest | $ 3,382 | $ 9,359 |
| Income Taxes | $ - | $ - |

See accompanying notes to condensed financial statements.

**SIGMA LABS, INC.**
**NOTES TO UNAUDITED CONDENSED FINANCIAL STATEMENTS**
**June 30, 2021**
(Unaudited)

**NOTE 1 - Summary of Significant Accounting Policies**

**Nature of Business** -Sigma Labs, Inc., formerly named Framewaves, Inc., a Nevada corporation, was founded by a group of scientists, engineers and businessmen to develop and commercialize novel and unique manufacturing and materials technologies. Sigma 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. The terms the “Company,” “Sigma,” “we,” “us” and “our” refer to Sigma Labs, Inc.

**Basis of Presentation** - The accompanying financial statements have been prepared by the Company in accordance with Generally Accepted Accounting Principles (“GAAP”) in the United States of America. 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, 2021 and 2020 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, 2020 audited financial statements and notes thereto included in the Company’s Form 10-K. The results of operations for the periods ended June 30, 2021 and 2020 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.

**Fair Value of Financial Instruments** - The Company applies ASC 820, “Fair Value Measurements.” This guidance defines fair value, establishes a three-level valuation hierarchy for disclosures of fair value measurement and enhances disclosure requirements for fair value measures. The three levels are defined as follows:

- Level 1 - inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.
- Level 2 - inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.
- Level 3 - inputs to valuation methodology are unobservable and significant to the fair measurement.

The carrying amounts reported in the balance sheets for the cash and cash equivalents, receivables, accounts payable, and accrued liabilities each qualify as financial instruments and are a reasonable estimate of fair value because of the short period of time between the origination of such instruments and their expected realization and their current market rate of interest.

The Company does not use derivative instruments for hedging of market risk or for trading or speculative purposes. On March 26, 2021, the Company closed an offering in which it issued warrants to purchase an aggregate of 2,190,000 shares of common stock in a private placement concurrently with a registered direct offering ("Registered Offering") of our common stock The warrants became exercisable on May 24, 2021, the date the Company obtained stockholder approval to increase its authorized common shares from 12,000,000 to 24,000,000 ("the Initial Exercise Date") and will expire two years after the Initial Exercise Date.

Pursuant to ASC 815-40-25-10, because the Company did not have sufficient authorized and unissued shares of common stock available to settle the warrants at the issue date, such warrants were accounted for as a derivative liability. On May 24, 2021, upon receiving shareholder approval to increase its authorized common shares, the Company reclassified the warrant liability to equity pursuant to ASC 815.40.35.8.

The fair value of the warrant liability measured on a recurring basis is as follows:

| | **June 30, 2021** | | **Date of Issuance March 26, 2021** | |
|---|---|---|---|---|
| | **Fair Value** | **Input Level** | **Fair Value** | **Input Level** |
| Derivative Liability - Warrants | $ - | - | $ 5,708,212 | Level 3 |

The following table presents a reconciliation of the derivative liability measured at fair value on a recurring basis using significant unobservable input (Level 3):

| | Warrants |
|---|---|
| Fair Value on Issuance Date | $ 5,708,212 |
| Change in Fair Value | (1,092,441) |
| Fair Value on May 24, 2021 | 4,615,771 |
| Extinguishment of Derivative Liability | (4,615,771) |
| Fair Value on June 30, 2021 | $ - |

**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." Shares underlying the Companies outstanding warrants, options and preferred shares were excluded due to the anti-dilutive effect they would have on the computation. At June 30, 2021 and 2020, the Company had the following common shares underlying these instruments:

| | Six Months Ended June 30, | |
|---|---|---|
| | 2021 | 2020 |
| Warrants | 3,987,931 | 1,845,722 |
| Preferred Stock Warrants | - | 2,147,277 |
| Stock Options | 853,936 | 486,720 |
| Preferred Stock | 124,483 | 61,651 |
| Total Underlying Common Shares | 4,966,350 | 4,541,370 |

The following data shows the amounts used in computing loss per share and the effect on income and the weighted average number of shares of dilutive potential common stock for the periods ended June 30, 2021 and 2020:

| | Three Months Ended June 30 | | Six Months Ended June 30 | |
|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 |
| Net Loss per Common Share - Basic and Diluted | $ (0.18) | $ (0.49) | $ (0.28) | $ (1.48) |
| Loss from continuing Operations available to Common stockholders (numerator) | $ (1,859,767) | $ (1,601,518) | $ (2,571,334) | $ (3,500,350) |
| Weighted average number of common shares Outstanding used in loss per share during the Period (denominator) | 10,493,598 | 3,256,098 | 9,149,328 | 2,359,862 |

**Recently Enacted Accounting Standards** - The FASB established the 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 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.

**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 – Inventory**

At June 30, 2021 and December 31, 2020, the Company’s inventory was comprised of:

| | June 30, 2021 | December 31, 2020 |
|---|---|---|
| Raw Materials | $ 290,003 | $ 309,305 |
| Work in Process | 314,450 | 175,884 |
| Finished Goods | 242,646 | 174,462 |
| **Total Inventory** | **$ 846,999** | **$ 659,651** |

**NOTE 3 – Deferral of Social Security Tax Payments**

Pursuant to sections 2302(a)(1) and (a)(2) of the CARES Act, the Company has elected to defer payments of its share of Social Security tax due during the “payroll tax deferral period”. The payroll tax deferral period began on March 27, 2020 and ended on December 31, 2020. At June 30, 2021, the total amount of such deferral was $75,455. Per the terms of the deferral program, 50% of the deferred amount is due on December 31, 2021, and the remaining 50% is due on December 31, 2022 at 0% interest.

