UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2011

OR

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

Commission file number: 33-2783-S

Sigma Labs, Inc.

(Exact name of registrant as specified in its charter)

NEVADA	82-0404220
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)

3900 Paseo del Sol
Santa Fe, New Mexico 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 or a smaller reporting company.

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: As of May 6, 2011, the issuer had357,077,750 shares of common stock outstanding.

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

Yes ☐ No ☒

SIGMA LABS, INC.

For the quarter ended March 31, 2011

FORM 10-Q

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PART I

ITEM 1. FINANCIAL STATEMENTS.

Sigma Labs, Inc.
Consolidated Balance Sheets
March 31, 2011

	March 31, 2011 Unaudited	December 31, 2010
ASSETS		
Current Assets		
Cash	$ 862,080	$ 226,268
Accounts Receivable	4,884	180,855
Other Assets	865	370
Total Current Assets	**867,829**	**407,493**
Fixed Assets (Net)		
Furniture and Equipment	38,111	42,778
Patents	24,830	25,083
Fixed Assets	**62,941**	**67,861**
TOTAL ASSETS	**$ 930,770**	**$ 475,354**
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Funds Held Pending Private Placement Closing	$ 682,500	$ -
Accounts Payable	35,880	44,996
Current Liabilities	**718,380**	**44,996**
TOTAL LIABILITIES	718,380	44,996
Stockholders' Equity		
Common Stock, $0.001 par value; 750,000,000 shares authorized;		
314,167,400 shares issued and outstanding	314,167	
313,067,400 shares issued and outstanding		313,067
Additional Paid-In Capital	560,137	539,237
Retained Earnings (Deficit)	(661,914)	(421,946)
Total Stockholders' Equity	**212,390**	**430,358**
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	**$ 930,770**	**$ 475,354**

Sigma Labs, Inc.
Consolidated Statements of Cash Flows
Three Months Ended March 31, 2011 and 2010

	Three Months Ended March 31, 2011	2010
OPERATING ACTIVITIES		
Net Income (Loss)	$ (239,968)	$ (55,120)
Adjustments to reconcile Net Income (Loss) to Net Cash used by operations:		
Noncash Expenses:		
Amortization	253	-
Depreciation	4,667	-
Stock Compensation	22,000	
Change in assets and liabilities:		-
Decrease in Accounts Receivable	175,971	-
(Increase) in Cafeteria Plan	(495)	-
(Decrease) Increase in Accounts Payable	(9,116)	29,759
NET CASH (USED) BY OPERATING ACTIVITIES	**(46,688)**	**(25,361)**
INVESTING ACTIVITIES		
Purchase of Furniture and Equipment	-	-
Purchase of Patent	-	-
NET CASH USED BY INVESTING ACTIVITIES	-	-
FINANCING ACTIVITIES		
Proceeds fron sale of Stock Subscription	682,500	28,804
Increase in Convertible Notes Payable	-	100,000
NET CASH PROVIDED BY FINANCING ACTIVITIES	**682,500**	**128,804**
NET CASH INCREASE FOR PERIOD	**635,812**	**103,443**
CASH AT BEGINNING OF PERIOD	226,268	-
CASH AT END OF PERIOD	**$ 862,080**	**$ 103,443**
Supplemental Disclosure for Cash Flow Information		
Cash paid during the period for:		
Interest	$ -	$ -
Income Taxes	$ -	$ -
Supplemental Schedule of Noncash Investing and Financing Activities		
For the three months ended March 31, 2011		
1,100,000 shares issued for consulting services at $0.02 per share		
For the three months ended March 31, 2010		
Common stock issued for subscription receivable of $2,500		

Sigma Labs, Inc.
Consolidated Statements of Operations
Three Months Ended March 31, 2011 and 2010

	Three Months Ended March 31, 2011	2010
INCOME		
Services	$ 57,039	
Total Revenue	**57,039**	**-**
COST OF SERVICE REVENUE	**17,181**	
GROSS PROFIT	**39,858**	**-**
EXPENSES		
General & Administration	140,074	55,120
Payroll Expense	139,752	
Total Expenses	**279,826**	**55,120**
NET INCOME (LOSS) BEFORE INCOME TAXES	**(239,968)**	**(55,120)**
Current Income Tax Expense	-	-
Deferred Income Tax Expense	-	-
Net Income (Loss)	**$ (239,968)**	**$ (55,120)**
Loss per Common Share - Basic and Diluted	**$ 0.00**	**$ 0.00**
Weighted Average Number of Shares Outstanding Basic and Diluted	**314,118,511**	**197,099,235**

SIGMA LABS, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2011

NOTE 1 – Summary of Significant Accounting Policies

Nature of Business – On September 13, 2010 Sigma Labs, Inc., formerly named Framewaves, Inc., a Nevada corporation, acquired 100% of the shares of B6 Sigma, Inc. by exchanging 6.67 shares of Framewaves, Inc. restricted common stock for each issued and outstanding share of B6 Sigma, Inc. The acquisition has been accounted for as a "reverse purchase", and accordingly the operations of Framewaves, Inc. prior to the date of acquisition have been eliminated.

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. A Company trademark, In Process Quality Assurance (IPQA®), is a technology that management believes will fundamentally redefine manufacturing practices by embedding quality assurance in the manufacturing processes in real time. Management also anticipates that the Company's core competencies will allow its clientele to combine advanced manufacturing with novel material to achieve breakthrough product potential in many industries including aerospace, defense, oil and gas, prosthetic implants, sporting goods, and power generation.

Principles of Consolidation – The consolidated financial statements for March 31, 2011 include the accounts of Sigma Labs, Inc. and B6 Sigma, Inc. All significant intercompany balances and transactions have been eliminated.

Property and Equipment – Property and equipment are stated at cost. Expenditures for major renewals and betterments that extend the useful lives of property and equipment are capitalized upon being placed in service. Expenditures for maintenance and repairs are charged to expense as incurred. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. The estimated life has been determined to be three years unless a unique circumstance exists, which is then fully documented as an exception to the policy.

Fair Value of Financial Instruments – The Company estimates that the fair value of all financial instruments does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying consolidated balance sheets.

Income Taxes – The Company accounts for income taxes in accordance with ASC Topic No. 740, "Accounting for Income Taxes."

The Company adopted the provisions of ASC Topic No. 740, "Accounting for Income Taxes," at the date of inception on February 5, 2010. As a result of the implementation of ASC Topic No. 740, the Company recognized no increase in the liability for unrecognized tax benefits.

The Company has no tax positions at March 31, 2011 for which the ultimate deductibility is highly certain but for which there is uncertainty about the timing of such deductibility.

The Company recognizes interest accrued related to unrecognized tax benefits in interest expense and penalties in operating expenses. During the period ended March 31, 2011, the Company recognized no interest and penalties. The Company had no accruals for interest and penalties at March 31, 2011. All tax years starting with 2010 are open for examination.

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."

Allowance for Doubtful Accounts - The Company establishes an allowance for doubtful accounts to ensure accounts receivables are not overstated due to uncollectibility. Bad debt reserves are maintained based on a variety of factors, including the length of time receivables are past due and a detailed review of certain individual customer accounts. If circumstances related to customers change, estimates of the recoverability of receivables would be further adjusted. The allowance for doubtful accounts at March 31, 2011 is $0.

Intangible Assets – Long-lived assets and certain identifiable intangibles to be held and used by the Company are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The Company continuously evaluates the recoverability of its long-lived assets based on estimated future cash flows and the estimated liquidation value of such long-lived assets, and provides for impairment if such undiscounted cash flows are insufficient to recover the carrying amount of the long-lived assets. If impairment exists, an adjustment is made to write the asset down to its fair value, and a loss is recorded as the difference between the carrying value and fair value. Fair values are determined based on quoted market values, discounted cash flows or internal and external appraisals, as applicable. Assets to be disposed of are carried at the lower of carrying value or estimated net realizable value.

Recently Enacted Accounting Standards – In June 2009, 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. Existing GAAP was not intended to be changed as a result of the Codification, and accordingly the change did not impact our financial statements. The ASC does change the way the guidance is organized and presented.

Accounting Standards Update ("ASU") ASU No. 2009-05 (ASC Topic 820), which amends Fair Value Measurements and Disclosures – Overall, ASU No. 2009-13 (ASC Topic 605), Multiple-Deliverable Revenue Arrangements, ASU No. 2009-14 (ASC Topic 985), Certain Revenue Arrangements that include Software Elements, and various other ASU's No. 2009-2 through ASU NO. 2011-03 which contain technical corrections to existing guidance or affect guidance to specialized industries or entities were recently issued. These updates have no current applicability to the Company or their effect on the financial statements would not have been significant.

Cash Equivalents - The Company considers all highly liquid investments with a maturity of three months or less at date of purchase to be cash equivalents.

Organization Expenditures – Organizational expenditures are expensed as incurred for Securities Exchange Commission (SEC) filings, but capitalized and amortized for income tax purposes.

Amortization - Utility patents are amortized over a 17 year period.

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.

Revenue Recognition – The Company's revenue is derived primarily from providing services under contractual agreements. Revenue is recognized when a project is completed.

NOTE 2 – Capital Stock

The Company has authorized 750,000,000 shares of common stock, $.001 par value.

On September 13, 2010 the Company closed a share exchange transaction (the "Reorganization") with the shareholders of B6 Sigma, Inc., a Delaware corporation ("B6 Sigma"), which resulted in B6 Sigma becoming a wholly-owned subsidiary of the Company. Each share of B6 Sigma, Inc. common stock outstanding as at the closing of the Reorganization was exchanged for 6.67 shares of the Company's common stock. At the closing, B6 Sigma, Inc. also acquired and cancelled 110,700,000 shares of the Company's common stock from three shareholders for the sum of $195,000. Upon the closing of the Reorganization, the Company ceased to be a "Shell" company (as such term is defined in Rule 12b-2 under the Securities Exchange Act of 1934, as amended). As a condition to the closing of the reorganization, B6 Sigma, Inc. also closed a private offering of $1,000,000 of its common stock contemporaneously with the closing of the reorganization, which included the conversion of $300,000 of previously issued convertible notes by B6 Sigma, Inc. into the private offering of common stock.

Following issuance of the reorganization shares to the B6 Sigma shareholders and the stock cancellation, the Company had 313,067,400 (post split) shares of its common stock issued and outstanding. In connection with the closing of the reorganization, the shareholders of the Company approved a 150:1 forward stock split, and a change of the name of the corporation to Sigma Labs, Inc. Additionally, following completion of the reorganization, B6 Sigma became a wholly owned subsidiary and its operations comprise the sole business activity.

On January 6, 2011 the Company issued an aggregate of 1,100,000 shares of the Company's common stock to two consultants as noncash compensation for services rendered valued at $22,000 or $0.02 per share.

On March 9, 2011, our Board of Directors adopted an equity incentive plan, the 2011 Equity Incentive Plan (the "Equity Plan"). On March 31, 2011, the holders of at least a majority of the issued and outstanding shares of common stock of the Company approved the Equity Plan. Pursuant to the Equity Plan, we are authorized to grant options, restricted stock and stock appreciation rights to purchase up to 31,000,000 shares of common stock to our employees, officers, directors, consultants and advisors. The Equity Plan provides for awards of incentive stock options, non-statutory stock options, and rights to acquire restricted stock. Incentive stock options granted under the Equity Plan are intended to qualify as "incentive stock options" within the meaning of Section 422 of the Internal Revenue Code of 1986, as amended (the "Code"). Non-statutory stock options granted under the Equity Plan are not intended to qualify as incentive stock options under the Code.

NOTE 3 – Going Concern

The Company was only recently formed and has not yet achieved profitable operations. The ability of the Company to continue as a going concern is dependent on expanding income opportunities. Management anticipates that additional contracts will allow the Company to achieve profitable operations.

NOTE 4 – Income Taxes

The Company accounts for income taxes in accordance with ASC Topic No. 740, "Income Taxes." ASC Topic No. 740 requires the Company to provide a net deferred tax asset/liability equal to the expected future tax benefit/expense of temporary reporting differences between book and tax accounting methods and any available operating loss or tax credit carryforwards.

The Company has available at March 31, 2011, unused operating loss carryforwards of approximately $589,881, which may be applied against future taxable income and which expire in various years through 2031. However, if certain substantial changes in the Company's ownership should occur, there could be an annual limitation on the amount of net operating loss carryforward which can be utilized. The amount of and ultimate realization of the benefits from the operating loss carryforwards for income tax purposes is dependent, in part, upon the tax laws in effect, the future earnings of the Company and other future events, the effects of which cannot be determined. Because of the uncertainty surrounding the realization of the loss carryforwards, the Company has established a valuation allowance equal to the tax effect of the loss carryfowards (approximately $88,500) at March 31, 2011 and, therefore, no deferred tax asset has been recognized for the loss carryforwards. The change in the valuation allowance is approximately $36,200 for the period ended March 31, 2011.

NOTE 5 – Loss Per Share

The following data show 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 period ended March 31, 2011 and March 31, 2010:

	Three Months Ended March 31, 2011	Three Months Ended March 31, 2010
Loss from continuing operations available to Common stockholders	$ (239,968)	$ (55,120)
Weighted average number of common shares Outstanding used in loss per share during the Period	314,118,511	197,099,255

NOTE 6 – Furniture and Equipment

The following is a summary of property and equipment, purchased used and depreciated over a period of three years, less accumulated depreciation, as of March 31, 2011 and December 31, 2010:

Furniture and Fixtures	$ 56,000	$ 56,000
Less: Accumulated Depreciation	(17,889)	(13,222)
Net Property and Equipment	$ 38,111	$ 42,778

Depreciation expense on property and equipment was $4,667 and $0 for the period ended March 31, 2011 and 2010.

