

SKINVISIBLE INC
Form 10-K
April 15, 2019

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-K

ANNUAL REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended **December 31, 2018**

TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT

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)

(I.R.S. Employer Identification No.)

6320 South

Sandhill Road,

Suite 10, Las

Vegas, NV

89120

(Address of
principal executive (Zip Code)
offices)

Registrant's
telephone number:

702.433.7154

Securities registered under Section 12(b) of the Exchange Act:

| Title of each class | Name of each exchange on which registered |
|---------------------|---|
| <u>None</u> | <u>not applicable</u> |

Securities registered under Section 12(g) of the Exchange Act:

Title of each class
Common Stock, par value \$0.001

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes [] No [X]

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes [] No [X]

Indicate by checkmark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes [X] 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 (§ 232.405 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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Yes [] No [X]

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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 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.

State the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, or the average bid and asked price of such common equity, as of the last business day of the registrant's most recently completed second fiscal quarter. \$2,388,180

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date. 2,896,689 common shares as of April 4, 2019

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PART I

Item 1. Business

Recent Developments

Merger with Quoin Pharmaceuticals, Inc.

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

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

We also have agreed to other covenants in the Merger Agreement, including, without limitation, to cause a special meeting of our shareholders to be held as promptly as practicable to consider and approve the Merger Agreement and the Merger, along with the issuance of the Merger Consideration in connection with the Merger and a Charter Amendment, including a name change and reverse stock split, and to file a proxy statement with the Securities and Exchange Commission (“SEC”) relating to such special meeting. We have set the meeting date for November 26, 2018.

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

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

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

The Merger Agreement, the Merger, and the transactions contemplated thereby were unanimously approved by our board of directors and unanimously approved by the board of directors of the Company. Both the board of directors of the Company and our company have recommended that their respective shareholders approve the Merger Agreement and the Merger. The Merger is expected to close as soon as practicable after the satisfaction or waiver of all the conditions to the closing in the Merger Agreement, which is currently expected to be in the second quarter of calendar year 2019.

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Support Agreements

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

In addition, our wholly owned subsidiary, Skinvisible Pharmaceuticals, Inc., executed agreements with Mr. Howlett, Ms. McMorran and Dr. James A. Roszell (the “Share Transfer Agreements”). The Share Transfer Agreements provide that in exchange for the immediate cancellation of \$500,000 of the Parent Related Indebtedness, simultaneously with entry into the Merger Agreement, Skinvisible Pharmaceuticals, Inc. will transfer 100% of the shares in Ovation Science Inc. (“Ovation”) to these related parties. We will execute an agreement with Mr. Howlett, Ms. McMorran and Dr. Roszell (the “Parent Related Party Agreement”) which will provide that within 180 days after the Closing Date the remaining Parent Related Party Indebtedness shall be converted, at the sole election of our company, into cash or shares of our common stock, which are not subject to any contractual restrictions or vesting requirements.

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

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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Our Flagship Product

Pivotal to our success is our patented polymer delivery system technology Invisicare. Invisicare is a patented polymer delivery system that enhances the delivery of active ingredients for topically applied skin care products. Its patented technology has a unique formula and process for combining active ingredients with a delivery system that extends the duration of time the product remains on the skin and active.

Invisicare is specifically formulated to carry water insoluble active and certain cationic active ingredients in water-based products without the use of alcohol, silicones, waxes, or other organic solvents. Products utilizing Invisicare have the proven ability to bond active ingredients to the skin for up to four hours and longer. They are non-occlusive and allow normal skin respiration and perspiration while moisturizing and protecting against exposure from a wide variety of environmental irritants.

When topically applied, these formulated products adhere to the skin's outer layers, forming a protective bond, resisting wash-off, and delivering targeted levels of therapeutic or cosmetic skincare agents to the skin. They allow enhanced delivery performance for a variety of skincare agents resulting in improved efficacy, longer duration of action, reduced irritation and lower dosage of active agent required. The "invisible" polymer compositions wear off as part of the natural exfoliation process of the skin's outer layer cells.

The advantage of products formulated with Invisicare is (1) Invisicare's ability to bind active ingredients (the drug) to the skin, forming a protective bond on the skin, for extended periods of time - some up to eight hours or more; (2) Invisicare can deliver targeted levels (high or low) of therapeutic or cosmetic ingredients to the skin in a controlled release; (3) Invisicare can help to reduce the irritation of some active ingredients due to how it controls the slower release of that active ingredient; and (4) Invisicare science proves that it provides a protective skin barrier which helps retain the natural moisture content of the skin, while still allowing it to breathe. These benefits present an excellent opportunity for clear scientific advantages and marketing messages which resonate with physicians and consumers.

The Market

The dermatology market is large, with over 80% of Americans affected by some kind of skin condition in their lifetime. The worldwide market for dermatology products including prescription, OTC and cosmeceuticals is estimated at \$80 billion.

Company History

We formed Skinvisible Pharmaceuticals, Inc. (“Skinvisible”), in March 1998 and purchased the exclusive worldwide manufacturing and marketing rights for a polymer delivery system invention now called Invisicare® from the inventor for \$2 million. We have continued to develop the Invisicare technology and subsequent product development resulting in over seven series of Invisicare and over forty unique, patented formulations offering distinctive benefits that differentiate them significantly from other leading products in the marketplace.

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What We Do

We have positioned ourselves in the \$80 billion worldwide prescription and over-the-counter dermatology and skincare market. We generate revenue by:

- **DIRECT SALES:** We develop topical over-the-counter products enhanced with Invisicare to sell directly into the market through our wholly-owned subsidiary, Kintari Int. Inc. These products are also sold online at www.Kintari.com as well as having the potential to be private labeled for companies outside of the USA and Canada;
- **LICENSING:** We develop topical prescription and over-the-counter products enhanced with Invisicare to license to pharmaceutical and consumer goods companies around the world for an upfront fee and ongoing royalties;
- **CO-DEVELOPMENT:** We assist pharmaceutical clients in the early development of the most optimal formulation, which they then take forward into clinical testing;
- **LIFE CYCLE MANAGEMENT:** We provide cost-effective solutions to global pharmaceutical companies by reformulating their products coming off patent with a new Invisicare patent and new product benefits and line extensions. Pharmaceutical companies are under a lot of pressure to develop innovative strategies to counteract the revenue loss from their drugs coming off patent.

Corporate Ownership

We are a publicly traded company under the symbol SKVI, quoted on the OTC markets since February 1999 and currently trading on the OTCQB in the United States.

We carry on business primarily through our wholly owned subsidiaries: Skinvisible Pharmaceuticals, Inc. a Nevada corporation, and Kintari Int. Inc., a Canadian corporation.

Patents

We have fourteen patents granted, including comprehensive patents on Invisicare, the foundation of all of our products; three in the United States, and internationally in Canada, Europe (4), China, India, Australia, Hong Kong, and Korea. The Invisicare patents cover manufacturing, composition and use. Additionally, we have been granted product specific patents in the United States for dermal barrier products, sunscreens (photostability of avobenzone), retinoids (stabilization), cationic products and acne products.

Our value lies in our ability to continually generate new IP on dermatology and medical products formulated with Invisicare. Patent approvals are sought (initially in the United States, and later internationally) for all products developed. All patents with Invisicare are owned by us.

Trademarks

When developing new products using Invisicare, we file for both patent and trademark protection. We have been granted trademarks in the U.S. and Canada for the following names:

- Skinvisible® w Invisicare® w JUSTCARE® w Work Gluv® w Bare Sunless Tanning® w Kintari® w Skinbrella®

Revenue generation: We receive a combination of five revenue streams including:

- Sales of our cosmeceutical product line through our wholly-owned subsidiary, Kintari Int. Inc.
- Research and development fees;
- Upfront license fee;
- Ongoing royalties based on product sales;
- Licensees purchase Invisicare polymers from us. The polymers make up 6-8% of each final product formulation for OTC and cosmetic formulas and less for prescription formulas.

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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.

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:

Skinvisible has an agreement in place with InterSpace Global, Inc. InterSpace Global Inc. is an exporter of “Made in USA” products and has offices in Salt Lake City, Utah and Shenzhen, China. This agreement 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, Korea and Thailand).

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.

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.

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Our sunscreen is a broad spectrum SPF 30 known as Skinbrella®. We completed independent testing 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.

Cannabis Products

On September 15, 2016, we licensed the exclusive world rights to our topical and transdermal cannabis products formulated with Invisicare to CannaSkin, LLC, a cannabis product licensing company with international contacts in the medical marijuana industry. This agreement was canceled on June 28, 2017 and all rights reverted back to Skinvisible.

In September 2017 Skinvisible formed a wholly-owned Canadian subsidiary called Ovation Science Inc. (“Ovation”). Ovation was subsequently granted worldwide rights to Invisicare products formulated with cannabis or hemp seed oil. A license agreement with Canopy Growth Inc. for the Canadian rights was also assigned to Ovation. This was followed by a license agreement with Lighthouse Strategies, LLC for the US rights in dispensaries and the non-exclusive rights outside of dispensaries in the USA. A term of the potential merger agreement with Quoin Pharmaceuticals, Inc. involves Skinvisible Related Parties to assume Skinvisible’s ownership in Ovation in lieu of payment of a portion of outstanding debt.

Capitalize On Current Licensees:

We have: Avon Products globally and Women's Choice Pharmaceuticals in the United States.

We continue to work diligently with our licensees to ensure they have a smooth manufacturing process, ongoing R&D support and marketing feedback.

Avon Products, Inc.

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

Sales: Invisicare polymers are purchased directly from Skinvisible.

Women's Choice Pharmaceuticals

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

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Sales and Royalties: Skinvisible receives a royalty based on net sales of ProCort. Women's Choice has been successfully growing their sales of ProCort®

Additional Skinvisible Products

Sunless Tanning Products

We have developed a sunless tanning mousse / foam which uses a unique foam with Invisicare®, developed specifically for its foaming properties. This adds to Skinvisible's line of sunless tanning products which includes sunless tanning lotions (light, medium and dark), pre-sun moisturizer and after-sun moisturizer along with sunless tanning spray products for commercial use. The addition of a sunless tanning mousse enhances this line of 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:

- Our clinical strategy is to find a partner for our prescription product portfolio. This would allow for a partner to seek FDA approval using the 505b2 pathway for one or more of our products.

- Expand the availability of our DermSafe® hand sanitizer in China and other countries internationally. A strategy is being developed along with a larger global strategy to bring DermSafe to the EU and Asia.

Secure Additional Licensees:

We are in discussions and undergoing internal discussions with various pharmaceutical companies for licenses.

To facilitate further expansion, we are seeking an exclusive license with a proven US or global based Pharmaceutical Company for our existing Rx product formulations. The licensee would be expected to pay all costs in getting FDA approval. The licensee would pay Skinvisible for the license in milestone payments as Clinical Phases are proven.

Competition

Market research indicates there is reasonably limited direct competition for Invisicare and patented products in terms of performance capabilities for topically administered skin products. Many companies are seeking unique delivery systems to enhance their portfolio and purchasing companies that have delivery technology.

Some of the companies involved in developing delivery technology are listed below. However, none of these competitors offer the same advantages of Invisicare principally the “long-term staying power” and the ability to control the release of active ingredients on the skin.