**NOTE 4 - Derivative Liability**

On March 26, 2021 (the "Issuance Date"), the Company issued warrants to purchase an aggregate of 2,190,000 shares of common stock to holders in a private placement concurrently with a registered direct offering of 2,190,000 shares of its common stock. The warrants entitle the holders to purchase one share of our common stock at an exercise price equal to $4.32 per share commencing on May 24, 2021 and will expire two years from such date. The Company has determined that these warrants are free standing financial instruments that are legally detachable and separately exercisable from the common stock included in the registered direct offering. Management also determined that on the Issuance Date, the Company did not have sufficient authorized and unissued shares to settle the warrants, and as such required classification as a liability pursuant to ASC 815 *"Derivative Instruments and Hedging"*. In accordance with the accounting guidance, the outstanding warrants were recognized as a warrant liability on the balance sheet and were measured at their inception date fair value and subsequently re-measured at each reporting period with changes being recorded as a component of other income in the statement of operations.

At a Special Stockholders Meeting held on May 24, 2021, the Company received approval to increase its authorized common shares from 12,000,000 to 24,000,000. Pursuant to ASC 815-40-35-8, the Company reclassified the warrant liability to equity as of such date.

The fair value of the derivative liability presented below was measured using the Black Scholes valuation model. Significant inputs into the model for the six months ended June 30, 2021 are as follows:

| | June 30, 2021 |
|---|---|
| Dividend yield | 0.00% |
| Risk-free interest rate | 0.6%-0.7% |
| Expected volatility | 121.2 % - 124.0% |
| Expected life (in years) | 2 |

The warrants outstanding and fair values at each of the respective valuation dates are summarized below:

| Warrant Liability | Warrants Outstanding | Fair Value Per Share | Fair Value |
|---|---|---|---|
| Fair Value at initial measurement date of March 26, 2021 | 2,190,000 | $ 2.61 | $ 5,708,212 |
| (Gain) on change in Fair Value of Warrant Liability | - | $ - | (1,092,441) |
| Fair Value as of May 24, 2021 | 2,190,000 | $ 2.11 | 4,615,771 |
| Extinguishment of Derivative Liability | (2,190,000) | $ 2.11 | (4,615,771) |
| Fair Value as of June 30, 2021 | - | $ - | - |

The Company has presented the fair value measurement as a Level 3 measurement, relying on unobservable inputs reflecting management's assumptions. Level 3 measurements, which are not based on quoted prices in active markets, introduce a higher degree of subjectivity and may be more sensitive to fluctuations in stock prices, volatility rates and U.S. Treasury Bond rates and could have a material impact on future fair value measurements.

The Company uses the Black Scholes model, based on the adjusted historical volatility rates for fair value measurements through the date of stockholder approval (i.e., May 24, 2021). Management has determined the Black Scholes model to be the most reliable and least volatile determinate of the current fair value of the warrants. It is the Company's expectation to maximize on all observable market inputs for the warrants and calibrate the model to incorporate relevant observable market data into the fair value measurement at each future measurement date, if applicable.

During the six months ended June 30, 2021, the Company recognized a gain of $1,092,441 on the change in fair value of the warrants.

## NOTE 5 - Stockholders' Equity

### Common Stock

On May 24, 2021, at a Special Stockholders Meeting, our authorized shares of common stock were increased from 12,000,000 to 24,000,000.

In January 2021, the Company closed a public offering of its securities in which it issued 1,711,783 shares of common stock at $3.00 per share, resulting in net proceeds of approximately $4,532,445 after deducting underwriting commissions and other offering expenses payable by the Company. Pursuant to the Underwriting Agreement, the Company also issued to the Underwriter or its designee warrants to purchase 136,943 shares of common stock. Such warrants have a term of five years and an exercise price of $3.75 per share.

In February 2021, the Company issued 263,200 shares of common stock pursuant to the exercise of warrants issued in our January 2020 private placement.

In March 2021, the Company issued 119,000 shares of common stock in exchange for the conversion of 250 shares of Series D Convertible Preferred Stock, including 19,000 shares of common stock as in-kind payment of preferred stock dividends. Also in March 2021, the Company issued 191,204 shares of common stock pursuant to the exercise of warrants issued in our April 2020 offering, and 21,591 shares of common stock issued pursuant to the cashless exercise of placement agent warrants.

In March 2021, the Company closed a public offering of its securities in which it issued 2,190,000 shares of common stock at $4.445 per share, resulting in net proceeds to the Company of approximately $8,736,487 after deducting placement agent commissions and other offering costs payable by the Company. In a concurrent private placement under the Purchase Agreement, the Company issued to the purchasers warrants to purchase an aggregate of 2,190,000 shares of Common Stock at an exercise price of $4.32 per share. Each Warrant became exercisable on May 24, 2021, the date the Company obtained stockholder approval of an increase in the authorized shares of the Company's Common Stock and will expire two years from such date. The Company also issued to designees of the Placement Agent warrants to purchase up to 175,200 shares of Common Stock (the "Placement Agent Warrants") constituting 8% of the aggregate number of shares of Common Stock sold in the Registered Offering. The Placement Agent Warrants have substantially the same terms as the Warrants, except that the Placement Agent Warrants have an exercise price equal to 125% of the offering price per share (or $5.55625 per share). Upon any exercise of the Warrants for cash, we have also agreed to pay the Placement Agent warrants to purchase 8.0% of the number of shares of our Common Stock issued upon the cash exercise of the Warrants.

In March 2021, Company issued 1,500 shares of common stock valued at $4.99 per share to CorProminence, an investor relations firm previously engaged by the Company as partial compensation for services previously rendered.