NOTE 7 – Patents

The following is a summary of patents less accumulated amortization as of March 31, 2011 and December 31, 2010:

Patents	$ 25,800	$ 25,800
Less: Accumulated Amortization	(970)	(717)
Net Patents	$ 24,830	$ 25,083

Amortization expense on patents was $253 and $0 for the period ended March 31, 2011 and 2010.

NOTE 8 – Commitments and Contingencies

Operating Leases – The Company leases office space under operating leases. Expense relating to these operating leases was $5,880 for the period ended March 31, 2011. There are no future minimum lease payments required under operating leases at March 31, 2011.

NOTE 9 – Subsequent Events

On April 8, 2011, the Company granted five Company employees an aggregate of 20,000,000 shares of the Company's common stock, at an issue price of $0.02 per share subject to restrictions, pursuant to the Company's 2011 Equity Incentive Plan.

Also on April 8, 2011, the Company granted an aggregate of 3,625,000 shares of the Company's common stock, at an issue price of $0.02 per share subject to restrictions, to one consultant and two professionals for services rendered to the Company.

In January 2011, the Company commenced a private offering of up to 75,000,000 shares of common stock, $0.001 par value per share, at an issue price of $0.02 per share of common stock, for total gross proceeds of up to $1,500,000. Funds received by March 31, 2011 of $682,500 were held by the Company as a liability pending the closing of the private offering, which occurred on April 15, 2011. 55,875,000 shares of the Company's common stock were subscribed with respect to the offering, resulting in aggregate gross proceeds of $1,117,500 (which includes $100,000 of proceeds that the Company expects to receive by May 17, 2011).

Hudson Valley Capital Management Corp. ("Hudson") acted as placement agent and will receive a total of $105,735 in commissions following the Company's receipt of the foregoing $100,000 of proceeds. The Company also will issue to Hudson in connection with the offering five year warrants to purchase up to 7,931,250 shares of the Company's common stock. Such warrants have an exercise price of $0.025 per share.

The Company has evaluated subsequent events from the balance sheet date through the date the financial statements were issued and determined there were no additional items to report.

ITEM 2. MANAGEMENTS' 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" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. All statements other than statements of historical fact are "Forward-Looking Statements" for purposes of these provisions, including any projections of 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. 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 "Risk Factors" and elsewhere in this report.

Introductory Comment

Our predecessor, Framewaves, Inc., a Nevada corporation, was a shell company (as that term is defined in Rule 12b-2 under the Securities Exchange Act of 1934) immediately prior to the closing of the Reorganization (as defined below in the discussion captioned "The Reorganization") with no ongoing operations, and was focused on seeking a business opportunity. Throughout this Quarterly Report on Form 10-Q, unless otherwise indicated, the term "Framewaves" refers to our predecessor shell-entity prior to consummation of the Reorganization; the term "B6 Sigma" refers to B6 Sigma, Inc., a Delaware corporation and the operating company acquired in connection with the Reorganization; and the terms the "Company," "Sigma," "we," "us" and "our" refers to Sigma Labs, Inc. (f/k/a Framewaves, Inc.) together with B6 Sigma, Inc., our wholly owned subsidiary following completion of the Reorganization.

Organizational History

Framewaves was incorporated in December 1985 as "Messidor Limited." In December 2000, Messidor Limited's shareholders approved a name change to "Framewaves, Inc." At that time, the shareholders also approved the acquisition of Corners, Inc., a Nevada corporation ("Corners"), which was originally intended to be used as an operating subsidiary as part of the corporation's business strategy to actively pursue the custom framing business. Ultimately, the corporation decided to pursue a different business opportunity.

B6 Sigma, Inc., a Delaware corporation ("B6 Sigma"), was incorporated in February 2010. Four members of our current management team worked together at Technology Management Company, Inc., a New Mexico corporation ("TMC"), before leaving to form B6 Sigma. Pursuant to an asset purchase agreement, B6 Sigma acquired certain assets from a division of TMC in exchange for the surrender of certain securities of TMC previously issued to the founders of B6 Sigma. The assets acquired include equipment, contracts, licenses and intellectual property relating to our IPQA® technology. See further discussion of our IPQA® technology under "Products and Services" included under Item 1 ("Business"), Part I of our Annual Report on Form 10-K for the year ended December 31, 2010.

On September 13, 2010, Framewaves entered into a share exchange agreement with B6 Sigma and the shareholders of B6 Sigma pursuant to which it acquired all of the issued and outstanding shares of B6 Sigma. Following closing of the transactions contemplated by the share exchange agreement, B6 Sigma became our wholly owned subsidiary and its operations now comprise our sole business activity.

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.

The Reorganization

On September 13, 2010, Framewaves entered into a share exchange agreement ("Share Exchange Agreement") with B6 Sigma and the holders of all of the issued and outstanding capital stock of B6 Sigma (collectively, the "B6 Sigma Shareholders"). The transactions contemplated by the Share Exchange Agreement are hereinafter collectively referred to as the "Reorganization." Pursuant to the Share Exchange Agreement, Framewaves issued to the B6 sigma Shareholders 234,917,400 (post-split) shares (the "Reorganization Shares") of its common stock, $0.001 par value per share, in exchange for all of the issued and outstanding capital stock of B6 Sigma. In connection with the Reorganization, B6 Sigma acquired 110,700,000 (post-split) shares of Framewaves common stock from three shareholders of Framewaves for the cash sum of $195,000, and simultaneously cancelled all such shares (such transactions, collectively, the "Stock Cancellation"). In addition, as a condition to the closing of the Reorganization, B6 Sigma also closed a private offering of $1,000,000 of its common stock contemporaneous with the closing of the Reorganization. In connection with the Reorganization, the Chief Executive Officer (and also a director) of Framewaves resigned and the officers and directors of B6 Sigma were elected to serve as officers and directors of the Company.

Following issuance of the Reorganization Shares to the B6 Sigma Shareholders and the Stock Cancellation, Framewaves had 313,067,400 (post-split) shares of its common stock issued and outstanding. In connection with the closing of the Reorganization, the shareholders of Framewaves approved a 150:1 forward stock split, and a change of the name of the corporation to "Sigma Labs, Inc." Additionally, following completion of the Reorganization, B6 Sigma became our wholly owned subsidiary and its operations now comprise our sole business activity.

Overview of Business

B6 Sigma is an early-stage company that specializes in the development and commercialization of novel manufacturing and materials technology solutions. We believe that our primary manufacturing solutions technology, which we refer to as "In Process Quality Assurance" or "IPQA®," will redefine conventional manufacturing practices primarily by embedding quality assurance protocols in real-time manufacturing processes, thereby reducing the need for and cost of post-manufacturing quality assurance processes. Further, we expect the materials solutions technology we are developing will be beneficial to manufacturers and other businesses that seek to improve the most relevant characteristics of the materials used in their production processes or other business operations. For instance, we are working with the United States Army in connection with the development of a new munitions technology we refer to as Advanced Reactive Materials and Structures or "ARMS," the goal of which is to reduce the weight of munitions without a loss of effectiveness. This technology could have significant applications for munitions designed specifically for drones and similar unmanned aircrafts. We are also developing technology to improve the "heal time" of nano-based dental implants.

We expect to generate revenues primarily by marketing and deploying our technology solutions to businesses that seek to improve their production processes and/or manipulate and improve the most functional characteristics of the materials and other input components used in their business operations. Our management anticipates that the Company's technology solutions will allow its clientele to combine advanced manufacturing with novel materials to achieve breakthrough product potential in many industries including the following industries: aerospace, defense, oil and gas, prosthetic implants, sporting goods, and power generation. We are currently investigating and pursuing application of our IPQA® and other technologies in some of these markets, and we anticipate growth in both the breadth and depth of IPQA® applications in the future.

We anticipate that our primary business focus will be in the (i) deployment and implementation of our IPQA® technology to all appropriate manufacturing businesses, and (ii) development and commercialization of additional breakthrough technologies and innovations in the materials and manufacturing sciences. We will continue to expand our operations in this regard, including investigating additional opportunities for applications of our technology as well as undertaking further development efforts towards the commercialization of various technologies we have identified.

Our board of directors and management comprise scientists and business professionals with extensive experience in the energy and advanced manufacturing/advanced materials technology market. These individuals have worked with some of the largest defense contractors in the world in varied projects such as advanced armor and anti-armor systems, hypervelocity projectile launch systems, advanced reactive munitions and nuclear weapons stewardship programs. These individuals collectively possess over 100 years of experience working in the advanced manufacturing and materials technology space. As such, we believe we possess the resident expertise to provide consulting services to other companies regarding their manufacturing operations, or to companies seeking to improve the design of their products by using alternative next-generation materials or improving certain characteristics of the original input material, on a fee for services basis. Accordingly, in addition to our primary business focus, we intend to generate revenues by providing such consulting services to businesses seeking the same. Such consulting services may not necessarily involve deployment of our own technologies and may be limited to consulting with respect to the development, exploitation or improvement of the client's own technology.

Moreover, some members of our management team have worked at or with United States Department of Energy ("DOE") national laboratories (including the Los Alamos National Laboratory ("LANL") and Sandia National Laboratory ("SNL")) over the last 30 years. Due to their work with the DOE, members of our management team have 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.

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 assets, liabilities, sales and expenses in the accompanying financial statements. 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. Such critical accounting policies, including the assumptions and judgments underlying them, are disclosed in Note 1 to the Consolidated Financial Statements included in this Quarterly Report. However, we do not believe that there are any alternative methods of accounting for our operations that would have a material affect on our financial statements.

Results of Operations

We expect to generate revenues primarily by marketing and deploying our technology solutions to businesses that seek to improve their production processes and/or manipulate and improve the most functional characteristics of the materials and other input components used in their business operations. However, our target technologies are still under development, and we presently make no sales of these technologies and generate no revenues therefrom. During the three months ended March 31, 2011, we recognized revenue of $57,039, which was primarily generated from engineering consulting services we provided to third parties during this period. We generated no revenue for the same period in 2010; B6 Sigma was formed February 5, 2010 and had not yet generated revenue from services rendered or other sources from that date through March 31, 2010.

Our general and administrative expenses and payroll expenses for the three months ended March 31, 2011, were $140,074 and $139,752, respectively, compared to $55,120 and $0 for the three months ended March 31, 2010. General and administrative expenses principally include organizational expenses and professional fees, the largest component of which consists of services in connection with our obligations as an SEC reporting company, in addition to legal and accounting fees. The net increase in general and administrative expenses and payroll expenses from the three months ended March 31, 2010 to same period in 2010 is principally the result of increased outside services costs and payroll obligations associated with our growing operations. We expect our general and administrative expenses to continue to increase during the quarter ending June 30, 2011, as we increase our operations and marketing. Similarly, we expect our payroll expense to increase as we intend to engage additional employees.

Our net loss for the three months ended March 31, 2011 increased to $239,968 from a net loss of $55,120 for the same period in 2010 due primarily to the increased general and administrative expenses related to our increased operations.

Liquidity and Capital Resources

As of March 31, 2011, we had $862,080 in cash and had a working capital surplus of $149,449, as compared with $226,268 in cash and a working capital surplus of $362,497 as of December 31, 2010. On April 15, 2011, we closed a private placement of our common stock, pursuant to which 55,875,000 shares of our common stock were subscribed for aggregate gross proceeds of $1,117,500 (which includes $100,000 of proceeds that the Company expects to receive by May 17, 2011). We plan to obtain additional funding through private sales of equity and/or debt securities.

We plan to generate revenues primarily by marketing and selling our manufacturing and materials technologies. However, for the period from our inception through March 31, 2011, we generated revenues and financed our operations primarily from engineering consulting services we provided during this period. We will continue to refine our technologies for commercialization during fiscal 2011. However, until commercialization of such technologies, we plan to continue to fund our development activities and operating expenses by providing consulting services concerning our areas of expertise, i.e., materials and manufacturing technologies, and through the use of proceeds from the foregoing private placement. As of May 6, 2011, we have five active consulting contracts with respect to which we expect to perform and generate up to $753,190 in revenues in fiscal 2011.

Some of these consulting contracts are fixed price contracts, for which we will receive a specified fee regardless of our cost to perform under such contract. With respect to 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 have no credit lines or facilities as of May 6, 2011, nor have we ever had a credit facility since our inception.

Based on the funds we have on May 6, 2011 and the revenues we expect to receive under our consulting agreements, we believe that we will have sufficient funds to pay our administrative and other operating expenses for the balance of 2011. Until we are able to generate significant revenues from sales of our technologies, our ability to continue to fund our liquidity and working capital needs will be dependent upon revenues from existing and future consulting contracts and proceeds received from sales of our securities.

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 of Regulation S-K.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

Not applicable.

ITEM 4. CONTROLS AND PROCEDURES.

Our management, including our chief executive officer and treasurer, evaluated the effectiveness of our "disclosure controls and procedures" (as defined in the Securities Exchange Act of 1934 ("Exchange Act") Rules 13a-15(e) or 15d-15(e)) as of the end of the period covered by this quarterly report, as required by paragraph (b) of Exchange Act Rules 13a-15 or 15d-15.

