SKINVISIBLE INC
Form 10-Q
August 14, 2018
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 **June 30, 2018**

[ ] 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 [X] No [ ]

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

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

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

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

Yes [ ] No [X]

State the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: 144,830,920 common shares as of August 14, 2018

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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:

F-1 Consolidated Balance Sheets as of June 30, 2018 and December 31, 2017 (unaudited);

F-2 Consolidated Statements of Operations for the three and six months ended June 30, 2018 and 2017 (unaudited);

F-3 Consolidated Statements of Cash Flow for the six months ended June 30, 2018 and 2017 (unaudited);

F-4 Notes to Consolidated Financial Statements.

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 June 30, 2018 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)

	June 30, 2018	December 31, 2017
ASSETS		
Current assets		
Cash	$2,520	$23,318
Accounts receivable	12,370	9,905
Inventory	17,899	26,023
Due from related party	1,145	1,436
Promissory note due from Ovation Science Inc.	159,334	245,193
Prepaid expense and other current assets	5,000	10,000
Total current assets	198,268	315,875
Equity method investment in Ovation Inc.	—	109,968
Fixed assets, net of accumulated depreciation of $327,314 and $327,191, respectively	236	359
Intangible and other assets:		
Patents and trademarks, net of accumulated amortization of $474,228 and $455,187, respectively	196,842	205,987
Total assets	$395,346	$632,189
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LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current liabilities		
Accounts payable and accrued liabilities	$770,090	$612,783
Accounts payable related party	2,200	34,883
Accrued interest payable	1,682,982	1,674,346
Loans from related party	10,000	17,260
Loans payable	2,296,875	2,301,875
Convertible notes payable, net of unamortized debt discount of $1,465 and $6,551, respectively	1,178,535	1,173,449
Convertible notes payable related party, net of unamortized discount of $1,002,522 and $1,413,576 respectively	1,686,021	1,577,215
Total current liabilities	7,626,703	7,391,811
Total liabilities	7,626,703	7,391,811
Stockholders' deficit		
Common stock; $0.001 par value; 200,000,000 shares authorized; 144,830,920 and 136,864,035 shares issued and outstanding at June 30, 2018 and December 31, 2017, respectively	144,832	136,865

Shares payable	—	61,976
Additional paid-in capital	24,632,952	24,750,544
Accumulated deficit	(32,009,141)	(31,709,007)
Total stockholders' deficit	(7,231,357)	(6,759,622)
Total liabilities and stockholders' deficit	$395,346	$632,189

See Accompanying Notes to Consolidated Financial Statements.

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SKINVISIBLE, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

(UNAUDITED)

	Three Months Ending		Six Months Ending	
	June 30, 2018	**June 30, 2017**	**June 30, 2018**	**June 30, 2017**
Revenues	$22,284	$41,744	$37,916	$54,256
Cost of revenues	9,047	41,900	16,920	43,461
Gross profit	13,237	(156)	20,996	10,795
Operating expenses				
Depreciation and amortization	9,534	14,270	19,164	28,278
Selling general and administrative	135,012	299,279	307,707	450,448
Total operating expenses	144,546	313,549	326,871	478,726
Loss from operations	(131,309)	(313,705)	(305,875)	(467,931)
Other income and (expense)				
Other income	—	1	4,807	4
Interest expense	(265,355)	(358,552)	(545,585)	(683,313)
Gain on sale of Ovation Science Inc.	—	—	595,127	—
Loss on equity method investment	—	—	(21,810)	—
Gain (loss) on extinguishment of debt	—	—	(26,798)	—
Total other expense	(265,355)	(358,551)	5,741	(683,309)
Net loss	$(396,664)	$(672,256)	$(300,134)	$(1,151,240)
Basic loss per common share	$(0.00)	$(0.01)	$(0.00)	$(0.01)
Basic weighted average common shares outstanding	144,830,920	130,493,434	142,302,717	127,202,659

See Accompanying Notes to Consolidated Financial Statements.

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SKINVISIBLE, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(UNAUDITED)

	Six Months Ended June 30, 2018	June 30, 2017
Cash flows from operating activities:		
Net loss	$(300,134)	$(1,151,240)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	19,164	28,278
Stock-based compensation	—	115,332
Gain on sale of Ovation Science Inc.	(595,127)	—
Amortization of debt discount	249,233	376,895
Loss on equity method investment	21,810	—
Imputed interest on Ovation Science loan	4,807	
Loss on extinguishment of debt	26,798	—
Changes in operating assets and liabilities:		
Decrease in inventory	8,124	15,873
Decrease in prepaid assets	5,000	—
Decrease (increase) in accounts receivable	(2,465)	440
Increase in accounts payable and accrued liabilities	194,133	334,171
Decrease in due to related party	291	—
Decrease in promissory note from Ovation Science Inc.	85,859	—
Increase in accrued interest	276,605	151,985
Net cash used in operating activities	(5,902)	(128,266)
Cash flows from investing activities:		
Purchase of fixed and intangible assets	(9,896)	(13,011)
Net cash used in investing activities	(9,896)	(13,011)
Cash flows from financing activities:		
Proceeds from related party loans, net of payments	—	(11,470)
Payments on notes payable	(5,000)	(28,025)
Proceeds from notes payable	—	15,000
Payments on convertible notes payable		(2,000)
Proceeds from convertible notes payable	—	170,000
Net cash provided by (used in) financing activities	(5,000)	143,505
Net change in cash	(20.798)	2,228
Cash, beginning of period	23,318	3,019

Cash, end of period	$2,520	$5,247
Supplemental disclosure of cash flow information:		
Cash paid for interest	$22,878	$—
Cash paid for tax	$—	$—
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Non-cash investing and financing activities:		
Beneficial conversion feature	$—	$162,138
Common stock issued on extinguishment of debts	$74,669	$—

See Accompanying Notes to Consolidated Financial Statements.

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SKINVISIBLE, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

1. DESCRIPTION OF BUSINESS AND HISTORY

Description of business – Skinvisible, Inc., (referred to as the “Company”) is focused on the development and manufacture and sales 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 – 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.

On September 9, 2014, the Company formed Kinatri USA Inc., a wholly-owned subsidiary, to market a premium line of scientifically formulated skincare products powered by our patented Invisicare® technology. As part of its strategic focus on revenue generation and creating shareholder value, Kintari USA Inc. products will be sold via network marketing.

