
**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 September 30, 2018

OR

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

Commission file number: 001-38015

Sigma Labs, Inc.

(Exact name of registrant as specified in its charter)

NEVADA

(State or other jurisdiction of
incorporation or organization)

27-1865814

(IRS Employer
Identification No.)

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

(505) 438-2576
(Registrant's telephone number)

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

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

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

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

Large accelerated filer	<input type="checkbox"/>	Accelerated Filer	<input type="checkbox"/>
Non-accelerated filer	<input checked="" type="checkbox"/>	Smaller reporting company	<input checked="" type="checkbox"/>
Emerging growth company	<input type="checkbox"/>		

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

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: As of November 8, 2018, the issuer had 8,700,204 shares of common stock outstanding.

SIGMA LABS, INC.
FORM 10-Q
TABLE OF CONTENTS

PART I - FINANCIAL INFORMATION	
ITEM 1. FINANCIAL STATEMENTS	3
ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS	11
ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK	14
ITEM 4. CONTROLS AND PROCEDURES	14
PART II - OTHER INFORMATION	
ITEM 1. LEGAL PROCEEDINGS	15
ITEM 1A. RISK FACTORS	15
ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS.	15
ITEM 3. DEFAULTS UPON SENIOR SECURITIES	15
ITEM 4. MINE SAFETY DISCLOSURES	15
ITEM 5. OTHER INFORMATION	15
ITEM 6. EXHIBITS	16
SIGNATURES	17

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS.

Sigma Labs, Inc.
Condensed Balance Sheets
(Unaudited)

	<u>September 30, 2018</u>	<u>December 31, 2017</u>
ASSETS		
Current Assets:		
Cash	\$ 2,228,547	\$ 1,515,674
Accounts Receivable, net	112,039	104,538
Note Receivable	120,149	788,500
Inventory	236,522	192,705
Prepaid Assets	80,764	55,278
Total Current Assets	<u>2,778,021</u>	<u>2,656,695</u>
Other Assets:		
Property and Equipment, net	301,640	411,643
Intangible Assets, net	363,842	294,396
Investment in Joint Venture	500	500
Prepaid Stock Compensation	64,066	31,576
Total Other Assets	<u>730,048</u>	<u>738,115</u>
TOTAL ASSETS	<u>\$ 3,508,069</u>	<u>\$ 3,394,810</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts Payable	\$ 270,404	\$ 100,884
Preferred Dividends Payable	7,639	-
Notes Payable	50,000	100,000
Deferred Revenue	54,230	35,680
Accrued Expenses	187,128	146,330
Total Current Liabilities	<u>569,401</u>	<u>382,894</u>
TOTAL LIABILITIES	<u>569,401</u>	<u>382,894</u>
Commitments & Contingencies	-	-
Stockholders' Equity		
Preferred Stock, \$0.001 par; 10,000,000 shares authorized; 250 and 0 shares issued and outstanding, respectively	-	-
Common Stock, \$0.001 par; 22,500,000 shares authorized; 8,348,729 and 4,978,929 issued and outstanding, respectively	8,349	4,979
Additional Paid-In Capital	21,011,406	17,192,394
Accumulated Deficit	(18,081,087)	(14,185,457)
Total Stockholders' Equity	<u>2,938,668</u>	<u>3,011,916</u>
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u>\$ 3,508,069</u>	<u>\$ 3,394,810</u>

The accompanying notes are an integral part of these condensed financial statements.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
REVENUES	\$ 128,593	\$ 78,046	\$ 330,671	\$ 483,122
COST OF REVENUE	<u>56,309</u>	<u>81,214</u>	<u>198,672</u>	<u>267,160</u>
GROSS PROFIT	72,284	(3,168)	131,999	215,962
OPERATING EXPENSES:				
Salaries & Benefits	524,508	335,495	1,349,214	1,120,699
Stock-Based Compensation	198,578	199,225	783,167	505,630
Operating R&D Costs	139,090	68,543	356,112	254,956
Investor & Public Relations	142,821	118,586	426,417	362,499
Legal & Professional Service Fees	185,676	209,563	502,028	499,057
Office Expenses	131,629	78,044	337,671	226,988
Depreciation & Amortization	48,013	45,502	143,587	137,153
Other Operating Expenses	30,772	40,248	102,532	102,941
Total Operating Expenses	<u>1,401,087</u>	<u>1,095,206</u>	<u>4,000,728</u>	<u>3,209,923</u>
LOSS FROM OPERATIONS	(1,328,803)	(1,098,374)	(3,868,729)	(2,993,961)
OTHER INCOME (EXPENSE)				
Interest Income	9,862	13,675	26,948	26,616
State Incentives	-	2,500	-	154,568
Change in fair value of derivative liabilities	-	-	-	93,206
Exchange Rate Gain (Loss)	(606)	-	697	-
Interest Expense	(1,278)	(50,411)	(2,688)	(149,589)
Loss on Disposal of Assets	-	15,700	(36,733)	(6,682)
Debt discount amortization	-	-	-	(56,441)
Total Other Income (Expense)	<u>7,978</u>	<u>(18,536)</u>	<u>(11,776)</u>	<u>61,678</u>
LOSS BEFORE PROVISION FOR INCOME TAXES	(1,320,825)	(1,116,910)	(3,880,505)	(2,932,283)
Provision for income Taxes	-	-	-	-
Net Loss	<u>\$ (1,320,825)</u>	<u>\$ (1,116,910)</u>	<u>\$ (3,880,505)</u>	<u>\$ (2,932,283)</u>
Net Loss per Common Share – Basic and Diluted	\$ (0.16)	\$ (0.24)	\$ (0.62)	\$ (0.68)
Weighted Average Number of Shares Outstanding – Basic and Diluted	<u>8,281,338</u>	<u>4,574,460</u>	<u>6,295,658</u>	<u>4,330,565</u>

The accompanying notes are an integral part of these condensed financial statements.

