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, 2021

OR

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

Commission file number: 001-38015

Sigma Labs, Inc.
(Exact name of registrant as specified in its charter)

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

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

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

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

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

Yes ☒ No ☐

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

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

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

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: As of October 20, 2021, the issuer had 10,498,802 shares of common stock outstanding.

SIGMA LABS, INC.

FORM 10-Q

TABLE OF CONTENTS

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS.

Sigma Labs, Inc.
Condensed Balance Sheets
(Unaudited)

	September 30, 2021	December 31, 2020
ASSETS		
Current Assets:		
Cash	$ 13,064,394	$ 3,700,814
Accounts Receivable, net	666,740	331,562
Inventory	856,547	659,651
Prepaid Assets	130,675	90,735
Total Current Assets	14,718,356	4,782,762
Other Assets:		
Property and Equipment, net	201,752	138,626
Intangible Assets, net	868,265	753,122
Long-Term Prepaid Asset	-	26,000
Total Other Assets	1,070,017	917,748
TOTAL ASSETS	$ 15,788,373	$ 5,700,510
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts Payable	$ 223,157	$ 128,937
Deferred Revenue	85,480	77,957
Accrued Expenses	432,615	243,815
Total Current Liabilities	741,252	450,709
Long-Term Liabilities:		
Stock Appreciation Rights	93,525	48,341
CARES Act Deferred Payroll Tax Liability	37,728	37,728
Total Long-Term Liabilities	131,253	86,069
TOTAL LIABILITIES	872,505	536,778
Stockholders' Equity		
Preferred Stock, $0.001 par; 10,000,000 shares authorized; 465 and 715 issued and outstanding, respectively	1	1
Common Stock, $0.001 par; 24,000,000 shares authorized; 10,498,802 and 5,995,320 issued and outstanding, respectively	10,499	5,995
Additional Paid-In Capital	53,086,908	38,262,744
Accumulated Deficit	(38,181,540)	(33,105,008)
Total Stockholders' Equity	14,915,868	5,163,732
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 15,788,373	$ 5,700,510

See accompanying notes to condensed financial statements.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
REVENUES	$ 700,237	$ 248,526	$ 1,302,525	$ 637,944
COST OF REVENUE	164,766	97,785	409,493	400,172
GROSS PROFIT	535,471	150,741	893,032	237,772
OPERATING EXPENSES:				
Salaries & Benefits	1,222,760	657,889	3,055,279	1,915,381
Stock-Based Compensation	659,512	58,219	893,431	483,208
Operating R&D Costs	131,772	79,673	608,812	245,008
Investor, Public Relations & Marketing	119,622	66,794	342,725	353,802
Organization Costs	342,112	173,041	578,256	328,716
Legal & Professional Service Fees	261,075	133,273	681,941	530,660
Office Expenses	172,238	84,357	472,335	310,947
Depreciation & Amortization	27,689	50,167	76,502	86,150
Other Operating Expenses	90,108	59,100	267,663	194,836
Total Operating Expenses	3,026,888	1,362,513	6,976,944	4,448,708
LOSS FROM OPERATIONS	(2,491,417)	(1,211,772)	(6,083,912)	(4,210,936)
OTHER INCOME (EXPENSE)				
Interest Income	2,981	77	10,053	959
State Incentives	-	-	-	151,657
Exchange Rate Gain (Loss)	(490)	(252)	(333)	(1,674)
Interest Expense	(2,052)	(6,066)	(5,434)	(12,741)
Loss on Dissolution of Joint Venture	-	-	-	(201)
Other Income	-	-	1,092,441	361,700
Total Other Income (Expense)	439	(6,241)	1,096,727	499,700
LOSS BEFORE PROVISION FOR INCOME TAXES	(2,490,978)	(1,218,013)	(4,987,185)	(3,711,236)
Provision for income Taxes	-	-	-	-
Net Loss	$ (2,490,978)	$ (1,218,013)	$ (4,987,185)	$ (3,711,236)
Preferred Dividends	(14,220)	(737,344)	(89,347)	(1,744,471)
Net Loss Applicable to Common Stockholders	$ (2,505,198)	$ (1,955,357)	$ (5,076,532)	$ (5,455,707)
Net Loss per Common Share – Basic and Diluted	$ (0.24)	$ (0.42)	$ (0.53)	$ (1.74)
Weighted Average Number of Shares Outstanding – Basic and Diluted	10,494,560	4,675,749	9,602,666	3,137,459

See accompanying notes to condensed financial statements.

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

For the Three Months Ended September 30, 2021 and September 30, 2020

	Preferred Stock		Common Stock		Additional		
	Shares Outstanding	Preferred Stock	Shares Outstanding	Common Stock	Paid-in Capital	Accumulated Deficit	Total
Balances, June 30, 2021	465	$ 1	10,493,598	$ 10,494	$ 52,058,003	$ (35,676,342)	$ 16,392,156
Preferred Stock Dividends	-	-	-	-	14,220	(14,220)	-
Shares Securities Issued to Directors for Services	-	-	-	-	282,306	-	282,306
Securities Issued for Third Party Services	-	-	-	-	72,872	-	72,872
Securities Awarded to Employees	-	-	5,204	5	659,507	-	659,512
Net Loss	-	-	-	-	-	(2,490,978)	(2,490,978)
Balances, September 30, 2021	465	$ 1	10,498,802	$ 10,499	$ 53,086,908	$ (38,181,540)	$ 14,915,868

	Preferred Stock		Common Stock		Additional		
	Shares Outstanding	Preferred Stock	Shares Outstanding	Common Stock	Paid-in Capital	Accumulated Deficit	Total
Balances, June 30, 2020	333	$ 1	3,926,362	$ 3,926	$ 33,151,829	$ (29,595,944)	$ 3,559,812
Preferred Stock Dividends	-	-	339,499	339	737,005	(737,344)	-
Common Shares issued for Conversion of Preferred Shares	(3,318)	(3)	1,555,550	1,556	(1,553)	-	-
Preferred Shares issued for Exercise of Preferred Warrants	3,568	3	-	-	3,478,796	-	3,478,799
Securities Issued to Directors for Services	-	-	8,334	8	131,142	-	131,150
Securities Issued for Third Party Services	-	-	3,500	4	58,918	-	58,922
Securities Awarded to Employees	-	-	-	-	58,220	-	58,220
Net Loss	-	-	-	-	-	(1,218,013)	(1,218,013)
Balances, September 30, 2020	583	$ 1	5,833,245	$ 5,833	$ 37,614,357	$ (31,551,301)	$ 6,068,890

