SKINVISIBLE INC
Form 10-Q
November 14, 2017
**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 **September 30, 2017**

[ ] 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: 132,839,035 common shares as of November 9, 2017

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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 September 30, 2017 and December 31, 2016 (unaudited);

F-2 Consolidated Statements of Operations for the three and nine months ended September 30, 2017 and 2016 (unaudited);

F-3 Consolidated Statements of Cash Flow for the nine months ended September 30, 2017 and 2016 (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 September 30, 2017 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)

| | September 30, 2017 | December 31, 2016 |
|---|---|---|
| ASSETS | | |
| Current assets | | |
| Cash | $91,142 | $3,019 |
| Accounts receivable | 8,062 | 9,974 |
| Inventory | 62,493 | 79,694 |
| Due from related party | 1,145 | 1,145 |
| Collateral deposit | 210,678 | — |
| Prepaid expense and other current assets | — | — |
| Total current assets | 373,520 | 93,832 |
| | | |
| Fixed assets, net of accumulated depreciation of $327,110 and $326,867, respectively | 440 | 683 |
| Intangible and other assets: | | |
| Patents and trademarks, net of accumulated amortization of $443,642 and $401,087, respectively | 216,464 | 245,082 |
| | | |
| Total assets | $590,424 | $339,597 |
| | | |
| LIABILITIES AND STOCKHOLDERS' DEFICIT | | |
| Current liabilities | | |
| Accounts payable and accrued liabilities | $1,126,188 | $808,014 |
| Accounts payable related party | 27,309 | 25,960 |
| Accrued interest payable | 992,326 | 759,757 |
| Loans from related party | 21,150 | 70,270 |
| Loans payable | 2,319,875 | 2,332,900 |
| Convertible notes payable, net of unamortized debt discount of $150,145 and $71,827, respectively | 1,459,184 | 1,329,163 |
| Convertible notes payable related party, net of unamortized discount of $1,568,942 and $1,690,613 respectively | 1,421,849 | 1,121,740 |
| Total current liabilities | 7,367,881 | 6,447,804 |
| | | |
| Total liabilities | 7,367,881 | 6,447,804 |
| | | |
| Stockholders' deficit | | |
| Common stock; $0.001 par value; 200,000,000 shares authorized; 132,648,825 and 123,835,319 shares issued and outstanding at September 30, 2017 and December 31, 2016, respectively | 132,649 | 123,835 |
| Shares payable | 10,000 | 10,000 |
| Additional paid-in capital | 24,665,602 | 23,640,157 |

| | | |
|---|---|---|
| Accumulated deficit | (31,585,428) | (29,882,199) |
| Noncontrolling interest in subsidiary | (280) | — |
| Total stockholders' deficit | (6,777,457) | (6,108,207) |
| Total liabilities and stockholders' deficit | $590,424 | $339,597 |

See Accompanying Notes to Consolidated Financial Statements.

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SKINVISIBLE, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

(UNAUDITED)

| | Three Months Ending September 30, 2017 | Three Months Ending September 30, 2016 | Nine Months Ending September 30, 2017 | Nine Months Ending September 30, 2016 |
|---|---|---|---|---|
| Revenues | $61,423 | $16,807 | $115,679 | $83,258 |
| Cost of revenues | 4,996 | 32,583 | 48,457 | 46,595 |
| Gross profit | 56,427 | (15,776) | 67,222 | 36,663 |
| Operating expenses | | | | |
| Depreciation and amortization | 14,520 | 14,378 | 42,798 | 43,331 |
| Selling general and administrative | 183,522 | 171,574 | 633,970 | 681,917 |
| Total operating expenses | 198,042 | 185,952 | 676,768 | 725,248 |
| Loss from operations | (141,615) | (201,728) | (609,546) | (688,585) |
| Other income and (expense) | | | | |
| Other income | — | — | 4 | 2 |
| Interest expense | (410,654) | (282,262) | (1,093,967) | (891,282) |
| Gain (loss) on extinguishment of debt | — | — | — | 2,592 |
| Total other expense | (410,654) | (282,262) | (1,093,963) | (888,688) |
| Net loss | $(552,269) | $(483,990) | $(1,703,509) | $(1,577,273) |
| Net loss attributable to noncontrolling interest | $(280) | $— | $(280) | $— |
| Net loss to Skinvisible Inc. | $(551,989) | $(483,990) | $(1,703,229) | $(1,577,273) |
| Basic loss per common share | $(0.00) | $(0.00) | $(0.01) | $(0.01) |
| Basic weighted average common shares outstanding | 130,493,434 | 117,919,353 | 126,067,878 | 118,180,911 |

See Accompanying Notes to Consolidated Financial Statements.

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SKINVISIBLE, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(UNAUDITED)

| | Three Months Ended | |
|---|---|---|
| | September 30, 2017 | September 30, 2016 |
| Cash flows from operating activities: | | |
| Net loss | $(1,703,509) | $(1,577,273) |
| Adjustments to reconcile net loss to net cash used in operating activities: | | |
| Depreciation and amortization | 42,798 | 43,331 |
| Stock-based compensation | 162,634 | 133,445 |
| Bank overdraft | — | 1,546 |
| Amortization of debt discount | 614,753 | 428,347 |
| Gain on extinguishment of debt | — | (2,592) |
| Changes in operating assets and liabilities: | | |
| Decrease in inventory | 17,201 | 9,220 |
| Decrease (increase) in accounts receivable | 1,912 | (2,723) |
| Increase in accounts payable and accrued liabilities | 497,962 | 644,025 |
| Increase in accrued interest | 237,909 | 187,074 |
| Net cash used in operating activities | (128,340) | (135,600) |
| Cash flows from investing activities: | | |
| Purchase of fixed and intangible assets | (13,937) | — |
| Net cash used in investing activities | (13,937) | — |
| Cash flows from financing activities: | | |
| Proceeds from investments in subsidiary | 89,545 | — |
| Proceeds from sales of common stock | — | 25,000 |
| Proceeds from related party loans, net of payments | (49,120) | 18,700 |
| Payments on notes payable | (28,025) | (25,600) |
| Proceeds from notes payable | 15,000 | 67,000 |
| Proceeds from convertible notes payable | 220,000 | 98,000 |
| Payments on convertible notes payable | (17,000) | (47,500) |
| Net cash provided by (used in) financing activities | 230,400 | 135,600 |
| Net change in cash | 88,123 | — |
| Cash, beginning of period | 3,019 | — |
| Cash, end of period | $91,142 | $— |

