Trickle Research

Every raging river, every great lake, every deep blue sea starts … with a trickle

Allocation Increase

SIGMA LABS

Sigma Labs, Inc.

(NasdaqGS: **SGLB)**

(http://www.sigmalabsinc.com)

Report Date: 10/08/20

12- 24 month Price Target (Adjusted): $17.00

Allocation: *5

(Adjusted) Closing Stock Price at Initiation (Closing Px: 10/29/19): $5.10

Closing Stock Price at This Allocation Increase (Closing Px: 10/07/20): $2.58

Prepared By:
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Disclosure: Portions of this report are excerpted from Sigma Lab's filings, website(s), presentations or other public collateral. We have attempted to identify those excerpts by *italicizing* them in the text.

Along with our review of some recent announcements, we have also had an opportunity to sit down with Sigma management and we have some observations.

First, recognize that the Company had a new manager step in about two months after our initiation in October 2019. That individual, Mark Ruport, now serves as the Company's CEO, and President. Mr. Ruport has a deep and successful C-level history in enterprise software businesses, a handful of which he helped to build and sell. We think it is fair to say that Mr. Ruport's addition has changed some of the Company's approach. Specifically, we think the Company's focus under Mr. Ruport's guidance has become more holistic in terms of the 3D metal printing industry. For instance, much of the prior approach (at least as we understood it) was focused on trying to drive adoption by manufactures that were essentially the 3D printer OEM's customers. Recall, Sigma's Rapid Test and Evaluation ("RTE") Program was designed to allow metal parts manufactures to try the PrintRite3D® platform in their own facilities/processes before ever buying it. The hope in that regard was that they would be able to demonstrate the platform's value to those end users, who would ultimately *retrofit* their own printers with PrintRite3D®, but would perhaps also persuade/coerce printer manufacturers to integrate the platform into their products as the industry QA standard. That approach has proven to be difficult for a variety of reasons, although not all of them unforeseen. For example, as we noted in the original coverage, as it turns out, one of Sigma's biggest "competitors" has been the printer manufactures themselves, who have largely taken the positions that their products are built to provide consistent quality. Moreover, in some instances OEM's have even suggested that retrofit systems like PrintRite3D® would void their warranties. As we understand it, historically the printer OEMs have collectively created some roadblocks for Sigma's adoption by printer buyers much less by the OEM's themselves. We submit, that is a simplified explanation of the challenges, and we will try to elaborate a bit more on that below.

As we said, we think Mr. Ruport's approach has been a bit more "holistic" *on multiple levels* and we think a brief analysis of some of the more cogent press releases from the Company since the time of our initiation may help delineate that view. For the sake of space, we have just provided the highlights of each announcement but each can be found in their entirety on the Company's website: www.sigmalabsinc.com We will provide a bit of our own color to each to try to connect the dots as we see them.

- ***Sigma Labs to Implement In-Process Quality Assurance (IPQA(R)) at Northwestern University***

March 3, 2020 */ Sigma Labs, Inc. (NASDAQ:SGLB) ("Sigma Labs"), a leading developer of quality assurance software for the commercial 3D printing industry, has been awarded a contract to implement its PrintRite3D Real-Time Melt Pool Analytics technology at Northwestern University.*

In collaboration with two university research centers at Northwestern University, Northwestern Initiative on Manufacturing Science and Innovation (NIMSI) and Center for Hierarchical Materials Design (CHiMaD), Sigma Labs will integrate the PrintRite3D system to a DMG Mori LASERTEC12 Selective Laser Melting machine. Researchers at NIMSI have developed computer-integrated systems for innovative manufacturing processes, including subtractive, deformation-based and additive processes.