For the Nine Months Ended September 30, 2021 and September 30, 2020

	Preferred Stock		Common Stock		Additional		
	Shares Outstanding	Preferred Stock	Shares Outstanding	Common Stock	Paid-in Capital	Accumulated Deficit	Total
Balances, December 31, 2020	715	$ 1	5,995,320	$ 5,995	$ 38,262,744	$ (33,105,008)	$ 5,163,732
Common Shares Sold in Public Offering	-	-	3,901,783	3,902	14,865,997	-	14,869,899
Extinguishment of Derivative Liability	-	-	-	-	(1,092,441)	-	(1,092,441)
Preferred Stock Dividends	-	-	19,000	19	89,328	(89,347)	-
Common Shares issued for Conversion of Preferred Shares	(250)	-	100,000	100	(100)	-	-
Common Shares issued for Exercise of Common Warrants	-	-	475,995	476	1,135,534	-	1,136,010
Stock Options Awarded to Directors	-	-	-	-	404,580	-	404,580
Securities Issued for Third Party Services	-	-	1,500	2	128,807	-	128,809
Securities Awarded to Employees	-	-	5,204	5	893,426	-	893,431
Offering Costs	-	-	-	-	(1,600,967)	-	(1,600,967)
Net Loss	-	-	-	-	-	(4,987,185)	(4,987,185)
Balances, September 30, 2021	465	$ 1	10,498,802	$ 10,499	$ 53,086,908	$ (38,181,540)	$ 14,915,868

	Preferred Stock		Common Stock		Additional		
	Shares Outstanding	Preferred Stock	Shares Outstanding	Common Stock	Paid-in Capital	Accumulated Deficit	Total
Balances, December 31, 2019	-	$ -	1,403,759	$ 1,404	$ 26,746,439	$ (26,095,594)	$ 652,249
Common Shares Sold in Public Offering	-	-	493,027	493	1,499,507	-	1,500,000
Preferred Shares Sold in Private Offering	1,973	3	-	-	2,099,997	-	2,100,000
Preferred Stock Dividends	-	-	749,924	750	1,743,721	(1,744,471)	-
Common Shares issued for Conversion of Preferred Shares	(7,154)	(7)	3,157,427	3,157	(3,150)	-	-
Preferred Shares issued for Exercise of Preferred Warrants	5,764	5	-	-	5,619,895	-	5,619,900
Securities Issued to Directors for Services	-	-	8,334	8	131,142	-	131,150
Securities Issued for Third Party Services	-	-	6,000	6	113,837	-	113,843
Securities Awarded to Employees	-	-	11,517	12	483,196	-	483,208
Offering Costs		-	-	-	(820,224)	-	(820,224)
Issuance of Fractional Shares from Reverse Split	-	-	3,257	3	(3)	-	-
Net Loss	-	-	-	-	-	(3,711,236)	(3,711,236)
Balances, September 30, 2020	583	$ 1	5,833,245	$ 5,833	$ 37,614,357	$ (31,551,301)	$ 6,068,890

See accompanying notes to condensed financial statements.

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

	Nine Months Ended September 30, 2021	Nine Months Ended September 30, 2020
OPERATING ACTIVITIES		
Net Loss	$ (4,987,185)	$ (3,711,236)
Adjustments to reconcile Net Loss to Net Cash used in operating activities:		
Noncash Expenses:		
Depreciation and Amortization	76,502	86,150
Gain on Derivative Liability	(1,092,441)	-
Stock Based Compensation - Employees	893,431	483,208
Stock Based Compensation – Third Party Services	128,809	113,843
Stock Based Compensation - Directors	404,580	131,150
Change in assets and liabilities:		
Accounts Receivable	(335,178)	(429,527)
Inventory	(196,896)	24,178
Prepaid Assets	(13,940)	55,669
Accounts Payable	94,220	(544,991)
Deferred Revenue	7,523	(46,606)
Accrued Expenses	233,985	108,022
Deferral of Payroll Taxes under the CARES Act	-	53,545
NET CASH USED IN OPERATING ACTIVITIES	(4,786,590)	(3,676,595)
INVESTING ACTIVITIES		
Purchase of Property and Equipment	(116,631)	(88,074)
Purchase of Intangible Assets	(138,141)	(161,878)
Dissolution of Joint Venture	-	500
NET CASH USED IN INVESTING ACTIVITIES	(254,772)	(249,452)
FINANCING ACTIVITIES		
Gross Proceeds from Public and Private Issuances of Securities	14,869,899	3,600,000
Less Offering Costs	(1,600,967)	(820,224)
Payment of Note Payable	-	(50,000)
Proceeds from Exercise of Warrants	1,136,010	5,619,900
NET CASH PROVIDED BY FINANCING ACTIVITIES	14,404,942	8,349,676
NET CHANGE IN CASH FOR PERIOD	9,363,580	4,423,629
CASH AT BEGINNING OF PERIOD	3,700,814	86,919
CASH AT END OF PERIOD	$ 13,064,394	$ 4,510,548
Supplemental Disclosures:		
Noncash investing and financing activities disclosure:		
Issuance of Common Shares for Preferred Dividends	$ 89,347	$ 1,744,471
Issuance of Securities for Services	$ 533,387	$ 244,993
Disclosure of cash paid for:		
Interest	$ 5,434	$ 12,741
Income Taxes	$ -	$ -

See accompanying notes to condensed financial statements.

NOTE 1 - Summary of Significant Accounting Policies

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

Basis of Presentation - The accompanying financial statements have been prepared by the Company in accordance with Generally Accepted Accounting Principles ("GAAP") in the United States of America. In the opinion of management, all adjustments (which include only normal recurring adjustments) necessary to present fairly the financial position, results of operations and cash flows at September 30, 2021 and 2020 and for the periods then ended have been made. Certain information and footnote disclosures normally included in financial statements prepared in accordance with U.S. generally accepted accounting principles have been condensed or omitted. The Company suggests these condensed financial statements be read in conjunction with the December 31, 2020 audited financial statements and notes thereto included in the Company's Form 10-K. The results of operations for the periods ended September 30, 2021 and 2020 are not necessarily indicative of the operating results for the full year.

Reclassification - Certain amounts in prior-period financial statements have been reclassified for comparative purposes to conform to presentation in the current-period financial statements. These reclassifications have no impact on the previously reported results.

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

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

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

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

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

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

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

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

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

Loss Per Share - The computation of loss per share is based on the weighted average number of shares outstanding during the period in accordance with ASC Topic No. 260, "Earnings Per Share." Shares underlying the Companies outstanding warrants, options and preferred shares were excluded due to the anti-dilutive effect they would have on the computation. At September 30, 2021 and 2020, the Company had the following common shares underlying these instruments:

	September 30,	
	2021	2020
Warrants	3,987,931	1,845,722
Preferred Stock Warrants	-	260,089
Stock Options	1,400,407	610,229
Preferred Stock	124,483	227,695
Total Underlying Common Shares	5,512,821	2,943,735

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, 2021 and 2020:

	Three Months Ended September 30		Nine Months Ended September 30	
	2021	2020	2021	2020
Net Loss per Common Share - Basic and Diluted	$ (0.24)	$ (0.42)	$ (0.53)	$ (1.74)
Loss from continuing Operations available to Common stockholders (numerator)	$ (2,505,198)	$ (1,955,357)	$ (5,076,532)	$ (5,455,707)
Weighted average number of common shares Outstanding used in loss per share during the Period (denominator)	10,494,560	4,675,749	9,602,666	3,137,459

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

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

NOTE 2 – Inventory

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

	September 30, 2021	December 31, 2020
Raw Materials	$ 312,181	$ 309,305
Work in Process	260,380	175,884
Finished Goods	283,986	174,462
Total Inventory	$ 856,547	$ 659,651

NOTE 3 – CARES Act Deferred Payroll Tax Liability

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

NOTE 4 - Derivative Liability

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

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

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

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

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

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

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

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

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

NOTE 5 - Stockholders' Equity

Common Stock

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

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

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

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

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

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

In September 2021, the Company granted 5,204 shares of common stock to non-executive employees pursuant to the 2013 Equity Incentive Plan.