The Kintari product portfolio consists of anti-aging products to help fight the signs of aging. These products have been developed using proven anti-aging ingredients with scientific evidence of their effectiveness at reducing the look of fine lines and wrinkles resulting in youthful looking skin. These potent ingredients will be powered by patented Invisicare technology, providing consumers with unique, effective products which the Company believes cannot be duplicated. Additional products will be added to enhance this product line as the Company grows and expands.

On September 26, 2017, the Company purchased 5,750,000 shares of common stock of Ovation Science Inc. (“Ovation”) for $32,286 which at the time of purchase the Company represented 99.9% of the then issued and outstanding common stock. On March 28, 2018 the Company sold its interest in Ovation to officers of the Company for $500,000 which represented a 37.80% interest in Ovation. As of June 30, 2018 Skinvisible Inc. owned 0% of the issued and outstanding Common stock of Ovation.

Skinvisible granted to Ovation, and has assigned its rights under the Canopy Agreement, the exclusive worldwide right to manufacture, distribute, sell, market, sub-license and promote the Products made with cannabis or hemp seed oil including the right to use the subject matter of any Skinvisible patents and trademarks which cover the Products or

Polymer.

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

2. BASIS OF PRESENTATION AND GOING CONCERN

Basis of presentation – The accompanying unaudited interim financial statements of the Company have been prepared in accordance with accounting principles generally accepted in the United States of America and the rules of the Securities and Exchange Commission, and should be read in conjunction with the audited financial statements and notes thereto contained in the Company's most recent Annual Financial Statements filed with the SEC on Form 10-K. In the opinion of management, all adjustments, consisting of normal recurring adjustments, necessary for a fair presentation of financial position and the results of operations for the interim period presented have been reflected herein. The results of operations for the interim period are not necessarily indicative of the results to be expected for the full year. Notes to the financial statements which would substantially duplicate the disclosures contained in the audited financial statements for the most recent fiscal period, as reported in the Form 10-K, have been omitted.

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 $32,009,141 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 raise 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.

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SKINVISIBLE, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

3. SUMMARY OF SIGNIFICANT POLICIES

This summary of significant accounting policies of Skinvisible Inc. is presented to assist in understanding the Company's consolidated financial statements. The consolidated financial statements and notes are representations of the Company's management, who are responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America, and have been consistently applied in the preparation of the consolidated financial statements.

Principles of consolidation – The consolidated financial statements include the accounts of the Company and its subsidiaries. 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 of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates include estimates used to review the Company's goodwill, impairments and estimations of long-lived assets, revenue recognition on percentage of completion type contracts, allowances for uncollectible accounts, inventory valuation, and the valuations of non-cash capital stock issuances. The Company bases its estimates on historical experience and on various other assumptions that are believed to be reasonable in the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

Cash and cash equivalents – For purposes of the statement of cash flows, the Company considers all highly liquid investments and short-term instruments with original maturities of six months or less to be cash equivalents. There are $2,520 and $23,318 in cash and cash equivalents as of June 30, 2018 and December 31, 2017 respectively.

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;

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, 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.

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SKINVISIBLE, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

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 June 30, 2018, the Company had not recorded a reserve for doubtful accounts. The Company has $1,135,000 in convertible notes payable which are secured by the accounts receivable of a license agreement the Company has with Women's Choice Pharmaceuticals, LLC on its proprietary prescription product, ProCort®.

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 an Employee Stock Purchase Plan based on the estimated fair values.

Stock based compensation expense recognized under ASC 718-10 for the six months ended June 30, 2018 and 2017 totaled $0 and $115,332, respectively.

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.

Recently issued accounting pronouncements – The Company has evaluated the all recent accounting pronouncements through ASU 2018-06, and believes that none of them will have a material effect on the Company's financial position, results of operations or cash flows except as discussed below.

Revenue from Contracts with Customers. In May 2014, the FASB issued Accounting Standards Update No. 2014-09 (“ASU 2014-09”), which supersedes nearly all existing revenue recognition guidance under U.S. GAAP. The core principle of ASU 2014-09 is to recognize revenues when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled for those goods or services. ASU 2014-09 defines a five step process to achieve this core principle and, in doing so, more judgment and estimates may be required within the revenue recognition process than are required under existing U.S. GAAP. Additionally, the new guidance requires enhanced disclosures about the nature, amount, timing, and uncertainty of revenue and cash flows arising from customer contracts, including revenue recognition policies to identify performance obligations, assets recognized from costs incurred to obtain and fulfill a contract, and significant judgments in measurement and recognition.

In July 2015, the FASB made a decision to defer the effective date of the new standard for one year and permit early adoption as of the original effective date. The Company is has reviewed its revenue streams and does not believe that the adoption of this standard has a material effect on its revenue recognition in 2017 or 2018.

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SKINVISIBLE, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

3. FIXED ASSETS

Fixed assets consist of the following as of June 30, 2018 and December 31, 2017:

	June 30, 2018	**December 31, 2017**
Machinery and equipment	$48,163	$48,163
Furniture and fixtures	113,635	113,635
Computers, equipment and software	39,722	39,722
Leasehold improvements	12,569	12,569
Lab equipment	113,461	113,461
Total	327,550	327,550
Less: accumulated depreciation	(327,314)	(327,191)
Fixed assets, net of accumulated depreciation	$236	$359

Depreciation expense for the six months ended June 30, 2018 and 2017 was $123 and $162, respectively.

4. INVENTORY

Inventory consist of the following as of June 30, 2018 and December 31, 2017:

	June 30, 2018	**December 31, 2017**
Shipping and Packing materials	$8,651	$ 8,684
Finished Goods	3,129	10,433
Raw Materials	6,119	6,906
Total	$17,899	$ 26,023

5. INTANGIBLE AND OTHER ASSETS

Patents and trademarks and other intangible assets are capitalized at their historical cost and are amortized over their estimated useful lives. As of June 30, 2018, intangible assets total $671,070, net of $474,228 of accumulated amortization.

Amortization expense for the six months ended June 30, 2018 and 2017 was $19,041 and $28,117, 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 June 30, 2018.

6. SALE OF EQUITY METHOD INVESTMENT IN OVATION SCIENCES INC.

On September 26, 2017, the Company purchased 5,750,000 shares of common stock of Ovation Science Inc. (“Ovation”) for $32,286 which at the time of purchase the Company represented 99.9% of the then issued and outstanding common stock. Ovation sold shares to investors subsequent to Skinvisible’s’ investment that diluted Skinvisible’s interest to below down to 37.8%.

