SKINVISIBLE INC
Form 10-Q
May 14, 2013

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 10-Q

[X] Quarterly Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the quarterly period ended **March 31, 2013**
[ ] Transition Report pursuant to 13 or 15(d) of the Securities Exchange Act of 1934
For the transition period from _____ to _____
Commission File Number: **000-25911**

Skinvisible, Inc.

(Exact name of Registrant as specified in its charter)

Nevada	**88-0344219**
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)

6320 South Sandhill Road, Suite 10, Las Vegas, NV 89120
(Address of principal executive offices)

702.433.7154
(Registrant's telephone number)

_____
(Former name, former address and former fiscal year, if changed since last report)

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

[X] Yes [ ] No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 229.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes [ ] No [X]

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company.

[ ] Large accelerated filer Accelerated filer [ ] Non-accelerated filer
[X] Smaller reporting company

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

[ ] Yes [X] No

State the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: 109,707,409 common shares as of January 25, 2013

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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

Our consolidated financial statements included in this Form 10-Q are as follows:

These consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and the SEC instructions to Form 10-Q. In the opinion of management, all adjustments considered necessary for a fair presentation have been included. Operating results for the interim period ended March 31, 2013 are not necessarily indicative of the results that can be expected for the full year.

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SKINVISIBLE, INC.
CONSOLIDATED BALANCE SHEETS
(Unaudited)

	March 31, 2013	December 31, 2012
ASSETS		
Current assets		
Cash	$189,374	$450,507
Accounts receivable	12,000	27,299
Inventory	21,380	18,769
Due from related party	1,145	1,145
Prepaid expense and other current assets	515	515
Total current assets	224,414	498,235
Fixed assets, net of accumulated depreciation of $321,805 and $318,519, respectively	4,563	4,459
Intangible and other assets:		
Patents and trademarks, net of accumulated amortization of $221,009 and $213,205, respectively	260,850	251,553
Total assets	$489,827	$754,247
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current liabilities		
Accounts payable and accrued liabilities	$560,303	$636,314
Accrued interest payable	89,643	25,264
Loans from related party	135	7,661
Loans payable	—	1,991
Convertible notes payable, net of unamortized debt discount of $89,558 and $102,200, respectively	1,081,028	1,088,386
Convertible notes payable related party, net of unamortized discount of $976,333 and $1,036,956, respectively	641,376	593,227
Unearned revenue	—	19,792
Total current liabilities	2,372,485	2,372,635
Total liabilities	2,372,485	2,372,635
Stockholders' deficit		
Common stock; $0.001 par value; 200,000,000 shares authorized; 110,249,969 and 109,507,409 shares issued and outstanding at March 31, 2013 and December 31, 2012, respectively	110,250	109,507
Additional paid-in capital	20,873,504	20,841,670
Stock payable	1,800	1,800
Accumulated deficit	(22,868,212)	(22,571,365)
Total stockholders' deficit	(1,882,658)	(1,618,388)
Total liabilities and stockholders' deficit	$489,827	$754,247

See Accompanying Notes to Consolidated Financial Statements.

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SKINVISIBLE, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	Three Months ended	
	March 31, 2013 (Restated)	March 31, 2012
Revenues	$27,287	$30,078
Cost of revenues	158	876
Gross profit	27,129	29,202
Operating expenses		
Depreciation and amortization	8,135	17,718
Selling general and administrative	151,518	315,366
Total operating expenses	159,653	333,084
Loss from operations	(132,524)	(303,882)
Other income and (expense)		
Other income	—	—
Interest expense	(165,023)	(34,748)
Gain on extinguishment of debt	700	1,727
Total other expense	(164,323)	(33,021)
Net loss	$(296,847)	$(336,903)
Basic loss per common share	$(0.00)	$(0.00)
Basic weighted average common shares outstanding	109,982,330	104,559,568

See Accompanying Notes to Consolidated Financial Statements.

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SKINVISIBLE, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Three Months ended	
	March 31, 2013 (Restated)	March 31, 2012
Cash flows from operating activities:		
Net loss	$(296,847)	$(336,903)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	8,135	17,718
Stock-based compensation	9,800	—
Amortization of debt discount	73,266	126,246
Stock issued for interest expense	555	—
Debt paid with common stock	—	41,659
Gain on extinguishment of debt	(700)	(1,728)
Changes in operating assets and liabilities:		
(Increase) decrease in inventory	(2,611)	876
Decrease in accounts receivable	15,299	500
Increase in prepaid expenses and other current assets	—	(23,161)
Increase in related party receivable	—	(6,000)
(Decrease) increase in accounts payable and accrued liabilities	(68,811)	143,800
Increase in accrued interest	63,110	33,758
Decrease in unearned revenue	(19,792)	(17,500)
Net cash used in operating activities	(218,596)	(20,735)
Cash flows from investing activities:		
Purchase of fixed assets and intangible assets	(17,536)	(28,409)
Net cash used in investing activities	(17,536)	(28,409)
Cash flows from financing activities:		
Proceeds from, net of payments to, related parties for loans	(7,526)	4,125
Payments on related parties convertible notes payable	(12,475)	—
Proceeds from convertible notes payable	—	14,000
Payments on convertible notes payable	(5,000)	—
Proceeds from loans	—	31,000
Net cash provided by (used in) financing activities	(25,001)	49,125
Net change in cash	(261,133)	(19)
Cash, beginning of period	450,507	1,218
Cash, end of period	$189,374	$1,199
Supplemental disclosure of cash flow information:		
Cash paid for interest	$3,696	$—
Cash paid for tax	$—	$—
Non-cash investing and financing activities:		
Common stock issued on conversion of debts	$16,277	$41,659
Beneficial conversion feature	$—	$4,664
Common stock issued for extinguishment of debts	$5,700	$—

See Accompanying Notes to Consolidated Financial Statements.