While perhaps benign on the face, we included this announcement because we think it illustrates the "holistic" approach we noted above. As a small undercapitalized enterprise, the Company has tried to leverage opportunities that can cost effectively advance their research and development. Obviously, collaborations with universities is a good way to do that. From the holistic view, we also think there is a bigger picture element to any collaborations they arrange with universities because ultimately, familiarizing the *next generation* of engineers/designers with your technology is a good way to *seed* the future. That is an approach that many early stage technology companies openly deploy. What is perhaps more specifically interesting about this announcement is the collaboration's focus on DMG Mori's 3D printers.

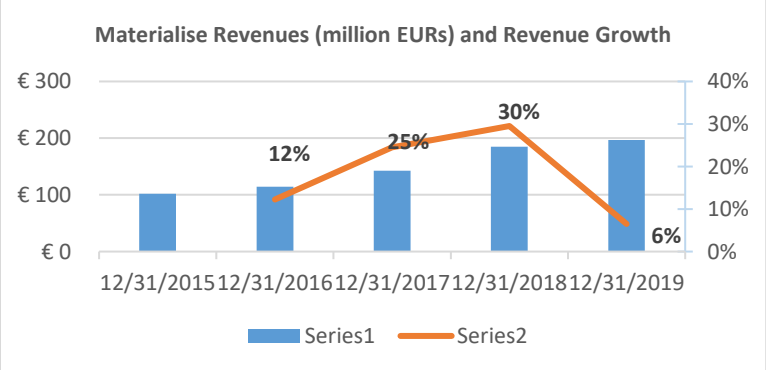
DMG Mori is a notable 3D printer manufacturer/OEM. We would note, the Company's most recent 10Q provides the following: *On July 15, 2020, we signed a global agreement with a major printer manufacturer headquartered in Europe who will designate their printers as "PrintRite3D Ready", allowing us to leverage their sales force of over 800 people who will actively promote our technology as their preferred monitoring solution.* That "major European printer manufacture" is DMG Mori. Clearly, this collaboration as well as perhaps other associated efforts *should* lead to DMG Mori printer sales with "Sigma Inside". That speaks to at least a portion of the holistic "endgame" here, which is to embed Sigma's technology across the 3DMM ecosystem as a QA standard.

- **Sigma Labs and Materialise Enter Into Joint Sales Agreement to Commercialize Newly Integrated PrintRite3D Quality Assurance Technology With Materialise Control Platform**

March 5, 2020 */ Sigma Labs, Inc. (SGLB) a leading developer of quality assurance software for the commercial 3D printing industry, and Materialise NV (NASDAQ:MTLS), a leading provider of additive manufacturing software and of sophisticated 3D printing services, have agreed to evolve their previously announced memorandum of understanding (MOU) to cooperate on the integration of the Materialise MCP Controller with Sigma Labs' PrintRite3D® technology and have agreed to enter into a binding joint sales agreement to begin beta customer commercialization of the integrated PrintRite3D® and Materialise Control Platform (MCP) product.*

The MCP is an embedded hardware and software solution that addresses the growing need for broader and more straightforward control over the additive manufacturing process by giving full control to the end-user. The companies have achieved the integration and are now positioned to offer a unique product solution for retrofit of existing machines, OEM machine integration and closed loop control.

This agreement is the result of a memo of understanding ("MOU") that the two companies signed in June 2019. This arrangement is important on multiple levels and is perhaps the epitome of their holistic approach. First, Materialise NV (NASDAQ: MTLS) is a Belgian company with a *30-year history providing 3D printing solutions and related software. It provides platforms to facilitate the development of 3D printing applications in industries such as healthcare, automotive, aerospace, and art and design. Some of the company's first 3D printing activities included anatomical models in both dental and hearing aid products".* As we noted in prior updates, Materialise has deep experience in the space, and much of that experience rests in enabling the industry and its processes from start to finish. That is, they do not make 3D printers, rather, they provide software and other services that facilitate 3DMM workflow and production. We view Sigma's traction with Materialise (first with signing of the MOU followed by the Join Selling Agreement) as a validation of Sigma's technology by a recognized leader in the space. This is a highly positive agreement for Sigma, and we believe it is likely to generate meaningful sales and associated growth going forward. The first chart below reflects Materialise' sales metrics over the past few years, which (Covid19 aside) have been robust. The second chart reflects its stock price over the same period. We believe Sigma's shares have similar leverage from current valuations.