Supplemental disclosure of cash flow information:

| | | |
|---|---|---|
| Cash paid for interest | $6,175 | $17,589 |
| Cash paid for tax | $— | $— |
| | | |
| SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION: | | |
| Non-cash investing and financing activities: | | |
| Accrued expenses converted to notes | $178,439 | $232,950 |
| Beneficial conversion feature | $571,402 | $155,230 |
| Common stock issued on extinguishment of debts | $— | $1,008 |

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. As of September 30, 2017 Skinvisible Inc. owned 58.1% 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 $31,585,428 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.

## 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.

Noncontrolling interest represents the 41.9% third-party interest in Ovation. There are no restrictions on the transfer of funds or net assets from Ovation to Skinvisible.

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 three months or less to be cash equivalents. There are $91,142 and $3,019 in cash and cash equivalents as of September 30, 2017 and December 31, 2016 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.

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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 September 30, 2017, 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 nine months ended September 30, 2017 and 2016 totaled $162,634 and $133,445, 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.

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Recently issued accounting pronouncements – The Company has evaluated the all recent accounting pronouncements through ASU 2017-12, and believes that none of them will have a material effect on the Company's financial position, results of operations or cash flows.

4. FIXED ASSETS

Fixed assets consist of the following as of September 30, 2017 and December 31, 2016:

| | September 30, 2017 | December 31, 2016 |
|---|---|---|
| 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 | (327,110) | (326,867) |
| Fixed assets, net of accumulated depreciation | $440 | $683 |

Depreciation expense for the nine months ended September 30, 2017 and 2016 was $243 and $931, respectively.

5. INVENTORY

Inventory consist of the following as of September 30, 2017 and December 31, 2016:

| | September 30, 2017 | December 31, 2016 |
|---|---|---|
| Shipping and Packing materials | $ 10,228 | $ 10,274 |
| Marketing Supplies | 17,136 | 17,139 |
| Finished Goods | 15,953 | 32,998 |
| Raw Materials | 19,176 | 19,283 |
| Total | $ 62,493 | $ 79,694 |

6. 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 September 30, 2017, intangible assets total $660,105, net of $443,642 of accumulated amortization. Amortization expense for the nine months ended September 30, 2017 and 2016 was $42,555 and $42,400, 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 September 30, 2017.

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7. STOCK OPTIONS AND WARRANTS

The following is a summary of option activity during nine months ended September 30, 2017.

| | Number of Shares | Weighted Average Exercise Price |
|---|---|---|
| Balance, December 31, 2016 | 11,250,000 | $ 0.03 |
| Options granted and assumed | 1,700,000 | $ 0.03 |
| Options expired | 1,650,000 | $ 0.03 |
| Options canceled | — | — |
| Options exercised | — | — |
| Balance, September 30, 2017 | 11,300,000 | $ 0.03 |

As of September 30, 2017, all stock options outstanding are exercisable.

On March 1, 2017, the Company granted stock options for 400,000 options to purchase shares of its common stock to two consultants. The options have a strike price of $0.03. The stock options were exercisable upon grant and have a life of 5 years. The stock options were valued at $14,000 using the Black-Scholes option pricing model. The Company recorded an expense of $14,000 for the nine months ended September 30, 2017.

On March 22, 2017, the Company granted stock options for 200,000 options to purchase shares of its common stock to a consultant. The options have a strike price of $0.03. The stock options were exercisable upon grant and have a life of 5 years. The stock options were valued at $6,000 using the Black-Scholes option pricing model. The Company recorded an expense of $6,000 for the nine months ended September 30, 2017.

On May 18, 2017, the Company granted stock options for 1,000,000 options to purchase shares of its common stock to a consultant. The options have a strike price of $0.03. The stock options were exercisable upon grant and have a life of 5 years. The stock options were valued at $24,999 using the Black-Scholes option pricing model. The Company recorded an expense of $24,999 for the nine months ended September 30, 2017.

On September 22, 2017, the Company granted stock options for 100,000 options to purchase shares of its common stock to a director. The options have a strike price of $0.035. The stock options were exercisable upon grant and have a life of 5 years. The stock options were valued at $35,497 using the Black-Scholes option pricing model. The Company recorded an expense of $35,497 for the nine months ended September 30, 2017.

Stock warrants -

The following is a summary of warrants activity during the nine months ended September 30, 2017.

| | Number of Shares | Weighted Average Exercise Price |
|---|---|---|
| Balance, December 31, 2016 | 4,952,675 | $ 0.03 |
| Warrants granted and assumed | 400,000 | $ 0.03 |
| Warrants expired | 1,000,000 | $ 0.07 |
| Warrants canceled | — | — |
| Warrants exercised | — | — |
| Balance, September 30, 2017 | 4,352,675 | $ 0.03 |

All warrants outstanding as of September 30, 2017 are exercisable.

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## 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 nine months ending September 30, 2017 the Company made principal payments of $0.

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 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." $1,000,000 in notes have reached their initial 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 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".

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 September 30, 2017, no payments had been made towards the principal balance.

On March 31, 2017, the Company entered into a promissory note pursuant to which we borrowed $15,000. Interest under the note is at 0% per annum, and the principal is due on Demand. The note was paid in full on April, 11, 2017.

As of September 30, 2017, $2,319,875 of the Notes were due in less than 12 months and have been classified as current notes payable.