On April 6, 2020, the Company closed a public offering of equity securities in which it issued 493,027 shares of common stock and pre-funded warrants to purchase up to 22,438 shares of the Company's common stock. The Company also issued Series A Warrants to purchase an aggregate of 515,465 shares of the Company's common stock pursuant to a private placement. In connection with this offering, the Company issued Dawson James Securities, Inc., its Placement Agent, a warrant to purchase an aggregate of 41,237 shares of the Company's Common Stock (which amount is based on the number of Common Shares and shares underlying the Pre-Funded Warrants) at an exercise price of $3.64 per share. Net proceeds to the Company after deducting offering expenses were approximately $1,230,000.

In the second quarter of 2020, the Company issued 1,603,984 shares of common stock in exchange for the conversion of 1,684 shares of Series D Convertible Preferred stock, including 323,624 shares of common stock as in-kind payment of preferred stock dividends.

In April 2020, the Company granted 11,517 shares of common stock to employees under the 2013 Equity Incentive Plan. Such shares vested on December 31, 2020.

In the first quarter of 2020, the Company issued 408,318 shares of common stock in exchange for the conversion of 1,107 shares of Series D Convertible Preferred stock, including 86,801 shares of common stock as in-kind payment of preferred stock dividends.

In February 2020, the Company issued 2,500 shares of common stock valued at $8.70 per share to MHZCI, LLC, an investor relations firm engaged by the Company, as partial compensation for services to be rendered.

**Preferred Stock**

The Company is authorized to issue 10,000,000 shares of preferred stock, $0.001 par value. 465 and 333 shares of preferred stock were issued and outstanding at June 30, 2021 and 2020, respectively.

In January 2020, the Company entered into a Securities Purchase Agreement (the "Institutional SPA") with certain institutional investors (the "Institutional Private Placement"). Pursuant to the Institutional SPA, the Company issued and sold 1,640 shares of the Company's newly created Series D Convertible Preferred Stock (the "Series D Preferred Stock"). Under the Certificate of Designations for the Series D Preferred Stock, the Series D Preferred Stock has an initial stated value of $1,000 per share (the "Stated Value"). Dividends accrue at a dividend rate of 9% per annum (subject to increase upon the occurrence (and during the continuance) of certain triggering events described therein) and, on a monthly basis, shall be payable in kind by the increase of the Stated Value of the Series D Preferred Shares by said amount. The holders of the Series D Preferred Shares will have the right at any time to convert all or a portion of the Series D Preferred Shares (including, without limitation, accrued and unpaid dividends and make-whole dividends through the third anniversary of the closing date) into shares of the Company's Common Stock at the conversion price then in effect, which is $2.50 (subject to adjustment for stock splits, dividends, recapitalizations and similar events and full ratchet price protection). In addition, a holder may at any time, alternatively, convert all, or any part, of its Series D Preferred Shares at an alternative conversion price, which equals the lower of the applicable conversion price then in effect, and the greater of (x) $1.80 and (y) 85% of the average volume weighted average price ("VWAP") of the Common Stock for a five (5) trading day period prior to such conversion. Upon the occurrence of certain triggering events, described in the Certificate of Designations, including, but not limited to payment defaults, breaches of transaction documents, failure to maintain listing on the Nasdaq Capital Market, and other defaults set forth therein, the Series D Preferred Shares would become subject to redemption, at the option of a holder, at a 125% premium to the underlying value of the Series D Preferred Shares being redeemed.

At June 30, 2021 there were 132 shares of Series D Convertible Preferred stock outstanding, which if converted at the Conversion Price of $2.50 as of June 30, 2021, including the make-whole dividends, would result in the issuance of 62,832 shares of common stock. Concurrent with the Institutional Private Placement, the Company entered into a Securities Purchase Agreement (the "Other SPA") with certain of its directors and the Company's previously largest shareholder (the "Other Private Placement"). Pursuant to the Other SPA, the Company issued and sold 333 shares of the Company's newly created Series E Convertible Preferred Stock (the "Series E Preferred Stock"). Dividends accrue at a dividend rate of 9% per annum and, on a monthly basis, shall be payable in kind by the increase of the Stated Value of the Series E Preferred Shares by said amount. The Series E Preferred Stock is initially convertible into 48,544 shares of Common Stock.

At June 30, 2021, all of the issued Series E Convertible Preferred Stock were outstanding, which if converted as of June 30, 2021, including the make-whole dividends, would have resulted in the issuance of 61,651 shares of common stock.

**Deferred Compensation**

In previous years and in the six months ended June 30, 2021, the Company issued to various employees, directors, and contractors shares of the Company's common stock, subject to restrictions, pursuant to the 2013 Equity Incentive Plan (the "2013 Plan"). Such shares are valued at the fair value at the date of issue. The fair value is expensed as compensation over the vesting period and recorded as an increase to stockholders' equity. During the six months ended June 30, 2021 and June 30, 2020, $0 and $7,870, respectively, of the unvested compensation cost related to these issues was recognized.

At June 30, 2021, there was $0 of unrecognized deferred compensation expense to be recognized over the remainder of the year.

**Stock Options**

As of June 30, 2021, an aggregate of 890,000 shares of common stock were reserved for issuance under the 2013 Plan.

During the six months ended June 30, 2021, the Company granted options to purchase a total of 145,487 shares of common stock to 5 employees, 4 directors and 3 consultants with vesting periods ranging from immediately upon issuance to 3 years beginning January 4, 2021.

During the six months ended June 30, 2020, the Company granted options to purchase a total of 335,183 shares of common stock to 19 employees and 4 consultants with vesting periods ranging from immediately upon issuance to 3 years beginning June 15, 2020.

The Company generally grants stock options to employees and directors at exercise prices equal to the fair market value of the Company's stock on the dates of grant. Stock options are typically granted throughout the year and generally vest over four years of service and expire five years from the date of the award, unless otherwise specified. The Company recognizes compensation expense for the fair value of the stock options over the requisite service period for each stock option award.