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SKINVISIBLE, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(AUDITED)

1. DESCRIPTION OF BUSINESS, HISTORY AND SUMMARY OF SIGNIFICANT POLICIES

Description of business – Skinvisible, Inc., (referred to as the "Company") is focused on the development and manufacture of innovative topical, transdermal and mucosal polymer-based delivery system technologies and formulations incorporating its patent-pending formula/process for combining hydrophilic and hydrophobic polymer emulsions. The technologies and formulations have broad industry applications within the pharmaceutical, over-the-counter, personal skincare and cosmetic arenas. Additionally, the Company's non-dermatological formulations, offer solutions for a broad spectrum of markets women's health, pain management, and others. The Company maintains executive and sales offices in Las Vegas, Nevada.

History – Skinvisible, Inc. (referred to as the "Company") was incorporated in Nevada on March 6, 1998 under the name of Microbial Solutions, Inc. The Company underwent a name change on February 26, 1999, when it changed its name to Skinvisible, Inc. The Company's subsidiary's name of Manloe Labs, Inc. was also changed to Skinvisible Pharmaceuticals, Inc.

Skinvisible, Inc. together with its subsidiary shall herein be collectively referred to as the "Company".

Going concern – The accompanying financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. The Company has incurred cumulative net losses of $22,868,212 since its inception and requires capital for its contemplated operational and marketing activities to take place. The Company's ability to raise additional capital through the future issuances of common stock is unknown. The obtainment of additional financing, the successful development of the Company's contemplated plan of operations, and its transition, ultimately, to the attainment of profitable operations are necessary for the Company to continue operations. The ability to successfully resolve these factors raises substantial doubt about the Company's ability to continue as a going concern. The consolidated financial statements of the Company do not include any adjustments that may result from the outcome of these aforementioned uncertainties.

Principles of consolidation – The consolidated financial statements include the accounts of the Company and its subsidiary. All significant intercompany balances and transactions have been eliminated.

Use of estimates – The preparation of consolidated 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 of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash and cash equivalents

For purposes of the statement of cash flows, the Company considers all highly liquid investments and short-term debt instruments with original maturities of three months or less to be cash equivalents.

Fair Value of Financial Instruments

The carrying amounts reflected in the balance sheets for cash, accounts payable and accrued expenses approximate the respective fair values due to the short maturities of these items.

As required by the Fair Value Measurements and Disclosures Topic of the FASB ASC, fair value is measured based on a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value as follows: (Level 1) observable inputs such as quoted prices in active markets; (Level 2) inputs, other than the quoted prices in active markets, that are observable either directly or indirectly; and (Level 3) unobservable inputs in which there is little or no market data, which require the reporting entity to develop its own assumptions.

The three levels of the fair value hierarchy are described below:

Level 1: Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;

Level 2: Quoted prices in markets that are not active, or inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability;

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(AUDITED)

Level 3: Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (supported by little or no market activity).

Revenue recognition

Product sales – Revenues from the sale of products (Invisicare® polymers) are recognized when title to the products are transferred to the customer and only when no further contingencies or material performance obligations are warranted, and thereby have earned the right to receive reasonably assured payments for products sold and delivered.

Royalty sales – The Company also recognizes royalty revenue from licensing its patented product formulations only when earned, when no further contingencies or material performance obligations are warranted, and thereby have earned the right to receive and retain reasonably assured payments.

Distribution and license rights sales – The Company also recognizes revenue from distribution and license rights only when earned (and are amortized over a five year period), when no further contingencies or material performance obligations are warranted, and thereby have earned the right to receive and retain reasonably assured payments.

Costs of Revenue – Cost of revenue includes raw materials, component parts, and shipping supplies. Shipping and handling costs is not a significant portion of the cost of revenue.

Accounts Receivable – Accounts receivable is comprised of uncollateralized customer obligations due under normal trade terms requiring payment within 30 days from the invoice date. The carrying amount of accounts receivable is reviewed periodically for collectability. If management determines that collection is unlikely, an allowance that reflects management’s best estimate of the amounts that will not be collected is recorded. Management reviews each accounts receivable balance that exceeds 30 days from the invoice date and, based on an assessment of creditworthiness, estimates the portion, if any, of the balance that will not be collected. As of March 31, 2013, the Company had not recorded a reserve for doubtful accounts.

Inventory – Substantially all inventory consists of finished goods and are valued based upon first-in first-out ("FIFO") cost, not in excess of market. The determination of whether the carrying amount of inventory requires a write-down is based on an evaluation of inventory.

Goodwill and intangible assets – The Company follows Financial Accounting Standard Board's (FASB) Codification Topic 350-10 ("ASC 350-10"), "*Intangibles – Goodwill and Other*". According to this statement, goodwill and intangible assets with indefinite lives are no longer subject to amortization, but rather an annual assessment of impairment by applying a fair-value based test. Fair value for goodwill is based on discounted cash flows, market multiples and/or appraised values as appropriate. Under ASC 350-10, the carrying value of assets are calculated at the lowest level for which there are identifiable cash flows.

Income taxes – The Company accounts for its income taxes in accordance with FASB Codification Topic ASC 740-10, "*Income Taxes*", which requires recognition of deferred tax assets and liabilities for future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and tax credit carry-forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

Stock-based compensation – The Company follows the guidelines in FASB Codification Topic ASC 718-10 "*Compensation-Stock Compensation*", which requires the measurement and recognition of compensation expense for all share-based payment awards made to employees and directors including employee stock options and employee stock purchases related to a Employee Stock Purchase Plan based on the estimated fair values.

Stock based compensation expense recognized under ASC 718-10 for the three months ended March 31, 2013 and 2012 totaled $9,800 and $0 respectively.