## 9. RELATED PARTY TRANSACTIONS

During the nine months ended September 30, 2017, officers of the Company advanced $4,749 to support the daily operations of the company. The advance is due on demand and bears no interest. $53,869 in advances were repaid during the nine months ending September 30, 2017.

As of September 30, 2017, $21,150 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.

On September 29, 2017 Ovation sold 2,250,000 shares of common stock to three officers and employees of Skinvisible Inc. and received proceeds of $36,471.

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10. CONVERTIBLE NOTES PAYABLE

| Convertible Notes Payable at consists of the following: | September 30, 2017 | December 31, 2016 |
|---|---|---|
| $52,476 face value,10% unsecured note payable to an investor, note interest and principal are due on demand. The note could be converted to option rights for the Company's shares at ten cents per share ($0.10), these rights expired on January 12, 2010. The note is currently in default, but no penalties occur due to default. | $28,476 | $28,476 |
| Unamortized debt discount | — | — |
| Total, net of unamortized discount | 28,476 | 28,476 |
| $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 original issue discount feature has been accreted and charged to interest expenses as a financing expense. The original issue discount 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 | 111,110 | 111,110 |
| Unamortized debt discount | — | — |
| Total, net of unamortized discount | 1,111,110 | 1,111,110 |
| $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 aggregate original issue discount feature has been accreted and charged to interest expenses as a financing expense in the amount of $43,955 during the nine months ended September 30, 2017. The original issue discount feature is valued under the intrinsic value method. | 135,000 | 135,000 |
| Unamortized debt discount | (4,025) | (47,980) |
| Total, net of unamortized discount | 130,975 | 87,020 |
| On February 1, 2016, the Company entered into a convertible promissory note pursuant to which it borrowed $38,000. Interest under the convertible promissory note is 10% per annum, and the principal and all accrued but unpaid interest is due on February 15, 2017. The note is convertible into 1,900,000 shares of the Company's common stock at a price of $0.02 per share and 950,000 warrants exercisable at $0.02 per share. | 36,000 | 38,000 |

| | | |
|---|---|---|
| The Company has determined the value associated with the beneficial conversion feature in connection with the notes negotiated on February 1, 2016 to be $33,164. The aggregate original issue discount feature has been accreted and charged to interest expenses as a financing expense in the amount of $4,055 during the nine months ended September 30, 2017. The beneficial conversion feature is valued under the intrinsic value method | | |
| Unamortized debt discount | — | (4,055) |
| Total, net of unamortized discount | 36,000 | 33,945 |
| 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 original issue discount feature has been accreted and charged to interest expenses as a financing expense in the amount of $5,254 during the nine months ended September 30, 2017. The beneficial conversion feature is valued under the intrinsic value method | | |
| Unamortized debt discount | (2,675) | (7,929) |
| Total, net of unamortized discount | 17,325 | 12,071 |
| 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 original issue discount feature has been accreted and charged to interest expenses as a financing expense in the amount of $5,508 during the nine months ended September 30, 2017. The beneficial conversion feature is valued under the intrinsic value method | | |
| Unamortized debt discount | (6,355) | (11,863) |
| Total, net of unamortized discount | 8,645 | 3,137 |
| On August 31, 2016, the Company entered into a convertible promissory note pursuant to which it settled $50,000 in convertible notes and accrued interest of $3,404. Interest under the convertible promissory note is 10% per annum, and the principal and all accrued but unpaid interest is due on December 31, 2016. The note is convertible into 5,340,283 shares of the Company's common stock at a price of $0.01 per share and 2,670,142 warrants exercisable at $0.02 per share. | — | 53,404 |
| The Company has determined the value associated with the beneficial conversion feature in connection with the notes negotiated on August 31, 2016 to be $32,121. The aggregate | | |

| | | |
|---|---|---|
| original issue discount feature has been accreted and charged to interest expenses as a financing expense in prior years. The beneficial conversion feature is valued under the intrinsic value method<br><br>The Note and all accrued interest was paid in full through the issuance of a new convertible note on August 31, 2017. | | |
| Unamortized debt discount | — | — |
| Total, net of unamortized discount | — | 53,404 |
| 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. | 10,000 | — |
| 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 original issue discount feature has been accreted and charged to interest expenses as a financing expense in the amount of $721 during the nine months ended September 30, 2017. The beneficial conversion feature is valued under the intrinsic value method | | |
| Unamortized debt discount | (1,417 ) | — |
| Total, net of unamortized discount | 8,583 | — |
| On April 7, 2017, the Company entered into a convertible promissory note pursuant to which it borrowed $160,000 and issued 400,000 warrants exercisable at $0.03. Interest under the convertible promissory note is 10% per annum, and the principal and all accrued but unpaid interest is due on January 7, 2018. The note is convertible into shares of our common stock at the lower of a) $0.03 or b) a variable conversion price of 55% of the lowest market price of our common stock during the 15 trading days prior to the notice of conversion, subject to adjustment as described in the note.<br><br>The Company has determined the value associated with the beneficial conversion feature in connection with the notes negotiated on April 7, 2017 to be $160,000. The aggregate original issue discount feature has been accreted and charged to interest expenses as a financing expense in the amount of $102,400 during the nine months ended September 30, 2017. The beneficial conversion feature is valued under the intrinsic value method.<br><br>In accordance with the terms of the agreement the Company issued 400,000 share as a commitment fee, the shares were valued at $14,600 and expensed as stock based compensation. An additional 5,772,006 shares were issued as refundable shares, the shares will only be returned if the Company pays the note and accrued interest in full within 180 days of April 7, 2017. These shares were valued at $210,678 and recorded as collateral deposit. | 160,000 | — |
| Unamortized debt discount | (57,600 ) | — |
| Total, net of unamortized discount | 102,400 | — |
| On August 31, 2017, the Company entered into a convertible promissory note pursuant to which it settled $53,404 in convertible notes and accrued interest of $5,339. Interest under the convertible promissory note is 10% per annum, and the principal and all accrued but unpaid interest is due on August 31, 2018. The note is convertible into 2,937,150 shares of the Company's common stock at a price of $0.02 per share and 1,468,575 warrants | 58,743 | — |