On March 28, 2018, Skinvisible Inc. sold all 5,750,000 shares of Ovation Science Inc. to its officers and an employee in exchange for an agreement to forgive $500,000 in debt. $240,115 of the debt was convertible debt owed to related parties, accordingly the Company revalued the repurchase of the beneficial conversion feature as of the date of the transaction and recorded a corresponding gain. As of March 28, 2018 the carrying value of the investment in Ovation was $88,158, as a result of the sale the Company recorded a total net gain on sale of its equity method investment of $595,127 related to the sale of Ovation.

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SKINVISIBLE, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

7. STOCK OPTIONS AND WARRANTS

The following is a summary of option activity during the six months ended June 30, 2018.

	Number of Shares	**Weighted Average Exercise Price**
Balance, December 31, 2017	10,600,000	$ 0.03
Options granted and assumed	—	—
Options expired	(500,000)	0.04
Options canceled	—	—
Options exercised	—	—
Balance, June 30, 2018	10,100,000	$ 0.03

As of June 30, 2018, all stock options outstanding are exercisable.

Stock warrants -

The following is a summary of warrants activity during the six months ended June 30, 2018.

	Number of Shares	**Weighted Average Exercise Price**
Balance, December 31, 2017	7,022,975	$ 0.03

Warrants granted and assumed	—	—
Warrants expired	(661,000)	0.03
Warrants canceled	—	—
Warrants exercised	—	—
Balance, June 30, 2018	6,361,975	$ 0.03

All warrants outstanding as of June 30, 2018 are exercisable.

8. NOTES PAYABLE

On May 22, 2013, the Company approved a financing plan to offer accredited investors up to $1,000,000 in secured promissory notes. During the year ended December 31, 2013, the Company entered into twenty-four 9% notes payable to investors and received total proceeds of $1,000,000. The notes are due two years from the anniversary date of execution. The Notes are secured by the US Patent rights granted for the Company's Sunscreen Products: US patent number #8,128,913: "Sunscreen Composition with Enhanced UV-A Absorber Stability and Methods." During the six months ending June 30, 2018 the Company made principal payments of $5,000.

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SKINVISIBLE, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

On May 19, 2014, the Company approved a financing plan to offer accredited investors up to an additional $1,000,000 in secured promissory notes. During the period from May 19, 2014 to March 31, 2015 the Company entered into twenty-seven 9% notes payable to investors and received total proceeds of $1,000,000. The notes were due two years from the anniversary date of execution. The Notes are secured by the US Patent rights granted for the Company's Sunscreen Products: US patent number #8,128,913: "Sunscreen Composition with Enhanced UV-A Absorber Stability and Methods." $1,000,000 in notes have reached their maturity date.

During the period from April 1, 2015 and September 30, 2015, the Company entered into thirteen additional 9% notes payable to investors and received total proceeds of $326,000. The notes were due two years from the anniversary date of execution. The Notes are secured by the US Patent rights granted for the Company's Sunscreen Products: US patent number #8,128,913: "Sunscreen Composition with Enhanced UV-A Absorber Stability and Methods".

On January 27, 2016, the Company entered into a 12% unsecured note payable to an investor and received total proceeds of $33,000. The note was due on May 30, 2016. As of June 30, 2018, no payments had been made towards the principal balance.

As of June 30, 2018, $2,296,875 of the Notes were due in less than 12 months and have been classified as current notes payable.

9. RELATED PARTY TRANSACTIONS

During the six months ended June 30, 2018,$10,000 was paid to officer in settlement of advances provided to the Company in prior years. An additional $7,260 in advances were settled as part of the purchase of Ovation Science Inc. (see note 6 for additional details.)

As of June 30, 2018, $10,000 remained due to related parties as repayment for advanced and loaned monies, all other related party notes have been extinguished or re-negotiated as convertible notes. See note 9.

Ovation license agreement

Skinvisible granted to Ovation, and has assigned its rights under the Canopy Agreement, the exclusive worldwide right to manufacture, distribute, sell, market, sub-license and promote the Products made with cannabis or hemp seed oil including the right to use the subject matter of any Skinvisible patents and trademarks which cover the Products or Polymer. As consideration for the grant of the License and the assignment of the Canopy agreement Ovation agreed to pay Skinvisible Inc. $500,000. $250,000 is due within 90 days of execution of the Agreement and a promissory note for $250,000 is payable upon the earlier of the company completing an initial public offering or March 31, 2018. As of June 30, 2018 Ovation had paid the initial cash payment of $250,000 to Skinvisible Inc. and $90,666 under the promissory note.

The note receivable from Ovation did not bear interest per the agreement as a result the Company has imputed interest in accordance with ASC 835-30. The interest has been recorded as a debt discount and is being amortized over the note term. During the six months ended June 30, 2018, the Company recorded $4,807 in interest income related to the note receivable.

During the year ending December 31, 2017, the Company recorded the full $500,000 in license revenue as earned in accordance with ASU 2016-10.

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SKINVISIBLE, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

10. CONVERTIBLE NOTES PAYABLE

Convertible Notes Payable at consists of the following:	June 30, 2018	December 31, 2017
$1,000,000 face value 9% secured notes payable to investors, due in 2015. 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 beneficial conversion feature has been accreted and charged to interest expenses as a financing expense. The beneficial conversion feature is valued under the intrinsic value method. The notes have reach maturity and are now in default, under the notes default provisions the entire balance is now due upon demand.		
	1,000,000	1,000,000
Original issue discount	-	-
Unamortized debt discount	-	-
Total, net of unamortized discount	1,000,000	1,000,000
$135,000 face value 9% unsecured notes payable to investors, due October 26, 2017. 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 $117,535. The beneficial conversion feature has been accreted and charged to interest expenses as a financing expense. The beneficial conversion feature is valued under the intrinsic value	135,000	135,000

method.