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

	Nine months Ended	
	September 30, 2018	September 30, 2017
OPERATING ACTIVITIES		
Net Loss	\$ (3,880,505)	\$ (2,932,283)
Adjustments to reconcile Net Loss to Net Cash used in operating activities:		
Noncash Expenses:		
Depreciation and Amortization	143,587	137,154
Stock Based Compensation	793,492	506,994
Loss on Write-off of Asset	36,733	-
(Gain) on Change in Derivative Balance	-	(93,206)
Original Issue Discount Amortization	-	74,794
Debt Discount Amortization	-	56,441
Change in assets and liabilities:		
Accounts Receivable	(7,501)	182,511
Interest Receivable	36,154	-
Inventory	(21,280)	(1,666)
Prepaid Assets	(25,486)	(13,840)
Accounts Payable	169,520	2,572
Deferred Revenue	18,550	35,680
Accrued Expenses	40,797	94,455
NET CASH USED IN OPERATING ACTIVITIES	(2,695,939)	(1,950,394)
INVESTING ACTIVITIES		
Purchase of Property and Equipment	(55,147)	(16,381)
Purchase of Intangible Assets	(107,152)	(37,498)
Advance of Funds for Note Receivable	-	(775,267)
Payment received from Note Receivable	632,197	-
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	469,898	(829,146)
FINANCING ACTIVITIES		
Proceeds from issuance of Series B Convertible Preferred Stock & Warrants	1,000,000	-
Proceeds from issuance of Series C Convertible Preferred Stock & Warrants	350,000	-
Gross Proceeds from issuance of Common Stock and Warrants	2,040,100	5,823,300
Offering Costs Paid	(443,700)	(750,664)
Dividend on Preferred	(7,486)	-
NET CASH PROVIDED BY FINANCING ACTIVITIES	2,938,914	5,072,636
NET CHANGE IN CASH FOR PERIOD	712,873	2,293,096
CASH AT BEGINNING OF PERIOD	1,515,674	398,391
CASH AT END OF PERIOD	\$ 2,228,547	\$ 2,691,487
Supplemental Disclosures:		
Noncash investing & financing activities disclosure:		
Conversion of Convertible Debt for Stock	\$ (50,000)	\$ -
Common Stock issued for Conversion of Series B Preferred	\$ 1,100	\$ -
Common Stock issued for Cashless Exchange of Warrants	\$ 5	\$ -
Disclosure of cash paid for:		
Interest	\$ 12,205	\$ 50,418
Income Taxes	\$ -	\$ -

The accompanying notes are an integral part of these condensed financial statements.

SIGMA LABS, INC.
NOTES TO UNAUDITED CONDENSED FINANCIAL STATEMENTS
September 30, 2018
(Unaudited)

NOTE 1 - Summary of Significant Accounting Policies

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

Basis of Presentation - The accompanying financial statements have been prepared by the Company in accordance with Generally Accepted Accounting Principles (“GAAP”) in the United States of America and applicable rules and regulations of the Securities and Exchange Commission (“SEC”) regarding interim reporting. In the opinion of management, all adjustments (which include only normal recurring adjustments) necessary to present fairly the financial position, results of operations and cash flows at September 30, 2018 and 2017 and for the periods then ended have been made. Certain information and footnote disclosures normally included in financial statements prepared in accordance with U.S. generally accepted accounting principles have been condensed or omitted. The Company suggests these condensed financial statements be read in conjunction with the December 31, 2017 audited financial statements and notes thereto included in the Company’s Form 10-K. The results of operations for the periods ended September 30, 2018 and 2017 are not necessarily indicative of the operating results for the full year.

Reclassification - Certain amounts in prior-period financial statements have been reclassified for comparative purposes to conform to presentation in the current-period financial statements. In addition, \$153,013 of issuance costs associated with the February 2017 capital raise have been reclassified from operating costs to a reduction in additional paid in capital and \$35,680 reported as revenue in the first nine months of 2017 has been reclassified to deferred revenue.

Continuing Operations - The Company has sustained losses and had negative cash flows from operating activities since its inception. In 2017 and the first nine months of 2018, management has reported a change of strategy under which the company ceased to make sales and installations for research and development applications in order to focus its efforts entirely on potential customers already manufacturing 3D metal parts and therefore, already in need of quality improvement. The result of this change between September 2017 and the third quarter of 2018 was a significant decrease in revenues which the Company hopes to replace with orders for serial production use. The Company has raised significant equity capital as it continues to develop new products with commercial applications that may increase future revenues. On February 21, 2017, the Company closed an underwritten public offering of equity securities resulting in net proceeds of approximately \$5,097,000, after deducting underwriting discounts and commissions and other offering expenses payable by the Company. The Company was able to fund operations for 2017 with these funds and end the year with a cash balance of \$1,515,674. On March 28, 2018, Sigma received \$535,000 in full payment of the Morf 3D note and related accrued interest balance. In addition, on April 6, 2018, the Company closed a private placement offering of equity securities resulting in net proceeds of approximately \$877,500, after deducting commissions and other offering expenses payable by the Company. On June 26, 2018 the Company closed a public offering of equity securities resulting in net proceeds of approximately \$2,068,900, after deducting placement agent commissions and other offering expenses payable by the Company. As a result, the Company currently has sufficient cash and working capital to fund operations through the first quarter of 2019 and is anticipating that proof of concept contracts may be closed in the last quarter of fiscal 2018 generating additional cash flow in the near term.

Loss Per Share -The computation of loss per share is based on the weighted average number of shares outstanding during the period in accordance with ASC Topic No. 260, “Earnings Per Share.” Shares underlying the Company’s outstanding warrants, options or note conversion features were excluded from the diluted earnings per share computation due to the anti-dilutive effect they would have on the computation. At September 30, 2018 the Company had 250 Convertible preferred stock shares, 3,228,500 warrants, 697,207 stock options and a \$50,000 Convertible Note Payable outstanding. The total number of shares of common stock underlying these instruments is 4,200,707. At September 30, 2017 the Company had 1,701,500 warrants, 279,938 stock options and \$1,000,000 in Convertible Notes Payable outstanding. The total number of shares of common stock underlying these instruments was 2,481,438.