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- GSK through its subsidiary, Stiefel Laboratories Inc., purchased Connetics Corporation for approximately \$640 million in the fall of 2006. (Subsequently in 2009, Stiefel, with \$900 million in sales, was purchased by GlaxoSmithKline for \$3.9 billion – at 4 times revenue). Connetics has a patented foam delivery technology.
- Foamix Ltd is a drug development company with its head office in Israel. It has developed five platforms which use a foam delivery technology and is used in products like Rogaine®.
- A.P. Pharma sold its acne and actinic keratosis products made with its patented Microsponge® delivery system to two companies for a reported \$30 million; Johnson & Johnson purchased the Retin-A Micro® product line, with revenues of \$110 million in the US in 2006 and sanofi-aventis purchased Carac®, a product used to treat actinic keratosis, with \$11 million in sales in 2001.

Government Regulation

Cosmetic and Skin Care Regulation

Depending upon product claims and formulation, skin care products may be regulated as cosmetics, drugs, devices, or combination cosmetics and drugs. We currently only market cosmetic skin care products and are evaluating entry into the pharmaceutical market. The FDA has authority to regulate cosmetics marketed in the United States under the FDCA and the Fair Packaging and Labeling Act (“FPLA”) and implementing regulations. The Federal Trade Commission (the “FTC”) regulates the advertising of cosmetics under the FTCA.

The FDCA prohibits the marketing of adulterated and misbranded cosmetics. Cosmetic ingredients must also comply with the FDA’s ingredient, quality, and labeling requirements and the FTC’s requirements pertaining to truthful and non-misleading advertising. Cosmetic products and ingredients, with the exception of color additives, are not required to have FDA premarket approval. Manufacturers of cosmetics are also not required to register their establishments, file data on ingredients, or report cosmetic-related injuries to the FDA.

We will be responsible for substantiating the safety and product claims of the cosmetic products and ingredients before marketing. The FDA or FTC may disagree with our characterization of one or more of the skin care products as a cosmetic or the product claims. This could result in a variety of enforcement actions which could require the reformulation or relabeling of our products, the submission of information in support of the product claims or the safety and effectiveness of our products, or more punitive action, all of which could have a material adverse effect on our business. If the FDA determines we have failed to comply with applicable requirements under the FDCA or FPLA, it can impose a variety of enforcement actions from public warning letters, injunctions, consent decrees, and civil penalties to seizure of our products, total or partial shutdown of our production, and criminal prosecutions. If any of these events were to occur, it could materially adversely affect us. If the FTC determines we have failed to substantiate our claims, it can pursue a variety of actions including disgorgement of profits, injunction from further violative conduct, and consent decrees.

Domestic State and Local Government Regulation

Some states and local governments in the United States regulate the labeling, operation, sale, and distribution of our skin care products. To the extent additional state or local laws apply, we intend to comply with them.

Foreign Government Regulation

In general, we will need to comply with the government regulations of each individual country in which our products are to be distributed and sold. These regulations vary in complexity and can be as stringent, and on occasion even more stringent, than FDA regulations in the United States. The level of complexity and stringency is not always precisely understood today for each country, creating greater uncertainty for the international regulatory process. Furthermore, government regulations can change with little to no notice and may result in up-regulation of our product(s), thereby creating a greater regulatory burden for us. We have not yet thoroughly explored the applicable laws and regulations that we will need to comply with in foreign jurisdictions. As a result it is possible that we may not be permitted to sell our products in foreign markets or expand our business into one or more foreign jurisdictions.

Environmental Laws

We are not subject to any significant or material environmental regulation in the normal operation of our business.

Employees

Currently, we have four employees, including our CEO Terry Howlett. All our employees with the exception of our bookkeeper are full-time employees.

Subsidiaries

We conduct our operations through our wholly-owned subsidiaries, Skinvisible Pharmaceuticals, Inc. and Kintari Int. Inc.

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Item 1A. Risk Factors

Risks Related to Our Financial Condition and our Business

Our investors may lose their entire investment because our financial status creates a doubt whether we will continue as a going concern.

Our auditors, in their opinion dated April 12, 2019 have stated that currently we do not have sufficient cash nor do we have a significant source of revenues to cover our operational costs and allow us to continue as a going concern. We seek to raise operating capital to implement our business plan in an offering of our common stock. Our company's plan specifies a minimum amount of \$500,000 in additional operating capital to operate for the next twelve months. However, there can be no assurance that such offering will be successful. You may lose your entire investment

Our failure to raise additional capital or generate cash flows necessary to expand our operations could reduce our ability to compete successfully and adversely affect our results of operations.

We need to raise additional funds to achieve our future strategic objectives, and we may not be able to obtain additional debt or equity financing on favorable terms, if at all. If we engage in debt financing, we may be required to accept terms that restrict our ability to incur additional indebtedness, force us to maintain specified liquidity or other ratios or restrict our ability to pay dividends or make acquisitions. If we need additional capital and cannot raise it on acceptable terms, we may not be able to, among other things:

- § launch, develop and enhance our existing products;
- § continue to expand our product base, sales and/or marketing efforts;
- § hire, train and retain employees; or
- § respond to competitive pressures or unanticipated working capital requirements.

Our inability to do any of the foregoing could reduce our ability to compete successfully and adversely affect our results of operations.

If our products are not deemed desirable and suitable for purchase and we cannot establish a customer base, we may not be able to generate sufficient revenues, which would result in a failure of the business and a loss of any investment one makes our company.

The acceptance of our products is critically important to our success. We cannot be certain that the products that we will be offering will be appealing and as a result there may not be any demand for these products and our sales could be limited and we may never realize any significant revenues. In addition, there are no assurances that if we alter or change the products we offer in the future that the demand for these new products will develop and this could adversely affect our business and any possible revenues.

If demand for the products that we plan to offer slows, then our business would be materially affected.

Demand for products, which we intend to sell, depends on many factors, including:

- § the economy, and in periods of rapidly declining economic conditions, customers may defer luxury purchases or may choose alternate products;
- § the competitive environment in the skin care sector may force us to reduce prices below our desired pricing level or increase promotional spending;
- § our ability to anticipate changes in consumer preferences and to meet customers' needs for skin care products in a timely cost-effective manner;
- § our ability to maintain efficient, timely and cost-effective production and delivery of the products and services; and,
- § our ability to identify and respond successfully to emerging trends in the skin care and personal care industries.

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For the long term, demand for the products we plan to offer may be affected by:

§ the ability to establish, maintain and eventually grow market share in a competitive environment; our ability to deliver our products in the markets we intend to service, changes in government regulations, currency fluctuations, natural disasters, pandemics and other factors beyond our control may increase the cost of items we purchase, create communication issues or render product delivery difficult which could have a material adverse effect on our sales and profitability; and

§ restrictions on access to North American markets and supplies.

All of these factors could result in immediate and longer term declines in the demand for the products that we plan to offer, which could adversely affect our sales, cash flows and overall financial condition.

Because we are new in the marketplace, we may not be able to compete effectively and increase market share.

Our current and potential competitors may have longer operating histories, significantly greater resources and name recognition, and a larger base of customers than we have. Our competitors may also be able to adopt more aggressive pricing policies and devote greater resources to the development, marketing and sale of their products and services than we can. To be competitive, we must continue to invest significant resources in sales and marketing. We may not have sufficient resources to make these investments or to develop the technological advances necessary to be competitive, which in turn will cause our business to suffer and restrict our profitability potential.

Because we rely on third parties to manufacture our products, we are subject to factors outside of our control to meet our standards or timelines.

Our products are manufactured by three third-party manufacturing companies on a purchase order basis. No contractual arrangement are currently in place, except for standard confidentiality agreements. We are dependent on the timeliness and effectiveness of our third-part manufacturers' efforts.

Failure or lack of reliability in the manufacture of our products is likely to result in loss of business. Among other risks:

§ Our products may fail to provide the expected results;

§ We may experience limited availability of quality ingredients for manufacturing;

§ We may experience poor quality manufacturing;
§ Our products may have new competition from other companies attempting to duplicate our formulas; and
§ Our customers could experience results different from our test results.

Like other retailers, distributors and manufacturers of skin care and personal care products, we face an inherent risk of exposure to product liability claims in the event that the use of the products that we sell results in injury.

We may be subjected to various product liability claims, including claims that the products we sell contain contaminants, are improperly labeled or include inadequate instructions as to use or inadequate warnings concerning side effects and interactions with other substances. In addition, we may be forced to defend lawsuits. We cannot predict whether product liability claims will be brought against us in the future or the effect of any resulting adverse publicity on the business. Moreover, we may not have adequate resources in the event of a successful claim against us. The successful assertion of product liability claim against us could result in potentially significant monetary damages. In addition, interactions of the products with other similar products, prescription medicines and over-the-counter drugs have not been fully explored.

We may also be exposed to claims relating to product advertising or product quality. People may purchase our products expecting certain physical results, unique to skin care and personal care products. If they do not perceive expected results to occur, certain individuals or groups of individuals may seek monetary retribution.

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If our products become contaminated, our business could be seriously harmed.

We have adopted various quality, environmental, health and safety standards. However, our products may still not meet these standards or could otherwise become contaminated. A failure to meet these standards or contamination could occur in our operations or those of our bottlers, manufacturers, distributors or suppliers. Such a failure or contamination could result in expensive production interruptions, recalls and liability claims. Moreover, negative publicity could be generated even from false, unfounded or nominal liability claims or limited recalls. Any of these failures or occurrences could negatively affect our business and financial performance.

Our business may be adversely affected by unfavorable publicity within the skin care markets.

Management believes that the skin care market and personal care markets are significantly affected by national media attention. As with any retail provider, future scientific research or publicity may not be favorable to the industry or to any particular product, and may not be consistent with earlier favorable research or publicity. Because of our dependence on consumers' perceptions, adverse publicity associated with illness or other adverse effects resulting from the use of our products or any similar products distributed by other companies and future reports of research that are perceived as less favorable or that question earlier research, could have a material adverse effect on our business, financial condition and results of operations. We are highly dependent upon consumers' perceptions of the safety and quality of the products as well as similar products distributed by other companies. Thus, the mere publication of reports asserting that skin care or personal care products may be harmful or questioning their efficacy could have a material adverse effect on our business, financial condition and results of operations, regardless of whether such reports are scientifically supported or whether the claimed harmful effects would be present at the dosages recommended for such products.

As we intend to conduct international business transactions, we will be exposed to local business risks in different countries, which could have a material adverse effect on our financial condition or results of operations.

We intend to promote and sell our products internationally. Our international operations will be subject to risks inherent in doing business in foreign countries, including, but not necessarily limited to:

- § new and different legal and regulatory requirements in local jurisdictions;
- § potentially adverse tax consequences, including imposition or increase of taxes on transactions or withholding and other taxes on remittances and other payments by subsidiaries;
- § risk of nationalization of private enterprises by foreign governments;
- § legal restrictions on doing business in or with certain nations, certain parties and/or certain products; and,

local economic, political and social conditions, including the possibility of hyperinflationary conditions and political instability.

We may not be successful in developing and implementing policies and strategies to address the foregoing factors in a timely and effective manner in the locations where we will do business. Consequently, the occurrence of one or more of the foregoing factors could have a material adverse effect on our base operations and upon our financial condition and results of operations.

Since our products will be available over the Internet in foreign countries and we plan to have customers residing in foreign countries, foreign jurisdictions may require us to qualify to do business in their country. We will be required to comply with certain laws and regulations of each country in which we conduct business, including laws and regulations currently in place or which may be enacted related to Internet services available to the residents of each country from online sites located elsewhere.