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Earnings (loss) per share – The Company reports earnings (loss) per share in accordance with FASB Codification Topic ASC 260-10 "*Earnings Per Share*", Basic earnings (loss) per share is computed by dividing income (loss) available to common shareholders by the weighted average number of common shares available. Diluted earnings (loss) per share is computed similar to basic earnings (loss) per share except that the denominator is increased to include the number of additional common shares that would have been outstanding if the potential common shares had been issued and if the additional common shares were dilutive. Diluted earnings (loss) per share has not been presented since the effect of the assumed exercise of options and warrants to purchase common shares (common stock equivalents) would have an anti-dilutive effect.

Restatement

Upon completing the Company's September 30, 2012 financial statements, an accounting error was discovered that misstated certain balance sheet amounts previously reported as of March 31, 2012. The Company's financial statements as of March 31, 2012 over-reported convertible notes payable – related parties and total current liabilities by $424,589, under-reported amortization of debt discount by $22,432, and under-reported additional paid in capital and total stockholders' equity by $447,021.

The following is a summary of the impact of these restatements on the Company's Consolidated Statement of Operation for the quarter ended March 31, 2012:

	March 31, 2012			
	As previously reported	Error correction		**As restated**
Selling, general and administrative	$292,933	$22,432	(a)	$315,365
Total operating expenses	$310,652	$22,432	(a)	$333,084
Loss from operations	$(281,450)	$(22,432)	(a)	$(303,882)
Net loss	$(314,471)	$(22,432)	(a)	$(336,903)
Basic loss per common share	$(0.00)	$(0.00)		

(a) To correct errors in debt discount of convertible notes payable related party.

The following is a summary of the impact of these restatements on the Company's Consolidated Statement of Cash Flows for the quarter ended March 31, 2012:

	March 31, 2012			
	As previously reported	Error correction		**As restated**
Non-cash investing and financing activities				
Net loss	$(314,471)	$(22,432)	(a)	$(336,903)
Amortization of debt discount	$103,814	$22,432	(a)	$126,246

(a) To correct errors in debt discount of convertible notes payable related party.

2. FIXED ASSETS

Fixed assets consist of the following as of March 31, 2013 and December 31, 2012:

	March 31, 2013	December 31, 2012
Machinery and equipment	$48,163	$45,208
Furniture and fixtures	113,635	113,635
Computers, equipment and software	38,540	38,105
Leasehold improvements	12,569	12,569
Lab equipment	113,461	113,461
Total	326,368	322,978
Less: accumulated depreciation	(321,805)	(318,519)
Fixed assets, net of accumulated depreciation	$4,563	$4,459

Depreciation expense for the three months ended March 31, 2013 and 2012 was $331 and $314, respectively.

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3. INTANGIBLE AND OTHER ASSETS

Patents and trademarks are capitalized at its historical cost and are amortized over their useful lives. As of March 31, 2013, patents and trademarks total $260,850, net of $221,009 of accumulated amortization. Amortization expense for the three months ended March 31, 2013 and 2012 was $7,804 and $17,404, respectively.

License and distributor rights (“agreement”) were acquired by the Company in January 1999 and provide exclusive use distribution of polymers and polymer based products. The Company has a non-expiring term on the license and distribution rights. Accordingly, the Company annually assesses this license and distribution rights for impairment and has determined that no impairment write-down is considered necessary as of March 31, 2013.

4. UNEARNED REVENUE

On January 16, 2013, the company terminated its licensing agreement with Panalab dated January 23, 2008. The agreement provided Panalab the right to distribute, market, sell and promote the Skinvisible’s proprietary formulas made with Invisicare and Adapalene through-out Panalabs assigned territory. Panalab had failed to sell or sub-license the products in the territory, thereby not fulfilling the conditions as set forth in the agreement and allowing for immediate termination of the agreement. As a result of this cancelation, unearned revenue of $19,792 has been recognized as revenue during the three months ended March 31, 2013.

5. STOCK OPTIONS AND WARRANTS

The following is a summary of option activity during the three months ended March 31, 2013.

	Number of Shares	Weighted Average Exercise Price

Balance, December 31, 2012	9,400,000	$ 0.05
Options granted and assumed	—	—
Options expired	400,000	$ 0.05
Options canceled	—	—
Options exercised	—	—
Balance, March 31, 2013	9,000,000	$ 0.05

As of March 31, 2013, 9,000,000 stock options are exercisable.

Stock warrants -

The following is a summary of warrants activity during the three months ended March 31, 2013.

	Number of Shares	Weighted Average Exercise Price
Balance, December 31, 2012	6,765,200	$ 0.06
Warrants granted and assumed	271,280	$ 0.07
Warrants expired	62,500	$ 0.10
Warrants canceled	—	—
Warrants exercised	—	—
Balance, March 31, 2013	6,973,980	$ 0.06

All warrants outstanding as of March 31, 2013 are exercisable.

271,280 warrants were issued during the three months ended March 31, 2013 as part of a series of convertible notes with attached warrants. The warrants issued allow the holder to purchase one share for every two shares issued upon conversion at an exercise price of $0.07 cents per share.

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SKINVISIBLE, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(AUDITED)

6. RELATED PARTY TRANSACTIONS

Various officers advanced funds to support the daily operations of the company. As of March 31, 2013, $135 remained due to related parties, which is an unsecured payable due to an officer of the Company bearing no interest and due on demand.