Unamortized debt discount	-	-
Total, net of unamortized discount	135,000	135,000
On February 17, 2016, the Company entered into a convertible promissory note pursuant to which it borrowed $20,000. Interest under the convertible promissory note is 9% per annum, and the principal and all accrued but unpaid interest is due on February 17, 2018. The note is convertible at any time following 90 days after the issuance date at noteholders option into shares of our common stock at a variable conversion price of 90% of the average five day market price of our common stock during the 5 trading days prior to the notice of conversion, subject to adjustment as described in the note. The holder's ability to convert the note, however, is limited in that it will not be permitted to convert any portion of the note if the number of shares of our common stock beneficially owned by the holder and its affiliates, together with the number of shares of our common stock issuable upon any full or partial conversion, would exceed 4.99% of the Company's outstanding shares of common stock.	20,000	20,000
The Company has determined the value associated with the beneficial conversion feature in connection with the notes negotiated on February 27, 2016 to be $14,049. The aggregate beneficial conversion feature feature has been accreted and charged to interest expenses as a financing expense in the amount of $904 during the six months ended June 30, 2018. The beneficial conversion feature is valued under the intrinsic value method		
Unamortized debt discount	-	(904)
Total, net of unamortized discount	20,000	19,096
On August 11, 2016, the Company entered into a convertible promissory note pursuant to which it borrowed $15,000. Interest under the convertible promissory note is 9% per annum, and the principal and all accrued but unpaid interest is due on August 11, 2018. The note is convertible into shares of our common stock at a variable conversion price of 90% of the average market price of our common stock during the 5 trading days prior to the notice of conversion, subject to adjustment as described in the note.	15,000	15,000
The Company has determined the value associated with the beneficial conversion feature in connection with the notes negotiated on August 11, 2016 to be $14,728. The aggregate beneficial conversion feature has been accreted and charged to interest expenses as a financing expense in the amount of $3,652 during the six months ended June 30, 2018. The beneficial conversion feature is valued under the intrinsic value method		
Unamortized debt discount	(847)	(4,499)
Total, net of unamortized discount	14,153	10,501
	10,000	10,000

On January 27, 2017, the Company entered into a convertible promissory note pursuant to which it borrowed $10,000. Interest under the convertible promissory note is 9% per annum, and the principal and all accrued but unpaid interest is due on January 27, 2019. The note is convertible into shares of our common stock at a variable conversion price of 90% of the average market price of our common stock during the 5 trading days prior to the notice of conversion, subject to adjustment as described in the note.

The Company has determined the value associated with the beneficial conversion feature in connection with the notes negotiated on January 27, 2017 to be $2,138. The aggregate beneficial conversion feature has been accreted and charged to interest expenses as a financing expense in the amount of $530 during the six months ended June 30, 2018. The beneficial conversion feature is valued under the intrinsic value method

Unamortized debt discount	(618)	(1,148)
Total, net of unamortized discount	9,382	8,852
	$1,178,535	$1,173,449

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SKINVISIBLE, INC.

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11. CONVERTIBLE NOTES PAYABLE RELATED PARTY

Convertible Notes Payable Related Party at consists of the following:	**June 30, 2018**	**December 31, 2017**
On October 20, 2016, the Company re-negotiated $982,253 of the unsecured notes payable. Under the modified terms the $982,253 face value notes maturity date was extended until December 31, 2019 and adjusted to the current market prices. At the investor’s option until the repayment date, the note can be converted to shares of the Company’s common stock at a fixed price of $0.01 per share along with additional warrants to purchase one share for every two shares issued at the exercise price of $0.02 per share for six years after the conversion date. In accordance with ASC 470, the Company has determined the value associated with the beneficial conversion feature in connection with the re-negotiated notes on October 20, 2016 to be $982,253. The aggregate beneficial conversion feature has been accreted and charged to interest expenses as a financing expense in the amount of $133,166 during the six months ended June 30, 2018. The beneficial conversion feature is valued under the intrinsic value method.	744,137	982,253
One March 28, 2018, $238,115 of the notes were settled as part of the purchase of Ovation Science Inc. (see note 6 for additional details.)		
Unamortized debt discount	(350,070)	(614,434)
On June 30, 2012, the Company re-negotiated accrued salaries and interest for six 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 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 six 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 aggregate beneficial conversion feature has been accreted and charged to	299,316	299,316

interest expenses as a financing expense. The beneficial conversion feature is valued under the intrinsic value method.		
On January 18, 2013, the Company made a $3,990 cash payment to reduce the note balance.		
On October 19, 2016, the Company settled $21,716 of the outstanding balance through the issuance of a new note.		
On July 1, 2017, the Company renewed the outstanding notes. Under the terms of the agreements, the due date of the notes were extended to July 1, 2022. The promissory notes are unsecured, 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 $0.02 per share along with additional warrants to purchase one share for every two shares issued at the exercise price of $0.03 per share for six years after the conversion date. The Company has determined the value associated with the beneficial conversion feature in connection with the modified terms of the notes to be $198,859. The aggregate beneficial conversion feature has been accreted and charged to interest expenses as a financing expense in the amount of $19,673 during the six months ended June 30, 2018. The beneficial conversion feature is valued under the intrinsic value method.		
Unamortized debt discount	(158,985)	(178,658)
On December 30 and 31, 2012, the Company re-negotiated accrued salaries and interest for six 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 six 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 aggregate beneficial conversion feature has been accreted and charged to interest expenses as a financing expense. The beneficial conversion feature is valued under the intrinsic value method.	182,083	182,083
Unamortized debt discount	-	-
On June 30, 2013, the Company re-negotiated accrued salaries and interest for two employees. Under the terms of the agreements, $106,153 of accrued interest and salaries were converted to promissory notes convertible into common stock with a warrant feature. The $106,153 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 six years after the conversion date. The Company has determined the value associated with the beneficial conversion feature in connection with the notes to be $70,768. The aggregate beneficial conversion feature has been accreted and charged to interest expenses	106,152	106,152