Total share-based compensation expense included in the statements of operations for the six months ended June 30, 2021 and 2020 is $233,919 and $424,989 of which $233,919 and $417,119 is related to stock options, respectively.

The fair value of share-based awards was estimated using the Black-Scholes model with the following weighted-average assumptions for the six months ended June 30, 2021 and 2020:

**Assumptions:**

| | 2021 | 2020 |
|---|---|---|
| Dividend yield | 0.00 | 0.00 |
| Risk-free interest rate | 0.19-0.32% | 0.22-1.52% |
| Expected volatility | 116.8-123.8% | 113.8-117.2% |
| Expected life (in years) | 5 | 5 |

Option activity for the six months ended June 30, 2021 and the year ended December 31, 2020 was as follows:

| | Options | Weighted Average Exercise Price ($) | Weighted Average Remaining Contractual Life (Yrs.) | Aggregate Intrinsic Value ($) |
|---|---|---|---|---|
| Options outstanding at December 31, 2019 | 180,912 | 18.11 | 5.09 | 25,988 |
| Granted | 579,998 | 2.55 | 4.57 | - |
| Exercised | - | - | - | - |
| Forfeited or cancelled | (47,900) | 22.62 | - | - |
| Options outstanding at December 31, 2020 | 713,010 | 5.15 | 4.40 | 477,802 |
| Granted | 145,487 | 3.22 | 4.53 | - |
| Exercised | - | - | - | - |
| Forfeited or cancelled | (4,561) | 4.25 | - | (1,597) |
| Options outstanding June 30, 2021 | 853,936 | 4.82 | 4.01 | 874,803 |
| Options expected to vest in the future as of June 30, 2021 | 370,127 | 3.73 | 4.13 | 400,686 |
| Options exercisable at June 30, 2021 | 483,809 | 5.66 | 3.91 | 474,117 |
| Options vested, exercisable, and options expected to vest at June 30, 2021 | 853,936 | | | 874,803 |

The aggregate intrinsic value at June 30, 2021 is calculated as the difference between the exercise price of the underlying awards and the quoted price of our common stock for those awards that have an exercise price currently below the $3.90 closing price of our common stock on June 30, 2021. All of the 2021 option grants have an exercise price currently below $3.90.

At June 30, 2021, there was $987,899 of unrecognized share-based compensation expense related to unvested share options with a weighted average remaining recognition period of 1.70 years.

**Stock Appreciation Rights**

On June 23, 2020, the board of directors (the "Board") of the Company adopted the Sigma Labs, Inc. 2020 Stock Appreciation Rights Plan (the "Plan"). The purposes of the Plan are to: (i) enable the Company to attract and retain the types of employees, consultants and directors (collectively, "Service Providers") who will contribute to the Company's long range success; (ii) provide incentives that align the interests of Service Providers with those of the shareholders of the Company; and (iii) promote the success of the Company's business. The Plan provides for incentive awards that are only made in the form of stock appreciation rights payable in cash ("SARs"). No shares of common stock were reserved in connection with the adoption of the Plan since no shares will be issued pursuant to the Plan.

SARs may be granted to any Service Provider. A SAR is the right to receive an amount equal to the Spread with respect to a share of the Company's common stock ("Share") upon the exercise of the SAR. The "Spread" is the difference between the exercise price per share specified in a SAR agreement on the date of grant and the fair market value per share on the date of exercise of the SAR. The exercise price per share will not be less than 100% of the fair market value of a Share on the date of grant of the SAR. The administrator of the Plan will have the authority to, among other things, prescribe the terms and conditions of each SAR, including, without limitation, the exercise price and medium of payment and vesting provisions, and to specify the provisions of the SAR Agreement relating to such grant.

On June 23, 2020, the Company granted, pursuant to the Plan, (i) 60,094 SARs to its President and Chief Executive Officer, (ii) 12,019 SARs to its Vice President of Business Development, (iii) 24,038 SARs to its Chief Technology Officer, and (iv) 18,028 SARs to its Chief Financial Officer. The exercise price of each such SAR is $2.63, which was the closing price of the Company's common stock on the date of grant. Such SARs expire on the fifth anniversary of the grant date and may be settled only in cash. Additionally, each such SAR will vest and become exercisable in three equal (as closely as possible) installments on each of the first, second and third anniversaries of the grant date, subject, in each case, to the applicable SAR holder being in the continuous employ of the Company on the applicable vesting date, and, in the event of a Change in Control (as defined in the Plan), will become immediately vested and exercisable as long as the applicable holder is in the Company's employ immediately prior to the Change in Control, and will otherwise be on such other terms set forth in the form of Stock Appreciation Rights Agreement. On November 19, 2020, we granted 13,500 SARs to a consultant as partial compensation for services pursuant to the consulting agreement.

The Company recognizes compensation expense and a corresponding liability for the fair value of the SARs over the requisite service period for each SAR award. The SAR's are revalued at each reporting date in accordance with ASC 718 "Compensation-Stock Compensation", and any changes in fair value are reflected in income as of the applicable reporting date.

There were no SAR awards issued during the first six months of 2021.

SARs activity for the six months ended June 30, 2021 was as follows:

| | SARs | Weighted Average Exercise Price ($) | Weighted Average Remaining Contractual Life (Yrs.) | Aggregate Intrinsic Value ($) |
|---|---|---|---|---|
| SARs outstanding at December 31, 2020 | 127,679 | 2.61 | 4.52 | 97,919 |
| Granted | - | - | - | - |
| Exercised | - | - | - | - |
| Forfeited or cancelled | - | - | - | - |
| SARs outstanding June 30, 2021 | 127,679 | 2.61 | 4.02 | 164,312 |
| SARs expected to vest in the future as of June 30, 2021 | 76,120 | 2.63 | 3.98 | 96,672 |
| SARs exercisable at June 30, 2021 | 51,559 | 2.59 | 4.09 | 67,640 |
| SARs vested, exercisable, and options expected to vest at June 30, 2021 | 127,679 | 2.61 | 4.02 | 164,312 |

The aggregate intrinsic value at June 30, 2021 is calculated as the difference between the exercise price of the underlying awards and the quoted price of our common stock for those awards that have an exercise price currently below the $3.90 closing price of our common stock on June 30, 2021.