7. CONVERTIBLE NOTES PAYABLE

Convertible Notes Payable at consists of the following:

	March 31, 2013	**December 31, 2012**

$52,476 face value,10% unsecured note payable to an investor, note interest and payment are due on demand. The note could be converted to option rights for Skinvisible, Inc. shares at ten cents per share ($0.10), these rights expired January 12, 2010. Note is currently in default, no penalties occur due to default.	$49,476	$52,476
During the three months ended March 31, 2013, the Company made $3,000 cash payment to reduce to the note balance.		
$27,000 face value 10% unsecured $27,000 notes payable to investors, due October, 2012. At the written request of the investor's until the repayment date, the note may be converted at the investors option to shares of the Company's common stock at a fixed price of $0.05 per share along with additional warrants to purchase one share for every two shares issued at the exercise price of $0.07 per share for two years after the conversion date. The Company has determined the value associated with the beneficial conversion feature in connection with the notes to be $19,385. The aggregate beneficial conversion feature has been fully accreted and was charged to general and administrative expenses during the year ended December 31, 2012. The beneficial conversion feature is valued under the intrinsic value method. Interest due to lender can also be converted at a rate of ($0.05) per share into warrants.	10,000	27,000
During the three months ended March 31, 2013, the Company made a $2,000 cash payment to reduce the note balance and converted principal of $15,000 plus accrued interest of $1,277 to 542,560 shares of common stock and granted 271,280 warrants with the exercise price of $0.07 per shares for two years.		
$1,000,000 face value 9% unsecured notes payable to an investor, due August 1, 2014. At the investor's option until the repayment date, the note and related interest may be converted to shares of the Company's common stock a discount of 90% of the current share price after the first anniversary of the note. The Notes are secured by the accounts receivable of a license agreement the Company has with Womens Choice Pharmaceuticals, LLC on its proprietary prescription product, ProCort®. The Company has determined the value associated with the beneficial conversion feature in connection with the notes and interest to be $111,110. The aggregate original issue discount feature has been accreted and charged to general and administrative expenses as a financing expense in the amount of $12,642 and $8,910 during the periods ending March 31, 2013 and December 31, 2012, respectively. The original issue discount feature is valued under the intrinsic value method.	1,000,000	1,000,000
Original issue discount	111,110	111,110
Unamortized debt discount	(89,558)	(102,200)
	$1,081,028	$1,088,386

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SKINVISIBLE, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(AUDITED)

8. CONVERTIBLE NOTES PAYABLE RELATED PARTY

On December 31, 2011, the Company re-negotiated accrued salaries and interest for three employees. Under the terms of the agreements, the notes dated before December 31, 2010 and all salaries not previously converted were converted to promissory notes convertible into common stock with a warrant feature. The $802,864 face value promissory notes are unsecured, due five years from issuance, and bear an interest rate of 10%. At the investor's option until the repayment date, the note may be converted to shares of the Company's common stock at a fixed price of $0.04 per share along with additional warrants to purchase one share for every two shares issued at the exercise price of $0.06 per share for three years after the conversion date. The Company has determined the value associated with the beneficial conversion feature in connection with the notes to be $538,295 for the notes negotiated on December 31, 2010, $45,557 for the notes negotiated on July 1, 2011 and $1,123,078 for the notes negotiated December 31, 2011. The beneficial conversion feature is valued under the intrinsic value method. The aggregate beneficial conversion feature has been accreted and charged to general and administrative expenses as a financing expense in the amount of $ 40,334 for the three months ended March 31, 2013. As of March 31, 2013, the aggregate convertible notes payable are $484,154, net of unamortized beneficial conversion feature of $626,449.

On June 30, 2012, the Company re-negotiated accrued salaries and interest for three employees. Under the terms of the agreements, the notes dated before July 1, 2011 and all salaries not previously converted were converted to promissory notes convertible into common stock with a warrant feature. The $325,023 face value promissory notes are unsecured, due five years from issuance, and bear an interest rate of 10%. At the investor's option until the repayment date, the note may be converted to shares of the Company's common stock at a fixed price of $0.04 per share along with additional warrants to purchase one share for every two shares issued at the exercise price of $0.06 per share for three years after the conversion date. The Company has determined the value associated with the beneficial conversion feature in connection with the notes to be $209,809. The beneficial conversion feature is valued under the intrinsic value method. The aggregate beneficial conversion feature has been accreted and charged to general and administrative expenses as a financing expense in the amount of $11,315 for the three months ended March 31, 2013. As of March 31, 2013, the aggregate convertible notes payable are $148,234, net of unamortized beneficial conversion feature of $176,789.

On December 30 and 31, 2012, the Company re-negotiated accrued salaries and interest for three employees. Under the terms of the agreements, $182,083 of related party notes accrued interest and salaries not previously converted were converted to promissory notes convertible into common stock with a warrant feature. The $182,083 face value promissory notes are unsecured, due five years from issuance, and bear an interest rate of 10%. At the investor's option until the repayment date, the note may be converted to shares of the Company's common stock at a fixed price of $0.03 per share along with additional warrants to purchase one share for every two shares issued at the exercise price of $0.04 per share for three years after the conversion date. The Company has determined the value associated with the

beneficial conversion feature in connection with the notes to be $182,083. The beneficial conversion feature is valued under the intrinsic value method. The aggregate beneficial conversion feature has been accreted and charged to general and administrative expenses as a financing expense in the amount of $8,975 for the three months ended March 31, 2013. As of March 31, 2013, the aggregate convertible notes payable are $8,988, net of unamortized beneficial conversion feature of $173,095.

9. STOCKHOLDERS' DEFICIT

The Company is authorized to issue 200,000,000 shares of $0.001 par value common stock. The Company has 110,249,969 and 109,507,409 issued and outstanding shares of common stock as of March 31, 2013 and December 31, 2012, respectively.

During the three months ended March 31, 2013, the Company issued a total of 200,000 shares of common stock, with a fair value of $6,500 for the conversion of debts totaling $7,200. The Company recorded a gain of $700 on extinguishment of debts.

On February 11, 2013, the Company issued a total of 542,560 shares of common stock for conversion of principal on convertible notes payable of $15,000 plus $1,277 accrued interest. This includes an additional 242,560 shares of common stock in excess of the 300,000 shares to be issued for this conversion of convertible notes payable required per the initial agreement, the shares were fair valued at $7,277.