- **Sigma Labs Awarded Contract by Mitsubishi Heavy Industries**

August 25, 2020 */ Sigma Labs, Inc. (NASDAQ:SGLB) ("Sigma Labs"), a leading developer of quality assurance software for the commercial 3D printing industry, has been awarded a contract by Mitsubishi Heavy Industries, a global leader in engineering and manufacturing, to implement PrintRite3D® in-process quality assurance (IPQA®) software. The PrintRite3D system will be installed on a laser powder bed fusion system* ***for the development and qualification of MHI additive manufacturing production processes.***

As a global leader in engineering and manufacturing, Mitsubishi Heavy Industries (MHI) Group delivers innovative and integrated solutions across a wide range of industries from commercial aviation and transportation to power plants and gas turbines, and from machinery and infrastructure to integrated defense and space systems. MHI's products include aerospace components, air conditioners, forklift trucks, hydraulic equipment, machine tools, missiles, power generation equipment, printing machines, ships, aircraft, railway systems and space launch vehicles.

*"**The increasing number of customers pursing implementation of PrintRite3D is a testament to the growing industry need for in-process quality assurance,**" said Mark Ruport, Chief Executive Officer of Sigma Labs. "We look forward to working with this well-respected industry leader known for their innovative and integrated technology to demonstrate the benefits of PrintRite3D, reduce risk and ensure quality of their additive manufacturing operations."*

To say this announcement created considerable activity in the stock would be gross understatement. We believe the Company currently has approximately 5.8 million shares outstanding yet on the day of this announcement, the stock traded over 67 million shares. We cannot even begin to wrap our heads around that. That is not to say this is an insignificant announcement. Mitsubishi is the "*40th largest manufacturer in the world*" and has been an early adopter of 3DMM technology. Moreover, they are not only a manufacturer utilizing 3DMM, but they are also a 3DMM printer manufacturer. Here again, we view this announcement as validating, while also providing visibility into what looks to us like sales to Mitsubishi as a manufacturer, as well as perhaps sales as an embedded piece of Mitsubishi's printer sales. Perhaps we are oversimplifying this but, it seems to us that if they deem it valuable

enough to use in their own manufacturing processes, we would think they would deem it valuable enough to include with their own printers.

- **Sigma Labs and Additive Industries Announce MetalFAB1 Industrial 3D Printer Certified as PrintRite3D Ready**

September 10, 2020 / Sigma Labs, Inc. (NASDAQ:SGLB) ("Sigma Labs"), a leading developer of in-process quality assurance software for the additive manufacturing industry, has extended its current relationship with Additive Industries, a 3D metal printing equipment manufacturer to OEM its PrintRite3D® Quality Assurance and Monitoring system and the two companies have completed the certification process designating MetalFAB1 printers are now PrintRite3D® Ready.

Developing what is thought to be the first near real-time visualization of the build thermal history for a quad laser 3D metal printer required radical collaboration and innovation between the two companies' engineering teams. The benefits to end users include reduced post-processing costs, less material waste, and faster part qualification. The companies will begin selling PrintRite3D® to ***new and existing*** *users of MetalFAB1 3D printers.*

"Our engineering teams have truly accomplished a remarkable milestone in 3D metal printing by designing and building a high performance computer platform that processes sensor data and produces a near real time visualization for a quad laser printer," said Mark K. Ruport, CEO of Sigma Labs. "We are very pleased to be working with an industry leader such as Additive Industries to accelerate the industrialization of 3D metal printing. The MetalFAB1 is a remarkable printer and it's a privilege to have it certified as PrintRite3D Ready."