as a financing expense in the amount of $7,015 during the six months ended June 30, 2018. The beneficial conversion feature is valued under the intrinsic value method.		
Unamortized debt discount	-	(7,015)
On December 31, 2013, the Company re-negotiated accrued salaries and interest for six employees. Under the terms of the agreements, $142,501 of accrued interest and salaries not previously converted were converted to promissory notes convertible into common stock with a warrant feature. The $142,501 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 six years after the conversion date. The Company has determined the value associated with the beneficial conversion feature in connection with the notes to be $94,909. The aggregate beneficial conversion feature has been accreted and charged to interest expenses as a financing expense in the amount of $9,408 during the six months ended June 30, 2018. The beneficial conversion feature is valued under the intrinsic value method.	142,501	142,501
Unamortized debt discount	(9,563)	(18,971)
On June 30, 2014, the Company re-negotiated accrued salaries and interest for six employees. Under the terms of the agreements, $118,126 of accrued salaries not previously converted were converted to promissory notes convertible into common stock with a warrant feature. The $118,126 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 $0.025 per share along with additional warrants to purchase one share for every two shares issued at the exercise price of $0.03 per share for six years after the conversion date. The Company has determined the value associated with the beneficial conversion feature in connection with the notes to be $118,126. The aggregate beneficial conversion feature has been accreted and charged to interest expenses as a financing expense in the amount of $11,709 during the six months ended June 30, 2018. The beneficial conversion feature is valued under the intrinsic value method.	118,126	118,126
Unamortized debt discount	(23,612)	(35,321)
On September 30, 2014, the Company re-negotiated accrued salaries and interest for two employees. Under the terms of the agreements, $40,558 of accrued salaries not previously converted were converted to promissory notes convertible into common stock with a warrant feature. The $40,558 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 $0.05 per share for six years after the conversion date. The Company has determined the value associated with the beneficial conversion feature in connection with the notes to be $40,466. The aggregate beneficial conversion feature has been accreted and charged to interest expenses as a financing expense in the amount of $4,011 during the six months ended June 30, 2018. The beneficial conversion feature is valued under the intrinsic value method.	40,558	40,558
Unamortized debt discount	(10,128)	(14,139)
	65,295	65,295

On December 31, 2014, the Company re-negotiated accrued salaries and interest for two employees. Under the terms of the agreements, $65,295 of accrued salaries not previously converted were converted to promissory notes convertible into common stock with a warrant feature. The $65,295 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 $0.05 per share for six years after the conversion date. The Company has determined the value associated with the beneficial conversion feature in connection with the notes to be $57,439. The aggregate beneficial conversion feature has been accreted and charged to interest expenses as a financing expense in the amount of $5,692 during the six months ended June 30, 2018. The beneficial conversion feature is valued under the intrinsic value method.		
Unamortized debt discount	(17,270)	(22,962)
On December 31, 2015, the Company re-negotiated accrued salaries and interest for six employees and a director. Under the terms of the agreements, $343,687 of accrued salaries and director fees not previously converted were converted to promissory notes convertible into common stock with a warrant feature. The $343,687 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 $0.02 per share along with additional warrants to purchase one share for every two shares issued at the exercise price of $0.02 per share for six years after the conversion date. The Company has determined the value associated with the beneficial conversion feature in connection with the notes to be $341,703. The aggregate beneficial conversion feature has been accreted and charged to interest expenses as a financing expense in the amount of $40,070 during the six months ended June 30, 2018. The beneficial conversion feature is valued under the intrinsic value method.	329,287	343,687
On March 30, 2018, $14,400 of debt and the associated interest of $3,118 was converted into common stock at a price of $0.036 per share. The company treated the loan modification as a debt repurchase and recorded a corresponding loss on settlement of debt of $8,200.		
Unamortized debt discount	(164,914)	(204,984)
On March 30, 2016, the Company re-negotiated accrued directors fees of 3,600. Under the terms of the agreements, $3,600 of accrued director fees not previously converted were converted to promissory notes convertible into common stock with a warrant feature. The $3,600 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 $0.02 per share along with additional warrants to purchase one share for every two shares issued at the exercise price of $0.02 per share for six years after the conversion date. The Company has determined the value associated with the beneficial conversion feature in connection with the notes to be $864. The aggregate beneficial conversion feature has been accreted and charged to interest expenses as a financing expense in the amount of $53 during the six months ended June 30,	-	3,600

2018. The beneficial conversion feature is valued under the intrinsic value method.		
On March 30, 2018, $3,600 of debt and the associated interest of $779 was converted into common stock at a price of $0.036 per share. The company treated the loan modification as a debt repurchase and recorded a corresponding loss on settlement of debt of $2,050		
Unamortized debt discount	-	(490)
On April 30, 2016, the Company re-negotiated accrued salaries and interest for an employee. Under the terms of the agreements, $33,333 of accrued salaries were converted to promissory notes convertible into common stock with a warrant feature. The $33,333 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 $0.02 per share along with additional warrants to purchase one share for every two shares issued at the exercise price of $0.02 per share for six years after the conversion date. The Company has determined the value associated with the beneficial conversion feature in connection with the notes to be $8,401. The aggregate beneficial conversion feature has been accreted and charged to interest expenses as a financing expense in the amount of $292 during the six months ended June 30, 2018. The beneficial conversion feature is valued under the intrinsic value method.	-	33,333
On March 30, 2018, $33,333 of debt and the associated interest of $6,301 was converted into common stock at a price of $0.03 per share. The company treated the loan modification as a debt repurchase and recorded a corresponding loss on settlement of debt of $7,603.		
Unamortized debt discount	-	(5,927)
On June 30, 2016, the Company re-negotiated accrued salaries and interest for six employees. Under the terms of the agreements, $192,417 of accrued salaries not previously converted were converted to promissory notes convertible into common stock with a warrant feature. The $192,417 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 $0.02 per share along with additional warrants to purchase one share for every two shares issued at the exercise price of $0.02 per share for six years after the conversion date. The Company has determined the value associated with the beneficial conversion feature in connection with the notes to be $28,365. The aggregate beneficial conversion feature has been accreted and charged to interest expenses as a financing expense in the amount of $2,765 during the six months ended June 30, 2018. The beneficial conversion feature is valued under the intrinsic value method.	188,817	192,417
On March 30, 2018, $3,600 of debt and the associated interest of $779 was converted into common stock at a price of $0.036 per share. The company treated the loan modification as a debt repurchase and recorded a corresponding loss on settlement of debt of $2,050		