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

In the nine months ended September 30, 2020, the Company issued 3,157,427 shares of common stock in exchange for the conversion of 6,109 shares of Series D Convertible Preferred stock, and 749,924 shares of common stock as in-kind payment of preferred stock dividends.

In the nine months ended September 30, 2020, the Company issued 25,851 shares of common stock for services.

Preferred Stock

The Company is authorized to issue 10,000,000 shares of preferred stock, $0.001 par value. 465 and 583 shares of preferred stock were issued and outstanding at September 30, 2021 and 2020, respectively.

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

At September 30, 2021 there were 132 shares of Series D Convertible Preferred stock outstanding, which if converted at the Conversion Price of $2.50 as of September 30, 2021, including the make-whole dividends, would have resulted in the issuance of 62,832 shares of common stock.

Concurrent with the Institutional Private Placement, the Company entered into a Securities Purchase Agreement (the “SPA”) with certain of its directors and the Company’s previously largest shareholder (the “Other Private Placement”). Pursuant to the SPA, the Company issued and sold 333 shares of the Company’s newly created Series E Convertible Preferred Stock (the “Series E Preferred Stock”). Dividends accrue at a dividend rate of 9% per annum and, on a monthly basis, shall be payable in kind by the increase of the Stated Value of the Series E Preferred Shares by said amount. The Series E Preferred Stock is initially convertible into 48,544 shares of Common Stock.

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

Deferred Compensation

In previous years and in the nine months ended September 30, 2021, the Company issued to various employees, directors, and contractors shares of the Company’s common stock, subject to restrictions, pursuant to the 2013 Equity Incentive Plan (the “2013 Plan”). Such shares are valued at the fair value at the date of issue. The fair value is expensed as compensation over the vesting period and recorded as an increase to stockholders’ equity. During the nine months ended September 30, 2021 and September 30, 2020, $0 and $15,740, respectively, of the unvested compensation cost related to these issues was recognized.

At September 30, 2021, there was no unrecognized deferred compensation expense to be recognized over the remainder of the year.

Stock Options

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

As of September 30, 2021, an aggregate of 335,152 shares of common stock remained available for issuance under the 2013 Plan.

During the nine months ended September 30, 2021, the Company granted options to purchase a total of 697,831 shares of common stock to 34 employees, 4 directors and 4 consultants with vesting periods ranging from immediately upon issuance to three years beginning January 4, 2021.

During the nine months ended September 30, 2020, the Company granted options to purchase a total of 472,183 shares of common stock to 20 employees, 5 directors and 5 consultants with vesting periods ranging from immediately upon issuance to 3 years beginning July 31, 2020.

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

Total share-based compensation expense included in the statements of operations for the nine months ended September 30, 2021 and 2020 is $893,431 and $483,208 of which $874,176 and $467,468 is related to stock options, respectively.

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

Assumptions:

	2021	2020
Dividend yield	0.00%	0.00%
Risk-free interest rate	0.19 – 0.70%	0.22-1.52%
Expected volatility	116.8- 123.8%	114.0-117.0%
Expected life (in years)	5	5

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

	Options	Weighted Average Exercise Price ($)	Weighted Average Remaining Contractual Life (Yrs.)	Aggregate Intrinsic Value ($)
Options outstanding at December 31, 2019	180,912	18.11	5.09	25,988
Granted	579,998	2.55	4.57	-
Exercised	-	-	-	-
Forfeited or cancelled	(47,900)	22.62	-	-
Options outstanding at December 31, 2020	713,010	5.15	4.40	477,802
Granted	697,831	3.29	4.64	46,800
Exercised	(5,204)	2.50	-	-
Forfeited or cancelled	(5,230)	4.41	-	-
Options outstanding September 30, 2021	1,400,407	4.24	4.14	267,577
Options expected to vest in the future as of September 30, 2021	574,146	3.59	4.29	110,275
Options exercisable at September 30, 2021	826,261	4.68	4.04	157,302
Options vested, exercisable, and options expected to vest at September 30, 2021	1,400,407	4.24	4.14	267,577

The aggregate intrinsic value is calculated as the difference between the exercise price of the underlying awards and the quoted price of our common stock for those awards that have an exercise price currently below the $3.02 closing price of our common stock on September 30, 2021. None of the 2021 option grants have an exercise price currently below $3.02.

At September 30, 2021, there was $1,544,383 of unrecognized share-based compensation expense related to unvested share options with a weighted average remaining recognition period of 3.0 years.

Stock Appreciation Rights

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

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

On August 11, 2021, the Company granted, pursuant to the Plan, (i) 77,748 SARs to its President and Chief Executive Officer, (ii) 30,313 SARs to its Vice President of Business Development, (iii) 76,304 SARs to its Chief Technology Officer, and (iv) 48,580 SARs to its Chief Financial Officer. The exercise price of each such SAR is $3.42, which was the closing price of the Company's common stock on the date of grant.

On June 23, 2020, the Company granted, pursuant to the Plan, (i) 60,094 SARs to its President and Chief Executive Officer, (ii) 12,019 SARs to its Vice President of Business Development, (iii) 24,038 SARs to its Chief Technology Officer, and (iv) 18,028 SARs to its Chief Financial Officer. The exercise price of each such SAR is $2.63, which was the closing price of the Company's common stock on the date of grant.

SARs expire on the fifth anniversary of the grant date and may be settled only in cash. Additionally, each such SAR will vest and become exercisable in three equal (as closely as possible) installments on each of the first, second and third anniversaries of the grant date, subject, in each case, to the applicable SAR holder being in the continuous employ of the Company on the applicable vesting date, and, in the event of a Change in Control (as defined in the Plan), will become immediately vested and exercisable as long as the applicable holder is in the Company's employ immediately prior to the Change in Control, and will otherwise be on such other terms set forth in the form of Stock Appreciation Rights Agreement.

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

The fair value of SAR awards was estimated using the Black-Scholes model with the following weighted-average assumptions for the nine months ended September 30, 2021 and 2020:

Assumptions:

	2021	2020
Dividend yield	0.00%	0.00%
Risk-free interest rate	0.4%	0.22%
Expected volatility	122.8%	116.8%
Expected life (in years)	5	5

SARs activity for the nine months ended September 30, 2021 was as follows:

	SARs	**Weighted Average Exercise Price ($)**	**Weighted Average Remaining Contractual Life (Yrs.)**	**Aggregate Intrinsic Value ($)**
SARs outstanding at December 31, 2020	127,679	2.61	4.52	97,919
Granted	242,945	3.43	4.86	-
Exercised	-	-	-	-
Forfeited or cancelled	-	-	-	-
SARs outstanding September 30, 2021	370,624	3.15	4.49	51,955
SARs expected to vest in the future as of September 30, 2021	250,975	3.19	4.52	29,687
SARs exercisable at September 30, 2021	119,649	3.08	4.42	22,268
SARs vested, exercisable, and options expected to vest at September 30, 2021	370,624	3.15	4.49	51,955

The aggregate intrinsic value is calculated as the difference between the exercise price of the underlying awards and the quoted price of our common stock for those awards that have an exercise price currently below the $3.02 closing price of our common stock on September 30, 2021. None of the 2021 SARs grants have an exercise price currently below $3.02.