Based on that evaluation, we have concluded that as of the end of the period covered by this quarterly report, 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. The foregoing conclusion is based, in part, on the fact that we are a small public company in the development stage of our business, with limited revenues and employees. Based upon our evaluation, we also concluded that there was no change in our internal control over financial reporting during our most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II

ITEM 1. LEGAL PROCEEDINGS.

Not applicable.

ITEM 1A. RISK FACTORS.

Information regarding risk factors appears under "Risk Factors" included in Item 1A, Part I, and under Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations, of our Annual Report on Form 10-K for the year ended December 31, 2010.

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

On January 6, 2011 we issued an aggregate of 1,100,000 shares of the Company's common stock to two consultants as non-cash compensation for services rendered valued at $22,000 or $0.02 per share. These securities were not registered under the Securities Act, or the securities laws of any state, and were offered and sold in reliance on the exemption from registration afforded by Section 4(2) under the Securities Act.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES.

Not applicable

ITEM 4. REMOVED AND RESERVED.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

10.1	2011 Equity Incentive Plan adopted by the Board of Directors as of March 9, 2011.
10.2	Form of Subscription Agreement between participants in April 2011 private placement and Sigma Labs, Inc.
10.3	Placement Agent Agreement dated February 9, 2011 between Hudson Valley Capital Management Corp. and Sigma Labs, Inc.
10.4	Form of Warrant issued to placement agent in April 2011 private placement to purchase shares of common stock of Sigma Labs, Inc.
31.1	Rule 13a-14(a) Certification, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

SIGMA LABS, INC.

May 16, 2011

By: /s/ Richard Mah
Richard Mah
Chief Executive Officer (Principal Executive Officer)

May 16, 2011

By: /s/ James Stout
James Stout
Chairman of the Board and Treasurer (Principal Accounting Officer)

2011 EQUITY INCENTIVE PLAN
OF
SIGMA LABS, INC.

1. PURPOSES OF THE PLAN

The purposes of the 2011 Equity Incentive Plan (the "Plan") of Sigma Labs, Inc., a Nevada corporation (the "Company"), are to:

1.1 Encourage selected employees, directors, consultants and advisers to improve operations and increase the profitability of the Company;

1.2 Encourage selected employees, directors, consultants and advisers to accept or continue employment or association with the Company or its Affiliates; and

1.3 Increase the interest of selected employees, directors, consultants and advisers in the Company's welfare through participation in the growth in value of the common stock of the Company (the "Common Stock"). All references herein to stock or shares, unless otherwise specified, shall mean Common Stock.

2. TYPES OF AWARDS; ELIGIBLE PERSONS

2.1 The Administrator (as defined below) may, from time to time, take the following action, separately or in combination, under the Plan: (i) grant "incentive stock options" ("ISOs") intended to satisfy the requirements of Section 422 of the Internal Revenue Code of 1986, as amended, and the regulations thereunder (the "Code"); (ii) grant "non-qualified options" ("NQOs," and together with ISOs, "Options"); (iii) grant or sell Common Stock subject to restrictions ("restricted stock") and (iv) grant stock appreciation rights (any such right would permit the holder to receive the excess of the fair market value of Common Stock on the exercise date over its fair market value (or a greater base value) on the grant date ("SARs")), either in tandem with Options or as separate and independent grants. Any such awards may be made to employees, including employees who are officers or directors, and to individuals described in Section 1 of the Plan who the Administrator believes have made or will make a contribution to the Company or any Affiliate (as defined below); provided, however, that only a person who is an employee of the Company or any Affiliate at the date of the grant of an Option is eligible to receive ISOs under the Plan. The term "Affiliate" as used in the Plan means a parent or subsidiary corporation as defined in the applicable provisions (currently Sections 424(e) and (f), respectively) of the Code. The term "employee" includes an officer or director who is an employee of the Company. The term "consultant" includes persons employed by, or otherwise affiliated with, a consultant. The term "adviser" includes persons employed by, or otherwise affiliated with, an adviser.

2.2 Except as otherwise expressly set forth in the Plan, no right or benefit under the Plan shall be subject in any manner to anticipation, alienation, hypothecation, or charge, and any such attempted action shall be void. No right or benefit under the Plan shall in any manner be liable for or subject to debts, contracts, liabilities, or torts of any option holder or any other person except as otherwise may be expressly required by applicable law.

3. STOCK SUBJECT TO THE PLAN; MAXIMUM NUMBER OF GRANTS

Subject to the provisions of Sections 6.1.1 and 8.2 of the Plan, the total number of shares of Common Stock which may be offered, or issued as restricted stock or on the exercise of Options or SARs under the Plan shall not exceed 31,000,000 shares of Common Stock. The shares subject to an Option or SAR granted under the Plan which expire, terminate or are cancelled unexercised shall become available again for grants under the Plan. If shares of restricted stock awarded under the Plan are forfeited to the Company or repurchased by the Company, the number of shares forfeited or repurchased shall again be available under the Plan. Where the exercise price of an Option is paid by means of the optionee's surrender of previously owned shares of Common Stock or the Company's withholding of shares otherwise issuable upon exercise of the Option as may be permitted herein, only the net number of shares issued and which remain outstanding in connection with such exercise shall be deemed "issued" and no longer available for issuance under the Plan. No eligible person shall be granted Options or other awards during any twelve-month period covering more than 5,000,000 shares.

4. ADMINISTRATION

4.1 The Plan shall be administered by the Board of Directors of the Company (the "Board") or by a committee (the "Committee") to which administration of the Plan, or of part of thereof, is delegated by the Board (in either case, the "Administrator"). The Board shall appoint and remove members of the Committee in its discretion in accordance with applicable laws. At the Board's discretion, the Committee may be comprised solely of "non-employee directors" within the meaning of Rule 16b-3 under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or "outside directors" within the meaning of Section 162(m) of the Code. The Administrator may delegate non-discretionary administrative duties to such employees of the Company as the Administrator deems proper and the Board, in its absolute discretion, may at any time and from time to time exercise any and all rights and duties of the Administrator under the Plan.

4.2 Subject to the other provisions of the Plan, the Administrator shall have the authority, in its discretion: (i) to grant Options and SARs and grant or sell restricted stock; (ii) to determine the fair market value of the Common Stock subject to Options or other awards; (iii) to determine the exercise price of Options granted, which shall be no less than the fair market value of the Common Stock on the date of grant, the economic terms of SARs granted, which shall provide for a benefit of the appreciation on Common Stock over not less than the value of the Common Stock on the date of grant, or the offering price of restricted stock; (iv) to determine the persons to whom, and the time or times at which, Options or SARs shall be granted or restricted stock granted or sold, and the number of shares subject to each Option or SAR or the number of shares of restricted stock granted or sold; (v) to construe and interpret the terms and provisions of the Plan, of any applicable agreement and all Options and SARs granted under the Plan, and of any restricted stock award under the Plan; (vi) to prescribe, amend, and rescind rules and regulations relating to the Plan; (vii) to determine the terms and provisions of each Option and SAR granted and award of restricted stock (which need not be identical), including but not limited to, the time or times at which Options and SARs shall be exercisable or the time at which the restrictions on restricted stock shall lapse; (viii) with the consent of the grantee, to rescind any award or exercise of an Option or SAR and to modify or amend the terms of any Option, SAR or restricted stock; (ix) to reduce the purchase price of restricted stock; (x) to accelerate or defer (with the consent of the grantee) the exercise date of any Option or SAR or the date on which the restrictions on restricted stock lapse; (xi) to issue shares of restricted stock to an optionee in connection with the accelerated exercise of an Option by such optionee; (xii) to authorize any person to execute on behalf of the Company any instrument evidencing the grant of an Option. SAR or award of restricted stock; (xiii) to determine the duration and purposes of leaves of absence which may be granted to participants without constituting a termination of their employment for the purposes of the Plan; and (xiv) to make all other determinations deemed necessary or advisable for the administration of the Plan, any applicable agreement, Option, SAR or award of restricted stock.

4.3 All questions of interpretation, implementation, and application of the Plan or any agreement or Option, SAR or award of restricted stock shall be determined by the Administrator, which determination shall be final and binding on all persons.

5. GRANTING OF OPTIONS AND SARS; AGREEMENTS

5.1 No Options or SARs shall be granted under the Plan after ten (10) years from the date of adoption of the Plan by the Board.

5.2 Each Option and SAR shall be evidenced by a written agreement, in form satisfactory to the Administrator, executed by the Company and the person to whom such grant is made. In the event of a conflict between the terms or conditions of an agreement and the terms and conditions of the Plan, the terms and conditions of the Plan shall govern.

5.3 Each agreement shall specify whether the Option it evidences is an NQO or an ISO,provided, however, all Options granted under the Plan to non-employee directors, consultants and advisers of the Company are intended to be NQOs.

5.4 Subject to Section 6.3.3 with respect to ISOs, the Administrator may approve the grant of Options or SARs under the Plan to persons who are expected to become employees, directors, consultants or advisers of the Company, but are not employees, directors, consultants or advisers at the date of approval.

6. TERMS AND CONDITIONS OF OPTIONS AND SARS

Each Option and SAR granted under the Plan shall be subject to the terms and conditions set forth in Section 6.1. NQOs and SARs shall also be subject to the terms and conditions set forth in Section 6.2, but not those set forth in Section 6.3. ISOs shall also be subject to the terms and conditions set forth in Section 6.3, but not those set forth in Section 6.2. SARs shall be subject to the terms and conditions of Section 6.4.

6.1 Terms and Conditions to Which All Options and SARs Are Subject All Options and SARs granted under the Plan shall be subject to the following terms and conditions:

6.1.1 Changes in Capital Structure. Subject to Section 6.1.2, if the Common Stock of the Company is changed by reason of a stock split, reverse stock split, stock dividend, recapitalization, combination or reclassification, or if the Company effects a spin-off of the Company's subsidiary, appropriate adjustments shall be made by the Administrator, in its sole discretion, in (a) the number and class of shares of stock subject to the Plan and each Option and SAR outstanding under the Plan, and (b) the exercise price of each outstanding Option; provided, that the Company shall not be required to issue fractional shares as a result of any such adjustments. Any adjustment, however, in an outstanding Option shall be made without change in the total price applicable to the unexercised portion of the Option but with a corresponding adjustment in the price for each share covered by the unexercised portion of the Option. Adjustments under this Section 6.1.1 shall be made by the Administrator, whose determination as to the nature of the adjustments that shall be made, and the extent thereof, shall be final, binding, and conclusive. If an adjustment under this Section 6.1.1 would result in a fractional share interest under an option or any installment, the Administrator's decision as to inclusion or exclusion of that fractional share interest shall be final, but no fractional shares of stock shall be issued under the Plan on account of any such adjustment.

6.1.2 Corporate Transactions. Except as otherwise provided in the applicable agreement, in the event of a Corporate Transaction (as defined below), the Administrator shall notify each holder of an Option or SAR at least thirty (30) days prior thereto or as soon as may be practicable. To the extent not then exercised all Options and SARs shall terminate immediately prior to the consummation of such Corporate Transaction unless the Administrator determines otherwise in its sole discretion; provided. however, that the Administrator, in its sole discretion, may (i) permit exercise of any Options or SARs prior to their termination, even if such Options or SARs would not otherwise have been exercisable, and/or (ii) provide that all or certain of the outstanding Options and SARs shall be assumed or an equivalent Option or SAR substituted by an applicable successor corporation or entity or any Affiliate of the successor corporation or entity. A "Corporate Transaction" means (i) a liquidation or dissolution of the Company; (ii) a merger or consolidation of the Company with or into another corporation or entity (other than a merger with a wholly-owned subsidiary); (iii) a sale of all or substantially all of the assets of the Company; or (iv) a purchase or other acquisition of more than 50% of the outstanding stock of the Company by one person or by more than one person acting in concert.

6.1.3 Time of Option or SAR Exercise. Subject to Section 5 and Section 6.3.4, an Option or SAR granted under the Plan shall be exercisable (a) immediately as of the effective date of the of the applicable agreement or (b) in accordance with a schedule or performance criteria as may be set by the Administrator and specified in the applicable agreement. However, in no case may an Option or SAR be exercisable until a written agreement in form and substance satisfactory to the Company is executed by the Company and the grantee.

6.1.4 Grant Date. The date of grant of an Option or SAR under the Plan shall be the date approved or specified by the Administrator and reflected as the effective date of the applicable agreement.

6.1.5 Non-Transferability of Rights. Except with the express written approval of the Administrator, which approval the Administrator is authorized to give only with respect to NQOs and SARs, no Option or SAR granted under the Plan shall be assignable or otherwise transferable by the grantee except by will or by the laws of descent and distribution. During the life of the grantee, an Option or SAR shall be exercisable only by the grantee or permitted transferee.