"The integration of the PrintRite3D Melt-Pool Monitoring solution in our MetalFAB1 is an important addition to our product portfolio. The PrintRite3D solution matches very well with our focus on quality and reproducibility, allowing our customers to benefit from reduced post-processing cost, and faster part qualification," said Mark Vaes, CEO and CTO of Additive Industries. "We are very pleased with the strong partnership with Sigma Labs, and are proud to be working with their industry leading PrintRite3D solution."

Additive Industries represents yet another printer OEM that has certified Sigma's technology and will ship printers as *PrintRite3D® Ready.* Beyond that, Additive's MetalFAB1 printer (pictured above) is a high-end, quad-laser system. Additive provides the following bullet points regarding the printer (we would encourage you to watch the video at the url provided):

- *The modular MetalFAB1 architecture ensures maximum flexibility and allows configurations up to 11 modules. When your capacity need increases, add more modules in the future. You can optimize the print parameter settings of the MetalFAB1 for specific part qualification. To better understand the MetalFAB1 process, please see this video. https://www.youtube.com/watch?v=K30kLiW8EUs*

- *The MetalFAB1 has automated the manual steps of conventional powder bed fusion (PBF) printers to ensure highest productivity, resulting in the lowest cost per printed part. The fully automated process reduces human errors and increases reproducibility. Additive Industries evaluates a cost per part business case for new customers.*

- *For industrial-quality production, the part reproducibility of the MetalFAB1 is assured through solid machine design in combination with advanced laser calibration technology that can be pre-programmed to automatically run at specified intervals. Predictability is achieved by combining part build simulation, scripted process controls and in-process quality monitoring.*

Circling back to the holistic theme, this particular integration fits some of our original narrative regarding Sigma's opportunity. That is, these are high end machines (with price tags to match) that can probably easily justify/absorb the added costs associated with integrating PrintRite3D®. On the other hand, the collaboration's ability to overcome/perfect the in-process quality assurance challenges of deploying PrintRite3D® across a multi-laser and multimodule platform, is constructive. Given this certification/collaboration, we anticipate sales through Additive in the coming quarters.

- ***Sigma Labs Awarded Contract by Major Oil and Gas Services Company***

September 29, 2020 / Sigma Labs, Inc. (NASDAQ:SGLB) ("Sigma Labs"), a leading developer of quality assurance software for the commercial 3D printing industry, has been awarded a contract for an initial system by a leading global energy technology provider, to begin production deployment of PrintRite3D® in-process quality assurance software, following a successful Rapid Test and Evaluation (RTE) program. The extensive evaluation process involved running PrintRite3D® on an EOS single laser machine and a SLM dual laser machine. The customer's engineers worked in collaboration with Sigma's engineering team to address issues specific to their application of the PrintRite3D technology.

"The conversion from our RTE program to beginning production deployment is a testament to the traction our enabling technology is garnering in the additive manufacturing industry," said Mark Ruport, Chief Executive Officer of Sigma Labs. "The customer is a well-respected industry leader known for their innovative technology and superior service. We look forward to working with their additive manufacturing team to drive improved and serial printing quality on their production lines."

This announcement contrasts with most of the others in the sense that it represents a sale to a pure end user/manufacturer. As we noted, this was the original sales focus and the goal of the RTE program, so clearly those efforts were not fruitless. We continue to believe that as adoption for *PrintRite3D* accelerates, that adoption will include additional end-users like this. In effect, we are starting to see the Company realize sales or at least what look like imminent sales, into multiple "channels" throughout the 3DMM ecosystem and we think that collective adoption will increase awareness and drive standardization.