Unamortized debt discount	(16,466)	(19,837)
On July 8, 2016, the Company re-negotiated accrued salaries and interest for one employee. Under the terms of the agreement, $2,000 of accrued salaries not previously converted were converted to promissory notes convertible into common stock with a warrant feature. The $2,000 face value promissory notes are unsecured, due on December 31, 2021, 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 $0.01 per share along with additional warrants to purchase one share for every two shares issued at the exercise price of $0.02 per share for six years after the conversion date. The Company has determined the value associated with the beneficial conversion feature in connection with the notes to be $1,012. The aggregate beneficial conversion feature has been accreted and charged to interest expenses as a financing expense in the amount of $44 during the six months ended June 30, 2018. The beneficial conversion feature is valued under the intrinsic value method.	-	2,000
One March 28, 2018, $2,000 of the notes were settled as part of the purchase of Ovation Science Inc. (see note 6 for additional details.)		
Unamortized debt discount	-	(738)
On September 30, 2016, the Company re-negotiated accrued directors fees of 3,600. Under the terms of the agreements, $3,600 of accrued director fees not previously converted were converted to promissory notes convertible into common stock with a warrant feature. The $3,600 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 $0.01 per share along with additional warrants to purchase one share for every two shares issued at the exercise price of $0.02 per share for six years after the conversion date. The Company has determined the value associated with the beneficial conversion feature in connection with the notes to be $2,080. The aggregate beneficial conversion feature has been accreted and charged to interest expenses as a financing expense in the amount of $102 during the six months ended June 30, 2018. The beneficial conversion feature is valued under the intrinsic value method.	-	3,600
On March 30, 2018, $3,600 of debt and the associated interest of $779 was converted into common stock at a price of $0.036 per share. The company treated the loan modification as a debt repurchase and recorded a corresponding loss on settlement of debt of $2,050		
Unamortized debt discount	-	(1,559)
	111,056	111,056
On October 19, 2016, the Company re-negotiated two notes with an employee of the Company. Under the terms of the agreements, $111,056 of convertible promissory notes due		

on December 31, 2016 and June 30, 2017 were converted to promissory notes convertible into common stock with a warrant feature. The $111,056 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 $0.01 per share along with additional warrants to purchase one share for every two shares issued at the exercise price of $0.02 per share for six years after the conversion date. The Company has determined the value associated with the beneficial conversion feature in connection with the notes to be $42,924. The aggregate beneficial conversion feature has been accreted and charged to interest expenses as a financing expense in the amount of $4,255 during the six months ended June 30, 2018. The beneficial conversion feature is valued under the intrinsic value method.		
Unamortized debt discount	(28,373)	(32,628)
On December 30, 2016, the Company re-negotiated accrued salaries and interest for six employees. Under the terms of the agreements, $186,375 of accrued salaries not previously converted were converted to promissory notes convertible into common stock with a warrant feature. The $186,375 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 $0.01 per share along with additional warrants to purchase one share for every two shares issued at the exercise price of $0.02 per share for six years after the conversion date. The Company has determined the value associated with the beneficial conversion feature in connection with the notes to be $186,375. The aggregate beneficial conversion feature has been accreted and charged to interest expenses as a financing expense in the amount of $18,294 during the six months ended June 30, 2018. The beneficial conversion feature is valued under the intrinsic value method.	182,775	186,375
On March 30, 2018, $3,600 of debt and the associated interest of $779 was converted into common stock at a price of $0.036 per share. The company treated the loan modification as a debt repurchase and recorded a corresponding loss on settlement of debt of $2,050		
Unamortized debt discount	(128,023)	(149,018)
On July 1, 2017, the Company re-negotiated accrued salaries and interest for six employees. Under the terms of the agreements, $178,439 of accrued salaries not previously converted were converted to promissory notes convertible into common stock with a warrant feature. The $178,439 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 $0.02 per share along with additional warrants to purchase one share for every two shares issued at the exercise price of $0.03 per share for six years after the conversion date. The Company has determined the value associated with the beneficial conversion feature in connection with the notes to be $118,800. The aggregate beneficial conversion feature has been accreted and charged to interest expenses as a financing expense in the amount of $11,776 during the six months ended June 30, 2018. The beneficial conversion feature is valued under the intrinsic value method.	178,439	178,439

Unamortized debt discount	(95,119)	(106,895)
	$1,686,021	1,577,215

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12. STOCKHOLDERS’ DEFICIT

The Company is authorized to issue 200,000,000 shares of $0.001 par value common stock. The Company had 144,830,920 and 136,864,035 issued and outstanding shares of common stock as of June 30, 2018 and December 31, 2017, respectively.

On February 5, 2018 the Company executed an agreement to issue 1,634,565 shares of common stock with a fair value of $39,230 or $0.024 per share to a note holder in settlement of $32,691 in accrued interest. A loss on settlement of debt of $6,540 as a result of the transaction.

On March 13, 2018 the Company executed an agreement to issue 1,560,000 shares of common stock to an individual in settlement of $39,000 in accounts payable. The shares were fair valued on the date of issuance at $35,256 or $0.0226 per share, as a result, a gain on settlement of debt of $3,744 was recorded.

On March 22, 2018 the Company executed an agreement to issue 1,333,320 shares of common stock to a former employee of the Company related to the conversion of debt.

On March 13, 2018 the Company executed an agreement to issue 960,000 shares of common stock to an former director of the Company in settlement of a total of $35,035 in convertible notes.

13. 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 June 30, 2018, are as follows:

2018 - $22,867

2019 - $11,434

Rental expense, resulting from operating lease agreements, approximated $27,101 and $21,275 for the six months ended June 30, 2018 and 2017, respectively.

Kintari Inc. - Previously on April 1, 2016, Skinvisible licensed to Kintari Int. Inc. the exclusive rights to our existing line of cosmeceutical products plus the exclusive rights to any future cosmeceutical products developed by Skinvisible plus the right-of-first-refusal on our existing OTC products plus the right-of-first-refusal to any future OTC products developed by us in exchange for a 100% equity position in Kintari Int. Inc. This inter-company agreement has now been dissolved and all rights still remain with Skinvisible Pharmaceuticals, Inc., as the original intent was for Kintari to operate as its own company; however, this did not transpire. There is no change to the ownership as Skinvisible continues to own 100% of Kintari Int. Inc. and all rights thereof. Kintari USA Inc. continues to sell Kintari branded products through online sales.

Canopy license agreement - On September 15, 2017 Canopy Growth Corporation ("Canopy Growth") and Skinvisible Pharmaceuticals, Inc. ("Skinvisible"), signed a definitive license agreement for Skinvisible's patented topical formulations. Per the agreement, Canopy Growth is exclusively licensed to distribute Skinvisible's topical products in Canada, and shall have a first right of refusal for all other countries, excluding China and the United States.

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The agreement covers two distinct product lines made with Skinvisible's Invisicare® technology. Skinvisible will first develop unique topical hemp-based products that will be launched by Canopy Hemp Corporation in Canada and the United States. The agreement also includes potential cannabis-based topical products using the Invisicare® technology when and if federal regulations permit CBD or THC infused topical products for sale in Canada.