6.1.6 Payment. Except as provided below, payment in full, in cash, shall be made for all Common Stock purchased at the time written notice of exercise of an Option is given to the Company and the proceeds of any payment shall be considered general funds of the Company. The Administrator, in the exercise of its absolute discretion after considering any tax, accounting and financial consequences, may authorize any one or more of the following additional methods of payment:

(a) Subject to the Sarbanes-Oxley Act of 2002, acceptance of the optionee's full recourse promissory note for all or part of the Option price, payable on such terms and bearing such interest rate as determined by the Administrator (but in no event less than the minimum interest rate specified under the Code at which no additional interest or original issue discount would be imputed), which promissory note may be either secured or unsecured in such manner as the Administrator shall approve (including, without limitation, by a security interest in the shares of the Company);

(b) Subject to the discretion of the Administrator and the terms of the stock option agreement granting the Option, delivery by the optionee of shares of Common Stock already owned by the optionee for all or part of the Option price, provided the fair market value (determined as set forth in Section 6.1.9) of such shares of Common Stock is equal on the date of exercise to the Option price, or such portion thereof as the optionee is authorized to pay by delivery of such stock;

(c) Subject to the discretion of the Administrator, through the surrender of shares of Common Stock then issuable upon exercise of the Option, provided the fair market value (determined as set forth in Section 6.1.9) of such shares of Common Stock is equal on the date of exercise to the Option price, or such portion thereof as the optionee is authorized to pay by surrender of such stock; and

(d) By means of so-called cashless exercises as permitted under applicable rules and regulations of the Securities and Exchange Commission and the Federal Reserve Board.

6.1.7 Withholding and Employment Taxes. At the time of exercise and as a condition thereto, or at such other time as the amount of such obligation becomes determinable, the grantee of an Option or SAR shall remit to the Company in cash all applicable federal and state withholding and employment taxes. Such obligation to remit may be satisfied, if authorized by the Administrator in its sole discretion, after considering any tax, accounting and financial consequences, by the holder's (i) delivery of a promissory note in the required amount on such terms as the Administrator deems appropriate, (ii) tendering to the Company previously owned shares of Common Stock or other securities of the Company with a fair market value equal to the required amount, or (iii) agreeing to have shares of Common Stock (with a fair market value equal to the required amount), which are acquired upon exercise of the Option or SAR, withheld by the Company.

6.1.8 Other Provisions. Each Option and SAR granted under the Plan may contain such other terms, provisions, and conditions not inconsistent with the Plan as may be determined by the Administrator, and each ISO granted under the Plan shall include such provisions and conditions as are necessary to qualify the Option as an "incentive stock option" within the meaning of Section 422 of the Code.

6.1.9 Determination of Value. For purposes of the Plan, the fair market value of Common Stock or other securities of the Company shall be determined as follows:

(a) If the stock of the Company is listed on a securities exchange or is regularly quoted by a recognized securities dealer, and selling prices are reported, its fair market value shall be the closing price of such stock on the date the value is to be determined, but if selling prices are not reported, its fair market value shall be the mean between the high bid and low asked prices for such stock on the date the value is to be determined (or if there are no quoted prices for the date of grant, then for the last preceding business day on which there were quoted prices).

(b) In the absence of an established market for the stock, the fair market value thereof shall be determined in good faith by the Administrator, with reference to the Company's net worth, prospective earning power, dividend-paying capacity, and other relevant factors, including the goodwill of the Company, the economic outlook in the Company's industry, the Company's position in the industry, the Company's management, and the values of stock of other corporations in the same or a similar line of business.

6.1.10 Option and SAR Term. No Option or SAR shall be exercisable more than 10 years after the date of grant, or such lesser period of time as is set forth in the applicable agreement (the end of the maximum exercise period stated in the agreement is referred to in the Plan as the "Expiration Date").

6.2 Terms and Conditions to Which Only NQOs and SARs Are Subject Options granted under the Plan which are designated as NQOs and SARs shall be subject to the following terms and conditions:

6.2.1 Exercise Price. The exercise price of an NQO and the base value of an SAR shall be the amount determined by the Administrator as specified in the option or SAR agreement, but shall not be less than the fair market value of the Common Stock on the date of grant (determined under Section 6.1.9).

6.2.2 Termination of Employment. Except as otherwise provided in the applicable agreement, if for any reason a grantee ceases to be employed by the Company or any of its Affiliates, Options that are NQOs and SARs held at the date of termination (to the extent then exercisable) may be exercised in whole or in part at any time within ninety (90) days of the date of such termination (but in no event after the Expiration Date). For purposes of this Section 6.2.2, "employment" includes service as a director, consultant or adviser. For purposes of this Section 6.2.2, a grantee's employment shall not be deemed to terminate by reason of the grantee's transfer from the Company to an Affiliate, or vice versa, or sick leave, military leave or other leave of absence approved by the Administrator, if the period of any such leave does not exceed ninety (90) days or, if longer, if the grantee's right to reemployment by the Company or any Affiliate is guaranteed either contractually or by statute.

6.3 Terms and Conditions to Which Only ISOs Are Subject. Options granted under the Plan which are designated as ISOs shall be subject to the following terms and conditions:

6.3.1 Exercise Price. The exercise price of an ISO shall not be less than the fair market value (determined in accordance with Section 6.1.9) of the stock covered by the Option at the time the Option is granted. The exercise price of an ISO granted to any person who owns, directly or by attribution under the Code (currently Section 424(d)), stock possessing more than ten percent (10%) of the total combined voting power of all classes of stock of the Company or of any Affiliate (a "Ten Percent Stockholder") shall in no event be less than one hundred ten percent (110%) of the fair market value (determined in accordance with Section 6.1.9) of the stock covered by the Option at the time the Option is granted.

6.3.2 Disqualifying Dispositions. If stock acquired by exercise of an ISO granted pursuant to the Plan is disposed of in a "disqualifying disposition" within the meaning of Section 422 of the Code (a disposition within two (2) years from the date of grant of the Option or within one year after the issuance of such stock on exercise of the Option), the holder of the stock immediately before the disposition shall promptly notify the Company in writing of the date and terms of the disposition and shall provide such other information regarding the Option as the Company may reasonably require.

6.3.3 Grant Date. If an ISO is granted in anticipation of employment as provided in Section 5.4, the Option shall be deemed granted, without further approval, on the date the grantee assumes the employment relationship forming the basis for such grant, and, in addition, satisfies all requirements of the Plan for Options granted on that date.

6.3.4 Term. Notwithstanding Section 6.1.10, no ISO granted to any Ten Percent Stockholder shall be exercisable more than five (5) years after the date of grant.

6.3.5 Termination of Employment. Except as otherwise provided in the stock option agreement, if for any reason an optionee ceases to be employed by the Company or any of its Affiliates, Options that are ISOs held at the date of termination (to the extent then exercisable) may be exercised in whole or in part at any time within 90 days of the date of termination (but in no event after the Expiration Date). For purposes of this Section 6.3.5, an optionee's employment shall not be deemed to terminate by reason of the optionee's transfer from the Company to an Affiliate, or vice versa, or sick leave, military leave or other leave of absence approved by the Administrator, if the period of any such leave does not exceed ninety (90) days or, if longer, if the optionee's right to reemployment by the Company or any Affiliate is guaranteed either contractually or by statute.

6.4 Terms and Conditions Applicable Solely to SARs. In addition to the other terms and conditions applicable to SARs in this Section 6, the holder shall be entitled to receive on exercise of an SAR only Common Stock at a fair market value equal to the benefit to be received by the exercise.

7. MANNER OF EXERCISE

7.1 An optionee wishing to exercise an Option or SAR shall give written notice to the Company at its principal executive office, to the attention of the officer of the Company designated by the Administrator, accompanied by payment of the exercise price and/or withholding taxes as provided in Sections 6.1.6 and 6.1.7. The date the Company receives written notice of an exercise hereunder accompanied by the applicable payment will be considered as the date such Option or SAR was exercised.

7.2 Promptly after receipt of written notice of exercise and the applicable payments called for by Section 7.1, the Company shall, without stock issue or transfer taxes to the holder or other person entitled to exercise the Option or SAR, deliver to the holder or such other person a certificate or certificates for the requisite number of shares of Common Stock. A holder or permitted transferee of an Option or SAR shall not have any privileges as a stockholder with respect to any shares of Common Stock to be issued until the date of issuance (as evidenced by the appropriate entry on the books of the Company or a duly authorized transfer agent) of such shares.

8. RESTRICTED STOCK

8.1 Grant or Sale of Restricted Stock.

8.1.1 No awards of restricted stock shall be granted under the Plan after ten (10) years from the date of adoption of the Plan by the Board.

8.1.2 The Administrator may issue Common Stock under the Plan as a grant or for such consideration (including services, and, subject to the Sarbanes-Oxley Act of 2002, promissory notes) as determined by the Administrator. Common Stock issued under the Plan shall be subject to the terms, conditions and restrictions determined by the Administrator. The restrictions may include restrictions concerning transferability, repurchase by the Company and forfeiture of the shares issued, together with such other restrictions as may be determined by the Administrator. If shares are subject to forfeiture or repurchase by the Company, all dividends or other distributions paid by the Company with respect to the shares may be retained by the Company until the shares are no longer subject to forfeiture or repurchase, at which time all accumulated amounts shall be paid to the recipient. All Common Stock issued pursuant to this Section 8 shall be subject to a purchase or grant agreement, which shall be executed by the Company and the prospective recipient of the Common Stock prior to the delivery of certificates representing such stock to the recipient. The purchase or grant agreement may contain any terms, conditions, restrictions, representations and warranties required by the Administrator. The certificates representing the shares shall bear any legends required by the Administrator. The Administrator may require any purchaser of restricted stock to pay to the Company in cash upon demand amounts necessary to satisfy any applicable federal, state or local tax withholding requirements. If the purchaser fails to pay the amount demanded, the Administrator may withhold that amount from other amounts payable by the Company to the purchaser, including salary, subject to applicable law. With the consent of the Administrator in its sole discretion, a purchaser may deliver Common Stock to the Company to satisfy this withholding obligation. Upon the issuance of restricted stock, the number of shares reserved for issuance under the Plan shall be reduced by the number of shares issued.

8.2 Changes in Capital Structure. In the event of a change in the Company's capital structure, as described in Section 6.1.1, appropriate adjustments shall be made by the Administrator, in its sole discretion, in the number and class of restricted stock subject to the Plan and the restricted stock outstanding under the Plan; provided, however, that the Company shall not be required to issue fractional shares as a result of any such adjustments.

8.3 Corporate Transactions. In the event of a Corporate Transaction, as defined in Section 6.1.2 hereof, to the extent not previously forfeited, all restricted stock shall be forfeited immediately prior to the consummation of such Corporate Transaction unless the Administrator determines otherwise in its sole discretion; provided, however, that the Administrator, in its sole discretion, may remove any restrictions as to any restricted stock. The Administrator may, in its sole discretion, provide that all outstanding restricted stock participate in the Corporate Transaction with an equivalent stock substituted by an applicable successor corporation subject to the restriction.

9. EMPLOYMENT OR CONSULTING RELATIONSHIP

Nothing in the Plan or any Option granted under the Plan shall interfere with or limit in any way the right of the Company or of any of its Affiliates to terminate the employment, consulting or advising of any optionee or restricted stock holder at any time, nor confer upon any optionee or restricted stock holder any right to continue in the employ of, or consult with, or advise, the Company or any of its Affiliates.

10. CONDITIONS UPON ISSUANCE OF SHARES

10.1 Securities Act. Shares of Common Stock shall not be issued pursuant to the exercise of an Option or the receipt of restricted stock unless the exercise of such Option or such receipt of restricted stock and the issuance and delivery of such shares pursuant thereto shall comply with all relevant provisions of law, including, without limitation, the Securities Act of 1933, as amended (the "Securities Act").

10.2 Non-Compete Agreement. As a further condition to the receipt of Common Stock pursuant to the exercise of an Option or the receipt of restricted stock, the optionee or recipient of restricted stock may be required not to render services for any organization, or engage directly or indirectly in any business, competitive with the Company at any time during which (i) an Option is outstanding to such Optionee and for six (6) months after any exercise of an Option or the receipt of Common Stock pursuant to the exercise of an Option and (ii) restricted stock is owned by such recipient and for six (6) months after the restrictions on such restricted stock lapse. Failure to comply with this condition shall cause such Option and the exercise or issuance of shares thereunder and/or the award of restricted stock to be rescinded and the benefit of such exercise, issuance or award to be repaid to the Company.

11. NON-EXCLUSIVITY OF THE PLAN

The adoption of the Plan shall not be construed as creating any limitations on the power of the Company to adopt such other incentive arrangements as it may deem desirable, including, without limitation, the granting of stock options other than under the Plan.

12. MARKET STAND-OFF

Each optionee, holder of an SAR or recipient of restricted stock, if so requested by the Company or any representative of the underwriters in connection with any registration of the offering of any securities of the Company under the Securities Act, shall not sell or otherwise transfer any shares of Common Stock acquired upon exercise of Options, SARs or receipt of restricted stock during the 180-day period following the effective date of a registration statement of the Company filed under the Securities Act; provided, however, that such restriction shall apply only to a registration statement of the Company which includes securities to be sold on behalf of the Company to the public in an underwritten public offering under the Securities Act and the restriction period shall not exceed 90 days after the registration statement becomes effective.

13. AMENDMENTS TO PLAN

The Board may at any time amend, alter, suspend or discontinue the Plan. Without the consent of an optionee, holder of an SAR or holder of restricted stock, no amendment, alteration, suspension or discontinuance may adversely affect such person's outstanding Option(s), SAR(s) or the terms applicable to restricted stock except to conform the Plan and ISOs granted under the Plan to the requirements of federal or other tax laws relating to ISOs. No amendment, alteration, suspension or discontinuance shall require stockholder approval unless (a) stockholder approval is required to preserve incentive stock option treatment for federal income tax purposes or (b) the Board otherwise concludes that stockholder approval is advisable.