Because of the nature of our products, we may be subject to government regulations or laws that increase our costs of operations or decrease our ability to generate income.

Any failure by us, or by any third party that may manufacture or market our products, to comply with the law, including statutes and regulations administered by the FDA or other U.S. or foreign regulatory authorities, could result in, among other things, warning letters, fines and other civil penalties, suspension of regulatory approvals and the resulting requirement that we suspend sales of our products, refusal to approve pending applications or supplements to approved applications, export or import restrictions, interruption of production, operating restrictions, closure of the facilities used by us or third parties to manufacture our product candidates, injunctions or criminal prosecution. Any of the foregoing actions could have a material adverse effect on our business.

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Our commercial success depends significantly on our ability to develop and commercialize our potential products without infringing the intellectual property rights of third parties.

Our commercial success will depend, in part, on operating our business without infringing the patents or proprietary rights of third parties. Third parties that believe we are infringing on their rights could bring actions against us claiming damages and seeking to enjoin the development, marketing and distribution of our products. If we become involved in any litigation, it could consume a substantial portion of our resources, regardless of the outcome of the litigation. If any of these actions are successful, we could be required to pay damages and/or to obtain a license to continue to develop or market our products, in which case we may be required to pay substantial royalties. However, any such license may not be available on terms acceptable to us or at all. Ultimately, we could be prevented from commercializing a product or forced to cease some aspect of our business operations as a result of patent infringement claims, which would harm our business.

The implementation of our business plan relies on our ability to manage growth. If we are not able to manage the growth, our business plan may not be successfully implemented.

We expect to expand our operations by increasing our sales and marketing efforts, research and development activities, and escalating our services. The anticipated growth could place a significant strain on our management, and operational and financial resources. Effective management of the anticipated growth shall require expanding our management and financial controls, hiring additional appropriate personnel as required, and developing additional expertise by existing management personnel. However, there can be no assurances that these or other measures we may implement shall effectively increase our capabilities to manage such anticipated growth or to do so in a timely and cost-effective manner. Moreover, management of growth is especially challenging for a company with a short revenue generating history and limited financial resources, and the failure to effectively manage growth could have a material adverse effect on our operations.

Our success depends on continuing to hire and retain qualified personnel, including our director and officers and our technical personnel. If we are not successful in attracting and retaining these personnel, our business will suffer.

Our success depends substantially on the performance of our management team and key personnel. Currently, we have four employees, including our CEO Terry Howlett. All our employees with the exception of our bookkeeper are full-time employees. Due to the specialized technical nature of our business, we are particularly dependent on our technical personnel. Our future success will depend on our ability to attract, integrate, motivate and retain qualified technical, sales, operations, and managerial personnel, as well as our ability to successfully implement a plan for management succession. Competition for qualified personnel in our business areas is intense, and we may not be able to continue to attract and retain key personnel. In addition, if we lose the services of any of our management team or

key personnel and are not able to find suitable replacements in a timely manner, our business could be disrupted and we may incur increased operating expenses.

Our ability to attract new distributors and customers and expand our products into new lucrative markets is highly dependent on our ability to continue to invest in research and development resources.

We have invested in laboratory facilities and equipment in order to increase, expand or update our research and development capabilities. Changes in our technology or development opportunities beyond currently established laboratory capabilities shall require further investment. However, there can be no assurances that we shall generate sufficient funds from operations to finance any required investment or that other sources of funding shall be available. Additionally, there can be no guarantees that any future expansion shall not negatively affect earnings.

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If we are unable to attract new distributors and customers, or if our existing distributors and customers do not purchase additional products, the growth of our business and cash flows will be adversely affected.

To increase our revenues and cash flows, we must regularly add distributors and customers and sell additional products to our existing distributors and customers. If we are unable to sell our products to customers that have been referred to us, unable to generate sufficient sales leads through our marketing programs, or if our existing or new distributors and customers do not perceive our products to be of sufficiently high value and quality, we may not be able to increase sales and our operating results would be adversely affected. In addition, if we fail to sell new products to existing distributors and customers or new distributors and customers, our operating results will suffer, and our revenue growth, cash flows and profitability may be materially and adversely affected.

Key management personnel may leave us, which could adversely affect our ability to continue operations.

We are entirely dependent on the efforts of our management because of the time and effort that they devote to us. They are in charge of overseeing all development strategies, supervising any/all future personnel, and the implementation of our business plan. Their loss, or other key personnel in the future, could have a material adverse effect on our business, financial condition and results of operations.

Risks Related to Our Securities

If a market for our common stock does not develop, shareholders may be unable to sell their shares.

Our common stock is quoted under the symbol “SKVI” on the OTCQB operated by OTC Markets Group, Inc, an electronic inter-dealer quotation medium for equity securities. We do not currently have an active trading market. There can be no assurance that an active and liquid trading market will develop or, if developed, that it will be sustained.

Our securities are very thinly traded. Accordingly, it may be difficult to sell shares of our common stock without significantly depressing the value of the stock. Unless we are successful in developing continued investor interest in our stock, sales of our stock could continue to result in major fluctuations in the price of the stock.

Our common stock price may be volatile and could fluctuate widely in price, which could result in substantial losses for investors.

The market price of our common stock is likely to be highly volatile and could fluctuate widely in price in response to various factors, many of which are beyond our control, including:

- technological innovations or new products and services by us or our competitors;
- government regulation of our products and services;
- the establishment of partnerships with other technology companies;
- intellectual property disputes;
- additions or departures of key personnel;
- sales of our common stock
- our ability to integrate operations, technology, products and services;
- our ability to execute our business plan;
- operating results below expectations;
- loss of any strategic relationship;
- industry developments;
- economic and other external factors; and
- period to period fluctuations in our financial results.

Because we have nominal revenues to date, you should consider any one of these factors to be material. Our stock price may fluctuate widely as a result of any of the above.

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In addition, the securities markets have from time to time experienced significant price and volume fluctuations that are unrelated to the operating performance of particular companies. These market fluctuations may also materially and adversely affect the market price of our common stock.

We have not paid cash dividends in the past and do not expect to pay cash dividends in the future on our common stock. Any return on investment may be limited to the value of our common stock.

We have never paid cash dividends on our common stock and do not anticipate paying cash dividends in the foreseeable future. The payment of cash dividends on our common stock will depend on earnings, financial condition and other business and economic factors at such time as the board of directors may consider relevant. If we do not pay cash dividends, our common stock may be less valuable because a return on your investment will only occur if its stock price appreciates.

As a new investor, you will experience substantial dilution as a result of future equity issuances.

In the event we are required to raise additional capital it may do so by selling additional shares of common stock thereby diluting the shares and ownership interests of existing shareholders.

Because we are subject to the “Penny Stock” rules, the level of trading activity in our stock may be reduced.

The Securities and Exchange Commission has adopted regulations which generally define "penny stock" to be any listed, trading equity security that has a market price less than \$5.00 per share or an exercise price of less than \$5.00 per share, subject to certain exemptions. The penny stock rules require a broker-dealer, prior to a transaction in a penny stock not otherwise exempt from the rules, to deliver a standardized risk disclosure document that provides information about penny stocks and the risks in the penny stock market. The broker-dealer must also provide the customer with current bid and offer quotations for the penny stock, the compensation of the broker-dealer and its salesperson in the transaction, and monthly account statements showing the market value of each penny stock held in the customer's account. In addition, the penny stock rules generally require that prior to a transaction in a penny stock, the broker-dealer make a special written determination that the penny stock is a suitable investment for the purchaser and receive the purchaser's written agreement to the transaction. These disclosure requirements may have the effect of reducing the level of trading activity in the secondary market for a stock that becomes subject to the penny stock rules which may increase the difficulty Purchasers may experience in attempting to liquidate such securities.

Provisions in the Nevada Revised Statutes and our Bylaws could make it very difficult for an investor to bring any legal actions against our directors or officers for violations of their fiduciary duties or could require us to pay any amounts incurred by our directors or officers in any such actions.

Members of our board of directors and our officers will have no liability for breaches of their fiduciary duty of care as a director or officer, except in limited circumstances, pursuant to provisions in the Nevada Revised Statutes and our Bylaws as authorized by the Nevada Revised Statutes. Specifically, Section 78.138 of the Nevada Revised Statutes provides that a director or officer is not individually liable to the company or its shareholders or creditors for any damages as a result of any act or failure to act in his or her capacity as a director or officer unless it is proven that (1) the director's or officer's act or failure to act constituted a breach of his or her fiduciary duties as a director or officer and (2) his or her breach of those duties involved intentional misconduct, fraud or a knowing violation of law. This provision is intended to afford directors and officers protection against and to limit their potential liability for monetary damages resulting from suits alleging a breach of the duty of care by a director or officer. Accordingly, you may be unable to prevail in a legal action against our directors or officers even if they have breached their fiduciary duty of care. In addition, our Bylaws allow us to indemnify our directors and officers from and against any and all costs, charges and expenses resulting from their acting in such capacities with us. This means that if you were able to enforce an action against our directors or officers, in all likelihood, we would be required to pay any expenses they incurred in defending the lawsuit and any judgment or settlement they otherwise would be required to pay. Accordingly, our indemnification obligations could divert needed financial resources and may adversely affect our business, financial condition, results of operations and cash flows, and adversely affect prevailing market prices for our common stock.

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Item 2. Properties

Currently, we do not own any real estate. We are leasing our executive offices and research facility. We are located at 6320 South Sandhill Road, Suite 10, Las Vegas, Nevada 89120. We signed an addendum to our lease on January 18, 2017, which extends the term until March 31, 2018. Rent is \$3,596.60 per month plus all applicable CAM charges. Rental expense, resulting from operating lease agreements, approximated \$54,688 and \$51,886 for the years ended December 31, 2018 and 2017, respectively.

We signed an addendum to our lease on February 5, 2019, which extends the term until March 31, 2020. For April 1, 2019 to March 31, 2020, rent increased to \$4,287 per month plus all applicable CAM charges.

Skinvisible Pharmaceuticals, Inc., our wholly-owned subsidiary, owns the manufacturing and laboratory equipment at this location.

Item 3. 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 4. Mine Safety Disclosures

Not Applicable

PART II

Item 5. Market for Registrant's Common Equity and Related Stockholder Matters and Issuer Purchases of Equity Securities

Market Information

Our common stock is quoted under the symbol “SKVI” on the OTCQB operated by OTC Markets Group, Inc.

Only a limited market exists for our securities. There is no assurance that a regular trading market will develop, or if developed, that it will be sustained. Therefore, a shareholder may be unable to resell his securities in our company.

The following table sets forth the range of high and low bid quotations for our common stock for each of the periods indicated as reported by the OTCQB. These quotations reflect inter-dealer prices, without retail mark-up, mark-down or commission and may not necessarily represent actual transactions.

Fiscal Year Ending December 31, 2018

| Quarter Ended | High \$ | Low \$ |
|----------------------|----------------|---------------|
| December 31, 2018 | 0.0253 | 0.002 |
| September 30, 2018 | 0.026 | 0.009 |
| June 30, 2018 | 0.0241 | 0.0121 |
| March 31, 2018 | 0.0503 | 0.0201 |

Fiscal Year Ending December 31, 2017

| Quarter Ended | High \$ | Low \$ |
|----------------------|----------------|---------------|
| December 31, 2017 | 0.097 | 0.035 |
| September 30, 2017 | 0.071 | 0.02 |
| June 30, 2017 | 0.035 | 0.02 |
| March 31, 2017 | 0.0395 | 0.02 |

On April 4, 2019, the last sales price per share of our common stock on the OTCQB was \$0.288.