| | | |
|---|---|---|
| exercisable at $0.03 per share. | | |
| The Company has determined the value associated with the beneficial conversion feature in connection with the notes negotiated on August 31, 2016 to be $58,743. The aggregate original issue discount feature has been accreted and charged to interest expenses as a financing expense in the amount of $4,828 during the nine months ended September 30, 2017. The beneficial conversion feature is valued under the intrinsic value method. | | |
| Unamortized debt discount | (53,915 ) | — |
| Total, net of unamortized discount | 4,828 | — |
| On August 4, 2017, the Company entered into a convertible promissory note pursuant to which it borrowed $35,000. Interest under the convertible promissory note is 10% per annum, and the principal and all accrued but unpaid interest is due on February 4, 2018. The note is convertible into shares of our common stock at a variable conversion price of 55% of the lowest market price of our common stock during the 15 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 and warrants issued in connection with the notes negotiated on August 4, 2017 to be $35,000. The aggregate original issue discount feature has been accreted and charged to interest expenses as a financing expense in the amount of $10,842 during the nine months ended September 30, 2017. The beneficial conversion feature is valued under the intrinsic value method. | 35,000 | — |
| In accordance with the terms of the agreement the Company issued 87,500 share as a commitment fee, the shares were valued at $2,188 and expensed as stock based compensation. | | |
| Unamortized debt discount | (24,158 ) | — |
| Total, net of unamortized discount | 10,842 | — |
| | $1,459,184 | $1,329,163 |

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11. CONVERTIBLE NOTES PAYABLE RELATED PARTY

| Convertible Notes Payable Related Party at consists of the following: | September 30, 2017 | December 31, 2016 |
|---|---|---|
| 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 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 negotiated on December 31, 2011 to be $1,123,078. The aggregate beneficial conversion feature has been accreted and charged to interest expenses as a financing expense in the amount of $166,969 during the year ended December 31, 2016. The beneficial conversion feature is valued under the intrinsic value method. In the year ending December 2013, the Company made $51,485 in cash payments to reduce the note balance. The Company settled $89,340 of the outstanding balance through the issuance of a new note on October 19, 2016 | 982,253 | 982,253 |
| 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 three 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 $227,940 during the nine months ended September 30, 2017. The beneficial conversion feature is valued under the intrinsic value method. | | |
| Unamortized debt discount | (693,711 ) | (921,651 ) |
| 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 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 aggregate beneficial conversion | 299,316 | 299,316 |

| | | |
|---|---|---|
| feature has been accreted and charged to interest expenses as a financing expense in the amount of $20,618 during the nine months ended September 30, 2017. 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 three 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 $9,910 during the nine months ended September 30, 2017. The beneficial conversion feature is valued under the intrinsic value method. | | |
| Unamortized debt discount | (188,959 ) | (20,618 ) |
| 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 aggregate beneficial conversion feature has been accreted and charged to interest expenses as a financing expense in the amount of $27,122 during the nine months ended September 30, 2017. The beneficial conversion feature is valued under the intrinsic value method. | 182,083 | 182,083 |
| Unamortized debt discount | (9,262 ) | (36,384 ) |
| 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 | 106,152 | 106,152 |

| | | |
|---|---|---|
| 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 $70,768. The aggregate beneficial conversion feature has been accreted and charged to interest expenses as a financing expense in the amount of $10,543 during the nine months ended September 30, 2017. The beneficial conversion feature is valued under the intrinsic value method. | | |
| Unamortized debt discount | (10,617 ) | (21,160 ) |
| On December 31, 2013, the Company re-negotiated accrued salaries and interest for three 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 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 $94,909. The aggregate beneficial conversion feature has been accreted and charged to interest expenses as a financing expense in the amount of $14,136 during the nine months ended September 30, 2017. The beneficial conversion feature is valued under the intrinsic value method. | 142,501 | 142,501 |
| Unamortized debt discount | (23,808 ) | (37,944 ) |
| On June 30, 2014, the Company re-negotiated accrued salaries and interest for three 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 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 $118,126. The aggregate beneficial conversion feature has been accreted and charged to interest expenses as a financing expense in the amount of $17,595 during the nine months ended September 30, 2017. The beneficial conversion feature is valued under the intrinsic value method. | 118,126 | 118,126 |
| Unamortized debt discount | (41,339 ) | (58,934 ) |
| 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 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 $40,466. The aggregate beneficial conversion feature has been accreted and charged to interest expenses as a financing expense in the amount of $6,026 during the nine months ended September 30, 2017. The beneficial conversion feature is valued under the intrinsic value method. | 40,558 | 40,558 |
| Unamortized debt discount | (16,201 ) | (22,227 ) |
| | 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 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 $57,439. The aggregate beneficial conversion feature has been accreted and charged to interest expenses as a financing expense in the amount of $8,556 during the nine months ended September 30, 2017. The beneficial conversion feature is valued under the intrinsic value method. | | |
| Unamortized debt discount | (25,887 ) | (34,443 ) |
| On December 31, 2015, the Company re-negotiated accrued salaries and interest for three 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 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 $341,703. The aggregate beneficial conversion feature has been accreted and charged to interest expenses as a financing expense in the amount of $50,869 during the nine months ended September 30, 2017. The beneficial conversion feature is valued under the intrinsic value method. | 343,687 | 343,687 |
| Unamortized debt discount | (222,379 ) | (273,248 ) |
| 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 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 $864. The aggregate beneficial conversion feature has been accreted and charged to interest expenses as a financing expense in the amount of $162 during the nine months ended September 30, 2017. The beneficial conversion feature is valued under the intrinsic value method. | 3,600 | 3,600 |
| Unamortized debt discount | (547 ) | (709 ) |
| 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 | 33,333 | 33,333 |