The following data shows the amounts used in computing loss per share and the effect on income and the weighted average number of shares of dilutive potential common stock for the periods ended September 30, 2018 and 2017:

	Three Months Ended September 30		Nine months Ended September 30	
	2018	2017	2018	2017
Net Loss per Common Share - Basic and Diluted	\$ (0.16)	\$ (0.24)	(0.62)	\$ (0.68)
Loss from continuing Operations available to Common stockholders (numerator)	\$ (1,320,825)	\$ (1,116,910)	(3,880,505)	\$ (2,932,283)
Weighted average number of common shares Outstanding used in loss per share during the Period (denominator)	8,281,338	4,574,460	6,295,658	4,330,565

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

Recent Accounting Standards Updates (“ASU”) through ASU No. 2018-18 contain technical corrections to existing guidance or affects guidance to specialized industries or situations. The Company has evaluated recently issued technical pronouncements and has determined that, other than ASU 2014-09 (Topic 606) and the related ASU 2018-18 (Topic 808), addressed below, these updates have no current applicability to the Company or their effect on the financial statements would not have been significant.

In May 2014, the FASB issued ASU 2014-09 (Topic 606) “Revenue from Contracts with Customers.” Topic 606 supersedes the revenue recognition requirements in Topic 605, “Revenue Recognition” (Topic 605), and requires entities to recognize revenue when control of the promised goods or services is transferred to customers at an amount that reflects the consideration to which the entity expects to be entitled to in exchange for those goods or services. On January 1, 2018, we adopted Topic 606 and all related amendments (“new revenue standard”) to those contracts which were not completed as of January 1, 2018 using the modified retrospective method. The comparative information has not been restated and continues to be reported under the accounting standards in effect for those periods. There is no adjustment to the opening balance of retained earnings due to the cumulative effect of initially applying the new revenue standard determined to be immaterial. We expect the impact of the adoption of the new revenue standard to be immaterial to our net income on an ongoing basis.

In November 2018, the FASB issued ASU 2018-18, *Collaborative Arrangements (Topic 808): Clarifying the Interaction Between Topic 808 and Topic 606*, which, among other things, provides guidance on how to assess whether certain collaborative arrangement transactions should be accounted for under Topic 606. The amendments in this ASU are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019, with early adoption permitted. The Company is in the process of evaluating the impact the standard will have on its financial statements.

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

NOTE 2 - Notes Receivable

On May 1, 2017, the Company made a loan in the principal amount of \$250,000 to Jaguar Precision Machine, LLC, a New Mexico limited liability company, pursuant to a Secured Convertible Promissory Note dated May 1, 2017 delivered by Jaguar to the Company. The loan bore interest at the rate of 7% per annum, was due and payable in full on May 1, 2018, was secured by certain assets of Jaguar, and is convertible at the Company’s option into 10% of the outstanding shares of the common stock of Jaguar unless Jaguar exercises its right under specified circumstances to repay all principal and accrued interest on the loan. The purpose of the loan was to provide working capital to Jaguar to, among other things, start up a metallurgical laboratory and become ASM9100 certified for contracts related to AM of high-precision aerospace and defense components, in furtherance of our strategic alliance. Sigma received from Jaguar priority for use of certain machines and services of Jaguar. On April 27, 2018, the promissory note was amended whereby the due date of the note was extended to June 1, 2018 in exchange for a cash payment of \$5,000 received on May 1, 2018, 50% of which will be retained as payment for the 30-day extension. On June 6, 2018 the promissory note was amended whereby the due date was extended to August 1, 2018 in exchange for cash payments of \$10,000 by each of June 7, 2018 and July 1, 2018, \$8,000 of which is to be retained as payment for the 60-day extension. The first of the \$10,000 payments was received by the Company on June 6, 2018. On June 15, 2018, the Company received a \$150,000 payment from Jaguar, \$17,803 of which was applied to accumulated interest through that date and \$132,197, the balance, of which, was applied to the principal balance of the note. No payments have been received since that date. The holder of the promissory note has committed to paying the remaining principal balance along with accumulated interest on or before December 31, 2018. The September 30, 2018 principal balance of the note was \$117,803 and the accumulated interest balance due was \$2,346.

On March 27, 2017, the Company made a loan in the principal amount of \$500,000 bearing interest at the rate of 7% per annum to Morf3D, Inc., an Illinois corporation, pursuant to a Secured Convertible Promissory Note dated March 27, 2017 delivered by Morf3D to the Company. The \$500,000 loan principal and \$35,000 of accumulated interest was paid in full on March 27, 2018.

NOTE 3 - Inventory

At September 30, 2018 and December 31, 2017, the Company’s inventory was comprised of:

	September 30, 2018	December 31, 2017
Raw Goods	\$ 170,714	\$ 127,076
Work in Process	-	251
Finished Goods	65,808	65,378
Total Inventory	\$ 236,522	\$ 192,705

NOTE 4 - Notes Payable

At September 30, 2018 the Company had a \$50,000 convertible note bearing interest at a rate of 10% per annum outstanding which was due on October 18, 2018. On October 18, 2018, the note was amended pursuant to which the due date was extended to April 18, 2019. Under the amendment, Sigma paid the \$3,444 total accrued interest balance as of October 18, 2018 and agreed to make future payment dates of accrued interest on December 31, 2018 and April 18, 2019.

NOTE 5 - Stockholders' Equity

Common Stock

Effective March 5, 2018, the Articles of Incorporation were amended to increase the authorized number of shares of common stock to 15,000,000.

Effective October 18, 2018 the Articles of Incorporation were amended to increase the authorized number of shares of common stock to 22,500,000.

In 2017, the Company issued 40,934 shares of common stock to directors at an average value of \$2.09 per share, or \$85,408. Also in 2017, 7,750 shares previously issued to a director and 750 shares previously issued to an employee, with a combined carrying value of \$9,830, were forfeited.

In January 2018, the Company issued 23,256 shares of common stock to directors valued at \$1.72 per share, or \$40,000.

In April 2018, the Company issued 176,744 shares of common stock to directors valued at \$1.2236 per share, or \$216,264.

Between May 29, 2018 and June 1, 2018, we issued an aggregate of 1,000,000 shares of common stock upon conversion of the 1,000 shares of Series B Preferred Stock issued on April 6, 2018 (as described below under "Preferred Stock").