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Penny Stock

The SEC has adopted rules that regulate broker-dealer practices in connection with transactions in penny stocks. Penny stocks are generally equity securities with a market price of less than \$5.00, other than securities registered on certain national securities exchanges or quoted on the NASDAQ system, provided that current price and volume information with respect to transactions in such securities is provided by the exchange or system. The penny stock rules require a broker-dealer, prior to a transaction in a penny stock, to deliver a standardized risk disclosure document prepared by the SEC, that: (a) contains a description of the nature and level of risk in the market for penny stocks in both public offerings and secondary trading; (b) contains a description of the broker's or dealer's duties to the customer and of the rights and remedies available to the customer with respect to a violation of such duties or other requirements of the securities laws; (c) contains a brief, clear, narrative description of a dealer market, including bid and ask prices for penny stocks and the significance of the spread between the bid and ask price; (d) contains a toll-free telephone number for inquiries on disciplinary actions; (e) defines significant terms in the disclosure document or in the conduct of trading in penny stocks; and (f) contains such other information and is in such form, including language, type size and format, as the SEC shall require by rule or regulation.

The broker-dealer also must provide, prior to effecting any transaction in a penny stock, the customer with (a) bid and offer quotations for the penny stock; (b) the compensation of the broker-dealer and its salesperson in the transaction; (c) the number of shares to which such bid and ask prices apply, or other comparable information relating to the depth and liquidity of the market for such stock; and (d) a monthly account statement showing the market value of each penny stock held in the customer's account.

In addition, the penny stock rules require that prior to a transaction in a penny stock not otherwise exempt from those rules, the broker-dealer must make a special written determination that the penny stock is a suitable investment for the purchaser and receive the purchaser's written acknowledgment of the receipt of a risk disclosure statement, a written agreement as to transactions involving penny stocks, and a signed and dated copy of a written suitability statement.

These disclosure requirements may have the effect of reducing the trading activity for our common stock. Therefore, stockholders may have difficulty selling our securities.

Holders of Our Common Stock

As of April 4, 2019, we had 2,896,689 shares of our common stock issued and outstanding, held by 190 shareholders of record, other than those held in street name.

Dividends

There are no restrictions in our articles of incorporation or bylaws that prevent us from declaring dividends. The Nevada Revised Statutes, however, do prohibit us from declaring dividends where after giving effect to the distribution of the dividend:

1. we would not be able to pay our debts as they become due in the usual course of business, or;
2. our total assets would be less than the sum of our total liabilities plus the amount that would be needed to satisfy the rights of shareholders who have preferential rights superior to those receiving the distribution.

We have not declared any dividends and we do not plan to declare any dividends in the foreseeable future.

Recent Sales of Unregistered Securities

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

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During the year ending December 31, 2018, the Company executed agreements with 45 noteholders that participated in the Company's debt offerings between May 22, 2013 and December 31, 2015. In accordance with the agreements the Company and the investors agreed to settle a total of \$2,623,875 in outstanding principal and \$604,736 in accrued interest in exchange for the issuance of 1,614,305 shares. The Company fair valued the shares issuable on the date each investors signed their respective agreement, as of the December 31, 2018 the Company had not yet issued the shares to the investors, as a result of the transaction and has recorded stock payable of \$2,053,466.

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.

Securities Authorized for Issuance under Equity Compensation Plans

The following table provides information about our compensation plans under which shares of common stock may be issued upon the exercise of options as of December 31, 2018.

In July 2006, we adopted the 2006 Skinvisible, Inc. Stock Option Plan, which provides for the grant of incentive stock options, non-qualified stock options, stock appreciation rights, restricted stock, performance shares and performance units, and stock awards our officers, directors or employees of, as well as advisers and consultants. This plan was confirmed by our stockholders on August 7, 2006 at the annual shareholders meeting.

Under the 2006 Skinvisible, Inc. Stock Option Plan, we reserved 200,000 shares of common stock for the granting of options and rights.

Equity Compensation Plans as of December 31, 2018

| Plan Category | A Number of securities to be issued upon exercise of outstanding options, warrants and rights | B Weighted-average exercise price of outstanding options, warrants and right | C Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (A)) |
|------------------------|--|---|--|
| Equity compensation | 161,000 | \$1.80 | 39,000 |

plans

approved by
security

holders
Equity
compensation
plans

| | | | |
|-----------------------------|--------|--------|---|
| not approved by security | 72,200 | \$1.18 | - |
|-----------------------------|--------|--------|---|

| | | | |
|------------------|---------|--------|---|
| holders Total | 233,200 | \$1.61 | - |
|------------------|---------|--------|---|

Item 6. Selected Financial Data

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

Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations

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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.” These forward-looking statements generally are identified by the words “believes,” “project,” “expects,” “anticipates,” “estimates,” “intends,” “strategy,” “plan,” “may,” “will,” “would,” “will be,” “v likely result,” and similar expressions. 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.

Results of Operations for the Years Ended December 31, 2018 and 2017

Revenues

Our revenue from product sales, royalties on patent licenses and license fees (product development fees) for the year ended December 31, 2018 was \$69,347, a decrease from \$629,027 for the year ended December 31, 2017.

The decrease in revenue for year ended December 31, 2018 was mainly due to the lack of product sales with no license fees as in 2017. We hope to achieve increased revenues for 2019 as a result of our Merger Agreement with Quoin Pharmaceuticals, Inc.

Cost of Revenues

Our cost of revenues for the year ended December 31, 2018 decreased to \$20,701 from the prior year when cost of revenues was \$42,313.

Our cost of revenues decreased for the year ended December 31, 2018 over the prior year period as a result of decreased product sales. We expect our cost of revenues to increase, especially if the Merger is consummated, and as

we continue to push sales from Kintari USA and Canada.

Gross Profit

Gross profit for the year ended December 31, 2018 was \$48,646, or approximately 70% of sales. Gross profit for the year ended December 31, 2017 was \$586,714, or approximately 93% of sales. Our gross profit margin decreased significantly in 2018 over 2017 as a result of the lack of license fee revenue, which has less costs than product sales.

Operating Expenses

Operating expenses decreased to \$646,581 for the year ended December 31, 2018 from \$950,873 for the year ended December 31, 2017. Our operating expenses for the year ended December 31, 2018 consisted mainly of accrued salaries and wages of \$337,369, depreciation and amortization expenses of \$38,971, rent of \$54,688, accounting and audit expenses of \$67,885, transfer agent fees of \$11,963 and legal fees of \$20,724. In comparison, our operating expenses for the year ended December 31, 2017 consisted mainly of accrued salaries and wages of \$349,497, consulting fees of \$254,163, depreciation and amortization expenses of \$54,423, rent of \$51,886, accounting and audit expenses of \$53,474, marketing expenses of \$22,874, legal fees of \$21,859, commissions of \$20,588 and insurance of \$18,650.

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Other Income/Expenses

We had other income of \$756,277 for the year ended December 31, 2018, compared with other expenses of \$1,462,649 for the year ended December 31, 2017. Our other income for 2018 is largely the result of \$1,191,315 in the extinguishment of debt and \$595,127 on the sale of Ovation, offset mainly by \$1,013,162 in interest expense. Our other expenses for 2017 are largely the result of \$1,555,159 in interest expense.

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 \$838,000 that have matured. In addition, we also have a number of unsecured promissory notes with an aggregate principal amount of \$43,000 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 Income/Loss

We recorded net income for the year ended December 31, 2018 of \$158,342 compared to net loss of \$1,826,808 for the year ended December 31, 2017.

Liquidity and Capital Resources

As of December 31, 2018, we had total current assets of \$41,503 and total assets in the amount of \$220,388. Our total current liabilities as of December 31, 2018 were \$4,939,803. We had a working capital deficit of \$4,898,300 as of December 31, 2018 as compared with a working capital deficit of \$7,075,936 as of December 31, 2017. The change in working capital is largely the result of our efforts to convert debt into equity during the year,

Operating activities used \$34,325 in cash for the year ended December 31, 2018, as compared with \$13,875 for the year ended December 31, 2017. The extinguishment of debt of \$1,191,315 and the gain on the sale of Ovation of \$595,127 were the main components of our negative operating cash flow, offset mainly by an increase in accrued interest of \$410,620, amortization of debt discount of \$487,317 and an increase in accounts payable and accrued liabilities of \$376,713.

Cash flows used by investing activities during the year ended December 31, 2018 was \$11,511, as compared with \$47,291 for the year ended December 31, 2017, as a result of the purchase of fixed and intangible assets for 2018 and our investment in Ovation Inc. of \$32,286 and the purchase of fixed and intangible assets of 15,005 for 2017.

Cash flows provided by financing activities during the year ended December 31, 2018 amounted to \$25,000, as compared with \$81,465 for the year ended December 31, 2017. Cash flows for the year ended December 31, 2018 consisted of \$30,000 in proceeds from related party debt offset by \$5,000 paid on notes payable, Cash flows for the year ended December 31, 2017 mainly consisted of \$220,000 in proceeds from convertible debt, \$15,000 in proceeds on notes payable, offset by \$53,010 in payments on related party debt, \$54,500 in payments on convertible debt and \$46,025 in payments on notes payable.

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 December 31, 2018, there were no off balance sheet arrangements.

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Critical Accounting Policies

In December 2001, the SEC requested that all registrants list their most “critical accounting policies” 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. The Company has incurred cumulative net losses of \$31,550,665 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.

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

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

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

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

Accounts Receivable – Accounts receivable is comprised of uncollateralized customer obligations due under normal trade terms requiring payment within 30 days from the invoice date. The carrying amount of accounts receivable is reviewed periodically for collectability. If management determines that collection is unlikely, an allowance that reflects management’s best estimate of the amounts that will not be collected is recorded. Management reviews each accounts receivable balance that exceeds 30 days from the invoice date and, based on an assessment of creditworthiness, estimates the portion, if any, of the balance that will not be collected. As of December 31, 2018, the Company had not recorded a reserve for doubtful accounts. The Company has \$175,000 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 7A. Quantitative and Qualitative Disclosures About Market Risk

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

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Item 8. Financial Statements and Supplementary Data

Index to Financial Statements Required by Article 8 of Regulation S-X:

Audited Financial Statements:

F-1 Report of Independent Registered Public Accounting Firm

F-2 Consolidated Balance Sheets as of December 31, 2018 and 2017

F-3 Consolidated Statements of Operations for the years ended December 31, 2018 and 2017

F-4 Consolidated Statement of Stockholders' Deficit for the years ended December 31, 2018 and 2017

F-5 Consolidated Statements of Cash Flows for the years ended December 31, 2018 and 2017

F-6 Notes to Consolidated Financial Statements

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of

Skinvisible, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Skinvisible, Inc. (the “Company”) as of December 31, 2018 and December 31, 2017 and the related consolidated statements of operations, stockholders’ deficit, and cash flows for each of the years in the two-year period ended December 31, 2018, and the related notes (collectively referred to as the “financial statements”). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2018 and December 31, 2017, and the results of its operations and its cash flows for each of the years in the two-year period ended December 31, 2018 in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (“PCAOB”) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The company is not required to have, nor were we engaged to perform, an

audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 2 to the financial statements, the Company has negative working capital at December 31, 2018, has incurred recurring negative cash flow from operating activities, and has an accumulated deficit which raises substantial doubt about its ability to continue as a going concern. Management's plans concerning these matters are also described in Note 2. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ AMC Auditing

AMC Auditing

We have served as the Company's auditor since 2014

Las Vegas, Nevada

April 12, 2019

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SKINVISIBLE, INC.