| | | |
|---|---|---|
| along with additional warrants to purchase one share for every two shares issued at the exercise price of $0.02 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 $8,401. The aggregate beneficial conversion feature has been accreted and charged to interest expenses as a financing expense in the amount of $1,104 during the nine months ended September 30, 2017. The beneficial conversion feature is valued under the intrinsic value method. | | |
| Unamortized debt discount | (6,304) | (7,408) |
| On June 30, 2016, the Company re-negotiated accrued salaries and interest for three 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 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 $28,365. The aggregate beneficial conversion feature has been accreted and charged to interest expenses as a financing expense in the amount of $4,224 during the nine months ended September 30, 2017. The beneficial conversion feature is valued under the intrinsic value method. | 192,417 | 192,417 |
| Unamortized debt discount | (21,283) | (25,507) |
| 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 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 $1,012. The aggregate beneficial conversion feature has been accreted and charged to interest expenses as a financing expense in the amount of $138 during the nine months ended September 30, 2017. The beneficial conversion feature is valued under the intrinsic value method. | 2,000 | 2,000 |
| Unamortized debt discount | (785) | (923) |
| 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 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 $2,080. The aggregate beneficial conversion feature has been accreted and charged to interest expenses as a financing expense in the amount of $309 during the nine months ended September 30, 2017. The beneficial | 3,600 | 3,600 |

| | | |
|---|---|---|
| conversion feature is valued under the intrinsic value method. | | |
| Unamortized debt discount | (1,666 ) | (1,975 ) |
| 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 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 $42,924. The aggregate beneficial conversion feature has been accreted and charged to interest expenses as a financing expense in the amount of $6,393 during the nine month ended September 30, 2017. The beneficial conversion feature is valued under the intrinsic value method. | 111,056 | 111,056 |
| Unamortized debt discount | (34,815 ) | (41,208 ) |
| On December 30, 2016, the Company re-negotiated accrued salaries and interest for three 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 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 $186,375. The aggregate beneficial conversion feature has been accreted and charged to interest expenses as a financing expense in the amount of $27,765 during the nine months ended September 30, 2017. The beneficial conversion feature is valued under the intrinsic value method. | 186,375 | 186,375 |
| Unamortized debt discount | (158,508 ) | (186,273 ) |
| On July 1, 2017, the Company re-negotiated accrued salaries and interest for three 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 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 $118,800. The aggregate beneficial conversion feature has been accreted and charged to interest expenses as a financing expense in the amount of $5,920 during the nine months ended September 30, 2017. The beneficial conversion feature is valued under the intrinsic value method. | 178,439 | — |
| Unamortized debt discount | (112,880 ) | — |
| | $1,421,850 | $1,121,740 |

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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 132,648,825 and 123,835,319 issued and outstanding shares of common stock as of September 30, 2017 and December 31, 2017, respectively.

On February 23, 2017, 100,000 shares of the Company's common stock were issued to a consultant for services. The shares were fair valued at $4,000 or $0.04 per share.

On May 1. 2017, the Company entered into a consulting agreement and agreed to issue 1,154,000 shares of the Company's common stock in exchange for three months of services. The shares were valued at $0.025 or $28,850.

On April 7, 2017, the Company entered into a convertible promissory note pursuant to which it borrowed $160,000. In accordance with the terms of the agreement the Company issued 400,000 share as a commitment fee, the shares were valued at $14,600 and expenses as stock based compensation. An additional 5,772,006 shares were issued as refundable shares, the shares will only be returned if the Company pays the note and accrued interest in full within 180 days of April 7, 2017. These shares were valued at $210,678 and recorded as collateral deposit. (See Note 10 for additional details)

On June 19, 2017, the Company entered into a termination agreement with CannaSkin. Per the agreement the Company issued 1,300,000 shares of the Company's common stock as a termination fee. The shares were valued at $0.025 or $32,500.

On August  7, 2017, the Company entered into a convertible promissory note pursuant to which it borrowed $35,000. In accordance with the terms of the agreement the Company issued 87,500 shares as a commitment fee, the shares were valued at $2,188 and expenses as stock based compensation.

### Ovation Science Inc.

Ovation Science Inc. has one class of $0.001 par value common stock. The Company had 9,900,000 issued and outstanding shares of common stock as of September 30, 2017.

On September 26, 2017 Ovation sold 5,750,000 shares of common stock to Skinvisible Inc. and received proceeds of $32,286.

Between September 27, 2017 and September 30, 2017 Ovation sold 4,150,000 shares of common stock to twelve investors and received proceeds of $89,546.

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 September 30, 2017, are as follows:

| | |
|---|---|
| 2017 | 10,421 |
| 2018 | 10,790 |

Rental expense, resulting from operating lease agreements, approximated $34,351 and $32,358 for the nine months ended September 30, 2017 and 2016, 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. and Kintari Canada Inc. both continue to sell Kintari branded products through direct sales and online.

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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.

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.

The Company was paid an initial product development fee of $50,000 related to this agreement and will receive royalties on Canopy sales which utilize its patented formula.

Ovation license agreement – On September 29, 2017, the Company entered into a licensing agreement with Ovation Science Inc. a subsidiary which is 58.1% owned by the Company.

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 September 30, 2017 Ovation had paid $47,500 to Skinvisible Inc. under this agreement.

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.

14. SUBSEQUENT EVENTS

On April 7, 2017, Skinvisible, Inc., entered into a Securities Purchase Agreement with a Purchaser, pursuant to which the Company issued to the Purchaser a Convertible Promissory Note in the aggregate principal amount of $160,000. On October 5, 2017, the Company issued to the Purchaser 5,598,580 shares of common stock in connection with the conversion of Note 1. This issuance of shares to the Purchaser satisfied the note in full.