On June 26, 2018, as part of its public offering of equity securities described in Note 1, the Company issued 2,040,000 shares of common stock and warrants to purchase a total of 717,000 shares of common stock (including the warrants described under "Preferred Stock" below that were issued on June 26, 2018). Each warrant has an initial price of \$1.08 per share. The net proceeds to the company were approximately \$2,068,900 after commissions and other offering expenses. The Company also issued Dawson James Securities, Inc., its placement agent in the public offering, a Unit Purchase Option to acquire up to 191,200 Units, at an exercise price of \$1.25 per Unit, consisting of 191,200 shares of common stock and warrants to purchase up to 57,360 shares of common stock at an exercise price of \$1.08 as compensation.

On August 31, 2018, the Company issued 100,000 shares of common stock upon conversion of 100 shares of Series C Preferred Stock issued on June 26, 2018 (as described below under "Preferred Stock").

Deferred Compensation

In previous years and in the nine months ended September 30, 2018, the Company issued to various employees, directors, and contractors shares of the Company's common stock, subject to restrictions, pursuant to the 2013 Equity Incentive Plan (the "2013 Plan"). Such shares were valued at the fair value at the date of issue. The fair value was expensed as compensation over the vesting period and recorded as a reduction of stockholders' equity. During the nine months ended September 30, 2018 and September 30, 2017, \$213,449 and \$192,248 respectively of the unvested compensation cost related to these issues was recognized.

As of September 30, 2018 and December 31, 2017, the balance of unvested compensation to be recognized was \$64,066 and \$31,576, respectively and is recorded as prepaid stock compensation as of those dates.

Preferred Stock

The Company is authorized to issue 10,000,000 shares of preferred stock, \$0.001 par value. 250 and 0 shares of preferred stock were issued and outstanding at September 30, 2018 and December 31, 2017, respectively.

On April 6, 2018, Sigma issued 1,000 shares of the Company's newly-created non-voting Series B Convertible Preferred Stock, which were convertible into 1,000,000 shares of common stock and warrants to purchase an aggregate of 750,000 shares of the Company's common stock, for an aggregate purchase price of \$1,000,000. The warrants have an initial exercise price of \$1.47 per share, the closing price of the Company's Common Stock reported on The NASDAQ Capital Market on April 6, 2018, subject to adjustment in certain circumstances. The net proceeds to the company were approximately \$877,500 after commissions and other offering expenses. Sigma also issued Dawson James Securities, Inc., its placement agent in the foregoing private placement, warrants to purchase up to 140,000 shares of common stock, at an exercise price of \$1.47 per share, as compensation.

On June 26, 2018, as part of the public offering described in Note 1, the Company issued 350 of the Company's newly-created non-voting Series C Convertible Preferred Stock, which were convertible into 350,000 shares of common stock, and warrants to purchase an aggregate of 105,000 shares of the Company's common stock. The warrants have an initial exercise price of \$1.08 per share, 11% above the closing price of the Company's Common Stock reported on The NASDAQ Capital Market on June 26, 2018, subject to adjustment in certain circumstances.

Stock Options

As of September 30, 2018, an aggregate of 750 shares and 697,207 shares of common stock were reserved for issuance under the 2011 and the 2013 Plans, respectively.

On February 21, 2018, the Company granted Mark Cola, a former officer of the company, two ten-year options under the 2013 Plan to purchase an aggregate of 61,750 shares of common stock each, with each option having an exercise price of \$1.49 per share. Pursuant to Mr. Cola's employment agreement, one of the options became fully-vested on the October 10, 2018 date that Mr. Cola retired from the Company, and the other option vests and becomes exercisable ratably over 17 monthly installments on the 15th day of each month commencing on March 15, 2018, subject in each case to Mr. Cola's continuing employment as a consultant.

On February 26, 2018, the Company granted nine employees ten-year options under the 2013 Equity Incentive Plan to purchase an aggregate of 70,188 shares of common stock, with each option having an exercise price of \$1.56 per share, and with vesting periods ranging from 3 to 4 years beginning February 26, 2019.

On April 19, 2018, Sigma granted John Rice, our President and Chief Executive Officer, three options to purchase up to 20,000 shares of our common stock under our 2013 Plan. In addition, on each of April 30, May 31, June 30, 2018 and July 31, 2018, Sigma granted Mr. Rice an option to purchase up to 20,000 shares of our common stock under our 2013 Plan. The foregoing options have an exercise price per share equal to \$1.88, \$1.54, \$1.48, \$1.26, \$1.47, \$1.19 and \$.87 respectively, which is at least the closing price of our common stock on the respective date of grant, and each is fully vested as of the respective grant date.

On April 19, 2018, Sigma granted Ron Fisher, our Vice President of Business Development, a five-year option to purchase an aggregate of 28,750 shares of common stock, with such option having an exercise price of \$1.22 per share, and with 1,438 shares vesting upon grant and the balance vesting in four annual installments over four years following the date of grant (1,366 shares, 4,097 shares, 6,828 shares and 15,021 shares, respectively).

During the nine months ended September 30, 2018, options to purchase 288,076 shares of common stock vested, and \$569,718 of compensation cost was recognized. As of September 30, 2018, there were options to purchase 697,207 shares issued and outstanding under the 2013 Plan. Of this amount, there are vested options exercisable for 373,689 shares of common stock. No options were exercised during the nine months or the quarter ended September 30, 2018.

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

Total share-based compensation expense included in the condensed statements of operations for the nine months ended September 30, 2018 and 2017 is \$783,167 and \$505,630, of which \$569,718 and \$313,382 is related to stock options, respectively. There was no capitalized share-based compensation cost as of September 30, 2018 and 2017.

The fair value of share-based awards was estimated using the Black-Scholes model with the following weighted-average assumptions for the nine months ended September 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Dividend yield	0.00	0.00
Risk-free interest rate	2.68-3.05%	1.89-2.45%
Expected volatility	111.4-137.3%	116.3-139.0%
Expected life (in years)	5-10	5-10

Warrants

At September 30, 2018, the Company had outstanding warrants to purchase a total of 3,228,500 shares of common stock; 1,621,500 warrants at an exercise price of \$4.00 per share, which if not exercised, will expire on February 21, 2022, 890,000 warrants at an exercise price of \$1.47 per share, which if not exercised, will expire on October 07, 2023, and 717,000 warrants at an exercise price of \$1.08 per share, which if not exercised, will expire on June 26, 2023.