At September 30, 2021, there was $614,947 of unrecognized share-based compensation expense related to unvested SARs with a weighted average remaining recognition period of 2.87 years.

Warrants

Warrant activity for the nine months ended September 30, 2021 and 2020 was as follows:

	Warrants	Weighted Average Exercise Price ($)	Weighted Average Remaining Contractual Life (Yrs.)
Warrants outstanding at December 31, 2019	363,727	25.60	3.12
Granted	1,481,995	3.22	4.89
Exercised	-	-	-
Forfeited or cancelled	-	-	-
Warrants outstanding at September 30, 2020	1,845,722	7.64	4.39
Warrants outstanding at December 31, 2020	1,881,429	7.57	4.16
Granted	2,602,143	4.36	1.89
Exercised	(495,641)	2.59	-
Forfeited or cancelled	-	-	-
Warrants outstanding at September 30, 2021	3,987,931	6.10	2.36

In connection with its March 2021 private placement, the Company issued warrants to purchase 2,190,000 shares of its common stock at an exercise price of $4.32 per share. Each Warrant became exercisable on May 24, 2021, the date the Company obtained stockholder approval of an increase in the authorized shares of the Company's Common Stock and will expire two years from such date. The Company also issued to designees of the Placement Agent warrants to purchase up to 175,200 shares of Common Stock (the "Placement Agent Warrants") constituting 8% of the aggregate number of shares of Common Stock sold in the Registered Offering. The Placement Agent Warrants have substantially the same terms as the Warrants, except that the Placement Agent Warrants have an exercise price equal to 125% of the offering price per share (or $5.55625 per share). Upon any exercise of the Warrants for cash, we have also agreed to pay the Placement Agent warrants to purchase 8.0% of the number of shares of our Common Stock issued upon the cash exercise of the Warrants.

In connection with its January 2021 public offering, the Company issued to the Underwriter or its designee warrants to purchase 136,943 of shares of common stock. Such warrants have a term of five years from the commencement of sales in the Offering and an exercise price of $3.75 per share.

On January 8, 2021, the Company obtained a waiver ("Waiver") from certain investors ("Investors") with respect to certain anti-dilution adjustment provisions of a January 2020 warrant and an April 2020 warrant issued to the Investors. As consideration for the Waiver, the Company issued an additional warrant ("Warrant") to the Investors to purchase an aggregate of 100,000 shares of common stock, each exercisable after six months for a five-year period with an exercise price equal to 115% of the closing price of the Company's stock on the date of the waiver.

NOTE 6 - Subsequent Events

The Company performed an evaluation of subsequent events through the date of filing of these condensed financial statements with the SEC. There were no material subsequent events which affected, or could affect, the amounts or disclosures in the condensed financial statements.

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

Forward-looking statements

This Quarterly Report, including any documents which may be incorporated by reference into this Report, contains "Forward-Looking Statements." All statements other than statements of historical fact are "Forward-Looking Statements" for purposes of these provisions, including, but not limited to, statements regarding our expectations about development and commercialization of our technology, any projections of revenues or statements regarding our anticipated revenues or other financial items, any statements of the plans and objectives of management for future operations, any statements concerning proposed new products or services, or the impact of COVID-19 on our business, any statements regarding future economic conditions or performance, and any statements of assumptions underlying any of the foregoing. All Forward-Looking Statements included in this document are made as of the date hereof and are based on information available to us as of such date. We assume no obligation to update any Forward-Looking Statement. In some cases, Forward-Looking Statements can be identified by the use of terminology such as "may," "will," "expects," "plans," "anticipates," "intends," "believes," "estimates," "potential," or "continue," or the negative thereof or other comparable terminology. Although we believe that the expectations reflected in the Forward-Looking Statements contained herein are reasonable, there can be no assurance that such expectations or any of the Forward-Looking Statements will prove to be correct, and actual results could differ materially from those projected or assumed in the Forward-Looking Statements. Future financial condition and results of operations, as well as any Forward-Looking Statements are subject to inherent risks and uncertainties, including any other factors referred to in our press releases and reports filed with the Securities and Exchange Commission ("SEC"). All subsequent Forward-Looking Statements attributable to the Company or persons acting on its behalf are expressly qualified in their entirety by these cautionary statements. Additional factors that may have a direct bearing on our operating results are described under the caption "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2020 and elsewhere in this report.

Corporation Information

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

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

Critical Accounting Policies

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

Results of Operations

Three Months Ended September 30, 2021 and September 30, 2020

We generate revenues through licensing our PrintRite3D® hardware and software edge computing platform to customers that seek to improve their manufacturing production processes, and through ongoing annual software upgrades and maintenance fees. Our ability to generate revenues in the future will depend on our ability to further commercialize and increase market presence of our PrintRite3D® technologies, and it will depend on whether key prospective customers continue to move from AM metal prototyping to production.

During the three months ended September 30, 2021, we recognized revenue of $700,237, as compared to $248,526 in revenue recognized during the same period in 2020, an increase of $451,711. The increase is primarily due to increased PrintRite3D® unit sales, including the Company's first multi-unit sale, which was to a U.S. Department of Energy contractor, as well as a single unit sale to a U.S. National Laboratory. Third quarter 2021 revenues were partially offset by a return from a first quarter sale of $72,000.

Our cost of revenue for the three months ended September 30, 2021 and 2020 was $164,766 and $97,785, respectively, an increase of $66,981. The increase is primarily attributable to additional PrintRite3D unit sales, partially offset by a decrease in certain material costs, and lower costs associated with the Company's Rapid Test and Evaluation ("RTE") program.

Our gross profit for the three months ended September 30, 2021 was $535,471, or 76.5% of revenues, as compared to $150,741, or 60.7% of revenues for the same period in 2020.

Sigma’s total operating expenses for the three months ended September 30, 2021 were $3,026,888 as compared to $1,362,513 for the same period in 2020, an increase of $1,664,375.

Salary and benefits costs were $1,222,760 for the three months ended September 30, 2021, as compared to $657,889 for the same period in 2020, an increase of $564,871 or 86%. Employee salary increases, together with 13 additional employees contributed $289,356, while associated taxes and benefits contributed $75,511, and increased expense associated with the stock appreciation rights granted to executive management in August 2021 contributed $200,004 to the increase.

Stock-based compensation was $659,512 for the three months ended September 30, 2021, as compared to $58,219 for the same period in 2020, a $601,293, increase. This increase is partially due to a timing difference as stock options were awarded to employees in the second quarter of 2020 versus the third quarter of 2021, as well as an overall increase in stock options granted to employees, including our thirteen new employees in August 2021, and fully vested stock options granted to the Company’s newly hired Senior Vice President.