On August 4, 2017, the Company entered into a second Securities Purchase Agreement with a Purchaser, pursuant to which the Company issued to the Purchaser a Convertible Promissory Note in the aggregate principal amount of $35,000. On October 5, 2017 the Company exercised its right to prepay the Note, and paid the Purchaser a total of $ $35,508 under the terms of the Note satisfying the debt in full.

Subsequent to September 30, 2017 Ovation sold 2,680,547 shares of its common stock to investors and received proceeds of $186,310.65. As of the date of this filing Skinvisible owns 45.7% of the outstanding common stock of Ovation Sciences Inc.

On November 12, 2017, the Company settled a July 26, 2016 Note payable to an investor. The $10,000 face value promissory note was unsecured and carried an interest rate of 10%. The Company paid the noteholder $12,000 under the terms of the Note satisfying the debt in full.

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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 will continue to be to out-license our patented prescription and over-the-counter ("OTC") 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 formed a commercial subsidiary, Kintari Int. Inc. with subsidiaries Kintari USA Inc. and Kintari Canada Inc., in order to take our cosmeceutical and select OTC products with Invisicare to market.

The opportunity for us to license our products continues to be a viable model as 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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Strategic Growth Opportunities

Our growth strategy is to:

1. Generate revenue from direct sales of our cosmeceutical/OTC product line;
2. Generate revenue from online sales and private label / bulk orders of our Kintari branded products;
3. Capitalize on the success of current licensees;
4. Increase the value of our current pipeline; and
5. Boost licensing revenues by securing additional licensees globally and develop a robust royalty revenue stream that will finance our future growth.

***Our Cosmeceutical/OTC Product Line***

*Kintari Int. Inc.*

Kintari Int. Inc. was incorporated in the Province of Alberta, Canada. The company was formed to develop, market and sell Skinvisible Pharmaceuticals, Inc.'s patented skincare products initially in the United States. Kintari Int. Inc. is our wholly-owned subsidiary.

Skinvisible continues to own 100% of Kintari Int. Inc. and all rights thereof. Kintari USA Inc. and Kintari Canada Inc. both continue to sell Kintari branded products through direct sales and online and through strategic alliances.

DermSafe®, our hand sanitizer formulated with Invisicare® and chlorhexidine gluconate has been launched in Canada by our subsidiary Kintari Canada Inc. where it has Health Canada approval. We launched DermSafe in August, 2016 in Canada through our Kintari Canadian website for retail customers only. DermSafe is an alcohol free hand sanitizer that products against 99% of all germs. We are currently seeking licensees and/or distributors to begin the sale of

DermSafe in South America and in the EU.

*Kintari Products in China:*

In June 2017, Skinvisible announced it had completed its first international sale of DermSafe® hand sanitizer through its agent InterSpace Global, Inc. (“InterSpace”). InterSpace is an exporter of “made in USA” products with offices in Salt Lake City, Utah and Shenzhen, China. InterSpace has completed its first sale of DermSafe® with a direct sales company in Shanghai, China. This agreement with InterSpace provides for an efficient export of Skinvisible’s products from the USA and Canada into Greater China (Includes China, Hong Kong, Macau, Taiwan, Singapore, Malaysia and Thailand). It also includes Korea. China with a population of over 1.4 billion people is one of the fastest growing economies in the world and represents a huge market for Skinvisible products, not only for our DermSafe hand sanitizer but also our OTC line of products including our anti-aging skincare line. According to the agreement, InterSpace Global Inc. will sell Kintari products to Chinese consumers through a network of online shopping malls and other channels.

In addition to DermSafe, Skinvisible will supply its Kintari –branded portfolio of globally patented skincare products made with its Invisicare® delivery technology.

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The Kintari product portfolio consists of two anti-aging products to help fight the signs of aging, a broad spectrum sunscreen along with our latest Hand & Body Lotion products. All products are made with our patented Invisicare technology.

Our anti-aging 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 we believe cannot be duplicated.

Our sunscreen is a broad spectrum SPF 30 known as Skinbrella®. We completed independent testing in early 2014 to validate our broad spectrum sunscreen claims according to the labeling guidelines of the FDA, which are designed to help reduce the incidents of skin cancer in the U.S. Our claims are as follows:

- Claim # 1 – Broad-Spectrum: According to the FDA, in order for a sunscreen to be labeled “broad spectrum” it must prove it protects against both UVA and UVB rays by having an SPF (Sun Protection Factor) of at least 15 and a critical wave length of at least 370 nm. Our sunscreen has surpassed both of these criteria, allowing our broad spectrum sunscreen label to also state “prevents sunburn, skin cancer and aging due to the sun.”

- Claim # 2 – Water-Resistant 80 Minutes: The FDA sunscreen water resistant claim requires that a sunscreen must have the same SPF after being in water or sweating for 40 or 80 minutes. Our testing was conducted at an independent laboratory specializing in sunscreen testing. The test involved human subjects that applied sunscreen to their arm, followed by the immersion of the arm into a Jacuzzi for 80 minutes (10 minutes in / 10 minutes out). Our sunscreen successfully completed this testing and is allowed to use “Water-resistant for 80 Minutes” on its sunscreen label, the longest length of time allowed by the FDA.

- Claim # 3 – Unique Patented Technology / Eight-Hour Photostability: As previously announced, we were granted a patent from the United States Patent and Trademark Office entitled “Sunscreen Composition with Enhanced UVA Absorber Stability and Methods”, which provides protection until November 2029. Skinvisible successfully formulated a unique Invisicare® delivery system specifically for stabilizing avobenzone; the key sunscreen used in the USA. Data submitted to the US patent office proved that our sunscreen provides a minimum of eight hours of photostability.

Our Hand & Body Lotion is formulated with five moisturizers including aloe, shea butter, glycerin, coconut oil and jojoba oil, and to help smooth your skin the powerful antioxidant Vitamin E. These ingredients restore and nourish your skin from head to toe.