- **Sigma Labs Awarded Contract From Coherent for Its New PrintRite3D Lite In-Process Quality Assurance System**

October 6, 2020 */ Sigma Labs, Inc. (NASDAQ:SGLB) ("Sigma Labs"), a leading developer of quality assurance software for the commercial 3D metal printing industry, has launched its newest product, the PrintRite3D Lite In-Process Quality Assurance system for which it was awarded its first contract from Coherent, Inc. (NASDAQ:COHR), one of the world's leading providers of lasers and laser-based technology for scientific, commercial, and industrial customers. The PrintRite3D® Lite IPQA® system was designed and developed specifically to fulfill the need for melt pool quality monitoring for the small, compact, entry level machines being used in academia, R&D, dental, and industrial small lot production.*

The latest addition to the PrintRite3D suite of products, PrintRite3D Lite features Sigma's patented and proven TED (Thermal Energy Density) metric only for use in applications that do not require the full feature PrintRite3D solution. The less complex, smaller footprint, lower price point product provides users of entry level machines the ability to monitor and validate melt pool thermal conditions gaining valuable insights to part design and manufacturing.

According to Mark Ruport, President and CEO of Sigma Labs, "We are very pleased to announce the launch of our new PrintRite3D Lite product as we begin implementation on the Coherent CREATOR metal 3D printer. PrintRite3D Lite is a great solution for 3D metal printing companies and end-user manufacturers that do not require the full functionality of PrintRite3D and increases our addressable market. PrintRite3D Lite will be available for OEM licensing as well as third party retrofit installations."

Added Todd Grimm, President of T. A. Grimm & Associates, "The output from PrintRite3D Lite provides insights and answers, in real time, to what was previously unknown. These insights and enhanced visibility allow companies to quantify, qualify and characterize the metal additive manufacturing ("AM") process. This strengthens metal AM, adding predictability and control, which are much needed in production processes. Sigma Labs is a pioneer in AM in-process quality monitoring, and the new addition to their product line will meet user needs and enable further industry advancements."

Recognize, that unlike Additive Industries' high end MetalFAB1 printer, Coherent's printers are generally *"small, compact, entry level machines targeted at R&D, dental and small lot production"*. To be honest, we did not see this wrinkle coming although we probably should have because it answers some questions we posed in our initiating research regarding the industry in general, which was/is, "what portion of the 3DMM market is a solution like PrintRite3D® applicable to"? That is, not all printers/applications will necessarily need the level of QA provided by Sigma's full IPQA® suite, so presumably Sigma's addressable market is some fraction of all the 3DMM printers that are in the market today and will be added to the market thereafter. In our view, this announcement and really the development/commercialization of PrintRite3D Lite, is Sigma's answer to addressing a larger portion of the entire market. This is another example of the holistic strategy.

To summarize these announcements, we think they indicate that the Company is making marked progress in terms of transitioning to meaningful and more visible sales success. However, in the "bigger picture" we also think these announcements provide further validation of some of the pillars of our original/current investment thesis. Specifically:

- The 3DMM industry needs a more efficient and standardized quality assurance approach and we think the absence of that may be impacting the industry's adoption. We highlighted the above paragraph/comments from Grimm & Associates to illustrate that point. Clearly, this is not just our perception.

- We think Sigma has a viable solution to the industry's QA problem and that notion appears to be getting validated by an increasing number of topical players in various corners of the industry.

- As an extension of sorts to the prior bullet point, Sigma appear to be gathering momentum, which certainly coincides with their new holistic approach, but frankly, we think there is also a reason from some of the lack of traction up to this point. We think getting the platform to work ubiquitously across the industry has been a challenge. In other words, their lack of traction has not been solely related to the industry not being able to figure out the value of a viable QA process. Rather some of that has likely been related to the time it has taken them to productize the platform so it would operate properly across the myriad of available printers and other technologies. Just to highlight the point, there is a reason why trying to "standardize" processes in industries with multiple products, systems and other associated technologies is so difficult. Making sure the product operates ubiquitously across many industry offerings is challenging to say the least, but it is also the reason why it can become so valuable. In our view, their progress in achieving and demonstrating that ubiquity, may speak to the emergence/acceleration of the certifications and general adoption implied by the announcements above.