At June 30, 2021, there was $155,361 of unrecognized share-based compensation expense related to unvested SARs with a weighted average remaining recognition period of 1.98 years.

**Warrants**

Warrant activity for the six months ended June 30, 2021 and 2020 was as follows:

| | Warrants | Weighted Average Exercise Price ($) | Weighted Average Remaining Contractual Life (Yrs.) |
|---|---|---|---|
| Warrants outstanding at December 31, 2019 | 363,727 | 25.60 | 3.12 |
| Granted | 1,481,995 | 3.22 | 5.14 |
| Exercised | - | - | - |
| Forfeited or cancelled | - | - | - |
| Warrants outstanding at June 30, 2020 | 1,845,722 | 7.64 | 4.64 |
| | | | |
| Warrants outstanding at December 31, 2020 | 1,881,429 | 7.57 | 4.16 |
| Granted | 2,602,143 | 4.36 | 2.14 |
| Exercised | (495,641) | 2.59 | 4.13 |
| Forfeited or cancelled | - | - | - |
| Warrants outstanding at June 30, 2021 | 3,987,931 | 6.10 | 2.61 |

**NOTE 6 - Subsequent Events**

On July 15, 2021, at the Annual Meeting of Stockholders of the Company, the Company's stockholders approved an amendment to the 2013 Equity Incentive Plan to increase the number of shares of the Company's common stock reserved for issuance under the 2013 Equity Incentive Plan by 875,000 shares of our common stock to a total of 1,765,000 shares.

## 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, but not limited to, statements regarding our expectations about development and commercialization of our technology, any projections of revenues or statements regarding our anticipated revenues 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, 2020 and elsewhere in this report.*

**Corporation Information**

We were 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. We commenced our current business operations in 2010.

Our principal executive offices are located at 3900 Paseo del Sol, Santa Fe, New Mexico 87507, and our telephone number 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 Securities Exchange Act of 1934 (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.

**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 Financial Statements included in this Quarterly Report on Form 10-Q. 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**

***Three Months Ended June 30, 2021 and June 30, 2020***

We generate revenues through PrintRite3D® hardware and computer-assisted instruction (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 additive manufacturing (AM). Our ability to generate revenues in the future will depend on our ability to further commercialize and increase market presence of our PrintRite3D® technologies, and it will depend on whether key prospective customers continue to move from AM metal prototyping to production.

During the three months ended June 30, 2021, we recognized revenue of $144,148, as compared to $167,688 in revenue recognized during the same period in 2020, a decrease of $23,540. The decrease is primarily due to no revenue from the Company's Rapid Test and Evaluation ("RTE") program in the second quarter of 2021, versus $29,864 of such revenue in the second quarter of 2020.

Our Cost of Revenue for the three months ended June 30, 2021 and 2020 was $116,397 and $57,684, respectively, an increase of $58,713. The increase is primarily attributable to costs incurred in connection with the installation and support of previous PrintRite3D sales, as well as support of current and legacy RTE's, partially offset by a decrease in manufacturing costs of our PrintRite3D units as a result of engineering enhancements.

Sigma's total operating expenses for the three months ended June 30, 2021 were $2,168,651 as compared to $1,526,554 for the same period in 2020, an increase of $642,097 as further described below.

Salary and Benefits costs were $985,348 for the three months ended June 30, 2021 compared to $605,295 for the same period in 2020, an increase of $380,053. This 62.8% cost increase is primarily a result of employee salary increases and average full-time employee headcount increasing by 10 over the second quarter of 2020. Salaries increased by $319,348, employee benefits increased by $16,626, employer payroll taxes increased by $13,058, and SAR's expense increased by $23,129.

Stock-based Compensation was $116,441 for the three months ended June 30, 2021 compared to $270,818 for the same period in 2020, a $154,377, or 57.0% decrease. This decrease is primarily due to stock options awarded to employees in June of 2020, whereas with the exception of stock option grants to new employees in 2021, stock option awards were not made to employees during the three months ended June 30, 2021.

Research and Development expenditures of $280,700 were incurred during the three months ended June 30, 2021 compared to $111,647 in the same period of 2020, a $169,053 increase. The increase is primarily attributable to $73,638 for CT scans related to new development work, $21,332 related to optics redesign, $33,310 for ongoing enhancements and bug fixes related to PrintRite3D v7.0, and purchases of lab supplies, and parts and materials of $31,771.

Investor & Public Relations expenses of $114,762 were incurred during the three months ended June 30, 2021, as compared to $97,702 incurred during the same period in 2020. The increase of $17,060 is primarily due to an increase in expenses for trade shows and conferences of $26,267, partially offset by a decrease in marketing and advertising costs of $13,655, as the Company discontinued its Network Newswire service.

Organization Costs for the three months ended June 30, 2021 totaled $158,529, as compared to $80,096 for the same period in 2020. The increase of $78,433, or 97.9% is due to an increase in shareholder services costs of $34,109 related to the special shareholders meeting held in May of 2021, and $60,802 related to stock options expense for non-employee directors, whereas options were not granted to non-employee directors until July 2020. Partially offsetting these increases was a decrease in non-employee directors' cash compensation of $17,173 in the second quarter of 2021 as compared to the same period in 2020.