14. EFFECTIVE DATE OF PLAN; TERMINATION

The Plan shall become effective upon adoption by the Board;provided, however, that no Option or SAR shall be exercisable unless and until written consent of the stockholders of the Company, or approval of stockholders of the Company voting at a validly called stockholders' meeting, is obtained within twelve (12) months after adoption by the Board. If any Options or SARs are so granted and stockholder approval shall not have been obtained within twelve (12) months of the date of adoption of the Plan by the Board, such Options and SARs shall terminate retroactively as of the date they were granted. Awards may be made under the Plan and exercise of Options and SARs shall occur only after there has been compliance with all applicable federal and state securities laws. The Plan (but not Options and SARs previously granted under the Plan) shall terminate ten (10) years from the date of its adoption by the Board. Termination shall not affect any outstanding Options or SARs or the terms applicable to previously awarded restricted stock.

SIGMA LABS, INC.

SUBSCRIPTION INSTRUCTIONS

Sigma Labs, Inc., a Nevada corporation (the "**Company**") is offering and selling shares of its common stock to investors who qualify as "accredited investors," as that term is defined in Rule 501 and Rule 506 (a) promulgated under the Securities Act of 1933, as amended (the "Securities Act"), and who meet the other suitability standards stated herein. The Company may also accept subscriptions from a limited number of unaccredited investors who undertake substantial representations regarding their suitability for an investment in the Company.

If you wish to subscribe to purchase shares of common stock of the Company, you must complete, sign separately and deliver to the Company the attached Subscription Agreement, along with a check payable to "Sigma Labs, Inc." If you are an "accredited investor," you must also complete, sign and deliver to the Company the Confidential Purchaser Questionnaire attached as Exhibit A to the Subscription Agreement.

The Subscription Agreement provides that the Company may accept or reject your subscription, in whole or in part. If the Company rejects your subscription, the rejected subscription funds will be returned promptly, without deduction or interest. Questions regarding these instructions should be directed to Mark Cola at 505-438-2576 or cola@b6sigma.com.

SIGMA LABS, INC.

SUBSCRIPTION AGREEMENT

Sigma Labs, Inc.
3900 Paseo del Sol
Santa Fe, New Mexico 87507
Attention: Richard Mah

Gentlemen:

The undersigned subscriber (hereinafter, the "**Purchaser**") acknowledges that he has received and carefully read the Offering Memorandum, dated January 2011 (the "**Memorandum**"), including the "Risk Factors" section of the Memorandum, which describes certain of the risks associated with an investment in Sigma Labs, Inc., a Nevada corporation (the "**Company**"). The Company is offering pursuant to the Memorandum to sell and issue up to 75,000,000 shares of the Company's common stock, $0.001 par value per share (the "**Shares**").

Subscription. Subject to the terms and conditions of this subscription agreement (this "**Subscription Agreement**"), the Purchaser hereby irrevocably subscribes for and agrees to purchase from the Company the number of the Shares indicated on the signature page hereof at a price of $0.02 per share. The Purchaser hereby tenders this Subscription Agreement, together with a check payable to "Sigma Labs, Inc." for the total subscription amount indicated on the signature page hereof.

The Purchaser agrees that this subscription shall be irrevocable and shall survive the death or disability of the Purchaser.

1. *Acceptance of Subscription*. The Purchaser acknowledges that the Company has the right to accept or reject this subscription, in whole or in part, for any reason, and that this subscription shall be deemed to be accepted by the Company only when it is signed on its behalf. The Subscription Agreement either will be accepted or rejected, or accepted in part and rejected in part, as promptly as practical after receipt. The Purchaser agrees that subscriptions need not be accepted in the order they are received by the Company. Upon rejection of this Subscription Agreement for any reason, all items received with this Subscription Agreement shall be returned to the Purchaser without deduction for any fee, commission or expense, and without interest with respect to any money received, and this Subscription Agreement shall be deemed to be null and void and of no further force or effect. The Purchaser understands and agrees that the acceptance of this subscription, or a part of this subscription, will in no way constitute a determination that an investment in the Company is a suitable investment for the Purchaser.

2. *Accredited Investor Representations, Warranties and Covenants.* This Section 2 and the following representations and warranties apply only to a Purchaser who is an "accredited investor," as that term is defined in Rule 501 and Rule 506 (a) promulgated under the Securities Act of 1933, as amended (the "**Securities Act**"). By checking the following box , the Purchaser hereby represents and warrants to and covenants with the Company as follows, which representations and warranties are true and accurate as of the date hereof, shall be true and accurate as of the date of delivery of this Subscription Agreement and accompanying documents to the Company and shall survive the delivery of the Shares:

(a) Purchaser is an "accredited investor" as such term is defined in Rule 501(a) of Regulation D promulgated under the Securities Act, and that the information contained in the Confidential Purchaser Questionnaire (the "**Questionnaire**") attached hereto as Exhibit A is complete, accurate and true in all respects. This representation and warranty is true and accurate as of the date hereof, shall be true and accurate as of the date of delivery of this Subscription Agreement and accompanying documents to the Company and shall survive the delivery of the Shares. Pursuant to this Section 2, the Purchaser agrees that the foregoing representation may be used as a defense in any actions relating to the Company or the offering of the Shares, and that it is only on the basis of such representations and warranties that the Company may be willing to accept the Purchaser's subscription for the Shares as an "accredited investor."

(b) The Purchaser has examined the Memorandum and has relied solely upon the investigations made by or on behalf of the Purchaser or his representative in evaluating the suitability of an investment in the Company and recognizes that an investment in the Shares involves a high degree of risk;

(c) The Purchaser has been advised that there is a limited trading market for the Shares, and there is no assurance that an active public market for the Shares will develop in the foreseeable future, if ever; and it may not be possible to readily liquidate the Purchaser's investment in the Company.

(d) The Purchaser has such knowledge and experience in financial and business matters that he, she or it is capable of evaluating the merits and risks of an investment in the Shares, or the Purchaser has employed the services of an independent investment advisor, attorney or accountant to read all of the documents furnished or made available to him, her or it by the Company and to evaluate the merits and risks of such an investment on the Purchaser's behalf;

(e) The Purchaser's overall commitment to investments which are not readily marketable is not disproportionate to his, her or its net worth; his, her or its investment in the Shares will not cause such overall commitment to become excessive; and he, she or it can afford to bear the loss of his, her or its entire investment in the Shares;

(f) The Purchaser has adequate means of providing for his, her or its current needs and personal contingencies and has no need for liquidity in his, her or its investment in the Shares;

(g) The Purchaser hereby acknowledges that the Purchaser has been advised that this offering has not been registered with, or reviewed by, the Securities and Exchange Commission (the "**SEC**") because this offering is intended to be a non-public offering pursuant to Section 4(2) of the Securities Act and Regulation D thereunder ("**Regulation D**"). The Purchaser represents that the Purchaser's Shares are being purchased for the Purchaser's own account, for investment purposes only and not with a view towards distribution or resale to others. The Purchaser agrees that the Purchaser will not attempt to sell, transfer, assign, pledge or otherwise dispose of all or any portion of the Shares unless they are registered under the Securities Act or unless in the opinion of counsel satisfactory to the Company an exemption from such registration is available. The Purchaser understands that the Shares have not been registered under the Securities Act by reason of a claimed exemption under the provisions of the Securities Act, which depends, in part, upon the Purchasers' investment intention;

(h) The signatures on the Subscription Agreement are genuine; and the Purchaser has legal competence and capacity to execute the same; and this Subscription Agreement constitutes the legal, valid and binding obligation of the Purchaser, enforceable in accordance with its terms; and

(i) The Purchaser acknowledges that the Shares have not been recommended by any U.S. Federal or state securities commission or regulatory authority. Furthermore, the foregoing authorities have not confirmed the accuracy or determined the adequacy of this document. Any representation to the contrary is a criminal offense.

Purchaser agrees that the foregoing representations and warranties may be used as a defense in any actions relating to the Company or the offering of the Shares, and that it is only on the basis of such representations and warranties that the Company may be willing to accept the Purchaser's subscription for the Shares

3. *General Investor Representations, Warranties and Covenants*. This Section 3 and the following representations and warranties apply only to a Purchaser who is not an "accredited investor," as that term is defined in Rule 501 and Rule 506 (a) promulgated under the Securities Act. By checking the following box , the Purchaser hereby represents and warrants to and covenants with the Company as follows, which representations and warranties are true and accurate as of the date hereof, shall be true and accurate as of the date of delivery of this Subscription Agreement and accompanying documents to the Company and shall survive the delivery of the Shares:

(a) The Purchaser has examined the Memorandum and has relied solely upon the investigations made by or on behalf of the Purchaser or his representative in evaluating the suitability of an investment in the Company and recognizes that an investment in the Shares involves a high degree of risk;

(b) The Purchaser has been advised that there is a limited trading market for the Shares, and there is no assurance that an active public market for the Shares will develop in the foreseeable future, if ever; and it may not be possible to readily liquidate the Purchaser's investment in the Company.

(c) The Purchaser has such knowledge and experience in financial and business matters that he, she or it is capable of evaluating the merits and risks of an investment in the Shares, or the Purchaser has employed the services of an independent investment advisor, attorney or accountant to read all of the documents furnished or made available to him, her or it by the Company and to evaluate the merits and risks of such an investment on the Purchaser's behalf;

(d) The Purchaser's overall commitment to investments which are not readily marketable is not disproportionate to his, her or its net worth; his, her or its investment in the Shares will not cause such overall commitment to become excessive; and he, she or it can afford to bear the loss of his, her or its entire investment in the Shares;

(e) The Purchaser has adequate means of providing for his, her or its current needs and personal contingencies and has no need for liquidity in his, her or its investment in the Shares;

(f) The Purchaser hereby acknowledges that the Purchaser has been advised that this offering has not been registered with, or reviewed by, the Securities and Exchange Commission (the "**SEC**") because this offering is intended to be a non-public offering pursuant to Section 4(2) of the Securities Act and Regulation D thereunder ("**Regulation D**"). The Purchaser represents that the Purchaser's Shares are being purchased for the Purchaser's own account, for investment purposes only and not with a view towards distribution or resale to others. The Purchaser agrees that the Purchaser will not attempt to sell, transfer, assign, pledge or otherwise dispose of all or any portion of the Shares unless they are registered under the Securities Act or unless in the opinion of counsel satisfactory to the Company an exemption from such registration is available. The Purchaser understands that the Shares have not been registered under the Securities Act by reason of a claimed exemption under the provisions of the Securities Act, which depends, in part, upon the Purchasers' investment intention;

(g) The signatures on the Subscription Agreement are genuine; and the Purchaser has legal competence and capacity to execute the same; and this Subscription Agreement constitutes the legal, valid and binding obligation of the Purchaser, enforceable in accordance with its terms; and

(h) The Purchaser acknowledges that the Shares have not been recommended by any U.S. Federal or state securities commission or regulatory authority. Furthermore, the foregoing authorities have not confirmed the accuracy or determined the adequacy of this document. Any representation to the contrary is a criminal offense.

Purchaser agrees that the foregoing representations and warranties may be used as a defense in any actions relating to the Company or the offering of the Shares, and that it is only on the basis of such representations and warranties that the Company may be willing to accept the Purchaser's subscription for the Shares.

4. *Indemnification*. The Purchaser acknowledges that he, she or it understands the meaning and legal consequences of the representations, warranties and covenants in paragraph 2 and 3 hereof, as applicable, and that the Company has relied upon such representations, warranties and covenants, as applicable, and he, she or it hereby agrees to indemnify and hold harmless the Company and any of its officers, directors, controlling persons, agents and employees, who is or may be a party or is or may be threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, by reason of or arising from any actual or alleged misrepresentation or misstatement of facts or omission to represent or state facts made or alleged to have been made by the undersigned to the Company (or any agent or representative of the Company), or omitted or alleged to have been omitted by the undersigned, concerning the undersigned or the undersigned's authority to invest or financial position in connection with the offering or sale of the Shares, including, without limitation, any such misrepresentation, misstatement or omission contained in the Questionnaire submitted by the Purchaser (if any), against losses, damages, liabilities or expenses for which the Company or any officer, director or controlling person of the Company has not otherwise been reimbursed (including reasonable attorney's fees, judgments, fines and amounts paid in settlement) actually and reasonably incurred by the Company or such officer, director or controlling person in connection with such action, suit or proceeding. Notwithstanding the foregoing, however, no representation, warranty, covenant, acknowledgment or agreement made herein by the Purchaser shall in any manner be deemed to constitute a waiver of any rights granted to the Purchaser under U.S. Federal or state securities laws. All representations, warranties and covenants contained in this Subscription Agreement and the indemnification contained in this paragraph 4 shall survive the acceptance of this Subscription Agreement and the delivery of the Shares.