- The Company's holistic approach is aimed at introducing and ultimately embedding their IPQA® technology into various levels of the 3DMM industry. We believe that approach will accelerate adoption but also perhaps eventually establish Sigma's platform as an industry standard. If that happens, the Company will likely garner valuations beyond our current targets.

- The Company's introduction of PrintRite3D Lite is an indication that they intend to pursue increasing portions of the 3DMM industry. While that clearly includes the high-end to entry-level spectrum we addressed above, we also suspect it will include other iterations of the industry as well. For instance, there are a handful of current 3DMM technologies utilized today. To reiterate, Sigma has largely focused on a process called Powder Bed Fusion ("PBF" or other acronyms), but there are other emerging technologies as well such as Direct Energy Deposition ("DED") and others that ultimately may be more optimal in one application to another. We believe Sigma's approach is to address some of these technologies as well. Moreover, we think the approach might also encompass other materials for instance ceramics and other polymers. These iterations represent other open-ended questions we raised in our initial coverage with respect to the Company's addressable market, that they are beginning to fill in the blanks around.

As we noted in the initiating coverage, the next leg up in Sigma's platform is a closed loop system that will not only identify QA red flags, but will then interface with the process and fix the problems on the fly. That would be a significant upgrade in our view. However, there is another potential valuation leg that we think may emerge if/as adoption occurs. We touch on some of this is the "digital thread" overview below, but in general, we believe that the Company's QA processes will also allow them to capture data regarding a myriad of inputs, iterations, variables and combinations therein that the aggregate systems running their platforms encounter. That data, like most data these days, could prove valuable in the context of machine learning and other AI based technologies and could collectively enhance the QA processes (closed loop or not) by for instance, identifying potential problems before they ever happen. In short, we believe that if the Company can establish a foothold in the industry it may provide a beachhead for them to layer on other (leveraged) products/services or to at least establish formidable barriers to entry.

Lastly, we think Sigma's "holistic approach" goes a bit deeper than just trying to become a cog in wheel of the QA piece of the industry. To edify, industry experts (which would include and apply to Mark Ruport) will sometimes refer to the "digital thread" when speaking about the promises and the constraints of 3DMM. Without going too far down the conceptual rabbit hole and frankly into places above our pay grade, we think a brief discussion of that concept might be applicable here, and again, you will probably hear Mr. Ruport refer to it so some color might be helpful.

A few years ago, Deloitte provided a paper called ***3D Opportunity and the Digital Thread -Additive Manufacturing Ties It All Together.*** https://www2.deloitte.com/us/en/insights/focus/3d-opportunity/3d-printing-digital-thread-in-manufacturing.html .

Here is the opening to that report and a good description of the digital thread concept:

Despite their promise and potential, digital designs dictating the production of end-use, 3D-printed objects have not yet moved fully into the mainstream. While AM has become a crucial part of the design process through rapid prototyping and has gained traction for highly customized, small-batch parts and within "maker" movements, it has not reached critical mass for applications in end-use parts and products at the enterprise level. This is due, in part, to economies of scale: Printing a one-off object during the design phase or in a makerspace is entirely different from large-scale mass production of parts. For AM processes to scale at the industrial level, a series of complex, connected, and data-driven events need to occur.

This series of data-driven events is commonly referred to as the digital thread: a single, seamless strand of data that stretches from the initial design concept to the finished part, constituting the information that enables the design, modeling, production, use, and monitoring of an individual manufactured part. This thread enables the flow of data throughout the manufacturing process, including design concept, modeling, build plan monitoring, ***quality assurance****, the build process itself, and post-production monitoring and inspection.* ***The ability to dissect, understand, and apply the potentially massive amounts of data and intense computing demands within the digital thread allows users to enhance and scale their AM capabilities and manage the complexities of AM production****.*

Yet, for all its importance, the digital thread is only as useful as it is integrated. Gaps in connectivity or stages within the design and manufacturing process where information remains siloed prevent the manufacturer from gaining full visibility across the process. Thus, the right digital infrastructure—one that can store, access, and analyze vast amounts of data and interoperate across multiple different machines and processes—is crucial to building and operating a successful digital thread.