Legal & Professional fees incurred in the three months ended June 30, 2021 were $244,019 compared to $212,496 incurred during the same period in 2020. The increase of $31,523 is primarily due to an increase in recruiting fees of $64,000 related to new hires during the period, an increase in consulting fees of $9,112 and an increase in IT services of $2,738, partially offset by a decrease in legal fees of $24,626, and lower accounting and audit fees of $19,700.

Office Expenses incurred during the three months ended June 30, 2021 were $151,871 compared to $78,843 incurred during the same period in 2020, an increase of $73,028, or 92.6%. The increase is primarily due to increased travel costs of $40,973 as a result of the easing of COVID-19 restrictions, an increase of $15,540 in dues and subscriptions, primarily related to new software applications, including customer relationship management, product lifecycle management, and compliance, an increase of $10,272 in postage and shipping, and an increase in office supplies of $5,344.

Depreciation and Amortization expense for the three months ended June 30, 2021 was $25,783, compared to $17,970 for the same period in 2020. The primary reason for the increase is due to depreciation on lab equipment purchased for European engineers to facilitate testing and installations.

Other Operating Expenses were $91,198 for the three months ended June 30, 2021, compared to $51,687 incurred during the same period in 2020. The increase of $39,511 is primarily due to higher insurance premiums of $32,839 in 2021. In addition, increased SEC filing fees of $4,956 related to various registration statements were incurred in June 2021.

In the three months ended June 30, 2021, our net other income & expense was net income of $295,393 compared to net other income of $506,912 in 2020. The 2021 net positive contribution is primarily from a gain of $290,156 on the revaluation of the derivative liability incurred in connection with the issuance of warrants to purchase common stock in our March 2021 offering. In 2020, the net positive contribution consisted primarily of $151,657 in New Mexico state job incentive credits, and $361,700 from the recognition of our PPP loan as a government grant.

Sigma's net loss applicable to common stockholders for the three months ended June 30, 2021 totaled $1,859,767 as compared to $1,601,518 for the same period of 2020, a $258,249 increase. The second quarter net operating loss contributed $724,350 to the loss increase, while the decrease in other income contributed an additional loss of $211,559. Partially offsetting these losses was a decrease in preferred dividends of $677,660 for the quarter ended June 30, 2021.

***Six Months Ended June 30, 2021 and 2020***

During the six months ended June 30, 2021, we recognized revenue of $602,288 compared to $389,418 during the same period of 2020. The primary contributors to the $212,870 increase were an increase in PrintRite3D® unit sales contributing $276,242, partially offset by a decrease in a RTE program revenue of $67,200.

Our cost of revenue for the six months ended June 30, 2021 was $244,728 compared to $302,387 during the same period in 2020. The decrease of $57,659 is primarily due to a credit in the first quarter related to a customer exchange of a PrintRite3D unit sold in December 2020, lower build costs as a result of engineering enhancements of our PrintRite3D units, and lower costs of supporting legacy RTE programs.

Sigma's total operating expenses for the six months ended June 30, 2021 were $3,950,057 compared to $3,086,195 for the same period in 2020, a $863,862 increase as further described below.

Payroll costs for the six months ended June 30, 2021 were $1,832,520 compared to $1,257,492 for the same period in 2020, an increase of $575,028. The increase is primarily due to employee salary increases and higher average employee headcount of 7 during the first half of 2021, resulting in increased salaries of $421,207, plus $28,270 in employee benefits and $34,202 in employer payroll taxes. Also contributing to the increase was $26,924 in sales commissions and bonuses, and $60,615 of expense related to the Company's Stock Appreciation Rights plan.

Stock-based compensation for the six months ended June 30, 2021 was $233,919 compared to $424,989 for the same period in 2020, a $191,070 decrease, primarily due to stock options granted to our CEO vesting in the first quarter of 2020 with no such vesting in the first quarter of 2021, and stock options awarded to employees in June of 2020. With the exception of stock option grants to new employees, stock option awards were not made to employees during the six months ended June 30, 2021.

During the six months ended June 30, 2021, Sigma incurred research and development expenditures of $477,040 compared to $165,335 in the same period of 2020. The $311,705 increase in these expenditures during the first six months of 2021 is a result of development costs incurred in connection with PrintRite3D version 7.0 of $81,477, increased purchases of lab supplies of $97,382, of which metal powder purchases totaled $14,161, argon gas totaled $15,434, laboratory facility upgrades totaled $8,852, and cables and cable making supplies totaled $19,075, CT scans conducted for new development work and a simulation project totaling of $93,638, increased write-offs of $40,350 in obsolete inventory, and $21,332 related to optics redesign. Partially offsetting these increases was a decrease in consulting expenses of $22,926 due to the full-time hire of a consultant in 2021.

Investor and Public Relations expenses incurred in the six months ended June 30, 2021 were $223,103, compared to $287,009 during the same period in 2020. The $63,906 decrease in the six-month comparative expenditures results primarily from a decrease in advertising expenses as a result of discontinuing Network Newswire services and use of a public relations firm.

Organization Costs for the six months ended June 30, 2021 totaled $236,145, as compared to $155,675 for the same period in 2020. The increase of $80,470 is primarily due to $122,273 of stock option expense for non-employee directors in the first half of 2021 verses $0 in the first half of 2020, as such grants were not made to non-employee directors until the second half of 2020. Partially offsetting this increase was a decrease in non-employee director cash compensation of $22,305, and a reduction in shareholder services expenses of $19,498.