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(AUDITED)

10. COMMITMENTS AND CONTINGENCIES

Lease obligations – The Company has operating leases for its offices. Future minimum lease payments under the operating leases for the facilities as of March 31, 2013 are as follows:

Fiscal year ending 2013J4,868

Fiscal year ending 2014K3,156

Fiscal year ending 2015 5,526

Rental expense, resulting from operating lease agreements, approximated $12,280 and $13,687 for the quarters ended March 31, 2013 and 2012, respectively.

11. SUBSEQUENT EVENTS

On April 15, 2013, the Company approved the issuance of 240,000 shares of common stock to settle debts totaling $7,200.

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Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Forward-Looking Statements

Certain statements, other than purely historical information, including estimates, projections, statements relating to our business plans, objectives, and expected operating results, and the assumptions upon which those statements are based, are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. These forward-looking statements generally are identified by the words "believes," "project," "expects," "anticipates," "estimates," "intends," "strategy," "plan," "may," "will," "would," "will be," "will continue," "will likely result," and similar expressions. such forward-looking statements to be covered by the safe-harbor provisions for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995, and are including this statement for purposes of complying with those safe-harbor provisions. Forward-looking statements are based on current expectations and assumptions that are subject to risks and uncertainties which may cause actual results to differ materially from the forward-looking statements. Our ability to predict results or the actual effect of future plans or strategies is inherently uncertain. Factors which could have a material adverse affect on our operations and future prospects on a consolidated basis include, but are not limited to: changes in economic conditions, legislative/regulatory changes, availability of capital, interest rates, competition, and generally accepted accounting principles. These risks and uncertainties should also be considered in evaluating forward-looking statements and undue reliance should not be placed on such statements. We undertake no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise. Further information concerning our business, including additional factors that could materially affect our financial results, is included herein and in our other filings with the SEC.

Company Overview

We, through our wholly owned subsidiary Skinvisible Pharmaceuticals Inc., are a pharmaceutical research and development ("R&D") company that has developed and patented an innovative polymer delivery system, Invisicare® and formulated over forty topical skin products, which we out-license globally. We were incorporated in 1998, and target an estimated $80 billion global skincare and dermatology market and a $30 billion global over-the-counter market as well as other healthcare / medical and consumer goods markets.

With the research and development complete on forty products and numerous patents issued (technology and product patents), we are ready to monetize our investment. Our business model is to out-license our patented prescription, over-the-counter ("OTC") and cosmeceutical products featuring Invisicare to established manufacturers and marketers of brands internationally and to maximize profits from the products we have already out-licensed. We have also recently developed a product for Netherton syndrome, for which we are seeking "orphan drug" status in both the United States and Europe. This designation has the potential to be highly lucrative, with more global companies seeing the

value of an orphan drug.

The opportunity for us to license our products has recently increased due to improving market conditions and the need for pharmaceutical companies to access external R&D companies for new products due to their own down-sizing or elimination of internal R&D departments. The demand for our products is enhanced due to the granting of key US and international patents and the completed development of a number of unique products.

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Our Plan for the Next Twelve Months

Our growth strategy is to:

1. Capitalize on the success of current licensees;

2. Increase the value of our current pipeline; and

3. Boost licensing revenues by securing additional licensees globally and develop a robust royalty revenue stream that will finance our future growth.

1. Capitalize On Current Licensees:

This past year we made a consorted effort to help maximize the potential of our licensees but also to make some difficult decisions regarding some of our licensees. This past year, JD Nelson and Associates, RHEI Pharmaceuticals and Panalab S.A. agreements were cancelled. We continue to support our current licensees who remain focused on growing revenues.

We have licensees around the globe. Three of these licensees are currently in the marketplace: Avon Products globally, Women's Choice Pharmaceuticals in the United States and Alto Pharmaceuticals in Canada. Additionally, we have licensees that have products being prepared for launch. We work diligently with our licensees to ensure they have a smooth manufacturing process, ongoing R&D support and marketing feedback.

Avon Products, Inc:

Product: We have a long-term contract with Avon globally for over ten years to provide Invisicare polymer for their long-lasting lipsticks.

Sales: Invisicare polymers are purchased directly from Skinvisible.

Alto Pharmaceuticals:

Product: DermSafe®, long lasting hand sanitizer lotion launched in Canada in Q4 of 2011 for commercial / industrial use

Sales and Royalties: Alto has received Health Canada marketing approval for DermSafe and is currently marketing the product directly and seeking distributors in the commercial / healthcare marketplace.

Women's Choice Pharmaceuticals:

Product: ProCort®, long lasting prescription hemorrhoid cream launched in the United States August 2011

Sales and Royalties: ProCort continues to increase sales every quarter. Skinvisible receives a royalty based on net sales. This past year Women's Choice Pharmaceuticals LLC partnered with Advanced Medical Enterprises, LLC to market ProCort® in Puerto Rico. With over thirty pharmaceutical sales reps calling on OBGYNs in the US, Women's Choice has been successfully growing their sales of ProCort® and we look forward to increased growth in 2013. Women's Choice is seeking to form other strategic alliances in 2013 in order to increase its sales efforts by targeting new territories and targeting medical specialists which previously were not called upon.

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Product Launches for 2013:

We have additional products which are anticipated to be in the market in 2013.

Triclosan Hand Sanitizer & First Aid Antiseptic

Previously licensed as Safe4Hours® Antibacterial/Antimicrobial Hand Sanitizers (1% Triclosan) and Safe4Hours® First Aid Antiseptic & Skin Protectant for North America to Dermal Defense, Skinvisible has received the rights back for both products. Skinvisible anticipates setting up distributors for these products on an international basis.