Again, we are certainly not experts in the digital thread, but we think much of this speaks to the need for Sigma's solution(s). Those following Sigma and/or 3DMM will likely hear more about the digital thread as we move forward. And we think it is clear that Sigma's holistic approach is applicable to the concept. We believe the Company's progress on multiple fronts will begin to manifest itself in sales growth through 2021 and beyond. Further, after meeting with management and connecting some of the dots provided by recent announcements, we are becoming increasingly bullish on Sigma's prospects. As a result, we are raising our allocation from 4 to *5, and for now we are maintaining our 12-24 month price target of $17.00 (although we are doing so in the context of restarting the clock on that time horizon). We will revisit each as new datapoints emerge.

Projected Operating Model

Projected Operating Model						
Sigma Labs, Inc.						
Prepared By: Dave Lavigne, Trickle Research						
	(Actual)	(Actual)	(Estimate)	(Estimate)	(Estimate)	(Estimate)
	3/31/2020	**6/30/2020**	**9/30/2020**	**12/31/2020**	**Fiscal 2020**	**Fiscal 2021**
REVENUES	$ 221,730	$ 167,688	$ 325,650	$ 516,500	$ 1,231,568	$ 8,113,320
COST OF REVENUE	$ 244,703	$ 57,684	$ 200,000	$ 300,000	$ 802,387	$ 3,616,913
GROSS PROFIT	$ (22,973)	$ 110,004	$ 125,650	$ 216,500	$ 429,181	$ 4,496,406
EXPENSES:					$ -	$ -
Salaries & Benefits	$ 652,197	$ 605,295	$ 659,770	$ 665,495	$ 2,582,757	$ 2,843,400
Stock-Based Compensation	$ 154,170	$ 270,818	$ 150,000	$ 150,000	$ 724,988	$ 600,000
Operating R&D Costs	$ 53,689	$ 111,647	$ 171,738	$ 182,796	$ 519,870	$ 1,039,841
Investor & Public Relations	$ 238,268	$ 171,287	$ 180,000	$ 180,000	$ 769,555	$ 720,000
Legal & Professional Service Fees	$ 211,509	$ 219,007	$ 206,513	$ 210,330	$ 847,359	$ 962,266
Office Expenses	$ 147,747	$ 78,843	$ 184,770	$ 190,495	$ 601,855	$ 943,400
Depreciation & Amortization	$ 18,012	$ 17,970	$ 18,060	$ 18,150	$ 72,192	$ 73,513
Other Operating Expenses	$ 84,049	$ 51,687	$ -	$ -	$ 135,736	$ -
Total Operating Expenses	$ 1,559,641	$ 1,526,554	$ 1,570,850	$ 1,597,266	$ 6,254,311	$ 7,182,420
LOSS FROM OPERATIONS	$ (1,582,614)	$ (1,416,550)	$ (1,445,200)	$ (1,380,766)	$ (5,825,129)	$ (2,686,013)
OTHER INCOME (EXPENSE)					$ -	$ -
Interest Income	$ 851	$ 31	$ 6,114	$ 11,449	$ 18,445	$ 38,479
State Incentives	$ -	$ 151,657	$ -	$ -	$ 151,657	$ -
Change in fair value of derivative liabilities	$ -	$ -	$ -	$ -	$ -	$ -
Exchange Rate Gain (Loss)	$ (1,391)	$ (31)	$ -	$ -	$ (1,422)	$ -
Interest Expense	$ (431)	$ (6,244)	$ (6,244)	$ (6,244)	$ (19,163)	$ (6,244)
Loss on Disposal of Assets	$ -	$ (201)	$ -	$ -	$ (201)	$ -
Debt discount amortization	$ -	$ -	$ -	$ -	$ -	$ -
Total Other Income (Expense)	$ (971)	$ 506,912	$ (130)	$ 5,205	$ 511,016	$ 32,235
LOSS BEFORE PROVISION FOR INCOME TAXES	$ (1,583,585)	$ (909,638)	$ (1,445,329)	$ (1,375,561)	$ (5,314,113)	$ (2,653,779)
Provision for Income Taxes	$ -	$ -	$ -	$ -	$ -	$ -
Net Loss	$ (1,583,585)	$ (909,638)	$ (1,445,329)	$ (1,375,561)	$ (5,314,113)	$ (2,653,779)
Preferred Dividends	$ 315,247	$ -	$ -	$ -	$ 315,247	$ -
Net Loss applicable to Common Stockholders	$ (1,898,832)	$ (909,638)	$ (1,445,329)	$ (1,375,561)	$ (5,629,360)	$ (2,653,779)
Net Loss per Common Share - Basic and Diluted	$ (1.30)	$ (0.28)	$ (0.25)	$ (0.23)	$ (1.36)	$ (0.40)
Net Loss per Common Share - Diluted	$ (1.13)	$ (0.26)	$ (0.24)	$ (0.22)	$ (1.29)	$ (0.39)
Weighted Average Number of Shares Outstanding - Basic	1,463,627	3,256,098	5,888,078	5,948,078	4,138,970	6,577,392
Weighted Average Number of Shares Outstanding - Diluted	1,676,171	3,468,642	6,100,622	6,160,622	4,351,514	6,813,223