Research and development expenditures of $131,772 were incurred during the three months ended September 30, 2021 compared to $79,673 in the same period of 2020, a $52,099 or 65% increase. The increase is primarily attributable to $27,500 in CT scans related to new development work, $5,019 related to optics redesign, and $19,580 in purchase of lab supplies and part and materials.

Investor, public relations and marketing expenses of $119,622 were incurred during the three months ended September 30, 2021, as compared to $66,794 incurred during the same period in 2020. The increase of $52,828 or 79% is primarily due to an increase in tradeshow expenses of $38,699, and the reclassification of proxy management expenses from Investor Relations to Organization Costs of $26,135 in 2020, partially offset by decreased advertising costs of $8,252 in 2021.

Organization costs of $342,112 were incurred during the three months ended September 30, 2021, as compared to $173,041 in the same period in 2020. The increase of $169,071 or 98% is primarily due to additional $6,465 in Shareholder Services, $11,450 in Organization Costs, and $151,156 in Stock Options expense from grants made to non-employee directors in August 2021.

Legal & professional fees incurred in the three months ended September 30, 2021 were $261,075 compared to $133,273 incurred during the same period in 2020. The increase of $127,802 is primarily attributed to increased legal fees of $20,415, increased accounting fees of $7,244 related to certain regulatory filings, increased recruiting fees of $56,805 related to new hires, increased consulting fees of $51,966, and increased information technology expense of $1,517, partially offset by a $10,145 reclassification of other professional services to research and development.

Office expenses incurred during the three months ended September 30, 2021 were $172,238 compared to $84,357 incurred during the same period in 2020, an increase of $87,881, or 104%. The increase is primarily due to increased travel costs of $54,864 as a result of easing of COVID related travel restrictions, an increase of $12,659 in dues and subscriptions, primarily related to new software applications including customer relationship management, product lifecycle management, and compliance, an increase of $9,312 in postage and shipping, increased training and education expense of $6,082 and an increase in supplies and miscellaneous expenses of $4,964.

Depreciation and amortization expense for the three months ended September 30, 2021 was $27,689, compared to $50,167 for the same period in 2020, a decrease of $22,478, or 45%. The primary reason for the decrease is an adjustment in 2020 for the reclassification of a protype PrintRite3D system from finished goods to fixed assets.

Other operating expenses were $90,108 for the three months ended September 30, 2021, compared to $59,100 incurred during the same period in 2020. The increase is primarily due to higher insurance premiums in 2021, and an increase in bank fees from a credit card transaction.

In the three months ended September 30, 2021, our net other income & expense was net income of $439 compared to net expense of $6,241 in 2020. The increase is primarily the result of the interest paid to employees on salary reductions in 2020.

Sigma’s net loss applicable to common stockholders for the three months ended September 30, 2021 totaled $2,505,198 as compared to $1,955,357 for the same period of 2020, a $549,841 decrease. The third quarter net operating loss contributed $1,279,646 to the loss increase, partially offsetting these losses was an increase in other income of $6,680, and preferred dividends of $723,124.

Nine Months Ended September 30, 2021 and 2020

During the nine months ended September 30, 2021, we recognized revenue of $1,302,525 compared to $637,944 during the same period of 2020. The primary contributors to the $664,581 increase were an increase in PrintRite3D® unit sales contributing $799,221, partially offset by a decrease in revenue from our Rapid Test and Evaluation Program (RTE) of $82,064 and a first quarter sale return for $72,000. Third quarter 2021 revenues included the Company’s first multi-unit sale, which was to a U.S. Department of Energy contractor, and a single unit sale to a U.S. National Laboratory.

Our cost of revenue for the nine months ended September 30, 2021 was $409,493 compared to $400,172 during the same period in 2020. The increase of $9,321 is primarily due to the cost associated with our increase in PrintRite3D® unit sales, partially offset by a decrease in certain material parts, as well as a decrease in the ongoing support of legacy RTE programs, including equipment upgrades and additional labor costs.

Our gross profit for the nine months ended September 30, 2021 was $893,032, or 68.6% of revenues, as compared to $237,772, or 37.3% of revenues for the same period in 2020.

Sigma's total operating expenses for the nine months ended September 30, 2021 were $6,976,944 compared to $4,448,708 for the same period in 2020, a $2,528,236, or 56.8% increase.

Payroll costs for the nine months ended September 30, 2021 were $3,055,279 compared to $1,915,381 for the same period in 2020, an increase of $1,139,898. The increase is primarily due to increased salaries of $741,303 reflecting raises granted in January and 13 additional employees in 2021 as compared to 2020, an associated increase in taxes and benefits of $137,976, and $260,619 of increased expense related to stock appreciation rights granted to executive management in August, 2021.

Stock-based compensation for the nine months ended September 30, 2021 was $893,431 compared to $483,208 for the same period in 2020, a $410,223 increase, primarily due annual option grants made to employees in August of 2021, including 13 additional employees as compared to 2020, and options granted to the Company's newly hired Senior Vice President.

During the nine months ended September 30, 2021, Sigma incurred research and development expenditures of $608,812 compared to $245,008 in the same period of 2020. The $363,804 increase is a result of development costs incurred in connection with PrintRite3D version 7.0 of $89,800, increased purchase of lab supplies of $115,453, CT scans conducted for new development work and a simulation project totaling $101,138, increased write-offs of obsolete inventory and metal powder of $53,082, and $26,351 related to an optics redesign. Partially offsetting these increases was a decrease in consulting costs of $22,020 due to the full time hire of a consultant in 2021.

Investor, public relations and marketing expenses incurred in the nine months ended September 30, 2021 were $342,725 compared to $353,802 during the same period in 2020. The $11,077 decrease in the nine-month comparative expenditures results primarily from decrease in marketing and advertising expenses of $72,490 as a result of discontinuing Network Newswire services and the use of a public relations firm. Partially offsetting these decreases were an increase in Tradeshow expense of $38,698, and the reclassification of proxy management expenses of $26,135 to organization costs in 2020.

Organization costs for the nine months ended for September 30, 2021 were $578,256 compared to $328,716 during the same period in 2020, an increase of $249,540. The increase is primarily due to an increase of $273,429 related to stock option grants to non-employee directors in January and July of 2021 verses none in the first half of 2020. Non-employee directors received their option grants at the end of July, 2020. Partially offsetting this increase was a decrease in non-employee director cash compensation of $20,931, and lower transfer agent expenses of $2,958 resulting from fewer share transactions in the first nine months of 2021.

Legal and professional fees incurred in the nine months ended September 30, 2021 were $681,941, compared to $530,660 incurred during the same period in 2020, an increase of $151,281, or 29%. Legal fees decreased by $81,822 due to expenses incurred during the first quarter of 2020 in connection with our January 2020 private offering, Nasdaq related matters, and our February 27, 2020 reverse stock split. Also contributing to the decrease were lower accounting related expenses of $9,426. Partially offsetting these decreases was an increase in recruiting fees of $147,473 related to 13 new hires in 2021, increased consulting fees of $87,301 related to an external marketing consultant and corporate consulting services, and increased IT services of $7,755.