*Topical and Transdermal Cannabis:*

Skinvisible has successfully formulated high-quality topical and transdermal cannabinoid products containing CBD and in the near future will add THC. CBD has proven to have many therapeutic effects and it does not produce the "high" associated with THC. Cannabinoids have been used for pain management and to treat many skin conditions, from acne, eczema, psoriasis, skin cancer, to anti-aging, due to their anti-oxidant and anti-inflammatory properties. Our Invisicare technology allows for the superior binding of these products to the skin, a controlled release of the cannabinoids both topically and transdermally, as well as providing patent protection.

The business model for our cannabis product line is two-fold: In the United States Skinvisible will seek a licensee in each of the twenty-nine states where cannabis is legalized. Outside of the United States the distribution rules differ. In Canada cannbis is currently legal for medical use only however it is expected to pass recreational / adult use by July 2018. Skinvisible is targeting key cannabis producers to license the exclusive rights for all of Canada. Negociations are underway in both the United States and Canada for these licenses. It should be noted that Skinvisible is an auxillary industry to the cannabis market as we do not produce or sell any products ourselves with cannabis. We will be licensing our patneted Invsicare technology and formulations to potential licensees.

***Capitalize On Current Licensees:***

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*Women’s Choice Pharmaceuticals*

Product: ProCort®, long lasting prescription hemorrhoid cream launched in the United States August 2011. Sales and Royalties: Skinvisible receives a royalty based on net sales of ProCort. 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 continued increased growth in 2017. Women’s Choice is seeking to form other strategic alliances in order to increase its sales efforts by targeting new territories and targeting medical specialists which previously were not called upon.

*Canopy Growth Corporation*

On September 15, 2017, we executed a definitive license agreement with Canopy Growth Corporation ("Canopy Growth") for our patented topical formulations. Per the agreement, Canopy Growth is exclusively licensed to distribute our topical products in Canada, and has the first right of refusal for all other countries, excluding China and the United States where Cannabis is legally approved.

*Ovation Science Inc.*

On September 29, 2017, we entered into an exclusive worldwide licensing agreement with Ovation Science Inc. a subsidiary of Skinvisible and assigned the Canopy license agreement to Ovation. As consideration for the grant of the license and the assignment, Ovation agreed to pay a upfront license fee of $500,000.

In addition the license gives Ovation the right 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 finished product formulations. 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 any or all of the products covered by this agreement at any time during the term of this agreement.

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*Additional Skinvisible Products*

Sunscreen Products

We have developed 3 broad spectrum sunscreens, with SPF 15, 30 and 50 (the highest SPF allowed by the FDA). All are formulated with Avobenzone, the only UVA sun filter allowed under the US FDA monograph. This UVA/UVB sunscreen was granted a patent from the United States patent office in 2013. Avobenzone is known for breaking down in the sun after only two hours – thus the requirement to reapply every 2 hours. Skinvisible's patent was granted based on Invisicare's® minimum 8 hour photo stability. For countries outside the United States, Skinvisible has additionally patented UVA/UVB sunscreens formulated with Tinosorb S.

***Increasing The Value of Skinvisible's 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:

- Launch of our DermSafe® hand sanitizer in Canada either under Kintari or a licensee. An independent laboratory analyzed 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. In 2013, we obtained the registration rights for DermSafe® in Belgium. This designation allows for the sale and/ or registration of DermSafe in most EU countries. A strategy is being developed along with a larger global strategy to bring DermSafe to the EU and. Skinvisible has also commissioned further testing of DermSafe against the (Middle East Respiratory Syndrome Coronavirus (MERS-CoV); a SARS-like virus and the avian influenza A virus, H7N9.

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***Secure Additional Licensees:***

We are in discussions and undergoing internal discussions with various pharmaceutical companies for licenses including a significant potential partnership / joint venture for our prescription products:

- Prescription Bundle: Our strategy is to find a pharmaceutical company that has a strong track record with seeking FDA approval for dermatology products. Our intent is to form a joint-venture with such as company and contribute our entire prescription product portfolio to that joint-venture. Our plan is that the partner/ licensee will pay all costs associated in getting FDA approval. This would allow for a partner to seek FDA approval using the 505.b.2 pathway for one or more of our products and we would share in the increased value of these products once they are approved and licensed. We have multiple interested parties with which we are in discussions, but no agreement for a partnership is yet in place.

**Results of Operations for the Three and Nine Months Ended September 30, 2017 and 2016**

***Revenues***

Our revenue from product sales, royalties on patent licenses and license fees (product development fees) for the three months ended September 30, 2017 was $61,423 an increase from $16,807 for the same period ended September 30, 2016. Our revenue from product sales, royalties on patent licenses and license fees for the nine months ended September 30, 2017 was $115,679, an increase from $83,258 for the same period ended September 30, 2016.

The increase in revenue for the nine months ended September 30, 2017 was mainly due to the initial product development fee of $50,000 related to our license agreement with Canopy Growth. However, our revenues from Kintari product sales dropped approximately $20,000 for the nine months ended September 30, 2017 over the same period ended 2016. We hope to achieve increased quarter over quarter revenues for the rest of 2017, as a result of royalties on our license agreement with Canopy Growth, distribution agreement with Interspace Global, along with our direct and online sales of Kintari products.

***Cost of Revenues***

Our cost of revenues for the three months ended September 30, 2017 decreased to $4,996 from the prior year period when cost of revenues was $32,583. Our cost of revenues for the nine months ended September 30, 2017 increased slightly to $48,457 from the prior year period when cost of revenues was $46,595.

Despite the drop in our product sales, our cost of revenues increased for the nine months ended September 30, 2017 over the prior year period mainly as a result of commissions paid on product sales that we did not experience in 2016.

***Gross Profit (Loss)***

Gross loss for the three months ended September 30, 2017 was $56,427, or approximately 92% of sales. Gross profit for the three months ended September 30, 2016 was ($15,776), or approximately -94% of sales.