5. *Restrictions on Transfer*. The Purchaser understands and agrees that the Shares purchased pursuant to this subscription are being offered pursuant to Section 4(2) of the Securities Act and Regulation D thereunder and any interests therein may not be offered, sold, transferred, pledged or otherwise disposed of except pursuant to (i) an effective registration statement under the Securities Act and any applicable state securities laws or (ii) an exemption from registration under such act and such laws which, in the opinion of counsel for the holder of such Shares, which counsel and opinion are reasonably satisfactory to counsel for the Company, is available. The Purchaser also understands and agrees that the following legend shall appear on all certificates representing the Shares and that the Company may give appropriate instructions to the transfer agent for the Shares to enforce such restrictions:

> "THE SHARES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR ANY STATE SECURITIES LAW. THESE SHARES MAY NOT BE SOLD, TRANSFERRED, PLEDGED, HYPOTHECATED OR OTHERWISE DISPOSED OF UNLESS FIRST REGISTERED UNDER SUCH LAWS, OR UNLESS THE COMPANY HAS RECEIVED EVIDENCE REASONABLY SATISFACTORY TO IT THAT REGISTRATION UNDER SUCH LAWS IS NOT REQUIRED."

6. *Entire Agreement.* This Subscription Agreement (including all exhibits hereto) contains the entire agreement of the parties with respect to the subject matter of this Agreement and there are no representations, covenants or other agreements except as stated or referred to herein or as are embodied in the Subscription Agreement.

7. *Assignability*. This Subscription Agreement is not transferable or assignable by the undersigned or any successor thereto.

8. *Applicable Law.* This Subscription Agreement shall be governed by and construed in accordance with the internal laws of the State of Nevada, without reference to the principles thereof relating to conflicts of law.

[Signature page follows]

IN WITNESS WHEREOF, the undersigned has executed this Subscription Agreement as of the ____ day of _____, 2011.

Subscription Amount: _____ shares of common stock at a price of $0.02 per share, or a total of $_____.

If the Purchaser is an INDIVIDUAL, or if purchased as JOINT TENANTS, as TENANTS IN COMMON, or as COMMUNITY PROPERTY by more than one individual:

_____
(Signature of Purchaser)

_____
(Name Typed or Printed)

_____
(Signature of Co-Purchaser)

_____
(Name Typed or Printed)

If the Purchaser is a CORPORATION, PARTNERSHIP OR LIMITED LIABILITY COMPANY:

_____
(Signature of Authorized Officer or Agent)

_____
(Name of Authorized Officer or Agent)

_____
(Name of Business Entity Typed or Printed)

Accepted as of this _____ day of _____, 20__

SIGMA LABS, INC.

By: _____
Mark Cola, President and Chief Operating Officer

EXHIBIT A

CONFIDENTIAL PURCHASER QUESTIONNAIRE
(TO BE COMPLETED ONLY BY NATURAL PERSONS)

Name(s) of Purchaser(s):*

(1) _____

(2) _____

1. *Background Information.*

a. Home Address: —

b. Home Telephone: —

c. Social Security #(s): —

d. U.S. Citizen: _____ Yes _____ No

e. Occupation: —

f. Employer: —

g. Bus. Address: —

h. Bus. Telephone: —

i. E-Mail Address: —

j. Age: —

k. Send Mail to: _____ Home _____ Office _____ E-Mail

Other: _____

* If there is more than one Purchaser (other than husband and wife), a separate Confidential Purchaser Questionnaire must be completed for each such Purchaser. If Purchaser is a business entity, a separate Confidential Purchaser Questionnaire must be completed for each Equity Owner (as defined in Section 3 – *Purchaser Suitability* below) thereof.

2. *Type of Ownership.*

Indicate type of ownership subscribed for (if other than for a single individual or business entity):

_____ Joint Tenants with Rights of Survivorship

_____ Tenants in Common

_____ Tenants by the Entirety

3. *Purchaser Suitability.*

Please indicate all of the following (if any) certifications that apply to you:

a. **If the Purchaser is an individual, or if purchased as joint tenants, as tenants in common or as community property by more than one individual):**

(i) I certify that I am an "accredited investor" because I have an individual net worth* (or joint net worth* with my spouse) in excess of $1,000,000 or total corporate assets of in excess of $5,000,000.

Yes _____No _____

(ii) I certify that I am an "accredited investor" because I had an individual income** (not including any amounts attributable to my spouse or to property owned by my spouse) of more than $200,000 in each of the previous two calendar years and I reasonably expect to reach the same income level in the current year.

Yes _____No _____

(iii) I certify that I am an "accredited investor" because I had a joint income** with my spouse in excess of $300,000 in each of the previous two calendar years and I reasonably expect to reach the same income level in the current year.

Yes _____No _____

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* For purposes of this Questionnaire, your "net worth" is equal to the excess of your total assets at fair market value over your total liabilities,excluding from this calculation the value of your primary residence and the amount of any indebtedness secured by your primary residence (up to the fair value of the residence). The amount of any indebtedness secured by your primary residence in excess of the fair value of the residence must be included in total liabilities.

** For purposes of this Questionnaire, "income" means adjusted gross income, as reported for Federal income tax purposes, less any income attributable to a spouse or to property owned by a spouse, increased by the following amounts (but not including any amounts attributable to a spouse or to property owned by a spouse): (i) the amount of any tax-exempt interest income under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code") received, (ii) the amount of losses claimed as a limited partner in a limited partnership as reported on Schedule E of Form 1040 and (iii) any deduction claimed for depletion under Section 611 et. seq. of the Code.

b. **If the Purchaser is a business entity:**

(i) I certify that Purchaser is a corporation, partnership or limited liability company, and was not formed for the specific purpose of acquiring the Shares.

Yes _____No _____

(ii) I certify that I am an equity owner of Purchaser ("Equity Owner") and an "accredited investor" because I have an individual net worth (or joint net worth* with my spouse) in excess of $1,000,000 or total corporate assets of in excess of $5,000,000.

Yes _____No _____

(iii) I certify that I am an Equity Owner and an "accredited investor" because I had an individual income** (not including any amounts attributable to my spouse or to property owned by my spouse) of more than $200,000 in each of the previous two calendar years and I reasonably expect to reach the same income level in the current year.

Yes _____No _____

(iv) I certify that I am an Equity Owner and an "accredited investor" because I had a joint income** with my spouse in excess of $300,000 in each of the previous two calendar years and I reasonably expect to reach the same income level in the current year.

Yes _____No _____

4. *Reliance by the Company.*

I understand that the Company will be relying on the accuracy and completeness of my responses to the foregoing questions and I represent, warrant and covenant to the Company as follows:

(i) The answers to the above questions are complete and correct and may be relied upon by the Company in determining whether the Offering in connection with which I have executed this Questionnaire is exempt from registration under the Securities Act;

(ii) I will notify the Company immediately of any material change in any statement made herein or any event resulting in the omission of any statement required to be made herein that occurs prior to the acceptance of my subscription; and

(iii) I understand that an investment in the Shares involves a high degree of risk.

---

* For purposes of this Questionnaire, your "net worth" is equal to the excess of your total assets at fair market value over your total liabilities,excluding from this calculation the value of your primary residence and the amount of any indebtedness secured by your primary residence (up to the fair value of the residence). The amount of any indebtedness secured by your primary residence in excess of the fair value of the residence must be included in total liabilities.

** For purposes of this Questionnaire, "income" means adjusted gross income, as reported for Federal income tax purposes, less any income attributable to a spouse or to property owned by a spouse, increased by the following amounts (but not including any amounts attributable to a spouse or to property owned by a spouse): (i) the amount of any tax-exempt interest income under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code") received, (ii) the amount of losses claimed as a limited partner in a limited partnership as reported on Schedule E of Form 1040 and (iii) any deduction claimed for depletion under Section 611 et. seq. of the Code.

Dated: _____, 20__

(Signature of Purchaser)

(Name Type or Printed)

(Signature of Co-Purchaser)

(Name Typed or Printed)

Sigma Labs, Inc.

and its Wholly Owned Subsidiary B6 Sigma, Inc.

February 9, 2011

Hudson Valley Capital Management Corp
2039 Albany Post Road
Croton on Hudson, NY 10520
Attention: Mark Gillis, Chief Executive Officer

Dear Mark,

This letter agreement (the "Agreement") shall confirm the engagement of Hudson Valley Capital Management Corp (the "Placement Agent") by Sigma Labs, Inc., a Nevada corporation (the "Company"), as the Company's non-exclusive placement agent during the term of Placement Agent's engagement hereunder, in connection with the private placement of up to 75,000,000 shares of the Company's common stock, $0,001 par value per share (collectively, the "Shares," and such private placement, the "Offering"). Placement Agent understands that the Company currently contemplates the Offering to be made pursuant to one or more exemptions from registration under the Securities Act of 1933, as amended (the "Securities Act"), and any applicable securities laws of any state or other jurisdiction. The Offering and the Placement Agent's engagement will be subject to the following terms and conditions:

1. Retention.

(a) Subject to the terms and conditions of this Agreement, the Company hereby appoints Placement Agent to act as its placement agent during the Authorization Period (as hereinafter defined). Placement Agent hereby accepts such appointment and agrees, subject to the terms and conditions of this Agreement, to seek to complete the placement of up to $1,500,000 or any portion thereof of the Shares on a "best efforts" basis during the Authorization Period. The Shares will be sold at a price of $0.02 per Share. All Shares sold will be done so pursuant to the Private Placement Memorandum, dated January 19, 2011 (the "Private Placement Memorandum"), which provides for no minimum sale of Shares and up to a maximum of 75,000,000 Shares.

(b) The Company and the Placement Agent understand and agree that, in soliciting offers to purchase Shares from the Company pursuant to this Agreement and in assuming its other obligations hereunder, Placement Agent is acting as agent for the Company and not as principal, and that Placement Agent's responsibility in respect of its engagement hereunder is limited to a "best efforts" basis in placing the Shares, with no understanding, expressed or implied, on Placement Agent's part of a commitment to underwrite, purchase or place any of the Shares or any other securities of the Company.

(c) Placement Agent agrees that it may not bind or obligate the Company to sell the Shares or otherwise enter into any agreement on behalf of the Company. The Company is not obligated or required to accept any offer to purchase Shares by any prospective investor identified by Placement Agent, and the Company may refuse in its sole discretion to sell any Shares to such prospective investor without any liability to Placement Agent. If the Company should fail to deliver Shares to a purchaser whose offer the Company has accepted by execution of a subscription agreement in respect thereof, the Company shall pay to Placement Agent any fee to which Placement Agent would be entitled hereunder in connection with such sale as if such sale had been consummated.

(d) During the Authorization Period, the Company shall be authorized to utilize the services of other placement agents.

(e) It is understood that Placement Agent is being engaged hereunder solely to provide the services described in this Agreement to the Company as an independent contractor and that Placement Agent is not acting as an agent or fiduciary of, and shall have no duties or liabilities to, the shareholders of the Company or any third party in connection with its engagement hereunder.

2 . Authorization Period. Placement Agent's engagement hereunder shall become effective on the date hereof and shall continue until the earlier of (i) the final closing date of the Offering, and (ii) the date either party to this Agreement terminates the engagement according to the terms of the next sentence (such date, the "Termination Date"; the period from the date hereof through the Termination Date being hereinafter referred to as the "Authorization Period"). This Agreement may be terminated at any time by either party upon 30 days written notice to the other party, effective upon receipt of written notice to that effect by the other party.

3 . Offering Documents. In addition to the Private Placement Memorandum, the Company will prepare and provide to the Placement Agent such amendments or supplements thereto as the Company and its legal representatives may deem reasonably, to effectuate the offer and sale of the Shares (the Private Placement Memorandum and any such amendments or supplements, are collectively referred to herein as the "Offering Materials"). The Company shall cooperate with Placement Agent and shall provide to Placement Agent such information, as Placement Agent reasonably believes necessary in connection with its assistance in the preparation of, or for inclusion in, the Offering Materials, and provide such other information, as Placement Agent reasonably believes appropriate to its engagement hereunder. The Company authorizes the Placement Agent to transmit the Offering Materials to potential purchasers of the Shares, and shall furnish to Placement Agent copies of the Offering Materials in such quantities as Placement Agent may from time to time request. The Company shall prepare forms of purchase agreements or subscription agreements containing terms and conditions customary for private placement offerings, to be entered into by the Company and each purchaser of Shares, which forms shall be provided to the Placement Agent's offerees only upon the review and approval of both the Company and Placement Agent.

4. Compensation.

(a) Fees. As compensation for Placement Agent's services hereunder, the Company shall pay Placement Agent a fee of ten percent (10%) of the Aggregate Consideration (as defined below) received or receivable by the Company at each closing of the Offering. For purposes of calculating Placement Agent's fees, "Aggregate Consideration" shall consist of the payments made to, and actually received by the Company from the sale of Shares to investors placed by the Placement Agent in connection with the Offering (the "Agent's Investors"). The Placement Agent acknowledges that investor funds may be placed in escrow pending the satisfaction of all closing conditions and the acceptance of the subscription documents by the Company, and that such escrowed funds shall not be deemed to constitute Aggregate Consideration until (and if) such funds are released to the Company.

(b) Warrants. On each closing date of the sale of Shares, the Placement Agent shall be entitled to receive warrants (the "Placement Agent Warrants") to purchase shares of common stock of the Company in an amount equal to fifteen percent (15%) of the number of Shares sold by the Company to the Agent's Investors at such closing. The Placement Agent Warrants shall be issued at the closing of the Offering, in substantially the form attached hereto as Exhibit A, and shall expire five (5) years after issuance. The Placement Agent Warrants shall be exercisable at a per share price of $0,025.