Embil Pharmaceuticals Co. Ltd.

Licensed two prescription acne products: Clindamycin and Retinoic Acid for the countries of Turkey, Azerbaijan, Kazakhstan, Kyrgyzstan, Turkmenistan, and Uzbekistan, as well as the S.E Asian countries of Indonesia, Malaysia, and the Philippines, for an upfront license fee and royalty.

The launch has been delayed due to company reorganization. It is anticipated that regulatory approval will begin in the latter half of 2013.

Mayquest Pharmaceuticals PTY

Licensed DermSafe chlorhexidine hand sanitizer for Singapore, Taiwan, Thailand, Indonesia and the Philippines for a license fee and royalty.

Received importation approval for DermSafe from Canada to Singapore. Launch pending.

Currently seeking distribution partner or sub- licensee to launch the product.

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2. ***Increasing The Value Of Skinvisible's Pipeline:*** **Clinical Enhancement Of Pipeline**

We have a pipeline of over forty products which are available for licensing. Testing is conducted in-house generating proof of concept including release of the active ingredient as well as long term shelf life (stability). Additional studies conducted on specific products including skin sensitivity, toxicity and product efficacy are outsourced to FDA compliant laboratories. These studies are critical in attracting potential licensees. Our clinical strategy is to:

(1) Add new studies for our prescription products. Our clinical strategy is to increase the amount of outsourced studies, specifically for our prescription products. Additional studies including skin penetration and skin irritation studies will add to the integrity and value of our products available for licensing.

(2) Add new long-term efficacy studies for our DermSafe® hand sanitizer. Last year we commissioned an independent laboratory to further analyze the long-term effectiveness of DermSafe® when put in contact with two bacteria; the "super bug" MRSA and E. coli, the "restaurant bug" since it is often transmitted by food and food handlers. The long-term effectiveness of two bacteria; Methicillin-resistant Staphylococcus aureus or MRSA (ATCC #33591) and Escherichia coli or E. coli (ATCC #43888") were tested up to four hours after application. The results showed that the individual arms of subjects which had DermSafe® applied and were even rinsed prior to each bacteria challenge, showed a 95.83% reduction at the 4 hour time point for MRSA and 99.38% for E. coli.

These new studies were undertaken to benefit our licensee in Canada, Alto Pharmaceuticals, and to assist in the re-licensing of DermSafe in Europe. In 2012 we cancelled the license agreement to RHEI Pharmaceuticals and we are in the process of transferring the regulatory approval in Europe to our company. The objective for 2013 is to make DermSafe available internationally to the general public and also for use in hospitals, schools, law enforcement and the military through independent distributors.

(3) Obtain orphan drug status for our Netherton syndrome product. Along with our research and development of products to treat common skin conditions, we have also developed a patent pending product to treat a rare skin condition called Netherton syndrome. This disease is caused by a genetic defect which causes the skin to continually exfoliate, never forming a skin bond. This leaves the patient highly susceptible to infection and dealing with a life-long condition that has no cure.

Our product has shown excellent results in lab studies blocking the enzyme that breaks down the skin and we are seeking "Orphan Drug" designation in both the US and Europe. Following our application to the US Orphan Drug Committee, we presented our findings to the European Medicine Agency this past year. We are currently undertaking a further proof-of-concept study in the disease itself. These findings will be submitted along with our original applications in the US and Europe. Due to previous feedback from these agencies, we feel confident that this additional data will provide the final evidence required for orphan drug status.

The advantages of obtaining Orphan Drug designation is that it provides various incentives including a reduction or elimination of registration and market authorization fees, protocol assistance, and seven years of market exclusivity for the product in the US and ten years in Europe. These incentives are highly attractive to pharmaceutical companies targeting this market. It is anticipated with an orphan drug approval, we will receive a multi-million dollar license fee plus an on-going royalty. We are currently in discussions with potential licensees and we are implementing a compassionate use study in 2013 to assist with the approval process. The study results will then be resubmitted to the both the EMA and FDA for Orphan Drug designation. Our lab studies have shown excellent results so we are positive on the human study.

(4) Seek clinical partnerships which will result in FDA approvals of our prescription products. There are three "Phases" involved in obtaining FDA approval. The completion of Phase 1 and/or Phase 2 will increase the value of the license and royalty fees of our products significantly. We are also seeking partnerships with Clinical Research Organizations (CROs) in order to define and begin the regulatory pathway for one or more of our prescription products.

3. ***Secure Additional Licensees:***

We are in discussions with various global, US, Canadian and European based pharmaceutical companies for licenses. These negotiations are at various stages and some are expected to close in 2013.

To facilitate further expansion, we have entered discussions with potential partners that are dermatology service providers and knowledgeable and connected in the dermatology market.

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Results of Operations for the Three Months Ended March 31, 2013 and 2012

Revenues

Our total revenue reported for the three months ended March 31, 2013 was $27,287, a decrease from $30,078 for the same period ended March 31, 2012. The decrease in revenues for the three months ended March 31, 2013 from the prior year period is negligible. Our revenue for the three months ended March 31, 2013 consisted of $7,495 from product sales and $19,792 from royalties on patent licenses, and our revenue for the three months ended March 31, 2012 consisted of $2,878 from product sales, $9,700 from royalties on patent licenses and $17,500 as license fees. We expect revenues to increase in 2013 as we are currently in discussions on license agreements for two of our products.

Cost of Revenues

Our cost of revenues for the three months ended March 31, 2013 decreased to $158 from the prior year period when cost of revenues was $876. The decrease in our cost of revenues for the three months ended March 31, 2013 from the prior year period is attributable to lower cost of goods.

Gross Profit

Gross profit for the three months ended March 31, 2013 was $27,129, or approximately 99% of sales. Gross profit for three months ended March 31, 2012 was $29,202, or approximately 97% of sales.