CONSOLIDATED BALANCE SHEETS

| | December 31, 2018 | December 31, 2017 |
|--|------------------------------|------------------------------|
| ASSETS | | |
| Current assets | | |
| Cash | \$2,482 | \$23,318 |
| Accounts receivable | 8,459 | 9,905 |
| Inventory | 17,417 | 26,023 |
| Due from related party | 1,145 | 1,436 |
| Promissory note due from Ovation Science Inc. | — | 245,193 |
| Prepaid expense and other current assets | 12,000 | 10,000 |
| Total current assets | 41,503 | 315,875 |
| Equity method investment in Ovation Inc. | — | 109,968 |
| Fixed assets, net of accumulated depreciation of \$327,432 and \$327,191, respectively | 118 | 359 |
| Intangible and other assets: | | |
| Patents and trademarks, net of accumulated amortization of \$493,918 and \$455,187, respectively | 178,767 | 205,987 |
| Total assets | \$220,388 | \$632,189 |
| LIABILITIES AND STOCKHOLDERS' DEFICIT | | |
| Current liabilities | | |
| Accounts payable and accrued liabilities | \$944,380 | \$612,783 |
| Accounts payable related party | 10,490 | 34,883 |
| Accrued interest payable | 1,169,293 | 1,674,346 |
| Loans from related party | 40,000 | 17,260 |
| Loans payable | 633,000 | 2,301,875 |
| Convertible notes payable, net of unamortized debt discount of \$78 and \$6,551, respectively | 219,922 | 1,173,449 |
| Convertible notes payable related party, net of unamortized discount of \$765,825 and \$1,413,576 respectively | 1,922,718 | 1,577,215 |
| Total current liabilities | 4,939,803 | 7,391,811 |
| Total liabilities | 4,939,803 | 7,391,811 |
| Stockholders' deficit | | |
| Common stock; \$0.001 par value; 200,000,000 shares authorized; 2,896,631 and 2,737,281 shares issued and outstanding at December 31, 2018 and December 31, 2017, respectively | 2,897 | 2,737 |
| Shares payable | 2,053,466 | 61,976 |
| Additional paid-in capital | 24,774,887 | 24,884,672 |
| Accumulated deficit | (31,550,665) | (31,709,007) |

| | | |
|---|--------------|--------------|
| Total stockholders' deficit | (4,719,415) | (6,759,622) |
| Total liabilities and stockholders' deficit | \$220,388 | \$632,189 |

See Accompanying Notes to Consolidated Financial Statements.

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SKINVISIBLE, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

| | Year Ended | |
|--|-------------------|-----------------|
| | December | December |
| | 31, 2018 | 31, 2017 |
| Revenues | \$69,347 | \$629,027 |
| Cost of revenues | 20,701 | 42,313 |
| Gross profit | 48,646 | 586,714 |
| Operating expenses | | |
| Depreciation and amortization | 38,972 | 54,423 |
| Selling general and administrative | 607,609 | 896,450 |
| Total operating expenses | 646,581 | 950,873 |
| Loss from operations | (597,935) | (364,159) |
| Other income and (expense) | | |
| Other income | 4,807 | 4,812 |
| Interest expense | (1,013,162) | (1,555,159) |
| Gain on sale of Ovation Science Inc. | 595,127 | — |
| Gain on deconsolidation of Ovation Science Inc. | — | 90,189 |
| Loss on equity method investment | (21,810) | (12,507) |
| Gain (loss) on extinguishment of debt | 1,191,315 | 10,016 |
| Total other expense | 756,277 | (1,462,649) |
| Net income (loss) | \$158,342 | \$(1,826,808) |
| Basic loss per common share | \$0.06 | \$(0.70) |
| Basic weighted average common shares outstanding | 2,871,544 | 2,602,228 |

See Accompanying Notes to Consolidated Financial Statements.

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SKINVISIBLE, INC.

CONSOLIDATED STATEMENT OF STOCKHOLDERS' DEFICIT

| | Common Stock | | | Shares payable | Accumulated Deficit | Total Stockholders' Deficit |
|--|--------------|--------|----------------------------|----------------|---------------------|-----------------------------|
| | Shares | Amount | Additional Paid-in Capital | | | |
| Balance, December 31, 2016 (audited) | 2,476,706 | 2,477 | 23,761,515 | 10,000 | (29,882,199) | (6,108,207) |
| Shares issued for services | 34,830 | 35 | 49,603 | — | — | 49,638 |
| Shares issued for cancellation of agreement | 26,000 | 26 | 32,474 | — | — | 32,500 |
| Shares issued for settlement of convertible notes | 192,472 | 192 | 238,262 | 51,976 | — | 290,430 |
| Shares issued for exercise of warrants | 7,273 | 7 | (7) | — | — | — |
| Options and warrants issued for services | — | — | 140,952 | — | — | 140,952 |
| Discount on note receivable from related party | — | — | (9,615) | — | — | (9,615) |
| Financing costs related to convertible notes payable | — | — | 671,488 | — | — | 671,488 |
| Net loss | — | — | — | — | (1,826,808) | (1,826,808) |
| Balance, December 31, 2017 (audited) | 2,737,281 | 2,737 | 24,884,672 | 61,976 | (31,709,007) | (6,759,622) |
| Shares issued for settlement of debts | 95,453 | 96 | 136,549 | 1,991,490 | — | 2,128,135 |
| Shares issued for accounts payable | 63,897 | 64 | 74,422 | — | — | 74,486 |
| Loss on debt modification | — | — | (320,756) | — | — | (320,756) |
| Net income | — | — | — | — | 158,342 | 158,342 |
| Balance, December 31, 2018(audited) | 2,896,631 | 2,897 | 24,774,887 | 2,053,466 | (31,550,665) | (4,719,415) |

See Accompanying Notes to Consolidated Financial Statements.

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SKINVISIBLE, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

| | Year Ended | |
|---|-------------------|-----------------|
| | December | December |
| | 31, 2018 | 31, 2017 |
| Cash flows from operating activities: | | |
| Net Income (loss) | \$ 158,342 | \$(1,826,808) |
| Adjustments to reconcile net loss to net cash used in operating activities: | | |
| Depreciation and amortization | 38,972 | 54,424 |
| Stock-based compensation | — | 223,090 |
| Gain on sale of Ovation Science Inc. | (595,127) | (90,189) |
| Amortization of debt discount | 487,317 | 914,482 |
| Loss on equity method investment | 21,810 | 12,507 |
| Imputed interest on Ovation Science loan | 4,807 | (4,808) |
| Gain on extinguishment of debt | (1,191,315) | (10,016) |
| Changes in operating assets and liabilities: | | |
| Decrease in inventory | 8,606 | 53,671 |
| Increase in prepaid assets | (2,000) | (10,000) |
| Decrease (increase) in accounts receivable | 1,446 | 69 |
| Increase in accounts payable and accrued liabilities | 376,713 | (7,869) |
| Decrease in due from related party | 291 | (291) |
| Decrease in promissory note from Ovation Science Inc. | 245,193 | (250,000) |
| Increase in accrued interest | 410,620 | 927,863 |
| Net cash used in operating activities | (34,325) | (13,875) |
| Cash flows from investing activities: | | |
| Investment in Ovation Science Inc. | — | (32,286) |
| Purchase of fixed and intangible assets | (11,511) | (15,005) |
| Net cash used in investing activities | (11,511) | (47,291) |
| Cash flows from financing activities: | | |
| Proceeds from related party loans, net of payments | 30,000 | (53,010) |
| Proceeds from investments in subsidiary | — | — |
| Payments on notes payable | (5,000) | (46,025) |
| Proceeds from notes payable | — | 15,000 |
| Payments on convertible notes payable | — | (54,500) |
| Proceeds from convertible notes payable | — | 220,000 |
| Net cash provided by (used in) financing activities | 25,000 | 81,465 |
| Net change in cash | (20,836) | 20,299 |
| Cash, beginning of period | 23,318 | 3,019 |

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| | | |
|---|-------------|-----------|
| Cash, end of period | \$2,482 | \$23,318 |
| Supplemental disclosure of cash flow information: | | |
| Cash paid for interest | \$105,958 | \$29,045 |
| Cash paid for tax | \$— | \$— |
| SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION: | | |
| Non-cash investing and financing activities: | | |
| Beneficial conversion feature | \$— | \$671,488 |
| Accrued expenses converted to notes | \$— | \$178,439 |
| Common stock payable on extinguishment of debts | \$2,053,466 | \$— |
| Common stock issued on extinguishment of debts | \$74,486 | \$238,454 |

See Accompanying Notes to Consolidated Financial Statements.

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SKINVISIBLE, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. DESCRIPTION OF BUSINESS AND HISTORY

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

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

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

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

On September 26, 2017, the Company purchased 5,750,000 shares of common stock of Ovation Science Inc. (“Ovation”) for \$32,286 which at the time of purchase the Company represented 99.9% of the then issued and outstanding common stock. On March 28, 2018 the Company sold its interest in Ovation to officers of the Company for \$500,000 which represented a 37.80% interest in Ovation. As of December 31, 2018 Skinvisible Inc. owned 0% of the issued and outstanding Common stock of Ovation.

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

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

2. BASIS OF PRESENTATION AND GOING CONCERN

Basis of presentation – The accompanying audited 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. 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 period presented have been reflected herein.

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 \$31,550,665 since its inception and requires capital for its contemplated operational and marketing activities to take place. The Company’s ability to raise additional capital through the future issuances of common stock is unknown. The obtainment of additional financing, the successful development of the Company’s contemplated plan of operations, and its transition, ultimately, to the attainment of profitable operations are necessary for the Company to continue operations. The ability to successfully resolve these factors raise substantial doubt about the Company’s ability to continue as a going concern. The consolidated financial statements of the Company do not include any adjustments that may result from the outcome of these aforementioned uncertainties.

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SKINVISIBLE, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

3. SUMMARY OF SIGNIFICANT POLICIES

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

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

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

Cash and cash equivalents – For purposes of the statement of cash flows, the Company considers all highly liquid investments and short-term instruments with original maturities of three months or less to be cash equivalents. There are \$2,482 and \$23,318 in cash and cash equivalents as of December 31, 2018 and December 31, 2017 respectively.

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

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

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

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

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

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

Revenue recognition – On January 1, 2018, the Company adopted Topic 606 using the modified retrospective method applied to those contracts which were not completed as of January 1, 2018. Results for reporting periods beginning after January 1, 2018 are presented under Topic 606, while prior period amounts are not adjusted and continue to be reported in accordance with our historic accounting under Topic 605.

We did not have a cumulative impact as of January 1, 2018 due to the adoption of Topic 606 and there was not an impact to our consolidated statements of operations for the year ended December 31, 2018 as a result of applying Topic 606.