5. Representations, Warranties and Covenants of the Company. The Company represents and warrants to, and covenants with, Placement Agent as follows:

(a) During the Authorization Period, the Company shall not use, disseminate, publish, distribute or refer to any materials in connection with any offering of the Shares, including without limitation, any Offering Materials, unless such materials are also provided to the Placement Agent.

(b) The Company has not taken, and will not take, any action, directly or indirectly, so as to cause any of the transactions contemplated by this Agreement to fail to be entitled to exemption from registration under all applicable securities laws. The Company shall ensure that neither it, nor any of its affiliates, nor any person (other than the Placement Agent who agrees to comply with this requirement) acting on behalf of the Company or any such affiliates, has engaged or will engage in any general advertising or general solicitation (as those terms are used in Regulation D under the Securities Act of 1933) with respect to the Shares.

(c) The Company shall, from time to time, take such action as Placement Agent may reasonably request to qualify the Shares for offering and sale as a private placement under the securities laws of such states or other jurisdictions as Placement Agent may reasonably request and to comply with such laws so as to permit such offers and sales.

(d) The Company shall make available to Placement Agent, at the Company's expense, all financial statements, projections, appraisals, surveys and other information prepared by the Company in connection with the Offering for use in the offering. The Company shall, upon reasonable request, cause its directors, officers, personnel, counsel, accountants, and other representatives to meet with Placement Agent or its representatives to discuss all information relevant for disclosure in any Offering Materials. The Company shall cooperate in any reasonable investigation requested by Placement Agent or its representatives or counsel (including the production of information at the Company's offices or copies of such information at the offices of Placement Agent) for the purpose of examining the accuracy and completeness of the statements contained in the Offering Materials.

(e) To the best of the Company's knowledge, the Offering Materials as of the date thereof and as of the closing date of each sale of Shares, are and will be true, complete and correct in all material respects and do not, and will not, contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements contained therein, in light of the circumstances under which they were made, not misleading. The Company shall advise Placement Agent immediately of the occurrence of any event or other change which results in the Offering Materials containing an untrue statement of a material fact or omitting to state a material fact required to be stated therein or necessary to make the statements contained therein, in light of the circumstances under which they were made, not misleading, and shall furnish to Placement Agent copies of amended or supplemented Offering Materials that correct such statement or omission in such quantities as Placement Agent may from time to time request upon being so advised.

(f) With respect to any financial or other projections included or to be included in the Offering Materials, if any, the Company represents and warrants that they have been, or will be, prepared in good faith on the basis of reasonable assumptions. The Company recognizes and confirms that Placement Agent: (i) will be using and relying primarily on the information in the Offering Materials and information available from generally recognized public sources in performing the services contemplated hereunder, without having independently verified the accuracy or completeness thereof, (ii) does not assume responsibility for the accuracy or completeness of the Offering Materials or such other information, and (iii) will not make any appraisal of any assets owned or used by the Company.

(g) (i) The Company has full corporate power and authority to execute and deliver this Agreement and to perform its obligations hereunder, and all consents, authorizations, approvals and orders required in connection with the execution, delivery and performance hereof have been obtained; (ii) this Agreement is a valid and binding obligation of the Company, enforceable in accordance with its terms, except to the extent that the enforceability hereof may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws affecting creditors generally and general principles of equity; and (iii) the execution, delivery and performance of this Agreement will not conflict with, result in a breach of any of the terms or provisions of, or constitute a violation or a default under, the Company's charter, by-laws or comparable documents or under any material agreement or instrument to which the Company or any of its subsidiaries is a party or by which the Company or any of its subsidiaries is bound.

6. Representations and Covenants of Placement Agent: Placement Agent represents and warrants to, and covenants with, the Company as follows:

(a) None of Placement Agent, its affiliates or any persons acting on the behalf of Placement Agent or any such affiliates has engaged in or will engage in any general solicitation or general advertising (as those terms are used in Regulation D under the Securities Act) with respect to the Shares.

(b) Placement Agent will use its best efforts to conduct the offering and sale of the Shares (i) in a manner consistent with the Private Placement Memorandum and (ii) so that the Shares are sold in a transaction or series of transactions exempt from registration under the Securities Act.

(c) The Offering Materials will be sent only to persons that Placement Agent reasonably believes are "accredited investors" (as defined under Rule 501(a) of the Securities Act).

(d) Placement Agent will not make any representation or warranty as to the Shares or the Company except those expressly stated in the Offering Materials.

(e) Placement Agent is a broker-dealer registered as such under applicable provisions of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), including, without limitation, Section 15 of the Exchange Act.

7 . Notices. Notice given pursuant to any of the provisions of this Agreement shall be in writing and shall be mailed or delivered (a) if to the Company, at its principal office at 3900 Paseo del Sol, Santa Fe, New Mexico 87507, Attention: Mark Cola, President, and (b) if to Placement Agent, at the address set forth on the first page of this Agreement, Attention: Mark Gillis, Chief Executive Officer.

8 . Non-Disclosure of Confidential Information. The Placement Agent acknowledges that it is the policy of the Company to maintain as confidential all valuable information heretofore or hereafter acquired, developed or used by the Company in relation to its business, operations, employees and customers which may give the Company a competitive advantage in its industry, including the information set forth in the Private Placement Memorandum of the Company (all such information is hereinafter referred to as "Confidential Information"). The parties recognize that, by reason of its access to the Private Placement Memorandum and other information about the Company, the Placement Agent may acquire Confidential Information. The Placement Agent recognizes that all such Confidential Information is the property of the Company. In consideration of the Company entering into this Agreement, the Placement Agent agrees that it shall never, directly or indirectly, intentionally or unintentionally, publicly disseminate or otherwise disclose any Confidential Information obtained during its engagement by the Company without the prior written consent of the Company, unless and until such information is otherwise known to the public generally or is not otherwise secret and confidential (through no fault of the Placement Agent), it being understood that the obligation created by this subparagraph shall survive the termination of this Agreement.

9 . Registration Rights. If, subsequent to the date hereof, the Company proposes to file a registration statement under the Securities Act, as amended ("Securities Act") with respect to an offering of Company's equity securities, or securities or other obligations exercisable or exchangeable for, or convertible into, such equity securities ("Securities"), by the Company for its own account or for shareholders of the Company for their account, then the Company shall (x) give written notice of such proposed filing to the Placement Agent as soon as practicable, which notice shall describe, among other things, the amount of Securities to be included in such offering and the intended method(s) of distribution, and (y) offer to the Placement Agent in such notice the opportunity to register the sale of such number of shares of Warrant Stock as the Placement Agent may request in writing within ten (10) days following receipt of such notice, subject to customary underwriter cutbacks in connection with such offering. For purposes hereof, "Warrant Stock" means the shares of common stock issuable upon exercise of the Placement Agent Warrants.

10. Miscellaneous.

(a) This Agreement sets forth the entire agreement between the parties, supersedes and merges all prior written or oral agreements with respect to the subject matter hereof, may only be amended, modified or waived in writing and signed by each party to be bound thereby, and shall be governed by the laws of the State of California applicable to agreements made and to be performed entirely within such State. Each party hereto hereby irrevocably submits for purposes of any action arising from this Agreement brought by the other party hereto to the jurisdiction of the courts of California and the U.S. District Court for the County of Los Angeles, California.

(b) The Company (for itself, anyone claiming through it or in its name, and on behalf of its equity holders) and Placement Agent each hereby irrevocably waive any right they may have to a trial by jury in respect of any claim based upon or arising out of this Agreement or the transactions contemplated hereby.

(c) This Agreement may not be assigned by either party without the prior written consent of the other party.

(d) If any provision of this Agreement is determined to be invalid or unenforceable in any respect, such determination will not affect such provision in any other respect or any other provision of this Agreement, which will remain in full force and effect.

[Signature page follows]

3900 Paseo del Sol, Santa Fe New Mexico 87507

Please confirm that the foregoing correctly sets forth our agreement by signing and returning to the Company the enclosed duplicate copy of this Agreement.

Very truly yours,

SIGMA LABS, INC.

By:/s/ Mark J. Cola
Name: Mark J. Cola
Title: President

Accepted and agreed to as of
the date first written above

HUDSON VALLEY CAPITAL MANAGEMENT CORP

By:
Name: Mark Gillis.
Title: Chief Executive Officer

3900 Paseo del Sol, Santa Fe New Mexico 87507

Please confirm that the foregoing correctly sets forth our agreement by signing and returning to the Company the enclosed duplicate copy of this Agreement.

Very truly yours,

SIGMA LABS, INC.

By: _____
Name: Mark Cola
Title: President

Accepted and agreed to as of
the date first written above

HUDSON VALLEY CAPITAL MANAGEMENT CORP

By: /s/ Mark Gillis
Name: Mark Gillis.
Title: Chief Executive Officer

Exhibit A

Form of Placement Agent Warrant

[See attached]

3900 Paseo del Sol, Santa Fe New Mexico 87507

THIS WARRANT AND THE SECURITIES ISSUABLE UPON EXERCISE HEREOF HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR ANY APPLICABLE STATE LAWS, AND NO INTEREST THEREIN MAY BE SOLD, DISTRIBUTED, ASSIGNED, OFFERED, PLEDGED OR OTHERWISE TRANSFERRED UNLESS THERE IS AN EFFECTIVE REGISTRATION STATEMENT UNDER SUCH ACT AND APPLICABLE STATE SECURITIES LAWS COVERING ANY SUCH TRANSACTION, OR SUCH TRANSACTION IS EXEMPT FROM THE REGISTRATION REQUIREMENTS OF SUCH ACT AND LAWS, SUCH COMPLIANCE, AT THE OPTION OF THE CORPORATION, TO BE EVIDENCED BY AN OPINION OF THE WARRANT HOLDER'S COUNSEL, IN FORM ACCEPTABLE TO THE CORPORATION, THAT NO VIOLATION OF SUCH REGISTRATION PROVISIONS WOULD RESULT FROM ANY PROPOSED TRANSFER OR ASSIGNMENT.

COMMON STOCK PURCHASE WARRANT

Sigma Labs, Inc.

THIS CERTIFIES that for good and valuable consideration received, _____ or a registered assignee (the "Holder") is entitled, upon the terms and subject to the conditions hereinafter set forth, to acquire from Sigma Labs, Inc., a Nevada corporation (the "Corporation"), up to _____ fully paid and nonassessable shares of common stock, par value $0.001, of the Corporation ("Warrant Stock") at a purchase price per share (the "Exercise Price") of $0.025 (the "Warrant").

1. Term of Warrant.

Subject to the terms and conditions set forth herein, this Warrant shall be exercisable, in whole or in part, at any time on or after the date hereof and at or prior to 11:59 p.m., Pacific Standard Time, on _____, 2016 (the "Expiration Time").

2. Exercise of Warrant.

(a) Subject to Section 2(b) below, the purchase rights represented by this Warrant are exercisable by the registered Holder hereof, in whole or in part, at any time and from time to time at or prior to the Expiration Time by the surrender of this Warrant and the Notice of Exercise form attached hereto duly executed to the offices of the Corporation (or such other office or agency of the Corporation as it may designate by notice in writing to the registered Holder hereof at the address of such Holder appearing on the books of the Corporation), and upon payment of the Exercise Price for the shares thereby purchased (by cash or by check or bank draft payable to the order of the Corporation at the time of exercise in an amount equal to the purchase price of the shares thereby purchased); whereupon the Holder of this Warrant shall be entitled to receive from the Corporation a stock certificate in proper form representing the number of shares of Warrant Stock so purchased.

(b) In lieu of the payment methods set forth in Section 2(a) above, Holder may elect to exchange the Warrant for the number of shares of Common Stock computed using the following formula:

$$X = \frac{Y (A-B)}{A}$$

Where X = the number of shares of Warrant Stock to be issued to Holder.

Y = the number of shares of Warrant Stock purchasable under the Warrant being exchanged (as adjusted to the date of such calculation).

A = the Market Price on the date of receipt by the Corporation of the exercise documents.

B = the Exercise Price of the Warrants being exchanged (as adjusted in accordance with the terms hereof).

The "Market Price" on any trading day shall be deemed to be the last reported sale price of the Corporation's common stock on such day, or, in case no such reported sales take place on such day, the last reported sale price on the preceding trading day on which there was a last reported sales price, as officially reported by the principal securities exchange in which the shares of the Corporation's common stock are listed or admitted to trading or by the Nasdaq Stock Market, or if the common stock is not listed or admitted to trading on any national securities exchange or the Nasdaq Stock Market, the last sale price, or if there is no last sale price, the closing bid price, as furnished by the National Association of Securities Dealers, Inc. (such as through the OTC Bulletin Board) or a similar organization or if Nasdaq is no longer reporting such information. If the Market Price cannot be determined pursuant to the sentence above, the Market Price shall be determined in good faith (using customary valuation methods) by the Board of Directors (or manager(s), if applicable) of the Corporation based on the information best available to it, including recent arms-length sales of common stock to unaffiliated persons.