On May 31, 2018, 24,000 warrants with an exercise price of \$2.00 were exercised in a cashless exchange transaction resulting in the issuance of 4,800 shares of the Company's common stock.

NOTE 6 - Subsequent Events

Between October 3, 2018 and October 9, 2018, the Company issued an aggregate of 250,000 shares of common stock upon the conversion of 250 shares of the Company's Series C Convertible Preferred.

Between October 18, 2018 and November 1, 2018 the Company issued 101,475 shares of common stock upon the exercise of warrants at an exercise price of \$1.08 per share.

On October 18, 2018, the 2013 Plan was amended to fix at 1,650,000 shares the aggregate number of shares of our common stock issued or issuable under the 2013 Plan.

On October 18, 2018, the Company increased the annual base salary of Darren Beckett, our Chief Technology Officer, from \$135,000 to \$180,000, effective retroactive to September 16, 2018, and granted Mr. Beckett an option to purchase 20,000 shares of common stock under the 2013 Plan at an exercise price of \$1.206 per share. The option has a term of five years and vests as follows: 1,000 shares will vest and become exercisable on September 16, 2019; 3,000 shares will vest and become exercisable on September 16, 2020; 5,000 shares will vest and become exercisable on September 16, 2021, and 11,000 shares will vest and become exercisable on September 16, 2022, subject, in each case, to Mr. Beckett being in the continuous employ of the Company on the applicable vesting date.

Effective October 19, 2018, our Amended and Restated Articles of Incorporation, as amended, were amended pursuant to a Certificate of Amendment filed with the Nevada Secretary of State to increase the authorized number of shares of our common stock to 22,500,000.

On November 1, 2018, the Company granted Mr. Rice an option to purchase 68,750 shares of the Company's common stock under the 2013 Plan at an exercise price of \$1.79 per share, with such option having a term of five years and being fully vested on the grant date.

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

Forward-looking statements

This Quarterly Report, including any documents which may be incorporated by reference into this Report, contains "Forward-Looking Statements." All statements other than statements of historical fact are "Forward-Looking Statements" for purposes of these provisions, including any projections of revenue or other financial items, any statements of the plans and objectives of management for future operations, any statements concerning proposed new products or services, any statements regarding future economic conditions or performance, and any statements of assumptions underlying any of the foregoing. All Forward-Looking Statements included in this document are made as of the date hereof and are based on information available to us as of such date. We assume no obligation to update any Forward-Looking Statement. In some cases, Forward-Looking Statements can be identified by the use of terminology such as "may," "will," "expects," "plans," "anticipates," "intends," "believes," "estimates," "potential," or "continue," or the negative thereof or other comparable terminology. Although we believe that the expectations reflected in the Forward-Looking Statements contained herein are reasonable, there can be no assurance that such expectations or any of the Forward-Looking Statements will prove to be correct, and actual results could differ materially from those projected or assumed in the Forward-Looking Statements. Future financial condition and results of operations, as well as any Forward-Looking Statements are subject to inherent risks and uncertainties, including any other factors referred to in our press releases and reports filed with the Securities and Exchange Commission ("SEC"). All subsequent Forward-Looking Statements attributable to the Company or persons acting on its behalf are expressly qualified in their entirety by these cautionary statements. Additional factors that may have a direct bearing on our operating results are described under the caption "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2017 and elsewhere in this report.

Corporation Information

Our principal executive offices are located at 3900 Paseo del Sol, Santa Fe, New Mexico 87507, and our telephone number is (505) 438-2576. Our website address is www.sigmalabsinc.com. The Company's annual reports, quarterly reports, current reports on Form 8-K and amendments to such reports filed or furnished pursuant to section 13(a) or 15(d) of the Securities Exchange Act of 1934 (the "Exchange Act"), and other information related to the Company, are available, free of charge, on that website as soon as we electronically file those documents with, or otherwise furnish them to, the SEC. The Company's website and the information contained therein, or connected thereto, are not and are not intended to be incorporated into this Quarterly Report on Form 10-Q.

Recent Developments

In the course of the third quarter of 2018, Sigma accomplished important internal product development milestones that led to the Company announcing on October 25, 2018 the rollout of a combination of new products at the Formnext additive manufacturing (AM) trade show in Frankfurt, Germany the week of November 12, 2018. Sigma believes that that combination of advanced new hardware and Sigma's new PrintRite3D® Version 4.0 software completes the evolution of Sigma's PrintRite3D® technology from its well-stressed and tested roots in research and development, into a compact and hardened commercial-industrial product that is deployable into demanding serial production settings.

Our competition is delivering In-Process-Quality-"Monitoring" tools that we believe generally deliver un-analyzed data to their customers to utilize as they see fit. Sigma is commercializing its PrintRite3D® hardware and software package that emerged from the third quarter of 2018 and is emphasizing to prospective customers Sigma's dedication to delivering a product which provides In-Process-Quality-"Assurance" that gathers and analyzes in-process manufacturing data and delivers actionable conclusions that improve quality. We believe that such a product is made possible because of both: (1) PrintRite3D®'s ability to detect and notify users of process and machine discontinuities that require adjustments of the computers' lasers in order to reduce AM machine-induced quality deficiencies, and (2) PrintRite3D®'s ability, in real-time in-process manufacturing runs, to detect a growing library of randomly recurring quality deficiencies, identify the signature traits of these deficiencies, and provide warnings and options to operators to adjust input and machine control parameters to mitigate those deficiencies early enough in their development to avoid rejection of the part.

On May 30, 2018, Sigma announced its successful demonstration of proof of concept of closed-loop feedback control. As a result of Sigma's root cause analyses of various AM quality discrepancies, we have come to believe that the future of AM manufacturing machines is that the machines must and will be "self-driving", i.e., controlled by a closed loop control system that adjusts and directs AM machine operating controls to maintain the optimum standard of melt pool qualities for the part designs and metals in question. We believe that the hardware and software package of our PrintRite3D® Version 4 is a significant advancement in the realization of this vision of the future.