During the nine months ended September 30, 2021, Sigma's office expenses were $472,335 compared to $310,947 in the same period of 2020. The $161,388 increase in these expenditures primarily resulted from $30,693 in postage and shipping, $27,500 in new computer hardware and software related to new hires, payroll servicing fees of $10,685 due to new hires and a first-year fee discount that ended in 2020, increased dues and subscriptions of $35,786 to new software applications, including customer relationship management, product lifecycle management, and compliance, increased travel expenses of $46,438 and increased training and education expense of $12,146, partially offset by a decrease in rent and utilities expense of $1,861.

Depreciation and Amortization expense for the nine months ended September 30, 2021 was $76,502, compared to $86,150 for the same period in 2020. The primary reason for the decrease is due to a nine month catch up adjustment in 2020 from the reclassification of a prototype PrintRite3D system from finished goods inventory to fixed assets.

Other operating expenses for the nine months ended September 30, 2021 were $267,663, as compared to $194,836 during the same period in 2020. The increase of $72,827 is primarily due to increased insurance premiums.

In the nine months ended September 30, 2021, our net other income & expense was net income of $1,096,727, as compared to net income of $499,700 during the same period in 2020. The increase is primarily a result of a gain of $1,092,441 on the revaluation of the derivative liability incurred in connection with the issuance of warrants to purchase common stock in our March 2021 offering, and $9,095 from a new interest-bearing sweep bank account, as compared to 2020 New Mexico state job incentive credits of $151,657 and $361,700 from the forgiveness of our PPP loan.

Sigma's net loss applicable to common shareholders for the nine months ended September 30, 2021 totaled $5,076,532 as compared to $5,455,707 for the same period in 2020, a $379,175 decrease. While the net operating loss increased by $1,872,976, the increase of $597,027 in other income together with a decrease in preferred dividend expense of $1,655,124 accounted for the overall decrease.

We financed our operations during the three and nine months ended September 30, 2021 and 2020 primarily from revenue generated from PrintRite3D® system sales and engineering consulting services we provided to third parties during these periods and through sales of our common and preferred stock. We expect that our revenue will increase in future periods as we seek to further commercialize and expand our market presence for our PrintRite3D®-related technologies.

Liquidity and Capital Resources

As of September 30, 2021, we had $13,064,394 in cash and working capital of $13,977,104, as compared with $3,700,814 in cash and working capital of $4,332,053 as of December 31, 2020.

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

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

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

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

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

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

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

During the remainder of 2021 and throughout 2022, we expect to sustain our operations and our commercialization and marketing efforts with our cash reserves and revenues generated from sales of our PrintRite3D® technology. We expect that continued enhancements of our IPQA®-enabled PrintRite3D® technology, including the May 2021 release of version 7.0, will enable us to further commercialize this technology into the AM metal market in 2021. To support the commercialization of our PrintRite3D® technology, we plan to continue funding our development activities and operating expenses by licensing our PrintRite3D® systems and supporting field services, as applicable, and providing PrintRite3D®-enabled engineering consulting services concerning our areas of expertise (materials and manufacturing quality assurance and process control technologies).

As the third quarter of 2021 progressed, the effect of COVID-19 on our ability to generate revenue, seemed to lessen; however, the Company continued to be adversely affected by the COVID-19 global economic slowdown, which has resulted in lower revenue than anticipated. Two key industries with which we do business, aerospace and oil and gas, have experienced a reduction in the global demand for their products due to the pandemic. As a result of the decrease in the demand for our products from customers and potential customers in these and other industries, the Company expects that revenue from these sectors will remain under pressure. It is impossible to know at this time how long companies will limit capital expenditures and if the industries that have been most negatively affected will resume normal purchasing. Additionally, access to customer and prospect installations due to country specific regulations regarding COVID-19 quarantining has consumed resources for longer periods of time than expected, resulting in overall lower productivity and increased expenses. However, due to the need to have more flexibility in supply chains with the ability to respond quickly to shortages in parts or products, we believe that the crisis will eventually accelerate the adoption of 3D printing, which would be a positive trend for the Company.

Net Cash Used in Operating Activities

Net cash used in operating activities during the nine months ended September 30, 2021 increased to $4,786,590 from $3,676,595 during the same period in 2020, a $1,109,995 increase. Primary drivers of the increase were increased net loss of $1,275,948, the gain on the derivative liability of $1,092,441, and increased inventory of $231,148. Partially offsetting these increases were an increase in non-cash securities-based compensation of $698,618, a decrease in accounts receivable of $94,349, and a decrease in accounts payable and accrued expenses of $721,705.

Net Cash Used/Provided by Investing Activities

Net cash used by investing activities during the nine months ended September 30, 2021 was $254,772, which compares to $249,452 of cash used by investing activities during the same period of 2020, an increase of $5,320. This is primarily attributable to increased equipment purchases of $28,557, partially offset by lower patent costs of $23,737 during the period.

Net Cash Provided by Financing Activities

Cash provided by financing activities during the nine months ended September 30, 2021 increased to $14,404,942 from $8,349,676 during the same period in 2020 due to the receipt of $14,869,899 of proceeds less $1,600,967 of offering costs, in connection with our January 2021 and March 2021 private and public offerings and exercise of Preferred Warrants. Cash provided by financing activities during the same period in 2020 resulted from the receipt of $3,600,000 in proceeds less $820,224 of offering costs in connection with our January 2020 and April 2020 offerings, and $5,619,900 in proceeds from the exercise of warrants, partially offset by the payment of the remaining outstanding principal balance on a convertible note payable in the amount of $50,000.

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

We have no credit lines as of October 21, 2021, nor have we ever had a credit line since our inception.

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

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

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

Not applicable.

ITEM 4. CONTROLS AND PROCEDURES.

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

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

Based upon an evaluation of the effectiveness of our disclosure controls and procedures performed by our management, with the participation of our Chief Executive Officer, and our Principal Financial and Accounting Officer, as of the end of the period covered by this quarterly report, our management concluded that our disclosure controls and procedures are effective at a reasonable assurance level in ensuring that information required to be disclosed by us in our reports is recorded, processed, summarized and reported within the required time periods. In addition, no change in our internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) occurred during the three months ended September 30, 2021 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II

OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS.

Not applicable.

ITEM 1A. RISK FACTORS.

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

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

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES.

Not applicable.

ITEM 4. MINE SAFETY DISCLOSURES.

Not applicable.

ITEM 5. OTHER INFORMATION.

None.

ITEM 6. EXHIBITS.