Ovation license agreement – On September 29, 2017, the Company entered into a licensing agreement with Ovation Science Inc.

Payment due under the agreement - As consideration for the grant of the License and the assignment of the Canopy agreement Ovation agreed to pay Skinvisible Inc. $500,000. $250,000 is due within 90 days of execution of the Agreement and a promissory note for $250,000 is payable upon the earlier of the company completing an initial public offering or March 31, 2018. As of June 30, 2018 Ovation had paid the initial cash payment of $250,000 to Skinvisible Inc. and $90,666 under the promissory note.

Rights of Ovation under the agreement - Skinvisible granted to Ovation, subject to its rights granted under the Canopy Agreement, the exclusive worldwide right to manufacture, distribute, sell, market, sub-license and promote the Products including the right to use the subject matter of any Skinvisible patents and trademarks which cover the Products or Polymer.

Skinvisible further assigned to Ovation its interest in the Canopy Agreement. Under the terms of the agreement Ovation is entitled to keep 100% of the royalties, license fees, development fees or any other fees associated with the Products and keep 100% of any future revenues generated under the Canopy Agreement. Ovation assumed and agreed to perform all the remaining and executory obligations of Skinvisible under Ovation’s License.

Skinvisible agreed at allow Ovation to manufacture any of the Invisicare® Polymers required only for the Products and will provide the information and all relevant documentation and instructions necessary to manufacture Invisicare and Products. Ovation shall bear all costs incurred in connection to duties, taxes, importation documentation and costs arising from regulatory requirements in the Territory. Ovation also has the right to hire Skinvisible R&D staff for development of new Products. Ovation shall be entitled to modify, alter, improve, or change (collectively "modify" or "modification") any or all of the Products covered by this Agreement at any time during the term of this Agreement.

16. MERGER AGREEMENT

On March 26, 2018, Skinvisible, Inc. ("***Parent***") entered into an Agreement and Plan of Merger (the "***Merger Agreement***") with Quoin Pharmaceuticals, Inc., a Delaware corporation (the "***Company***"), and Quoin Merger Sub, Inc., a Delaware corporation and wholly-owned subsidiary of Parent ("***Merger Sub***").

The Merger Agreement provides that, subject to the terms and conditions set forth in the Merger Agreement, Merger Sub will merge with and into the Company (the "***Merger***"), with the Company surviving the Merger as a wholly-owned subsidiary of Parent. At the effective time of the Merger, the issued and outstanding common shares of the Company ("***Company Common Shares***") will automatically be converted into the right to receive approximately 72.5% of the outstanding equity of Parent (the "***Merger Consideration***"). Existing Parent shareholders will have a right to the remaining 27.5% of the outstanding equity of Parent, which is subject to diminution if certain indebtedness of Parent is not converted into Parent Common Stock.

Each of the Company, Parent, and Merger Sub has made various representations and warranties and agreed to certain covenants in the Merger Agreement. Parent also has agreed to other covenants in the Merger Agreement, including, without limitation, to cause a special meeting of Parent's shareholders to be held as promptly as practicable to consider and approve the Merger Agreement and the Merger, along with the issuance of the shares of Parent Common Stock in connection with the Merger and a Charter Amendment, including a name change and reverse stock split, and to file a proxy statement with the Securities and Exchange Commission ("***SEC***") relating to such special meeting.

The Merger Agreement contains customary no-solicitation covenants restricting Parent and the Company from soliciting, encouraging, or discussing alternative acquisition proposals from third parties.

Consummation of the Merger is subject to the satisfaction or, if permitted by applicable law, waiver, by Parent, the Company, or both of various conditions, including, without limitation, (i) approval of the Merger Agreement and the Merger by both the Company's and Parent's respective shareholders; (ii) a definitive agreement shall have been executed that provides that Parent shall receive an aggregate of at least $10,000,000 of gross proceeds within five (5) days of the closing of the Merger; (iii) the accuracy of the parties' respective representations and warranties and the performance of their respective obligations under the Merger Agreement; (iv) the absence of the occurrence of a material adverse effect with respect to the Company between the date of the Merger Agreement and closing; (v) the Parent's shareholders shall have approved the Charter Amendment ; (vi) the absence of any law, order, or legal injunction which prohibits the consummation of the Merger or any of the transactions contemplated by the Merger Agreement; and (vii) certain other customary conditions.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

The Merger Agreement contains certain termination rights in favor of the parties, as set forth therein, including, among other things, the right of either party, subject to specified limitations, to terminate the Merger Agreement if the Merger is not consummated by June 30, 2018. Upon the termination of the Merger Agreement under specified circumstances, including the termination of the Merger Agreement by Parent to enter into an acquisition proposal in accordance with the terms of the Merger Agreement made by a third party, Parent may be required to pay the Company a termination fee of up to $300,000.

The Merger Agreement, the Merger, and the transactions contemplated thereby were unanimously approved by the board of directors of the Parent, and unanimously approved by the board of directors of the Company. Both the board of directors of the Company and Parent have recommended that their respective shareholders approve the Merger Agreement and the Merger.

The Merger is expected to close as soon as practicable after the satisfaction or waiver of all the conditions to the closing in the Merger Agreement, which is currently expected to be in the third quarter of calendar year 2018.

Support Agreements

Concurrently with the entry into the Merger Agreement on March 26, 2018, Terry Howlett (Chief Executive Officer of Parent) and Doreen McMorran (Vice President, Business Development & Marketing of Parent) along with Michael Meyers (Chief Executive Officer of the Company) and Denise Carter (Chief Operating Officer of the Company) have executed lock-up agreements (the “***Lock-Up Agreements***”) relating to sales and certain other dispositions of shares of Parent Common Stock or certain other securities for a period of 180 days after the Closing of the Merger.

In addition, Parent will execute an agreement with Mr. Howlett, Ms. McMorran and Dr. Roszell (the “***Parent Related Party Agreement***”) which will provide that within 180 days after the Closing Date the remaining Parent Related Party Indebtedness shall be converted, at the sole election of Parent, into cash or shares of Parent Common Stock which are not subject to any contractual restrictions or vesting requirements.