Product sales

The Company recognizes revenue related to product sales (Invisicare® polymers) when (i) the seller's price is substantially fixed, (ii) shipment has occurred causing the buyer to be obligated to pay for product, (iii) the buyer has economic substance apart from the seller, and (iv) there is no significant obligation for future performance to directly bring about the resale of the product by the buyer as required by ASC 605 – Revenue Recognition. Cost of sales, rebates and discounts are recorded at the time of revenue recognition or at each financial reporting date.

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SKINVISIBLE, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The Company recognized revenues of \$28,652 and \$96,846 during the years ended December 31, 2018 and 2017 related to product sales.

Royalty, Distribution and license rights sales

The Company receives revenue from license payments based on net sales from licensees related to the Company's patented intellectual property. These license agreements are held with third parties that are responsible for remitting payment to the Company based upon a percentage of sales revenues they collect on products that utilize the Company's patented products. Revenue from licensed products is recognized when realized or realizable based on royalty reporting received from licensees.

The Company recognized revenues of \$40,695 and \$532,181 during the years ended December 31, 2018 and 2017 related to contract related to royalties and license contracts.

As of December 31, 2018 and 2017, the Company had \$8,459 and \$9,905 in receivables related to royalty contracts.

The company has made an accounting policy election to exclude from the measurement of the transaction price all taxes assessed by governmental authorities that are collected by the company from its customers (sales and use taxes, value added taxes, some excise taxes).

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 December 31, 2018, the Company had not recorded a reserve for doubtful accounts. The Company has \$175,000 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.

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SKINVISIBLE, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Stock based compensation expense recognized under ASC 718-10 for the years ended December 31, 2018 and 2017 totaled \$0 and \$223,090, respectively.

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

Recently issued accounting pronouncements – In June 2018, the FASB issued ASU 2018-07, "Compensation-Stock Compensation (Topic 718): Improvements to Nonemployee Share-Based Payment Accounting," which modifies the accounting for share-based payment awards issued to nonemployees to largely align it with the accounting for share-based payment awards issued to employees. ASU 2018-07 is effective for us for annual periods beginning January 1, 2019. We do not expect the adoption of the standard will impact our financial position or results of operations.

The Company has evaluated all other recent accounting pronouncements, 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 December 31, 2018 and December 31, 2017:

| | December 31, 2018 | December 31, 2017 |
|-----------------------------------|--------------------------|--------------------------|
| Machinery and equipment | \$ 48,163 | \$ 48,163 |
| Furniture and fixtures | 113,635 | 113,635 |
| Computers, equipment and software | 39,722 | 39,722 |

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| | | |
|---|-----------|-----------|
| Leasehold improvements | 12,569 | 12,569 |
| Lab equipment | 113,461 | 113,461 |
| Total | 327,550 | 327,550 |
| Less: accumulated depreciation | (327,432) | (327,191) |
| Fixed assets, net of accumulated depreciation | \$ 118 | \$359 |

Depreciation expense for the years ended December 31, 2018 and 2017 was \$241 and \$324, respectively.

5. INVENTORY

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

| | December 31, 2018 | December 31, 2017 |
|--------------------------------|------------------------------|------------------------------|
| Shipping and Packing materials | \$ 8,611 | \$ 8,684 |
| Finished Goods | 2,687 | 10,433 |
| Raw Materials | 6,119 | 6,906 |
| Total | \$ 17,417 | \$ 26,023 |

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 December 31, 2018, intangible assets total \$672,685, net of \$493,918 of accumulated amortization.

Amortization expense for the years ended December 31, 2018 and 2017 was \$38,731 and \$54,009, 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 December 31, 2018.

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SKINVISIBLE, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

8. STOCK OPTIONS AND WARRANTS

The following is a summary of option activity during the year ended December 31, 2018.

| | Number of Shares | Weighted Average Exercise Price |
|-----------------------------|-----------------------------|--|
| Balance, December 31, 2017 | 212,000 | \$ 1.50 |
| Options granted and assumed | — | — |
| Options expired | (51,000) | 2.00 |
| Options canceled | — | — |
| Options exercised | — | — |
| Balance, December 31, 2018 | 161,000 | \$ 1.50 |

As of December 31, 2018, all stock options outstanding are exercisable.

Stock warrants -

The following is a summary of warrants activity during the year ended December 31, 2018.

| | Number of Shares | Weighted Average Exercise Price |
|------------------------------|-----------------------------|--|
| Balance, December 31, 2017 | 140,460 | \$ 1.50 |
| Warrants granted and assumed | — | — |
| Warrants expired | (68,260) | 1.50 |
| Warrants canceled | — | — |
| Warrants exercised | — | — |
| Balance, December 31, 2018 | 72,200 | \$ 1.00 |

All warrants outstanding as of December 31, 2018 are exercisable.

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SKINVISIBLE, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

9. 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 year ending December 31, 2018 the Company made principal payments of \$5,000.

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

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

During the year ending December 31, 2018, the Company executed agreements with 41 noteholders that participated in the Company's debt offerings between May 22, 2013 and September 30, 2015. In accordance with the agreements the Company and the investors agreed settle a total of \$1,663,875 in outstanding principal and \$385,563 in accrued interest in exchange for the issuance of 1,024,719 shares. The Company fair valued the shares issuable on the date each investors signed their respective agreement, as of the December 31, 2018 the Company had not yet issued the shares to the investors, as a result of the transaction and has recorded stock payable of \$874,294 and a gain on settlement of debt of \$1,175,145.

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 December 31, 2018, no payments had been made towards the principal balance.

As of December 31, 2018, \$633,000 of the outstanding notes payable were due in less than 12 months and have been classified as current notes payable.

10. RELATED PARTY TRANSACTIONS

During the year ended December 31, 2018, \$50,000 was advanced by an officer and \$20,000 was paid to officer in settlement of advances provided to the Company in the current and prior years. An additional \$7,260 in advances were settled as part of the purchase of Ovation Science Inc. (see note 6 for additional details.)

As of December 31, 2018, \$40,000 in advances remained due to officers of the company, all other related party notes have been extinguished or re-negotiated as convertible notes. (See note 12 for additional details.)

Ovation license agreement

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

The note receivable from Ovation did not bear interest per the agreement as a result the Company has imputed interest in accordance with ASC 835-30. The interest has been recorded as a debt discount and is being amortized over the note term. During the years ended December 31, 2018, the Company recorded \$4,807 in interest income related to the note receivable.

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

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SKINVISIBLE, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

11. CONVERTIBLE NOTES PAYABLE

Convertible Notes Payable at consists of the following:

December 31, 2018 **December 31, 2017**

\$1,000,000 face value 9% secured notes payable to investors, due in 2015. At the investor's option until the repayment date, the note and related interest may be converted to shares of the Company's common stock a discount of 90% of the current share price after the first anniversary of the note. The notes are secured by the accounts receivable of a license agreement the Company has with Womens Choice Pharmaceuticals, LLC on its proprietary prescription product, ProCort®. The Company has determined the value associated with the beneficial conversion feature in connection with the notes and interest to be \$111,110. The aggregate beneficial conversion feature has been accreted and charged to interest expenses as a financing expense. The beneficial conversion feature is valued under the intrinsic value method. The notes have reach maturity and are now in default, under the notes default provisions the entire balance is now due upon demand.

During the quarter ending December 31, 2018, the Company executed agreements with 14 noteholders that participated in the Company's convertible debt offering. In accordance with the agreements the Company and the investors agreed settle a total of \$960,000 in outstanding principal and \$219,172 in accrued interest in exchange for the issuance of 589,586

shares.

40,000 1,000,000

As of the December 31, 2018 the Company had not yet issued the shares to the investors The company treated the loan modification as a debt repurchase and as a result of the transaction has recorded stock payable of \$1,179,172.

| | | |
|------------------------------------|---------|-----------|
| Original issue discount | - | - |
| Unamortized debt discount | - | - |
| Total, net of unamortized discount | 40,000 | 1,000,000 |
| | 135,000 | 135,000 |

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\$135,000 face value 9% unsecured notes payable to investors, due October 26, 2017. At the investor's option until the repayment date, the note and related interest may be converted to shares of the Company's common stock a discount of 90% of the current share price after the first anniversary of the note. The notes are secured by the accounts receivable of a license agreement the Company has with Womens Choice Pharmaceuticals, LLC on its proprietary prescription product, ProCort®. The Company has determined the value associated with the beneficial conversion feature in connection with the notes and interest to be \$117,535. The beneficial conversion feature has been accreted and charged to interest expenses as a financing expense. The beneficial conversion feature is valued under the intrinsic value method.

| | | |
|------------------------------------|---------|---------|
| Unamortized debt discount | - | - |
| Total, net of unamortized discount | 135,000 | 135,000 |

On February 17, 2016, the Company entered into a convertible promissory note pursuant to which it borrowed \$20,000. Interest under the convertible promissory note is 9% per annum, and the principal and all accrued but unpaid interest is due on February 17, 2018. The note is convertible at any time following 90 days after the issuance date at noteholders option into shares of our common stock at a variable conversion price of 90% of the average five day market price of our common stock during the 5 trading days prior to the notice of conversion, subject to adjustment as described in the note. The holder's ability to convert the note, however, is limited in that it will not be permitted to convert any portion of the note if the number of shares of our common stock beneficially owned by the holder and its affiliates, together with the number of shares of our common stock issuable upon any full or partial conversion, would exceed 4.99% of the Company's outstanding shares of common stock.

| | |
|--------|--------|
| 20,000 | 20,000 |
|--------|--------|

The Company has determined the value associated with the beneficial conversion feature in connection with the notes negotiated on February 27, 2016 to be \$14,049. The aggregate beneficial conversion feature has been accreted and charged to interest expenses as a financing expense in the amount of \$904 during the years ended December 31, 2018. The beneficial conversion feature is valued under the intrinsic value method

| | | |
|------------------------------------|--------|--------|
| Unamortized debt discount | - | (904) |
| Total, net of unamortized discount | 20,000 | 19,096 |
| | 15,000 | 15,000 |

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.

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The Company has determined the value associated with the beneficial conversion feature in connection with the notes negotiated on August 11, 2016 to be \$14,728. The aggregate beneficial conversion feature has been accreted and charged to interest expenses as a financing expense in the amount of \$4,499 during the years ended December 31, 2018. The beneficial conversion feature is valued under the intrinsic value method

| | | |
|------------------------------------|--------|---------|
| Unamortized debt discount | - | (4,499) |
| Total, net of unamortized discount | 15,000 | 10,501 |

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 | 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 beneficial conversion feature has been accreted and charged to interest expenses as a financing expense in the amount of \$1,070 during the year ended December 31, 2018. The beneficial conversion feature is valued under the intrinsic value method

| | | |
|------------------------------------|-------|---------|
| Unamortized debt discount | (78) | (1,148) |
| Total, net of unamortized discount | 9,922 | 8,852 |

| | |
|------------|--------------|
| \$ 219,922 | \$ 1,173,449 |
|------------|--------------|

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SKINVISIBLE, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

12. CONVERTIBLE NOTES PAYABLE RELATED PARTY

Convertible Notes Payable Related Party at consists of the following:

December 31, 2018 **December 31, 2017**

On October 20, 2016, the Company re-negotiated \$982,253 of the unsecured notes payable. Under the modified terms the \$982,253 face value notes maturity date was extended until December 31, 2019 and adjusted to the current market prices. At the investor's option until the repayment date, the note can be converted to shares of the Company's common stock at a fixed price of \$0.50 per share along with additional warrants to purchase one share for every two shares issued at the exercise price of \$1.00 per share for six years after the conversion date. In accordance with ASC 470, the Company has determined the value associated with the beneficial conversion feature in connection with the re-negotiated notes on October 20, 2016 to be \$982,253. The aggregate beneficial conversion feature has been accreted and charged to interest expenses as a financing expense in the amount of \$379,669 during the years ended December 31, 2018. The beneficial conversion feature is valued under the intrinsic value method.