10.1	Sigma Labs, Inc. 2013 Equity Incentive Plan, as Amended (filed as Exhibit 10.1 to the Company’s Current Report on Form 8-K filed July 16, 2021 and incorporated herein by reference).*
10.2	Sigma Labs, Inc. 2021 Employee Stock Purchase Plan (filed as Exhibit 10.2 to the Company’s Current Report on Form 8-K filed July 16, 2021 and incorporated herein by reference).*
10.3	Employment letter agreement, effective as of September 20, 2021, between Sigma Labs, Inc. and Jacob Brunsberg.* **
31.1	Rule 13a-14(a) Certification of Principal Executive Officer, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.**
31.2	Rule 13a-14(a) Certification of Principal Financial Officer, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.**
32.1	Certification of Principal Executive Officer and Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.***
101.INS	XBRL Instance Document – the instance document does not appear in the Interactive Data File because its XBRL tags are imbedded within the Inline XBRL document.
101.SCH	Inline XBRL Schema Document.
101.CAL	Inline XBRL Calculation Linkbase Document.
101.DEF	Inline XBRL Definition Linkbase Document.
101.LAB	Inline XBRL Labels Linkbase Document.
101.PRE	Inline XBRL Presentation Linkbase Document.
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

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

SIGNATURES

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

	SIGMA LABS, INC.
October 21, 2021	By: */s/ Mark K Ruport*
	Mark K. Ruport President and Chief Executive Officer (Principal Executive Officer)
October 21, 2021	By: */s/ Frank Orzechowski*
	Frank Orzechowski Chief Financial Officer and Treasurer (Principal Financial and Accounting Officer)

Exhibit 10.3

SIGMA LABS

Quality Beyond Inspection™

September 7, 2021

Jacob Brunsberg

Re: Terms of At-Will Employment

Dear Mr. Brunsberg,

This letter confirms the principal terms of our agreement, as set forth below, with respect to your at-will employment ("Employment") by Sigma Labs, Inc. (the "Company"), which shall be effective as of September 20, 2021 (the "Effective Date"):

1. Position; Reporting; Duties, Responsibilities and Authority; Principal Business Office: Effective as the Effective Date, you shall serve as Senior Vice-President, Product Management and Strategic Relationships of the Company. You shall report on a day-to-day basis directly to and shall be subject to the supervision and direction of, the Company's Chief Executive Officer.

You shall perform your duties hereunder during normal business hours and at all other times and locations necessary for you to carry out your duties. You shall devote substantially all of your business time to the Company and shall perform such duties as are customarily performed by individuals acting as Senior Vice-President, Product Management and Strategic Relationships of a public company of a similar size as the Company, and other such duties as you may be assigned from time to time by the Chief Executive Officer or the Board of Directors of the Company. You shall at all times be subject to, observe and carry out such reasonable employment-related rules, regulations and policies as the Company's Board of Directors or Chief Executive Officer may from time to time establish for the Company's employees, including, without limitation, the Company's Employee Handbook, Insider Trading Policy and Code of Ethics and Business Conduct.

Without restricting any requirement that you engage in reasonable business-related travel, including travel to the Company's principal business office located in Santa Fe, NM, the principal location in which you shall be required to perform your duties and responsibilities shall be your home-based office located at 2724 Ewing Ave S., Minneapolis, MN 55416.

2. At-Will Employment: The Company has the right to terminate your Employment at any time, with or without prior notice, and with or without cause and for any reason or for no specified reason. You have the right to terminate your Employment at any time, with or without prior notice. You are employed by the Company "at will," and this letter does not provide you with any right to continue in the Employment of the Company for any minimum or specified period. Except as specifically provided in this letter, the Company shall have no obligation to make any compensation, severance or other payments to you, or to provide any other benefits to you, after the date of the termination of your Employment for any reason.

3. Compensation:

(a) Base: For services rendered hereunder, the Company shall pay to you an annual base salary (the "Base Salary") of $200,000, payable in regular installments in accordance with the Company's customary payroll practices for employees. If you are entitled to receive Base Salary for any period that is less than one calendar month, the Base Salary for such period shall be computed by prorating the annual Base Salary over such period based upon the actual number of days therein. The Base Salary shall not be subject to decrease but may be increased in the discretion of the Company's Compensation Committee based on an annual or special case assessments of your performance and other factors. All payments shall be made in accordance with the Company's payroll practices. The Company may deduct and withhold from your compensation any amounts of money required to be deducted or withheld by the Company under any or all applicable local, state or federal laws.

(b) Benefits: During your Employment, you shall be entitled to receive all benefits under any and all deferred compensation plans, retirement plans, life, disability, health, accident and other insurance programs, automobile allowances, and similar employee benefit plans and programs, sick leave, vacation time and paid time off (if any) that the Company elects in its sole discretion to provide from time to time to its executive officers (collectively referred to herein as the "Benefits"). However, we reserve the right to terminate, reduce or otherwise amend any or all of the Benefits from time to time to the extent allowed by law, so long as such action applies generally to all of our executive officers. Except as otherwise required by applicable law with respect to continued "COBRA" group health care coverage and except as expressly required by the terms of the Company's life, disability, health, accident and other insurance programs and similar employee benefit plans and programs, your right to receive Benefits shall terminate upon the termination of your Employment for any reason. You shall be eligible to earn additional equity grants under the Company's incentive plans. You shall also be eligible to receive additional grants of stock appreciation rights from time to time. However, the decision to grant any such equity or stock appreciation rights, and the amount and terms thereof, shall be in the sole and absolute discretion of the Compensation Committee.

(c) Expense Reimbursement: The Company will reimburse you for ordinary and necessary expenses incurred in the performance of your duties, provided that such expenses are reasonable, approved by the Company and are accounted for in accordance with the Company's usual policies.

(d) Options: Subject to approval of the Company's Compensation Committee of the Board of Directors ("Compensation Committee") and subject to your promptly entering into the Company's standard-form nonqualified stock option agreement under the Company's 2013 Equity Incentive Plan (the "Plan"), effective as of the Effective Date, the Company shall grant you pursuant to the Plan a non-qualified stock option (the "Option") to purchase up to 100,000 shares of common stock of the Company, which will have an exercise price equal to the closing price of the Company's common stock on the Effective Date, and will vest and become exercisable on the Effective Date. The Option shall expire on the fifth anniversary of the Effective Date, unless the Option shall have been terminated prior to that date in accordance with the provisions of the Company's standard-form nonqualified stock option agreement, and the Option shall be on such other terms and provisions as are contained in such stock option agreement and the Plan.

In the event of any stock split, reverse stock split or stock dividend after the date hereof, the number of shares of the Company's common stock underlying the Option, and the exercise price of the Option shall be appropriately adjusted for any such stock split, reverse stock split or stock dividend.

4. Incentive Bonus: During the term of your employment, you shall be eligible to receive one or more bonuses ("Incentive Bonuses") relating to each fiscal year in recognition of your achievement of individual and Company goals established by the Board of Directors from time to time. However, the decision to provide any Incentive Bonuses and the amount and terms of any Incentive Bonuses, including the payment of cash, the issuance of equity in the Company, or a combination of both, shall be in the sole and absolute discretion of the Board of Directors.

For the year ended December 31, 2021, you will be eligible for an incentive cash bonus of $100,000 (the "Annual Amount"), prorated based upon the Effective Date. For the avoidance of doubt, this amount shall be $29,166.67, calculated as 3.5/12 of the Annual Amount. The amount to be awarded to you will be based on the following milestones:

(1) 33% - Company performance (to be further defined/discussed)

(2) 17% - Next two major releases of PR3D software as defined in the Product Roadmap and completion of a PR3D Vision paper

(3) 50% - OEM/Standards strategy developed, approved, and initiated with a minimum of two OEM's committed to pursuing such plan.