Finally, Mr. Howlett and Ms. McMorran have entered into a Voting and Support Agreement (the “***Voting Agreement***”), pursuant to which such shareholders have agreed, among other things, to vote all of their Parent Common Shares in favor of the approval of the Merger Agreement at the special meeting of the Parent’s shareholders called to approve the Merger Agreement. The Voting Agreement will automatically terminate upon the termination of the Merger Agreement in accordance with its terms, including upon a termination of the Merger Agreement by the Company pursuant to the Company’s termination rights in the Merger Agreement, or upon any material modification or amendment to the Merger Agreement that materially reduces the Merger Consideration payable to the Company’s shareholders (other than in connection with a Company material adverse effect).

Additional Information for Shareholders

This report relates to the proposed Merger transaction between the Company, Parent, and Merger Sub. The proposed Merger will be submitted to the Company’s and Parent’s shareholders for their consideration and approval. In connection with the proposed Merger, the Parent will file relevant materials with the SEC, including a proxy statement of the Parent. When completed, a definitive proxy statement and a form of proxy will be mailed to the shareholders of the Parent. This report is not a substitute for the proxy statement, circular, or other document(s) that the Company and/or Parent may file with the SEC in connection with the proposed transaction. **The Parent's shareholders are urged to read the proxy statement and other documents filed with the SEC regarding the proposed Merger transaction when they become available because they will contain important information about the Company, Parent, and the proposed Merger transaction itself.** The Parent's shareholders will be able to obtain, without charge, a copy of the proxy statement (when available) and other relevant documents filed with the SEC from the SEC's website at www.sec.gov. The information available through the Parent's website is not and shall not be deemed part of this document or incorporated by reference into other filings the Company makes with the SEC. This communication does not constitute an offer to sell or the solicitation of an offer to buy any securities.

The Parent, and its management may be deemed to be participants in the solicitation of proxies from the Parent's shareholders with respect to the special meeting of shareholders that will be held to consider the matters to be approved by the Parent's shareholders in connection with the Merger transaction. Information about the Parent's directors and executive officers and their ownership of the Parent Common Shares will be set forth in the proxy statement for special shareholder meeting, which will be filed with the SEC on Schedule 14A in the near future. Shareholders may obtain additional information regarding the interests of the Parent and its directors and executive officers in the proposed Merger, which may be different than those of the Parent's shareholders generally, by reading the proxy statement and other relevant documents regarding the proposed merger, when filed with the SEC.

17. SUBSEQUENT EVENTS

In accordance with ASC Topic 855-10, the Company has analyzed its operations subsequent to June 30, 2018 to the date these financial statements were available to be issued and has determined that it does not have any material subsequent events to disclose in these financial statements.

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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.

Recent Developments

Merger with Quoin Pharmaceuticals, Inc.

On March 26, 2018, we entered into an Agreement and Plan of Merger (the "Merger Agreement") with Quoin Pharmaceuticals, Inc., a Delaware corporation (the "Company"), and Quoin Merger Sub, Inc., a Delaware corporation and wholly-owned subsidiary of Parent ("Merger Sub").

The Merger Agreement provides that, subject to the terms and conditions set forth in the Merger Agreement, Merger Sub will merge with and into the Company (the "Merger"), with the Company surviving the Merger as a wholly-owned subsidiary of our company. At the effective time of the Merger, the issued and outstanding common shares of the Company will automatically be converted into the right to receive approximately 72.5% of the outstanding equity of our company (the "Merger Consideration"). Our existing shareholders will have a right to the remaining 27.5% of the outstanding equity in our company, which is subject to diminution if certain indebtedness is not converted into our common stock.

We also have agreed to other covenants in the Merger Agreement, including, without limitation, to cause a special meeting of our shareholders to be held as promptly as practicable to consider and approve the Merger Agreement and the Merger, along with the issuance of the Merger Consideration in connection with the Merger and a Charter Amendment, including a name change and reverse stock split, and to file a proxy statement with the Securities and Exchange Commission ("SEC") relating to such special meeting.

As such, we recently filed a proxy statement with the SEC to approve the Merger, to conduct a reverse split of not less than one-for-ten and not more than one-for-one hundred, with the exact ratio to be set at a whole number within this range, as determined by our board of directors in its sole discretion, and to change our name to Quoin Pharmaceuticals, Inc.

Consummation of the Merger is subject to the satisfaction or, if permitted by applicable law, waiver, by us, the Company, or both of various conditions, including, without limitation, (i) approval of the Merger Agreement and the Merger by both the Company's and our respective shareholders; (ii) a definitive agreement shall have been executed that provides that we shall receive an aggregate of at least $10,000,000 of gross proceeds within five (5) days of the closing of the Merger; (iii) the accuracy of the parties' respective representations and warranties and the performance of their respective obligations under the Merger Agreement; (iv) the absence of the occurrence of a material adverse effect with respect to the Company between the date of the Merger Agreement and closing; (v) our shareholders shall have approved the reverse split and name change ; (vi) the absence of any law, order, or legal injunction which prohibits the consummation of the Merger or any of the transactions contemplated by the Merger Agreement; and (vii) certain other customary conditions.

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The Merger Agreement, as amended, contains certain termination rights in favor of the parties, as set forth therein, including, among other things, the right of either party, subject to specified limitations, to terminate the Merger Agreement if the Merger is not consummated by August 31, 2018. Upon the termination of the Merger Agreement under specified circumstances, including the termination of the Merger Agreement by Parent to enter into an acquisition proposal in accordance with the terms of the Merger Agreement made by a third party, Parent may be required to pay the Company a termination fee of up to $300,000.

The Merger Agreement, the Merger, and the transactions contemplated thereby were unanimously approved by our board of directors and unanimously approved by the board of directors of the Company. Both the board of directors of the Company and our company have recommended that their respective shareholders approve the Merger Agreement and the Merger.

The Merger is expected to close as soon as practicable after the satisfaction or waiver of all the conditions to the closing in the Merger Agreement, which is currently expected to be in the third quarter of calendar year 2018.

Support Agreements

Concurrently with the entry into the Merger Agreement on March 26, 2018, Terry Howlett (Chief Executive Officer of Parent) and Doreen McMorran (Vice President, Business Development & Marketing of Parent) along with Michael Meyers (Chief Executive Officer of the Company) and Denise Carter (Chief Operating Officer of the Company) have executed lock-up agreements (the “Lock-Up Agreements”) relating to sales and certain other dispositions of shares of our common stock or certain other