744,137 982,253

One March 28, 2018, \$238,115 of the notes were settled as part of the purchase of Ovation Science Inc. (see note 6 for additional details.)

Unamortized debt discount

(234,765) (614,434)

On June 30, 2012, the Company re-negotiated accrued salaries and interest for six employees. Under the terms of the agreements, the notes dated before July 1, 2011, and all salaries not previously converted were converted to promissory notes convertible into common stock with a warrant feature. The promissory notes are unsecured, due five years from issuance, and bear an interest rate of 10%. At the investor's option until the repayment date, the note may be converted to shares of the Company's common stock at a fixed price of \$2.00 per share along with additional warrants to purchase one share for every two shares issued at the exercise price of \$3.00 per share for six years after the conversion date. The Company has determined the value associated with the beneficial conversion feature in connection with the notes to be \$209,809. The aggregate beneficial conversion feature has been accreted and charged to interest expenses as a financing expense. The beneficial conversion feature is valued under the intrinsic value method.

299,316 299,316

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 \$1.00 per share along with additional warrants to purchase one share for every two shares issued at the exercise price of \$1.50 per share for six years after the conversion date. The Company has determined the value associated with the beneficial conversion feature in connection with the modified terms of the notes to be \$198,859. The aggregate beneficial conversion feature has been accreted and charged to interest expenses as a financing expense in the amount of \$39,097 during the year ended December 31, 2018. The beneficial conversion feature is valued under the intrinsic value method.

| | | |
|---------------------------|-----------|-----------|
| Unamortized debt discount | (139,561) | (178,658) |
|---------------------------|-----------|-----------|

On December 30 and 31, 2012, the Company re-negotiated accrued salaries and interest for six employees. Under the terms of the agreements, \$182,083 of related party notes accrued interest and salaries not previously converted were converted to promissory notes convertible into common stock with a warrant feature. The \$182,083 face value promissory notes are unsecured, due five years from issuance, and bear an interest rate of 10%. At the investor's option until the repayment date, the note may be converted to shares of the Company's common stock at a fixed price of \$1.50 per share along with additional warrants to purchase one share for every two shares issued at the exercise price of \$2.00 per share for six years after the conversion date. The Company has determined the value associated with the beneficial conversion feature in connection with the notes to be \$182,083. The aggregate beneficial conversion feature has been accreted and charged to interest expenses as a financing expense. The beneficial conversion feature is valued under the intrinsic value method.

| | | |
|---------------------------|---|---|
| Unamortized debt discount | - | - |
|---------------------------|---|---|

| | | |
|--|---------|---------|
| On June 30, 2013, the Company re-negotiated accrued salaries and interest for two employees. Under the terms of the agreements, \$106,153 of accrued interest and salaries were converted to promissory notes convertible into common stock with a warrant feature. The \$106,153 face value promissory notes are unsecured, due five years from issuance, and bear an interest rate of 10%. At the investor's option until the repayment date, the note may be converted to shares of the Company's common stock at a fixed price of \$1.50 per share along with additional warrants to purchase one share for every two shares issued at the exercise price of \$2.00 per share for six years after the conversion date. The Company has determined the value associated with the beneficial conversion feature in connection with the notes to be \$70,768. The aggregate beneficial conversion feature has been accreted and charged to interest expenses as a financing expense in the amount of \$7,015 during the year ended December 31, 2018. The beneficial conversion feature is valued under the intrinsic value | 106,152 | 106,152 |
|--|---------|---------|

method.

| | | |
|---------------------------|---|---------|
| Unamortized debt discount | - | (7,015) |
|---------------------------|---|---------|

On December 31, 2013, the Company re-negotiated accrued salaries and interest for six employees. Under the terms of the agreements, \$142,501 of accrued interest and salaries not previously converted were converted to promissory notes convertible into common stock with a warrant feature. The \$142,501 face value promissory notes are unsecured, due five years from issuance, and bear an interest rate of 10%. At the investor's option until the repayment date, the note may be converted to shares of the Company's common stock at a fixed price of \$1.50 per share along with additional warrants to purchase one share for every two shares issued at the exercise price of \$2.00 per share for six years after the conversion date. The Company has determined the value associated with the beneficial conversion feature in connection with the notes to be \$94,909. The aggregate beneficial conversion feature has been accreted and charged to interest expenses as a financing expense in the amount of \$18,971 during the year ended December 31, 2018. The beneficial conversion feature is valued under the intrinsic value method.

| | | |
|---------------------------|---------|----------|
| | 142,501 | 142,501 |
| Unamortized debt discount | - | (18,971) |

On June 30, 2014, the Company re-negotiated accrued salaries and interest for six employees. Under the terms of the agreements, \$118,126 of accrued salaries not previously converted were converted to promissory notes convertible into common stock with a warrant feature. The \$118,126 face value promissory notes are unsecured, due five years from issuance, and bear an interest rate of 10%. At the investor's option until the repayment date, the note may be converted to shares of the Company's common stock at a fixed price of \$1.25 per share along with additional warrants to purchase one share for every two shares issued at the exercise price of \$1.50 per share for six years after the conversion date. The Company has determined the value associated with the beneficial conversion feature in connection with the notes to be \$118,126. The aggregate beneficial conversion feature has been accreted and charged to interest expenses as a financing expense in the amount of \$23,611 during the year ended December 31, 2018. The beneficial conversion feature is valued under the intrinsic value method.

| | | |
|---------------------------|----------|----------|
| | 118,126 | 118,126 |
| Unamortized debt discount | (11,710) | (35,321) |

On December 31, 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 \$2.00 per share along with additional warrants to purchase one share for every two shares issued at the exercise price of \$2.50 per share for six years after the conversion date. The Company has determined the value associated with the beneficial conversion feature in connection with the notes to be \$40,466. The aggregate beneficial conversion feature has been accreted and charged to interest expenses as a financing expense in the amount of \$8,089 during the year ended December 31, 2018. The beneficial conversion feature is valued under the intrinsic value method.

| | | |
|---------------------------|---------|----------|
| | 40,558 | 40,558 |
| Unamortized debt discount | (6,050) | (14,139) |
| | 65,295 | 65,295 |

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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 \$2.00 per share along with additional warrants to purchase one share for every two shares issued at the exercise price of \$2.50 per share for six years after the conversion date. The Company has determined the value associated with the beneficial conversion feature in connection with the notes to be \$57,439. The aggregate beneficial conversion feature has been accreted and charged to interest expenses as a financing expense in the amount of \$11,476 during the year ended December 31, 2018. The beneficial conversion feature is valued under the intrinsic value method.

| | | |
|---------------------------|----------|----------|
| Unamortized debt discount | (11,486) | (22,962) |
|---------------------------|----------|----------|

On December 31, 2015, the Company re-negotiated accrued salaries and interest for six employees and a director. Under the terms of the agreements, \$343,687 of accrued salaries and director fees not previously converted were converted to promissory notes convertible into common stock with a warrant feature. The \$343,687 face value promissory notes are unsecured, due five years from issuance, and bear an interest rate of 10%. At the investor's option until the repayment date, the note may be converted to shares of the Company's common stock at a fixed price of \$1.00 per share along with additional warrants to purchase one share for every two shares issued at the exercise price of \$1.00 per share for six years after the conversion date. The Company has determined the value associated with the beneficial conversion feature in connection with the notes to be \$341,703. The aggregate beneficial conversion feature has been accreted and charged to interest expenses as a financing expense in the amount of \$73,230 during the year ended December 31, 2018. The beneficial conversion feature is valued under the intrinsic value method.

| | | |
|--|---------|---------|
| | 329,287 | 343,687 |
|--|---------|---------|

On March 30, 2018, \$14,400 of debt and the associated interest of \$3,118 was converted into common stock at a price of \$1.80 per share. The company treated the loan modification as a debt repurchase and recorded a corresponding loss on settlement of debt of \$8,200.

| | | |
|---------------------------|-----------|-----------|
| Unamortized debt discount | (131,754) | (204,984) |
|---------------------------|-----------|-----------|

On March 30, 2016, the Company re-negotiated accrued directors fees of 3,600. Under the terms of the agreements, \$3,600 of accrued director fees not previously converted were converted to promissory notes convertible into common stock with a warrant feature. The \$3,600 face value promissory notes are unsecured, due five years from issuance, and bear an interest rate of 10%. At the investor's option until the repayment date, the note may be converted to shares of the Company's common stock at a fixed price of \$1.00 per share along with additional warrants to purchase one share for every two shares issued at the exercise price of \$1.00 per share for six years after the conversion date. The Company has determined the value associated with the beneficial conversion feature in connection with the notes to be \$864. The aggregate beneficial conversion feature has been accreted and charged to interest expenses as a financing expense in the amount of \$490 during the year ended December 31,

| | | |
|--|---|-------|
| | - | 3,600 |
|--|---|-------|

2018. The beneficial conversion feature is valued under the intrinsic value method.

On March 30, 2018, \$3,600 of debt and the associated interest of \$779 was converted into common stock at a price of \$1.80 per share. The company treated the loan modification as a debt repurchase and recorded a corresponding loss on settlement of debt of \$2,050

| | | |
|---------------------------|---|-------|
| Unamortized debt discount | - | (490) |
|---------------------------|---|-------|

On April 30, 2016, the Company re-negotiated accrued salaries and interest for an employee. Under the terms of the agreements, \$33,333 of accrued salaries were converted to promissory notes convertible into common stock with a warrant feature. The \$33,333 face value promissory notes are unsecured, due five years from issuance, and bear an interest rate of 10%. At the investor's option until the repayment date, the note may be converted to shares of the Company's common stock at a fixed price of \$1.00 per share along with additional warrants to purchase one share for every two shares issued at the exercise price of \$1.00 per share for six years after the conversion date. The Company has determined the value associated with the beneficial conversion feature in connection with the notes to be \$8,401. The aggregate beneficial conversion feature has been accreted and charged to interest expenses as a financing expense in the amount of \$5,927 during the year ended December 31, 2018. The beneficial conversion feature is valued under the intrinsic value method.

| | | |
|--|---|--------|
| | - | 33,333 |
|--|---|--------|

On March 30, 2018, \$33,333 of debt and the associated interest of \$6,301 was converted into common stock at a price of \$1.50 per share. The company treated the loan modification as a debt repurchase and recorded a corresponding loss on settlement of debt of \$7,603.

| | | |
|---------------------------|---|---------|
| Unamortized debt discount | - | (5,927) |
|---------------------------|---|---------|

On June 30, 2016, the Company re-negotiated accrued salaries and interest for six employees. Under the terms of the agreements, \$192,417 of accrued salaries not previously converted were converted to promissory notes convertible into common stock with a warrant feature. The \$192,417 face value promissory notes are unsecured, due five years from issuance, and bear an interest rate of 10%. At the investor's option until the repayment date, the note may be converted to shares of the Company's common stock at a fixed price of \$1.00 per share along with additional warrants to purchase one share for every two shares issued at the exercise price of \$1.00 per share for six years after the conversion date. The Company has determined the value associated with the beneficial conversion feature in connection with the notes to be \$28,365. The aggregate beneficial conversion feature has been accreted and charged to interest expenses as a financing expense in the amount of \$6,135 during the year ended December 31, 2018. The beneficial conversion feature is valued under the intrinsic value method.