Concurrent with the above-mentioned product development milestones that were realized in the third quarter, Sigma has been testing a new proof of concept sales program that was made possible and practicable by the attainment of such product development milestones. Beta test results have demonstrated that Sigma can now install and commence manufacturing test-runs on many AM machines in a 24-hour period and that a proof of concept and value analysis can be accomplished in a matter of weeks subject to how promptly customers and third-party laboratories commit resources and deliver their feedback on the results.

Other Recent Developments

On October 18, 2018, Darren Beckett's title was changed from Vice President of Engineering to Chief Technology Officer of the Company.

On August 29, 2018, we announced that we were awarded a contract in connection with our PrintRite3D® hardware, software and engineering services by a federally funded organization involved in the space industry. Under the contract, our sensor arrays will determine and communicate the quality of manufactured parts in real time to the end-user.

Critical Accounting Policies

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts in the accompanying consolidated financial statements and related notes. These estimates and assumptions have a significant impact on our consolidated financial statements. Actual results could differ materially from those estimates. Critical accounting policies are those that require the most subjective and complex judgments, often employing the use of estimates about the effect of matters that are inherently uncertain. Our significant accounting policies are disclosed in Note 1 to the Financial Statements included in this Quarterly Report on Form 10-Q. However, we do not believe that there are any alternative methods of accounting for our operations that would have a material effect on our financial statements.

Results of Operations

We expect to generate revenue primarily by selling and licensing our IPQA technologies, selling technical support services and contract manufacturing and selling specialty parts and studies to businesses that seek to improve their manufacturing production processes and production-run quality yields. Our ability to generate revenues in the future will depend on our ability to further commercialize and increase market presence of our PrintRite3D® technologies, and it will depend on if key prospective customers continue to move from AM metal prototyping to production.

Three Months Ended September 30, 2018 and 2017

In the third quarter of 2018, we recognized revenue of \$128,593 compared to \$78,046 during the same period of 2017, an increase of \$50,547. A revenue decrease of \$37,903 from government programs between the two quarters was offset by a \$69,000 increase in commercial sales and \$22,472 in contract AM service revenue in the third quarter of 2018 compared to no such sales in the third quarter of 2017. Our cost of revenue for the third quarter of 2018 was \$56,309 as compared to \$81,214 during the same period of 2017. The decrease of \$24,905 was primarily due to the non-recurring costs associated with the implementation of our Early Adopter Program and Original Equipment Manufacturer (OEM) Partner Program in the third quarter of 2017.

Sigma's total operating expenses for the third quarter of 2018 were \$1,401,087 compared to \$1,095,206 for the same period of 2017, a \$305,881 increase. Our operating expenses are comprised of internal operating and sales expenses, outside service fees, research & development costs, and depreciation & amortization.

The most significant of our operating expenses is personnel costs, comprised of payroll and stock-based compensation expense. Payroll costs in the third quarter of 2018 were \$524,508 compared to \$335,495 for the same period in 2017. The \$189,013 increase resulted primarily from the strategic addition of six employees since the third quarter of 2017, three in the third quarter of 2017 and three in the second quarter of 2018, as we continue the concentrated acceleration of technology development and our expansion into the European 3D manufacturing market. Stock-based compensation for the third quarter of 2018 was \$198,578 compared to \$199,225 for the same period in 2017.

During the three months ended September 30, 2018, Sigma incurred research and development expenditures of \$139,090 compared to \$68,543 in the same period of 2017. The \$70,547 increase in these expenditures resulted primarily from an increase in software and algorithm consultant costs and an increase in purchases of component parts, upgraded servers and specialized equipment directly related to the development of our PrintRite3D® 4.0 product suite that is being launched at the Formnext AM trade fair the week of November 12, 2018.

Sigma's public company costs and investor relation fees incurred in the third quarter of 2018 were \$142,821 compared to \$118,586 incurred during the same period in 2017.

During the third quarter of 2018, Sigma's office expenses were \$131,629 compared to \$78,044 in the same period of 2017. The \$53,585 increase in these expenditures resulted primarily from additional office rent and related expenses to accommodate our new employee hires and from additional travel expense related to both our more aggressive outreach to prospective OEM and service bureau clients and our expansion into the European market in 2018.

In the third quarter of 2018, our net other income & expense was net income of \$7,978 compared to net other expense of \$18,536 in the third quarter of 2017. The third quarter 2018 net income was comprised of \$9,862 of interest income on the remaining note receivable balance offset by interest expense on the remaining \$50,000 balance of our note payable.

Sigma's total net loss for the third quarter of 2018 was \$1,320,825 as compared to \$1,116,910 for the third quarter of 2017, a \$203,915 increase with operating income contributing \$230,429 to the increased loss and increased other income and expense offsetting it by \$26,514.

Nine months Ended September 30, 2018 and 2017

During the nine months ended September 30, 2018, we recognized revenue of \$330,671 compared to \$483,122 of revenue recognized during the same period of 2017. The primary contributors to the \$152,450 reduction were revenue decreases of \$174,726 from government program work and \$57,227 in new system sales, partially offset by increased contract AM service sales in 2018 of \$79,503. Our cost of revenue for the nine months ended September 30, 2018 was \$198,672 compared to \$267,160 during the same period in 2017, a decrease of \$68,488. Reduced direct labor and materials cost associated with the decline in government and commercial sales primarily contributed to the total decrease.

Sigma's total operating expenses for the nine months ended September 30, 2018 were \$4,000,728 compared to \$3,209,923 for the same period in 2017, a \$790,805 increase. Payroll costs for the nine months ended September 30, 2018 were \$1,349,214 compared to \$1,120,699 for the same period in 2017. The \$228,515 increase resulted primarily from the foregoing addition of six employees beginning in the third quarter of 2017. Stock-based compensation for the nine months ended September 30, 2018 was \$783,167 compared to \$505,630 for the same period in 2017. This \$277,537 increase was comprised primarily from \$156,712 in vesting recognized on stock options granted to our Chief Executive Officer in the second and third quarters of 2018 and the amortization of \$92,371 in stock compensation cost related to stock compensation paid to non-employee directors over the nine months ended September 30, 2018.