Operating Expenses

Operating expenses decreased to $159,653 for the three months ended March 31, 2013 from $333,084 for the same period ended March 31, 2012. Our operating expenses for the three months ended March 31, 2013 consisted of $8,135 in depreciation and amortization and $151,518 in selling, general and administrative expenses. Our operating expenses for the three months ended March 31, 2012 consisted of $17,718 in depreciation and amortization and $315,366 in selling, general and administrative expenses.

Our selling, general and administrative expenses decreased significantly in the three months ended March 31, 2013 compared to the prior year period as a result of decreased marketing expenses, accounting and audit fees, legal fees, and amortization expenses.

Other Expenses

We had other expenses of $164,323 for the three months ended March 31, 2013, compared with other expenses of $33,021 for the three months ended March 31, 2012. This was largely the result of $165,023 we paid in interest expenses for the three months ended March 31, 2013 from $34,748 in the prior period ended March 31, 2012.

Net Loss

We recorded a net loss of $296,847 for the three months ended March 31, 2013, as compared with a net loss of $336,903 for the three months ended March 31, 2012.

Liquidity and Capital Resources

As of March 31, 2013, we had total current assets of $224,414 and total assets in the amount of $489,827. Our total current liabilities as of March 31, 2013 were $2,372,485. We had a working capital deficit of $2,148,071 as of March 31, 2013.

Operating activities used $218,596 in cash for the three months ended March 31, 2013. Our net loss of $296,847, a decrease in accounts payable and accrued liabilities of $68,811 and a decrease in unearned revenue of $19,792 were the main components of our negative operating cash flow, offset mainly by amortization of debt discount of $73,266, an increase of accrued interest of $63,110 and a decrease in accounts receivable of $15,299.

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Cash flows used by investing activities during the three months ended March 31, 2013 was $17,536 as a result of the purchase of fixed and intangible assets.

Cash flows used by financing activities during year ended March 31, 2013 amounted to $25,001 and consisted of $12,475 in payments on related party convertible promissory notes, $5,000 in payments convertible promissory notes, and $7,526 in payments to related party loans.

From September, 2012 to December 31, 2012, we executed Convertible Promissory Notes (the “Notes”) in the aggregate principal amount of $1,000,000 to several investors. The proceeds of the Notes are to be used for our general working capital purposes. The Notes bear interest at the rate of 9% per annum and mature at various times from September 14, 2014 to December 13, 2014.

The Notes are convertible into shares of our common stock at a conversion price of 90% of the average trading prices of our common stock during the five trading days on the OTCBB proceeding the conversion date. The number of shares issuable upon conversion shall be proportionally adjusted to reflect any stock dividend, split or similar event. The option of conversion is only available following the 1 year anniversary of the note.

The Notes are secured by the accounts receivable of a license agreement the Company has with Womens Choice Pharmaceuticals, LLC on its proprietary prescription product, ProCort®.

Unless waived in writing by the Holder, we are prohibited from effecting the conversion of the Note to the extent that as a result of such conversion the Holder thereof would beneficially own more than 4.99% in the aggregate of our issued and outstanding common stock immediately after giving effect to the issuance of common stock upon conversion.

For so long as we have any obligation under the Note, we agreed to certain restrictions on our ability to declare dividends, repurchase our capital stock, sell our assets, or advance loans to others.

Based upon our current financial condition, we do not have sufficient cash to operate our business at the current level for the next twelve months. We intend to fund operations through increased sales and debt and/or equity financing arrangements, which may be insufficient to fund expenditures or other cash requirements. We plan to seek additional financing in a private equity offering to secure funding for operations. There can be no assurance that we will be successful in raising additional funding. If we are not able to secure additional funding, the implementation of our business plan will be impaired. There can be no assurance that such additional financing will be available to us on

acceptable terms or at all.

Off Balance Sheet Arrangements

As of March 31, 2013, there were no off balance sheet arrangements.

Critical Accounting Policies

In December 2001, the SEC requested that all registrants list their most “critical accounting polices” in the Management Discussion and Analysis. The SEC indicated that a “critical accounting policy” is one which is both important to the portrayal of a company’s financial condition and results, and requires management’s most difficult, subjective or complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain.

Going concern – The accompanying financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. We have incurred cumulative net losses of $22,868,212 since our inception and require capital for our contemplated operational and marketing activities to take place. Our ability to raise additional capital through the future issuances of common stock is unknown. The obtainment of additional financing, the successful development of our contemplated plan of operations, and our transition, ultimately, to the attainment of profitable operations are necessary for us to continue operations. The ability to successfully resolve these factors raise substantial doubt about our ability to continue as a going concern. These consolidated financial statements do not include any adjustments that may result from the outcome of these aforementioned uncertainties.

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Product sales – Revenues from the sale of products (Invisicare® polymers) are recognized when title to the products are transferred to the customer and only when no further contingencies or material performance obligations are warranted, and thereby have earned the right to receive reasonably assured payments for products sold and delivered.

Royalty sales – We also recognize royalty revenue from licensing our patented product formulations only when earned, with no further contingencies or material performance obligations are warranted, and thereby have earned the right to receive and retain reasonably assured payments.

Distribution and license rights sales – We also recognize revenue from distribution and license rights only when earned (and are amortized over a five year period), with no further contingencies or material performance obligations are warranted, and thereby have earned the right to receive and retain reasonably assured payments.

Costs of Revenue – Cost of revenue includes raw materials, component parts, and shipping supplies. Shipping and handling costs is not a significant portion of the cost of revenue.