Gross profit for the nine months ended September 30, 2017 was $67,222, or approximately 58% of sales. Gross profit for the nine months ended September 30, 2016 was $36,663, or approximately 44% of sales.

The gross margin increase for three and nine months ended September 30, 2017 over the prior year periods is mainly explained by the initial develop fee of $50,000 with Canopy Growth.

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***Operating Expenses***

Operating expenses increased to $198,042 for the three months ended September 30, 2017 from $185,952 for the same period ended September 30, 2016. Operating expenses decreased to $676,768 for the nine months ended September 30, 2017 from $725,248 for the same period ended September 30, 2016.

Our operating expenses for the nine months ended September 30, 2017 consisted mainly of accrued salaries and wages of $278,677, consulting fees of $173,307, audit and accounting expenses of $43,974, depreciation and amortization expenses of $42,798, rent of $34,351 and legal fees of $30,474. In comparison, our operating expenses for the nine months ended September 30, 2016 consisted mainly of accrued salaries and wages of $275,558, consulting fees of $212,501, depreciation and amortization expenses of $43,334, rent of $32,359, accounting and audit expenses of $27,046 and salaries and wages of $20,333.

***Interest Expense***

We had interest expense of $410,654 for the three months ended September 30, 2017, compared with interest expense of $282,262 for the three months ended September 30, 2016. We had interest expense of $1,093,967 for the nine months ended September 30, 2017, compared with interest expenses of $891,282 for the nine months ended September 30, 2016.

We expect to continue to experience high interest payments in the future as a result of our outstanding liabilities. Moreover, as of the date of this report, there are a number of secured promissory notes with an aggregate principal amount of approximately $3,752,985 that have matured. In addition, we also have a number of unsecured promissory notes with an aggregate principal amount of $170,880 that have matured. If we are unable to generate sufficient revenues and/or additional financing to service this debt, there is a risk the lenders will call the notes, secure our assets, as to those applicable secured notes, and demand payment. If this happens, we could go out of business.

***Net Loss***

We recorded a net loss of $552,269 for the three months ended September 30, 2017, as compared with a net loss of $483,990 for the three months ended September 30, 2016. We recorded a net loss of $1,703,509 for the nine months ended September 30, 2017, as compared with a net loss of $1,577,273 for the nine months ended September 30, 2016.

**Liquidity and Capital Resources**

As of September 30, 2017, we had total current assets of $373,520 and total assets in the amount of $590,424. Our total current liabilities as of September 30, 2017 were $7,367,881. We had a working capital deficit of $6,994,361 as of September 30, 2017.

Operating activities used $128,340 in cash for the nine months ended September 30, 2017, as compared with $135,600 for the nine months ended September 30, 2016. Our net loss of $1,703,509 was the main component of our negative operating cash flow for the nine months ended September 30, 2017, offset mainly by amortization of debt discount of $614,753, an increase in accounts payable and accrued liabilities of $497,962, an increase in accrued interest of $237,909 and stock based compensation of $162,634. Our net loss of $1,577,273 was the main component of our negative operating cash flow for the nine months ended September 30, 2016, offset mainly by an increase in accounts payable and accrued liabilities of $644,025, amortization of debt discount of $428,347, an increase in accrued interest of $187,074 and stock based compensation of $133,445.

Investing activities used $13,937 in cash for the nine months ended September 30, 2017 for the purchase of fixed and intangible assets, compared to no cash used for the same period ended September 30, 2016.

Cash flows provided by financing activities during the nine months ended September 30, 2017 amounted to $230,400, as compared with $135,600 for the nine months ended September 30, 2017. Our cash flows for the nine months ended September 30, 2017 consisted of $220,000 in proceeds from convertible notes payable, $89,545 in proceeds received from the sale of 4,150,000 shares of common stock to twelve investors in our subsidiary Ovation and $15,000 in proceeds from notes payable, offset by $49,120 in proceeds from related party loans, net of payments, $28,025 in payments on notes payable and $17,000 in payments on convertible notes payable. Our cash flows for the nine months ended September 30, 2016 consisted of $98,000 in proceeds from convertible notes payable, $67,000 in proceeds from notes payable, $25,000 in proceeds from the sale of our common stock and $18,700 in related party debt, offset by $47,500 in payments on convertible debt and $25,600 in payments on notes payable.

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The features of the debt instruments and payables concerning our financing activities are detailed in the footnotes to our financial statements.

On October 5, 2017, we were able to retire two convertible notes for $35,508 in cash and 5,598,580 shares of common stock.

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 September 30, 2017, 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 $31,585,428 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.

*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.

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*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 September 30, 2017, 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®.

**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 September 30, 2017. 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 September 30, 2017, 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 September 30, 2017, 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, 2017: (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 September 30, 2017 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**

We are not a party to any pending legal proceeding. 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**

See risk factors included in our Annual Report on Form 10-K for the year ended December 31, 2016 filed on April 17, 2017.

**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 an Annual Report on Form 10-K, Quarterly Report on Form 10-Q or Current Report on Form 8-K.

On June 19, 2017, we entered into a termination agreement with CannaSkin. Per the agreement we issued 1,300,000 shares of our common stock as a termination fee. The shares were valued at $0.025 or $32,500.

On July 1, 2017, we re-negotiated accrued salaries and interest for three 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 our 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 three years after the conversion date.

On August 7, 2017, we entered into a convertible promissory note pursuant to which we borrowed $35,000. In accordance with the terms of the agreement we issued 87,500 shares as a commitment fee.

On September 22, 2017, we issued to our director, David St. James, a 3 year option to purchase 100,000 shares of our common stock with an exercise price of $0.035 per share in connection with his appointment to our board of directors.

On October 5, 2017, we issued to the Labrys Fund, LP 5,598,580 shares of common stock in connection with the conversion of an April 7, 2017 convertible promissory note.

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

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**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 September 30, 2017 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: November 14, 2017

By: /s/ Terry Howlett

Terry Howlett

Title: Chief Executive Officer, Chief Financial Officer and Director