During the nine months ended September 30, 2018, Sigma incurred research and development expenditures of \$356,112 compared to \$254,956 in the same period of 2017. The \$101,156 increase resulted primarily from an increase in software and algorithm consultant costs and a \$52,219 increase in purchases of component parts, upgraded servers and specialized equipment as part of our continued concentrated acceleration of technology development, along with the development in the third quarter of 2018 of our PrintRite3D® 4.0 product suite.

Sigma's public company and investor relation fees incurred in the nine months ended September 30, 2018 were \$426,417, compared to \$362,499 during the same period in 2017. The \$63,918 increase is the result of a \$47,892 aggregate increase in cash fees paid to our non-employee directors, a \$57,385 increase in advisory service fees and a \$41,500 reduction in NASDAQ fees due to the non-recurring entry fee paid in 2017.

During the nine months ended September 30, 2018, Sigma's office expenses were \$337,671 compared to \$226,988 in the same period of 2017. The \$110,683 increase in these expenditures resulted primarily from \$34,631 in additional hardware, software, supplies and office space costs in 2018 related to our additional employees, and from \$76,052 of additional travel expense in 2018 related to both a more aggressive outreach to prospective OEM, service bureau and end user customers and our expansion into the European market.

In the nine months ended September 30, 2018, our net other income & expense was a net expense of \$11,776, as compared to net other income of \$61,678 in the same periods of 2017. The nine-month 2018 net expense was primarily comprised of a \$36,733 write-off of patent and patent application costs offset by interest income of \$26,948 on our outstanding note receivable.

Sigma's net loss for the nine months ended September 30, 2018 totaled \$3,880,505 as compared to \$2,932,283 for the same period of 2017, a \$948,222 increase, with operating income contributing \$874,768 and other income and expense contributing \$73,454.

We financed our operations during the three and nine months ended September 30, 2018 and 2017 primarily from revenue generated from PrintRite3D® system sales and engineering consulting services we provided to third parties during these periods, through sales of our common and preferred stock and, in 2017, through the issuance of debt securities. We expect that our revenue will increase in future periods as we seek to further commercialize and expand our market presence for our PrintRite3D®-related technologies and obtain new contract manufacturing orders in connection with our EOS M290.

Liquidity and Capital Resources

As of September 30, 2018, we had \$2,228,547 in cash and had a working capital surplus of \$2,208,620, as compared with \$1,515,674 in cash and a working capital surplus of \$2,273,801 as of December 31, 2017.

Our major sources of funding have been proceeds from public and private offerings of our equity securities (both common stock and preferred stock), and from warrant exercises. On April 6, 2018, the Company closed a private placement of equity securities resulting in net proceeds of approximately \$920,000, after deducting commissions and other offering expenses payable by the Company. On June 26, 2018, the Company closed a public offering of equity securities resulting in net proceeds of approximately \$2,139,000, after deducting commissions and other offering expenses payable by the Company. The principal balance in the amount of \$50,000 and any accrued and unpaid interest on the convertible promissory note that is payable by us is due in April 2019.

During the remainder of 2018, we expect to sustain our operations and our commercialization and marketing efforts without material increase in our cash burn rate. We expect that enhancements of our IPQA®-enabled PrintRite3D® technology that were developed substantially during the nine months ended September 30, 2018 and being brought to market in the fourth quarter of 2018 will enable us to further commercialize this technology for the AM metal market in 2019. However, until commercialization of our full suite of PrintRite3D® technologies, we plan to continue funding our development activities and operating expenses by licensing our PrintRite3D® systems and supporting field services, as applicable, and providing PrintRite3D®-enabled engineering consulting services concerning our areas of expertise (materials and manufacturing quality assurance and process control technologies) and contract manufacturing for metal AM, and through the use of proceeds from sales of our securities.

Net Cash Used in Operating Activities

Net cash used in operating activities during the nine months ended September 30, 2018 increased to \$2,695,939 from \$1,950,394 during the same period in 2017, which is an increase in cash used of \$745,545. Sigma's higher net loss in the nine months ended September 30, 2018 contributed \$912,493 to this increase while more attentive management of payables offset \$166,948 of that increased use of cash.

Net Cash Used/Provided by Investing Activities

Net cash provided by investing activities during the nine months ended September 30, 2018 was \$469,899, which compares to cash used in investing activities during the same period of 2017 totaling \$829,146. \$1,400,000 of this \$1,299,045 positive swing is directly related to the debt financing of 2017. Sigma loaned funds of \$750,000 in the first half of 2017 and received payment of \$650,000 of such loans in May and June of 2018. The additional expenditure of \$69,654 related to patents and \$38,766 for office furniture and laboratory equipment in 2018 were the significant offsetting factors.

Net Cash Used/Provided by Financing Activities

Cash provided by financing activities during the nine months ended September 30, 2018 decreased to \$2,938,914 from \$5,072,636 during the same period in 2017, a reduction of \$2,133,722. \$2,126,236 of this reduction is due to our receipt of total net proceeds of \$2,946,400 from our April 2018 private placement and June 2018 public offering compared to our receipt of total net proceeds of \$5,072,636 from our February 2017 public offering.

The Company anticipates less loss in the fourth quarter of 2018, due to expected increased revenues from proof of concept engagements, offset by increased salaries and related expenses in connection with our additional employees.

We have no credit lines as of November 11, 2018, nor have we ever had a credit line since our inception.

Based on the funds we have as of November 11, 2018, and the proceeds we expect to receive from proof of concept engagements for our updated PrintRite3D® hardware and software technology, and sales of contract AM manufacturing for metal AM parts, we believe that we will have sufficient funds to pay our administrative and other operating expenses through at least the first quarter of 2019. Our ability to continue to fund our liquidity and working capital needs will be dependent upon the success of and revenues from existing and future PrintRite3D®-proof of concept contracts, follow-on contracts resulting from successful proof of concept engagements, possible strategic partnerships, contract manufacturing orders in connection with our EOS M290, and possibly by obtaining additional capital from the sale of securities or by borrowing funds from lenders to fulfill our business plans. If we issue additional equity or debt securities, stockholders may experience additional dilution or the new equity securities may have rights, preferences or privileges senior to those of existing holders of our common stock. There is no assurance that we will be successful in obtaining additional funding. If we fail to obtain sufficient funding when needed, we may be forced to delay, scale back or eliminate all or a portion of our commercialization efforts and operations.