Legal and Professional fees incurred in the six months ended June 30, 2021 were $420,866, compared to $397,386 incurred during the same period in 2020, an increase of $23,480, or 5.9%. Legal fees decreased by $101,966 due to expenses incurred during the first quarter of 2020 in connection with our January 2020 private offering, Nasdaq related matters, and our February 27, 2020 reverse stock split. Also contributing to the decrease were lower accounting related expenses of $16,670. Partially offsetting these decreases was an increase in recruiting fees of $90,667 related to ten new hires during the first half of 2021, and increased consulting fees of $45,211 related to an external marketing consultant, and corporate consulting services, and increased IT services of $6,238.

During the six months ended June 30, 2021, Sigma's office expenses were $300,096 compared to $226,590 in the same period of 2020. The $73,506 increase in these expenditures primarily resulted from $21,381 in postage and shipping, $26,231 in computer hardware and software related to new hires, payroll servicing fees of $10,009 due to new hires and a first-year fee discount that ended in 2020, and increased dues and subscriptions of $23,127 related to subscriptions to new software applications, including customer relationship management, product lifecycle management, and compliance. Partially offsetting these increases was a decrease in travel expenses of $8,425 in the first half of 2021.

Depreciation and Amortization expense for the six months ended June 30, 2021 was $48,814, compared to $35,983 for the same period in 2020. The increase is primarily due to depreciation on lab equipment purchased for European engineers to facilitate testing and installations.

In the six months ended June 30, 2021, our net other income & expense was net income of $1,096,290, as compared to net income of $505,941 during the same period in 2020. The increase is primarily a result of a gain of $1,092,441 on the revaluation of the derivative liability incurred in connection with the issuance of warrants to purchase common stock in our March 2021 offering, partially offset by 2020 New Mexico state job incentive credits of $151,657 plus $361,700 from the recognition of our PPP loan as a government grant. The grant was recognized during the second quarter of 2020.

Sigma's net loss applicable to common shareholders for the six months ended June 30, 2021 totaled $2,571,334 as compared to $3,500,350 for the same period in 2020, a $929,016 decrease. Contributing to this decrease was an increase in other income of $590,349 and a decrease in preferred stock dividends of $932,000, partially offset by an increase in our net operating loss of $593,333.

We financed our operations during the three and six months ended June 30, 2021 and 2020 primarily from revenue generated from PrintRite3D® system sales and engineering consulting services we provided to third parties during these periods and through sales of our common and preferred stock. 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.

**Liquidity and Capital Resources**

As of June 30, 2021, we had $14,731,115 in cash and working capital of $15,572,454, as compared with $3,700,814 in cash and working capital of $4,332,053 as of December 31, 2020.

Our major sources of funding have been proceeds from public and private offerings of our equity securities (both common stock and preferred stock), and from warrant exercises.

In January 2021, the Company closed a public offering of its securities in which it issued 1,711,783 shares of common stock at $3.00 per share, resulting in net proceeds of approximately $4,532,445 after deducting underwriting commissions and other offering expenses payable by the Company.

In March 2021, the Company closed a public offering of its securities in which it issued 2,190,000 shares of common stock at $4.445 per share, resulting in net proceeds to the Company of approximately $8,736,487 after deducting placement agent commissions and other offering costs payable by the Company. Concurrent with the public offering, the Company issued warrants to investors to purchase an aggregate of 2,190,000 shares of common stock to holders in a private placement. The warrants entitle the holders to purchase one share of our common stock at an exercise price equal to $4.32 per share commencing on May 24, 2021 and will expire two years from such date. If all of the warrants are exercised by the holders thereof, the potential gross proceeds to the Company will be $9,460,800.

During the first quarter of 2021, the Company issued 454,404 shares of common stock pursuant to the exercise of warrants, resulting in net proceeds to the Company of $1,136,010.

We believe that our existing cash on hand will be sufficient to fund our anticipated operating costs and capital expenditure requirements through 2022. We have based this estimate on assumptions that may prove to be wrong, such as our current expectations of revenue generation and burn rate, and we could exhaust our capital resources sooner than we expect.

Because of the numerous risks and uncertainties associated with the research, development, and commercialization of our products, we are unable to estimate the exact amount of our working capital requirements. Our future capital requirements will depend on many factors, including:

- The cost of expending, maintaining, and enforcing our intellectual property portfolio, including filing, prosecuting, defending and enforcing our patent claims and other intellectual property rights;
- The effect of competing technological and market developments;
- The revenue from the sales of our existing and future products; and
- The cost of operating as a public company.

During the remainder of 2021, we expect to sustain our operations and our commercialization and marketing efforts with our cash reserves and revenues generated from sales of our PrintRite3D® technology. We expect that continued enhancements of our IPQA®-enabled PrintRite3D® technology, including the May 2021 release of version 7.0, will enable us to further commercialize this technology into the AM metal market in 2021. To support the commercialization of our PrintRite3D® technology, 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).

As the second quarter of 2021 progressed, the Company continued to be adversely affected by the COVID-19 global economic slowdown, which has resulted in lower revenue than anticipated. Several customers have delayed purchase orders, and although they have not been cancelled, the timing of when they might be received continues to be uncertain. Two key industries with which we do business, aerospace and oil and gas, have experienced a reduction in the global demand for their products due to the pandemic. We have also experienced delays in purchase orders from universities and research institutes. As a result of the decrease in the demand for our products from customers and potential customers in these and other industries, the Company expects that revenue from these sectors will remain under pressure. It is impossible to know at this time how long companies will limit capital expenditures and if the industries that have been most negatively affected will resume normal purchasing. However, due to the need to have more flexibility in supply chains with the ability to respond quickly to shortages in parts or products, we believe that the crisis will eventually accelerate the adoption of 3D printing, which would be a positive trend for the Company.