5. Confidential Information. You shall at no time, either during your Employment or after the termination of your Employment for any reason, use or disclose to any person, directly or indirectly, any confidential or proprietary information concerning the business of the Company, including, without limitation, any business secret, trade secret, financial information, software, internal procedure, business plan, marketing plan, pricing strategy or policy or customer list, except to the extent that such use or disclosure is (1) necessary to the performance of your Employment during the period that you are so employed, (2) required by an order of a court of competent jurisdiction, or (3) authorized in writing by the Company's Chief Executive Officer. The prohibition that is contained in the preceding sentence shall not apply to any information that is or becomes generally available to the public other than through a disclosure by you or by a person acting in concert with you. Within five days after the termination of your Employment, you shall return to the Company all memoranda, notes and other documents in your possession or control that relate to the confidential information of the Company. Upon the Company's request, you agree to execute and deliver to the Company any form of confidentiality agreement that the Company requires generally from its employees.

6. Company Property: You agree that all designs, lists, books, files, reports, correspondence, computer databases and files, records, supplies, services, computers, postage, telephones and other property and materials ("Company Materials") used by, prepared for or by, or made available to you while you are employed with the Company, shall be and shall remain the property of the Company. Upon termination of your employment with the Company, all Company Materials shall be returned immediately to the Company, and you shall not make or retain any copies thereof.

7. Inventions/Work Product:

(a) Work Product: You acknowledge and agrees that all writings, works of authorship, technology, inventions, discoveries, ideas and other work product of any nature whatsoever that are created, prepared, produced, authored, edited, amended, conceived or reduced to practice by you individually or jointly with others during the period of your Employment by the Company and relating in any way to the business or contemplated business, research or development of the Company (regardless of when or where the Work Product is prepared or whose equipment or other resources is used in preparing the same) and all printed, physical and electronic copies, all improvements, rights and claims related to the foregoing, and other tangible embodiments thereof (collectively, "Work Product"), as well as any and all rights in and to copyrights, trade secrets, trademarks (and related goodwill), patents and other intellectual property rights therein arising in any jurisdiction throughout the world and all related rights of priority under international conventions with respect thereto, including all pending and future applications and registrations therefor, and continuations, divisions, continuations-in-part, reissues, extensions and renewals thereof (collectively, "Intellectual Property Rights"), shall be the sole and exclusive property of the Company.

(b) Work Made for Hire; Assignment: You acknowledge that, by reason of being employed by the Company at the relevant times, to the extent permitted by law, all of the Work Product consisting of copyrightable subject matter is “work made for hire” as defined in 17 U.S.C. § 101 and such copyrights are therefore owned by the Company. To the extent that the foregoing does not apply, you hereby irrevocably assign to the Company, for no additional consideration, your entire right, title and interest in and to all Work Product and Intellectual Property Rights therein, including the right to sue, counterclaim and recover for all past, present and future infringement, misappropriation or dilution thereof, and all rights corresponding thereto throughout the world. Nothing contained herein shall be construed to reduce or limit the Company’s rights, title or interest in any Work Product or Intellectual Property Rights so as to be less in any respect than that the Company would have had in the absence of this agreement.

(c) Further Assurances; Power of Attorney. During and after your Employment, you agree to reasonably cooperate with the Company to (1) apply for, obtain, perfect and transfer to the Company the Work Product as well as an Intellectual Property Right in the Work Product in any jurisdiction in the world, and (2) maintain, protect and enforce the same, including, without limitation, executing and delivering to the Company any and all applications, oaths, declarations, affidavits, waivers, assignments and other documents and instruments as shall be requested by the Company. You hereby irrevocably grant the Company a power of attorney to execute and deliver any such documents on your behalf in your name and to do all other lawfully permitted acts to transfer the Work Product to the Company and further the transfer, issuance, prosecution and maintenance of all Intellectual Property Rights therein, to the full extent permitted by law, if you do not promptly cooperate with the Company’s request (without limiting the rights the Company shall have in such circumstances by operation of law). The power of attorney is coupled with an interest and shall not be affected by your subsequent incapacity.

8. Notices: Any notice, consent, request or other communications made or given in connection with this agreement shall be in writing and shall be deemed to have been duly given when delivered or mailed by postage prepaid to those listed below at their following respective addresses or at such other address as each may specify by notice to the other:

To the Company:

Mark Ruport
President and Chief Executive Officer
Sigma Labs, Inc.
3900 Paseo del Sol
Santa Fe, NM 87507

To you:

Jacob Brunsberg

9. Entire Agreement: This agreement (and any separate confidentiality agreements that may be entered into between the Company and you) constitutes the entire agreement of the Company and you relating to the terms and conditions of your Employment and supersedes all prior oral and written understandings and agreements relating to such subject matter.

10. Amendment and Termination: This agreement may be amended or terminated only pursuant to a writing executed by an authorized officer of the Company and you.

11. Arbitration: Any dispute or controversy arising under this agreement relating to its interpretation or the breach hereof, including the arbitrability of any such dispute or controversy (each, a "Disputed Matter"), shall be determined and settled by arbitration in Santa Fe, New Mexico pursuant to the Rules of the American Arbitration Association in effect at the time the Disputed Matter arises. Any award rendered herein shall be final and binding on each and all of the parties, and judgment may be entered thereon in any court of competent jurisdiction. Notwithstanding the foregoing, the parties shall be entitled to seek injunctive relief in any court of competent jurisdiction.

12. Governing Law: This agreement shall be governed by and construed in accordance with Nevada law. In the event that any terms or provisions of this agreement shall be held to be invalid or unenforceable, such invalidity or unenforceability shall not affect the validity or enforceability of the remaining terms and provisions hereof. In the event of any judicial, arbitral or other proceeding between the parties hereto with respect to the subject matter hereof, the prevailing party shall be entitled, in addition to all other relief, to reasonable attorneys' fees and expenses and court costs.

If the foregoing terms are acceptable, please sign below and return this letter to me.

Sigma Labs, Inc.

By: */s/ Mark Ruport*
Name: Mark Ruport
Title: President and CEO

Employee

By */s/ Jacob Brunsberg*
Name: Jacob Brunsberg

Exhibit 31.1

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

I, Mark K. Ruport, certify that:

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

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

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

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

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

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

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

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

Date: October 21, 2021

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

Exhibit 31.2

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

I, Frank Orzechowski, certify that:

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

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

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

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

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

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

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

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

Date: October 21, 2021

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

Exhibit 32.1

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

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

1. The Quarterly Report on Form 10-Q for the quarter ended September 30, 2021 (the "Report") of the Company fully complies with the requirements of Section 13(a) or Section 15(d), as applicable, of the Securities Exchange Act of 1934; and

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

/s/ Mark K. Ruport	*/s/ Frank Orzechowski*
Mark K. Ruport	Frank Orzechowski
President and Chief Executive Officer	Chief Financial Officer, Treasurer
(Principal Executive Officer)	(Principal Financial and Accounting Officer)
October 21, 2021	October 21, 2021