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Portions of this publication excerpted from company filings or other sources are noted in *italics* and referenced throughout the report.

Rating System Overview:

There are no letters in the rating system (Buy, Sell Hold), only numbers. The numbers range from 1 to 10, with 1 representing 1 "investment unit" (for my performance purposes, 1 "investment unit" equals $250) and 10 representing 10 investment units or $2,500. Obviously, a rating of 10 would suggest that I favor the stock (at respective/current levels) more than a stock with a rating of 1. As a guideline, here is a suggestion on how to use the allocation system.

Our belief at Trickle is that the best way to participate in the micro-cap/small cap space is by employing a diversified strategy. In simple terms, that means you are generally best off owning a number of issues rather than just two or three. To that point, our goal is to have at least 20 companies under coverage at any point in time, so let's use that as a guideline. Hypothetically, if you think you would like to commit $25,000 to buying micro-cap stocks, that would assume an investment of $1000 per stock (using the diversification approach we just mentioned, and the 20-stock coverage list we suggested and leaving some room to add to positions around allocation upgrades. We generally start initial coverage stocks with an allocation of 4. Thus, at $1000 invested per stock and a typical starting allocation of 4, your "investment unit" would be the same $250 we used in the example above. Thus, if we initiate a stock at a 4, you might consider putting $1000 into the position ($250 * 4). If we later raise the allocation to 6, you might consider adding two additional units or $500 to the position. If we then reduce the allocation from 6 to 4 you might consider selling whatever number of shares you purchased with 2 of the original 4 investment units. Again, this is just a suggestion as to how you might be able to use the allocation system to manage your portfolio.

For those attached to more traditional rating systems (Buy, Sell, Hold) we would submit the following guidelines.

A Trickle rating of 1 thru 3 would best correspond to a "Speculative Buy" although we would caution that a rating in that range should not assume that the stock is necessarily riskier than a stock with a higher rating. It may carry a lower rating because the stock is trading closer to a price target we are unwilling to raise at that point. This by the way applies to all of our ratings.

A Trickle rating of 4 thru 6 might best (although not perfectly) correspond to a standard "Buy" rating.

A Trickle rating of 7 thru 10 would best correspond to a "Strong Buy" however, ratings at the higher end of that range would indicate something that we deem as quite extraordinary..... an "Extreme Buy" if you will. You will not see a lot of these.