***Net Cash Used in Operating Activities***

Net cash used in operating activities during the six months ended June 30, 2021 increased to $3,266,620 from $2,435,387 during the same period in 2020, a $831,233 increase. Contributing to this increase was the gain of $1,092,441 on the derivative liability, increased inventory of $200,426, an increase in prepaid assets of $133,286, a decrease in stock-based compensation of $67,784 and increased net loss of $2,984. Partially offsetting these increases was a decrease in accounts receivable of $172,977, a decrease in cash used to settle accounts payable and accrued expenses of $479,880, and depreciation and amortization of $12,831.

***Net Cash Used/Provided by Investing Activities***

Net cash used by investing activities during the six months ended June 30, 2021 was $108,021, which compares to $98,710 of cash used by investing activities during the same period of 2020, an increase of $9,311. This is primarily attributable to lower patent costs offset by and increased purchases of furniture and equipment.

***Net Cash Used/Provided by Financing Activities***

Cash provided by financing activities during the six months ended June 30, 2021 increased to $14,404,942 from $4,892,944 during the same period in 2020 due to the receipt of $14,869,899 of proceeds less $1,600,967 of offering costs, in connection with our January 2021 and March 2021 private and public offerings and exercise of Preferred Warrants. Cash provided by financing activities during the same period in 2020 resulted from the receipt of $3,600,000 in proceeds less $820,228 of offering costs in connection with our January 2020 and April 2020 offerings, $2,141,100 in proceeds from the exercise of warrants, and 22,072 from the deferral of payroll taxes pursuant to the CARES Act, partially offset by the payment of the remaining outstanding principal balance on a convertible note payable in the amount of $50,000.

Our ability to continue to fund our liquidity and working capital needs will be dependent upon the success of our efforts to generate revenues from existing and future PrintRite3D®-proof-of-concept contracts, follow-on contracts resulting from successful proof-of-concept engagements, possible strategic partnerships, and by obtaining additional capital from the issuance of securities or by borrowing funds from lenders to fulfill our business plans. Such financing, if in the form of equity, may be highly dilutive to our existing stockholders and may otherwise include onerous terms. If in the form of debt, such financing may include covenants and repayment obligations which may be difficult to meet and that could adversely affect our business operations. There is no assurance as to the amount and availability of any required future financing or the terms thereof. The Company is unable to predict the effect that the ongoing COVID-19 pandemic may have on its access to the financing markets. If we fail to obtain sufficient funding when needed, we may be forced to delay or scale back a portion of our commercialization efforts and operations.

We have no credit lines as of July 22, 2021, nor have we ever had a credit line since our inception.

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.

**Evaluation of disclosure controls and procedures and changes in internal controls over financial reporting.**

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 Chief Executive Officer, and our 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 three months ended June 30, 2021 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.

You should consider the "Risk Factors" included under Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2020 filed with the SEC on March 24, 2021.

## 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.

None.

## ITEM 6. EXHIBITS.

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| 3.1 | Certificate of Amendment to Amended and Restated Articles of Incorporation of the Company, as amended (filed as Exhibit 3.1 to the Company's Current Report on Form 8-K filed May 25, 2021 and incorporated herein by reference). |
| 10.1 | Amended and Restated Employment Agreement, dated June 10, 2021, between Sigma Labs, Inc. and Mark K. Ruport (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed June 15, 2021 and incorporated herein by reference).* |

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| 10.2 | Sigma Labs, Inc. 2013 Equity Incentive Plan, as Amended (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed July 16, 2021 and incorporated herein by reference).* |
| 10.3 | Sigma Labs, Inc. 2021 Employee Stock Purchase Plan (filed as Exhibit 10.2 to the Company's Current Report on Form 8-K filed July 16, 2021 and incorporated herein by reference).* |
| 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 – the instance document does not appear in the Interactive Data File because its XBRL tags are imbedded within the Inline XBRL document. |
| 101.SCH | Inline XBRL Schema Document. |
| 101.CAL | Inline XBRL Calculation Linkbase Document. |
| 101.DEF | Inline XBRL Definition Linkbase Document. |
| 101.LAB | Inline XBRL Labels Linkbase Document. |
| 101.PRE | Inline XBRL Presentation Linkbase Document. |
| 104 | Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101) |

* Indicates a management contract or compensatory plan or arrangement.
** Filed herewith.
*** Furnished herewith and not "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended.

**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.

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| July 22, 2021 | By: */s/ Mark K Ruport*<br>Mark K. Ruport<br>President and Chief Executive Officer (Principal Executive Officer) |
| July 22, 2021 | By: */s/ Frank Orzechowski*<br>Frank Orzechowski<br>Chief Financial Officer and Treasurer (Principal Financial and Accounting Officer) |

**Exhibit 31.1**

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

I, Mark K. Ruport, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Sigma Labs, Inc.;

2. Based on my knowledge, this quarterly 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 quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly 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 quarterly 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 quarterly report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 22, 2021

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| By: | */s/ Mark K. Ruport* |
| Name: | Mark K. Ruport |
| Title: | President and Chief Executive Officer<br>(Principal Executive Officer) |

**Exhibit 31.2**

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

I, Frank Orzechowski, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Sigma Labs, Inc.;

2. Based on my knowledge, this quarterly 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 quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly 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 quarterly 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 quarterly report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 22, 2021

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| By: | */s/ Frank Orzechowski* |
| Name: | Frank Orzechowski |
| Title: | Chief Financial Officer, Treasurer<br>(Principal Financial and Accounting Officer) |

**Exhibit 32.1**

**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 K. Ruport, the Chief Executive Officer, and Frank Orzechowski, 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 quarter ended June 30, 2021 (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.

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| */s/ Mark K. Ruport* | */s/ Frank Orzechowski* |
| Mark K. Ruport<br>President and Chief Executive Officer<br>(Principal Executive Officer) | Frank Orzechowski<br>Chief Financial Officer, Treasurer<br>(Principal Financial and Accounting Officer) |
| July 22, 2021 | July 22, 2021 |