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

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

Not applicable.

ITEM 4. CONTROLS AND PROCEDURES.

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

Based upon an evaluation of the effectiveness of our disclosure controls and procedures performed by our management, with the participation of our Chief Executive Officer, and our Principal Financial and Accounting Officer, as of the end of the period covered by this quarterly report, our management concluded that our disclosure controls and procedures are effective at a reasonable assurance level in ensuring that information required to be disclosed by us in our reports is recorded, processed, summarized and reported within the required time periods.

Changes in internal controls over financial reporting. In addition, no change in our internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) occurred during the three months ended September 30, 2018 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

**PART II
OTHER INFORMATION**

ITEM 1. LEGAL PROCEEDINGS.

Not applicable.

ITEM 1A. RISK FACTORS.

Not applicable.

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

Not applicable.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES.

Not applicable.

ITEM 4. MINE SAFETY DISCLOSURES.

Not applicable.

ITEM 5. OTHER INFORMATION.

Not applicable.

ITEM 6. EXHIBITS.

- 3.1 [Certificate of Amendment to Amended and Restated Articles of Incorporation, as amended, of Sigma Labs, Inc.\(filed as Exhibit 3.1 to the Company's Current Report on Form 8-K filed October 23, 2018, and incorporated herein by reference\).](#)

- 10.1 [Employment Agreement, effective as of September 25, 2017, between Darren Beckett and Sigma Labs, Inc.* **](#)

- 31.1 [Rule 13a-14\(a\) Certification of Principal Executive Officer, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.**](#)

- 31.2 [Rule 13a-14\(a\) Certification of Principal Financial Officer, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.**](#)

- 32.1 [Certification of Principal Executive Officer and Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.***](#)

- 101.INS XBRL Instance Document.**
- 101.SCH XBRL Schema Document.**
- 101.CAL XBRL Calculation Linkbase Document.**
- 101.DEF XBRL Definition Linkbase Document.**
- 101.LAB XBRL Labels Linkbase Document.**
- 101.PRE XBRL Presentation Linkbase Document.**

* Indicates a management contract or compensatory plan or arrangement.

** Filed herewith.

*** Furnished herewith.

SIGNATURES

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

SIGMA LABS, INC.

November 14, 2018

By: /s/ John Rice

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

November 14, 2018

By: /s/ Nannette Toups

Nannette Toups
Chief Financial Officer and Treasurer
(Principal Financial and Accounting Officer)



August 31, 2017

Mr. Darren Beckett
c/o Nick Pearce, Alexander Daniels Global

Re: Employment Offer: Engineering Manager

Dear Mr. Beckett,

I am pleased to offer you a full-time position as Engineering Manager with Sigma Labs, Inc. You will be paid bi-monthly on an exempt basis \$5,625.00 per pay period with 24 pay periods in the year. You will be exempt from minimum wage and overtime pay requirements and you will report to the President/CTO of Sigma Labs, Inc. Our employment relationship will be terminable at-will, which means that either you or Sigma Labs, Inc. may terminate your employment at any time and for any reason.

As a regular full-time employee, you are eligible to receive medical, dental, life, short & long-term disability, participate in the Section 125 cafeteria plan, vision plan, 401K plan, accrue annual leave and receive holiday benefits. If you elect insurance benefits, please return all paperwork to me no later than your start date for coverages to begin at the earliest possible date. Please note that all insurance coverages are based upon meeting the insurance company's enrollment requirements. If you choose *not* to elect any of the coverages, you will need to complete a waiver form, which will be provided.

Sigma Labs has a 2013 Equity Incentive Plan (the "Plan") and wants to acknowledge the key nature and value of your position to the long term success of the company by granting you under the Plan, effective upon the date your employment commences, a non-qualified stock option (the "Start Date Option") to purchase up to 15,000 shares of common stock of Sigma Labs. The Start Date Option will have an exercise price equal to the closing price of our common stock on the date of grant, will vest in accordance with the schedule listed in Exhibit A, provided you are in the employ of the company at each of the following dates, September 25, 2018, 2019, 2020 and 2021, and be on such other terms and provisions as are contained in Sigma Labs' standard-form nonqualified stock option agreement under the Plan. We will provide you with copies of the foregoing stock option agreement and letter agreement on or before the date your employment commences.

Regarding location of your assigned position, Sigma Labs recognizes that you will execute your primary duties at 3900 Paseo del Sol, Santa Fe, NM 87507.

If you have any questions or concerns about this offer letter, please let me know. Otherwise, please note your acceptance of this offer by signing in the space provided below. Upon completion, please PDF and send to me via e-mail no later than, Monday, September 25, 2017. Please mail all original documentation to the company address. Nothing written in this letter changes our at-will employment relationship either implied, in writing, or orally into a contract.

I sincerely hope that you find the terms of this offer to be acceptable, and we look forward to a mutually rewarding association.

Sigma Labs, Inc. 3900 Paseo del Sol, Santa Fe, NM 87507
sigmalabsinc.com 505.424.2526

Sincerely,



Mark J. Cola
President & CTO

Position Accepted By


Dorian Becker

9/5/17
Date

**Exhibit A:
Stock Option Vesting Schedule**

end year 1	750
end year 2	2,250
end year 3	3,750
end year 4	8,250
Total	15,000

Accepted, 9/13/17

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

I, John Rice, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Sigma Labs, Inc.;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter 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: November 14, 2018

By: /s/ John Rice
Name: John Rice
Title: Chairman of the Board, President and Chief Executive Officer
(Principal Executive Officer)

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

I, Nannette Toups, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Sigma Labs, Inc.;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter 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: November 14, 2018

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

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

Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, John Rice, the Chief Executive Officer, and Nannette Toups, the Chief Financial Officer, of Sigma Labs, Inc. (the "Company"), hereby certify, that, to their knowledge:

1. The Quarterly Report on Form 10-Q for the quarter ended September 30, 2018 (the "Report") of the Company fully complies with the requirements of Section 13(a) or Section 15(d), as applicable, of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ John Rice

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

November 14, 2018

/s/ Nannette Toups

Nannette Toups
Chief Financial Officer, Treasurer
(Principal Financial and Accounting Officer)

November 14, 2018