3. Issuance of Shares; No Fractional Shares of Scrip.

Certificates for shares purchased hereunder shall be delivered to the Holder hereof by the Corporation's transfer agent at the Corporation's expense within a reasonable time after the date on which this Warrant shall have been exercised in accordance with the terms hereof. Each certificate so delivered shall be in such denominations as may be requested by the Holder hereof and shall be registered in the name of such Holder or, subject to applicable laws, such other name as shall be requested by the Holder. If, upon exercise of this Warrant, fewer than all of the shares of Warrant Stock evidenced by this Warrant are purchased prior to the Expiration Time, one or more new warrants substantially in the form of, and on the terms in, this Warrant will be issued for the remaining number of shares of Warrant Stock not purchased upon exercise of this Warrant. The Corporation hereby represents and warrants that all shares of Warrant Stock which may be issued upon the exercise of this Warrant will, upon such exercise, be duly and validly authorized and issued, fully paid and nonassessable and free from all taxes, liens and charges in respect of the issuance thereof (other than liens or charges created by or imposed upon the Holder of the Warrant Stock). The Corporation agrees that the shares so issued shall be and will be deemed to be issued to such Holder as the record owner of such shares as of the close of business on the date on which this Warrant shall have been surrendered for exercise in accordance with the terms hereof. No fractional shares or scrip representing fractional shares shall be issued upon the exercise of this Warrant. With respect to any fraction of a share called for upon the exercise of this Warrant, an amount equal to such fraction multiplied by the then current price at which each share may be purchased hereunder shall be paid in cash to the Holder of this Warrant.

4. Registration Rights.

If the Corporation proposes to file a registration statement under the Securities Act, as amended ("Securities Act") with respect to an offering of Corporation's equity securities, or securities or other obligations exercisable or exchangeable for, or convertible into, such equity securities ("Securities"), by the Corporation for its own account or for shareholders of the Corporation for their account, then the Corporation shall (x) give written notice of such proposed filing to the Holder as soon as practicable, which notice shall describe, among other things, the amount of Securities to be included in such offering and the intended method(s) of distribution, and (y) offer to the Holder in such notice the opportunity to register the sale of such number of shares of Warrant Stock as such Holder may request in writing within ten (10) days following receipt of such notice, subject to customary underwriter cutbacks in connection with such offering.

5. Charges, Taxes and Expenses.

Issuance of certificates for shares of Warrant Stock upon the exercise of this Warrant shall be made without charge to the Holder hereof for any issue or transfer tax or other incidental expense in respect of the issuance of such certificate, all of which taxes and expenses shall be paid by the Corporation, and such certificates shall be issued in the name of the Holder of this Warrant or in such name or names as may be directed by the Holder of this Warrant; provided, however, that in the event certificates for shares of Warrant Stock are to be issued in a name other than the name of the Holder of this Warrant, this Warrant when surrendered for exercise shall be accompanied by an form of assignment to be provided by the Corporation duly executed by the Holder hereof.

6. No Rights as Shareholders.

This Warrant does not entitle the Holder hereof to any voting rights or other rights as a shareholder of the Corporation prior to the exercise hereof.

7. Exchange and Registry of Warrant.

This Warrant is exchangeable, upon the surrender hereof by the registered Holder at the above mentioned office or agency of the Corporation, for a new Warrant of like tenor and dated as of such exchange. The Corporation shall maintain at the above-mentioned office or agency a registry showing the name and address of the registered Holder of this Warrant. This Warrant may be surrendered for exchange, transfer or exercise, in accordance with its terms, at such office or agency of the Corporation, and the Corporation shall be entitled to rely in all respects, prior to written notice to the contrary, upon such registry.

8. Loss, Theft, Destruction or Mutilation of Warrant.

Upon receipt by the Corporation of evidence reasonably satisfactory to it of the loss, theft, destruction or mutilation of this Warrant and in case of loss, theft or destruction of indemnity or security reasonably satisfactory to it, and upon reimbursement to the Corporation of all reasonable expenses incidental thereto, and upon surrender and cancellation of this Warrant, if mutilated, the Corporation will make and deliver a new Warrant of like tenor and dated as of such cancellation, in lieu of this Warrant.

9. Saturdays, Sundays and Holidays.

If the last or appointed day for the taking of any action or the expiration of any right required or granted herein shall be aSaturday or a Sunday or that is a legal holiday, then such action may be taken or such right may be exercised on the next succeeding day not a Saturday, Sunday or legal holiday.

10. Merger, Sale of Assets, Etc.

If at any time the Corporation proposes to merge or consolidate with or into any other corporation, effect any reorganization, or sell or convey all or substantially all of its assets to any other entity, then, as a condition of such reorganization, consolidation, merger, sale or conveyance, the Corporation or its successor, as the case may be, shall enter into a supplemental agreement to make lawful and adequate provision whereby the Holder shall have the right to receive, upon exercise of the Warrant, the kind and amount of equity securities which would have been received upon such reorganization, consolidation, merger, sale or conveyance by a Holder of a number of shares of common stock equal to the number of shares issuable upon exercise of the Warrant immediately prior to such reorganization, consolidation, merger, sale or conveyance. If the property to be received upon such reorganization, consolidation, merger, sale or conveyance is not equity securities, the Corporation shall give the Holder of this Warrant ten (10) business days prior written notice of the proposed effective date of such transaction, and if this Warrant has not been exercised by or on the effective date of such transaction, it shall terminate.

11. Subdivision, Combination, Reclassification, Conversion, Etc.

If the Corporation at any time shall by subdivision, combination, reclassification of securities or otherwise, change its common stock into the same or a different number of securities of any class or classes, this Warrant shall thereafter entitle the Holder to acquire such number and kind of securities as would have been issuable in respect of the Warrant Stock as the result of such change if this Warrant had been exercised in full for cash immediately prior to such change. The Exercise Price hereunder shall be adjusted if and to the extent necessary to reflect such change. If the Warrant Stock or other securities issuable upon exercise hereof are subdivided or combined into a greater or smaller number of shares of such security, the number of shares issuable hereunder shall be proportionately increased or decreased, as the case may be, and the Exercise Price shall be proportionately reduced or increased, as the case may be, in both cases according to the ratio which the total number of shares of such security to be outstanding immediately after such event bears to the total number of shares of such security outstanding immediately prior to such event. The Corporation shall give the Holder prompt written notice of any change in the type of securities issuable hereunder, any adjustment of the Exercise Price for the securities issuable hereunder, and any increase or decrease in the number of shares issuable hereunder.

12. Transferability; Compliance with Securities Laws.

(a) This Warrant may not be transferred or assigned in whole or in part without compliance with all applicable federal and state securities laws by the transferor and transferee (including the delivery of investment representation letters and legal opinions reasonably satisfactory to the Corporation, if requested by the Corporation). Subject to such restrictions, prior to the Expiration Time, this Warrant and all rights hereunder are transferable by the Holder hereof, in whole or in part, at the office or agency of the Corporation referred to in Section 2 hereof. Any such transfer shall be made in person or by the Holder's duly authorized attorney, upon surrender of this Warrant together with a form of assignment to be provided by the Corporation, properly endorsed.

(b) The Holder of this Warrant, by acceptance hereof, acknowledges that this Warrant and the Warrant Stock issuable upon exercise hereof are being acquired solely for the Holder's own account and not as a nominee for any other party, and for investment, and that the Holder will not offer, sell or otherwise dispose of this Warrant or any shares of Warrant Stock to be issued upon exercise hereof except under circumstances that will not result in a violation of the Securities Act of 1933, as amended, or any state securities laws. Upon exercise of this Warrant, the Holder shall, if requested by the Corporation, confirm in writing, in a form satisfactory to the Corporation, that the shares of Warrant Stock so purchased are being acquired solely for Holder's own account and not as a nominee for any other party, for investment, and not with a view toward distribution or resale.

(c) The Warrant Stock has not been and will not be registered under the Securities Act of 1933, as amended, and this Warrant may not be exercised except by (i) the original purchaser of this Warrant from the Corporation or (ii) an “accredited investor” as defined in Rule 501(a) under the Securities Act of 1933, as amended. Each certificate representing the Warrant Stock or other securities issued in respect of the Warrant Stock upon any stock split, stock dividend, recapitalization, merger, consolidation or similar event, shall be stamped or otherwise imprinted with a legend substantially in the following form (in addition to any legend required under applicable securities laws):

THE SHARES REPRESENTED BY THIS CERTIFICATE HAVE BEEN ACQUIRED FOR INVESTMENT AND NOT WITH A VIEW TO, OR IN CONNECTION WITH, THE SALE OR DISTRIBUTION THEREOF, AND HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED. SUCH SHARES MAY NOT BE SOLD OR TRANSFERRED IN THE ABSENCE OF SUCH REGISTRATION OR UNLESS THE SALE OR TRANSFER IS EXEMPT FROM THE REGISTRATION AND PROSPECTUS DELIVERY REQUIREMENTS OF SAID ACT.

13. Representations and Warranties.

The Corporation hereby represents and warrants to the Holder hereof that:

(a) during the period this Warrant is outstanding, the Corporation will reserve from its authorized and unissued common stock a sufficient number of shares to provide for the issuance of Warrant Stock upon the exercise of this Warrant;

(b) the issuance of this Warrant shall constitute full authority to the Corporation's officers who are charged with the duty of executing stock certificates to execute and issue the necessary certificates for the shares of Warrant Stock issuable upon exercise of this Warrant;

(c) the Corporation has all requisite legal and corporate power to execute and deliver this Warrant, to sell and issue the Warrant Stock hereunder, and to carry out and perform its obligations under the terms of this Warrant;

(d) all corporate action on the part of the Corporation, its directors and stockholders necessary for the authorization, execution, delivery and performance of this Warrant by the Corporation, the authorization, sale, issuance and delivery of the Warrant Stock, the grant of registration rights as provided herein and the performance of the Corporation's obligations hereunder has been taken;

(e) the Warrant Stock, when issued in compliance with the provisions of this Warrant and the Corporation's Articles of Incorporation (as they may be amended from time to time), will be validly issued, fully paid and nonassessable, and free of all taxes, liens or encumbrances with respect to the issue thereof, and will be issued in compliance with all applicable federal and state securities laws; and

(d) the issuance of the Warrant Stock will not be subject to any preemptive rights, rights of first refusal or similar rights.

14. Corporation Good Faith.

The Corporation will not, by amendment of its Articles of Incorporation or through any reorganization, recapitalization, transfer of assets, consolidation, merger, dissolution, issuance or sale of securities or any other action, avoid or seek to avoid the observance or performance of any of the terms to be observed or performed hereunder by the Corporation, but will at all times in good faith assist in the carrying out of all the provisions of this Warrant and in the taking of all such action as may be necessary or appropriate in order to protect the rights of the Holder of the Warrant against impairment.

15. Governing Law.

This Warrant shall be governed by and construed in accordance with the laws of the State of California.

IN WITNESS WHEREOF, the Corporation has caused this Warrant to be executed by its duly authorized officers.

Dated: _____

SIGMA LABS, INC.

By: _____
Mark Cola, President

NOTICE OF EXERCISE

To: Sigma Labs, Inc.

(1) The undersigned hereby elects to purchase shares of common stock of Sigma Labs, Inc. pursuant to the terms of the attached Warrant and tenders herewith payment of the purchase price in full, together with all applicable transfer taxes, if any.

(2) In exercising this Warrant, the undersigned hereby confirms and acknowledges that the shares of common stock to be issued upon exercise hereof are being acquired solely for the account of the undersigned and not as a nominee for any other party, and for investment and that the undersigned will not offer, sell or otherwise dispose of any such shares of common stock except under circumstances that will not result in a violation of the Securities Act of 1933, as amended, or any state securities laws.

(3) Please issue a certificate or certificates representing said shares of common stock in the name of the undersigned or in such other name as is specified below:

_____
(Name)

_____
(Address)

(4) The undersigned represents that (a) he, she or it is the original purchaser from the Corporation of the attached Warrant or an "accredited investor" within the meaning of Rule 501(a) under the Securities Act of 1933, as amended and (b) the aforesaid shares of common stock are being acquired for the account of the undersigned for investment and not with a view to, or for resale in connection with, the distribution thereof and that the undersigned has no present intention of distributing or reselling such shares.

Date:_____

_____
(Signature)

EXHIBIT 31.1

Certification of the Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act.

I, Richard Mah, 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 (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: May 16, 2011

By: /s/ Richard Mah
Name: Richard Mah
Title: Chief Executive Officer (Principal Executive Officer)

EXHIBIT 31.2

Certification of the Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act.

I, James Stout, 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 omitto 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 (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: May 16, 2011

By: /s/ James Stout
Name: James Stout
Title: Treasurer (Principal Accounting Officer)

EXHIBIT 32.1

CERTIFICATION OF THE PRINCIPAL EXECUTIVE OFFICER

Pursuant to 18 U.S.C. § 1350, as created by Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned officer of Sigma Labs, Inc. (the "Company") hereby certifies that, to his knowledge:

(i) The Quarterly Report on Form 10-Q of the Company for the quarter ended March 31, 2011 (the "Report") fully complies with the requirements of Section 13(a) or Section 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and

(ii) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 16, 2011

By: /s/ Richard Mah
Name: Richard Mah
Title: Chief Executive Officer (Principal Executive Officer)

EXHIBIT 32.2

CERTIFICATION OF THE PRINCIPAL FINANCIAL OFFICER

Pursuant to 18 U.S.C. § 1350, as created by Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned officer of Sigma Labs, Inc. (the "Company") hereby certifies that, to his knowledge:

(i) The Quarterly Report on Form 10-Q of the Company for the quarter ended March 31, 2011 (the "Report") fully complies with the requirements of Section 13(a) or Section 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and

(ii) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 16, 2011

By: /s/ James Stout
Name: James Stout
Title: Treasurer (Principal Accounting Officer)