Accounts Receivable – Accounts receivable is comprised of uncollateralized customer obligations due under normal trade terms requiring payment within 30 days from the invoice date. The carrying amount of accounts receivable is reviewed periodically for collectability. If management determines that collection is unlikely, an allowance that reflects management's best estimate of the amounts that will not be collected is recorded. Management reviews each accounts receivable balance that exceeds 30 days from the invoice date and, based on an assessment of creditworthiness, estimates the portion, if any, of the balance that will not be collected. As of March 31, 2013, we had not recorded a reserve for doubtful accounts.

Recently Issued Accounting Pronouncements

We do not expect the adoption of recently issued accounting pronouncements to have a significant impact on our results of operations, financial position or cash flow.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

A smaller reporting company is not required to provide the information required by this Item.

Item 4. Controls and Procedures

Disclosure Controls and Procedures

We carried out an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) as of March 31, 2013. This evaluation was carried out under the supervision and with the participation of our Chief Executive Officer and our Chief Financial Officer. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of March 31, 2013, our disclosure controls and procedures were not effective due to the presence of material weaknesses in internal control over financial reporting.

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company's annual or interim financial statements will not be prevented or detected on a timely basis. Management has identified the following material weaknesses which have caused management to conclude that, as of March 31, 2013, our disclosure controls and procedures were not effective: (i) inadequate segregation of duties and effective risk assessment; and (ii) insufficient written policies and procedures for accounting and financial reporting with respect to the requirements and application of both US GAAP and SEC guidelines.

Remediation Plan to Address the Material Weaknesses in Internal Control over Financial Reporting

Our company plans to take steps to enhance and improve the design of our internal controls over financial reporting. During the period covered by this quarterly report on Form 10-Q, we have not been able to remediate the material weaknesses identified above. To remediate such weaknesses, we plan to implement the following changes during our fiscal year ending December 31, 2013: (i) appoint additional qualified personnel to address inadequate segregation of duties and ineffective risk management; and (ii) adopt sufficient written policies and procedures for accounting and financial reporting. The remediation efforts set out are largely dependent upon our securing additional financing to cover the costs of implementing the changes required. If we are unsuccessful in securing such funds, remediation efforts may be adversely affected in a material manner.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting during the three months ended March 31, 2013 that have materially affected, or are reasonable likely to materially affect, our internal control over financial reporting.

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PART II – OTHER INFORMATION

Item 1. Legal Proceedings

On September 30, 2011, we filed a complaint in the United States District Court for the District of Nevada (the "Court"), against Sunless Beauty, Ltd., Angie Trelstad, TMTA, LLC, and Norvell Skin Solutions, LLC (collectively, the "Defendants"), alleging patent infringement on the Company's patents: U.S. Patent 6,756,059 B2, 7,674,471 B2, and 6,582,683 B2 (the "Patents"), trademark infringement, misappropriation of trade secrets, and breach of the License Agreement we entered into October 31, 2007 with Sunless Beauty, Ltd. We are seeking, among other things, the following relief from the Court against the Defendants:

- For an order declaring that Defendants have infringed one or more claims of the Patents;
- For an order declaring that Defendants have infringed on the Company's trademarks;
- For an order declaring that Defendants have willfully misappropriated the Company's trade secrets;
- A preliminary and permanent injunction against Defendants prohibiting each of them from further infringement of the Patents and the Company's trademarks and trade secrets;
- For an order declaring that Sunless Beauty Ltd. and Angie Trelstad have breached the License Agreement;
- An award of damages the Company has suffered by reason of the allegations charged in the complaint;
- An award to the Company of its costs and attorneys' fees;
- Such other relief as the Court may deem just and proper.

We have settled with Norvell Skin Solutions, LLC but the case is still open and we are pursuing the action against Sunless Beauty, Ltd., Angie Trelstad and TMTA, LLC.

We are not aware of any pending legal proceeding to which any of our officers, directors, or any beneficial holders of 5% or more of our voting securities are adverse to us or have a material interest adverse to us.

Item 1A. Risk Factors

A smaller reporting company is not required to provide the information required by this Item.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

The information set forth below relates to our issuances of securities without registration under the Securities Act of 1933 during the reporting period which were not previously included in a Quarterly Report on Form 10-Q or Current Report on Form 8-K.

During the three months ended March 31, 2013, we issued a total of 200,000 shares of common stock, with a fair value of $6,500 for the conversion of debts totaling $7,200.

On February 11, 2013, we issued a total of 542,560 shares of common stock for conversion of principal on convertible notes payable of $15,000 plus $1,277 accrued interest. This includes an additional 242,560 shares of common stock in excess of the 300,000 shares to be issued for this conversion of convertible notes payable required per the initial agreement, the shares were fair valued at $7,277.

On April 15, 2013, we approved the issuance of 240,000 shares of common stock to settle debts totaling $7,200.

We issued warrants to purchase 271,280 shares of common stock during the three months ended March 31, 2013 as part of a series of convertible notes with attached warrants. The warrants issued allow the holder to purchase one share for every two shares issued upon conversion at an exercise price ranging of $0.07 cents per share.

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These securities were issued pursuant to Section 4(2) of the Securities Act and/or Rule 506 promulgated thereunder. The holders represented their intention to acquire the securities for investment only and not with a view towards distribution. The investors were given adequate information about us to make an informed investment decision. We did not engage in any general solicitation or advertising. We directed our transfer agent to issue the stock certificates with the appropriate restrictive legend affixed to the restricted stock.

Item 3. Defaults upon Senior Securities

None

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None

Item 6. Exhibits

Exhibit Number	Description of Exhibit
31.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101**	The following materials from the Company’s Quarterly Report on Form 10-Q for the quarter ended March 31, 2013 formatted in Extensible Business Reporting Language (XBRL).

**Provided herewith

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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.

Skinvisible, Inc.

Date: May 14, 2013

By: /s/ Terry Howlett

Terry Howlett

Title: Chief Executive Officer, Chief Financial Officer and Director

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