| | | |
|--|---------|---------|
| | 188,817 | 192,417 |
|--|---------|---------|

On March 30, 2018, \$3,600 of debt and the associated interest of \$779 was converted into common stock at a price of \$1.80 per share. The company treated the loan modification as a

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| | | |
|--|----------|----------|
| debt repurchase and recorded a corresponding loss on settlement of debt of \$2,050 | | |
| Unamortized debt discount | (13,702) | (19,837) |

On July 8, 2016, the Company re-negotiated accrued salaries and interest for one employee. Under the terms of the agreement, \$2,000 of accrued salaries not previously converted were converted to promissory notes convertible into common stock with a warrant feature. The \$2,000 face value promissory notes are unsecured, due on December 31, 2021, and bear an interest rate of 10%. At the investor's option until the repayment date, the note may be converted to shares of the Company's common stock at a fixed price of \$0.50 per share along with additional warrants to purchase one share for every two shares issued at the exercise price of \$1.00 per share for six years after the conversion date. The Company has determined the value associated with the beneficial conversion feature in connection with the notes to be \$1,012. The aggregate beneficial conversion feature has been accreted and charged to interest expenses as a financing expense in the amount of \$738 during the year ended December 31, 2018. The beneficial conversion feature is valued under the intrinsic value method.

| | | |
|--|---|-------|
| | - | 2,000 |
|--|---|-------|

On March 28, 2018, \$2,000 of the notes were settled as part of the purchase of Ovation Science Inc. (see note 6 for additional details.)

| | | |
|---------------------------|---|-------|
| Unamortized debt discount | - | (738) |
|---------------------------|---|-------|

On September 30, 2016, the Company re-negotiated accrued directors fees of 3,600. Under the terms of the agreements, \$3,600 of accrued director fees not previously converted were converted to promissory notes convertible into common stock with a warrant feature. The \$3,600 face value promissory notes are unsecured, due five years from issuance, and bear an interest rate of 10%. At the investor's option until the repayment date, the note may be converted to shares of the Company's common stock at a fixed price of \$0.50 per share along with additional warrants to purchase one share for every two shares issued at the exercise price of \$1.00 per share for six years after the conversion date. The Company has determined the value associated with the beneficial conversion feature in connection with the notes to be \$2,080. The aggregate beneficial conversion feature has been accreted and charged to interest expenses as a financing expense in the amount of \$1,559 during the year ended December 31, 2018. The beneficial conversion feature is valued under the intrinsic value method.

| | | |
|--|---|-------|
| | - | 3,600 |
|--|---|-------|

On March 30, 2018, \$3,600 of debt and the associated interest of \$779 was converted into common stock at a price of \$1.80 per share. The company treated the loan modification as a debt repurchase and recorded a corresponding loss on settlement of debt of \$2,050

| | | |
|---------------------------|---------|---------|
| Unamortized debt discount | - | (1,559) |
| | 111,056 | 111,056 |

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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 \$0.50 per share along with additional warrants to purchase one share for every two shares issued at the exercise price of \$1.00 per share for six years after the conversion date. The Company has determined the value associated with the beneficial conversion feature in connection with the notes to be \$42,924. The aggregate beneficial conversion feature has been accreted and charged to interest expenses as a financing expense in the amount of \$8,584 during the year ended December 31, 2018. The beneficial conversion feature is valued under the intrinsic value method.

| | | |
|---------------------------|----------|----------|
| Unamortized debt discount | (24,044) | (32,628) |
|---------------------------|----------|----------|

On December 30, 2016, the Company re-negotiated accrued salaries and interest for six employees. Under the terms of the agreements, \$186,375 of accrued salaries not previously converted were converted to promissory notes convertible into common stock with a warrant feature. The \$186,375 face value promissory notes are unsecured, due five years from issuance, and bear an interest rate of 10%. At the investor's option until the repayment date, the note may be converted to shares of the Company's common stock at a fixed price of \$0.50 per share along with additional warrants to purchase one share for every two shares issued at the exercise price of \$1.00 per share for six years after the conversion date. The Company has determined the value associated with the beneficial conversion feature in connection with the notes to be \$186,375. The aggregate beneficial conversion feature has been accreted and charged to interest expenses as a financing expense in the amount of \$39,413 during the year ended December 31, 2018. The beneficial conversion feature is valued under the intrinsic value method.

| | | |
|--|---------|---------|
| | 182,775 | 186,375 |
|--|---------|---------|

On March 30, 2018, \$3,600 of debt and the associated interest of \$779 was converted into common stock at a price of \$1.80 per share. The company treated the loan modification as a debt repurchase and recorded a corresponding loss on settlement of debt of \$2,050

| | | |
|---------------------------|-----------|-----------|
| Unamortized debt discount | (109,605) | (149,018) |
|---------------------------|-----------|-----------|

On July 1, 2017, the Company re-negotiated accrued salaries and interest for six employees. Under the terms of the agreements, \$178,439 of accrued salaries not previously converted were converted to promissory notes convertible into common stock with a warrant feature. The \$178,439 face value promissory notes are unsecured, due five years from issuance, and bear an interest rate of 10%. At the investor's option until the repayment date, the note may be converted to shares of the Company's common stock at a fixed price of \$1.00 per share along with additional warrants to purchase one share for every two shares issued at the exercise price of \$1.50 per share for six years after the conversion date. The Company has determined the value associated with the beneficial conversion feature in connection with the notes to be \$118,800. The aggregate beneficial conversion feature has been accreted and charged to interest expenses as a financing expense in the amount of \$23,748 during the year ended

| | | |
|--|---------|---------|
| | 178,439 | 178,439 |
|--|---------|---------|

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December 31, 2018. The beneficial conversion feature is valued under the intrinsic value method.

| | | |
|---------------------------|-------------|-------------|
| Unamortized debt discount | (83,147) | (106,895) |
| | \$1,922,718 | \$1,577,215 |

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SKINVISIBLE, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

13. STOCKHOLDERS' DEFICIT

On November 26, 2018, our majority shareholders approved a reverse split of one to fifty in which each shareholder will be issued one common share in exchange for every 50 common shares of their currently issued common stock. A record date of January 2, 2019 was established and FINRA was provided ten days' notice prior to the effective date pursuant to Rule 10b-17 of the Securities and Exchange Act of 1934, as amended. New stock certificates will be issued upon surrender of the shareholders' old certificates. In accordance with ASC 505-20 all stock-related information presented in these financial statements and accompanying footnotes has been retroactively adjusted to reflect the number of shares resulting from this action.

The Company is authorized to issue 200,000,000 shares of \$0.001 par value common stock. The Company had 2,896,631 and 2,737,281 issued and outstanding shares of common stock as of December 31, 2018 and December 31, 2017, respectively.

On February 5, 2018 the Company executed an agreement to issue 32,698 shares of common stock with a fair value of \$39,230 or \$1.20 per share to a note holder in settlement of \$32,691 in accrued interest. A loss on settlement of debt of \$6,540 as a result of the transaction.

On March 13, 2018 the Company executed an agreement to issue 31,200 shares of common stock to an individual in settlement of \$39,000 in accounts payable. The shares were fair valued on the date of issuance at \$35,256 or \$1.13 per share, as a result, a gain on settlement of debt of \$3,744 was recorded.

On March 22, 2018 the Company executed an agreement to issue 26,672 shares of common stock to a former employee of the Company related to the conversion of debt.

On March 13, 2018 the Company executed an agreement to issue 19,200 shares of common stock to a former director of the Company in settlement of a total of \$35,035 in convertible notes.

During the year ending December 31, 2018, the Company executed agreements with 45 noteholders that participated in the Company's debt offerings between May 22, 2013 and December 31, 2015. In accordance with the agreements the Company and the investors agreed to settle a total of \$2,623,875 in outstanding principal and \$604,736 in accrued interest in exchange for the issuance of 1,614,305 shares. The Company fair valued the shares issuable on the date each investors signed their respective agreement, as of the December 31, 2018 the Company had not yet issued the shares to the investors, as a result of the transaction and has recorded stock payable of \$2,053,466.

14. INCOME TAXES

The Company provides for income taxes under FASB ASC 740, Accounting for Income Taxes. FASB ASC 740 requires the use of an asset and liability approach in accounting for income taxes. Deferred tax assets and liabilities are recorded based on the differences between the financial statement and tax bases of assets and liabilities and the tax rates in effect currently.

FASB ASC 740 requires the reduction of deferred tax assets by a valuation allowance, if, based on the weight of available evidence, it is more likely than not that some or all of the deferred tax assets will not be realized. In the Company's opinion, it is uncertain whether they will generate sufficient taxable income in the future to fully utilize the net deferred tax asset. Accordingly, a valuation allowance equal to the deferred tax asset has been recorded. The total deferred tax asset is approximately \$2.7 million as of December 31, 2018 which is calculated by multiplying a 21% estimated tax rate by the cumulative net operating loss (NOL) of approximately \$12.7 million.

Due to the enactment of the Tax Reform Act of 2017, we have calculated our deferred tax assets using an estimated corporate tax rate of 21%. US Tax codes and laws may be subject to further reform or adjustment which may have a material impact to the Company's deferred tax assets and liabilities.

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SKINVISIBLE, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The significant components of the Company's deferred tax assets and liabilities as of December 31, 2018 and 2017 are as follows:

| As of December 31, | 2018 | 2017 |
|---|---------|---------|
| Cumulative tax net operating losses (in millions) | \$ 12.7 | \$ 13.7 |
| Deferred tax asset (in millions) | \$ 2.7 | \$ 2.9 |
| Valuation allowance (in millions) | (2.7) | (2.9) |
| Current taxes payable | — | — |
| Income tax expense | \$ — | \$ — |

As of December 31, 2018, and 2017, the Company had gross federal net operating loss carryforwards of approximately \$12.7 million and \$13.7 million, respectively.

The Company plans to file its U.S. federal return for the year ended December 31, 2018 upon the issuance of this filing. Upon filing of the tax return for the year ended December 31, 2018 the actual deferred tax asset and associated valuation allowance available to the Company may differ from management's estimates. The tax years 2015-2017 remained open to examination for federal income tax purposes by the major tax jurisdictions to which the Company is subject. No tax returns are currently under examination by any tax authorities.

15. 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 December 31, 2018, are as follows:

2019 \$ 50,022
2020 \$ 12,863

Rental expense, resulting from operating lease agreements, approximated \$54,688 and \$51,886 for the years ended December 31, 2018 and 2017, respectively.

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

Canopy license agreement - On September 15, 2017 Canopy Growth Corporation ("Canopy Growth") and Skinvisible Pharmaceuticals, Inc. ("Skinvisible"), signed a definitive license agreement for Skinvisible's patented topical formulations. Per the agreement, Canopy Growth is exclusively licensed to distribute Skinvisible's topical products in Canada, and shall have a first right of refusal for all other countries, excluding China and the United States. This agreement was assigned to Ovation Science Inc. on September 29, 2017.

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

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

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SKINVISIBLE, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

16. MERGER AGREEMENT

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

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

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

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

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

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

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SKINVISIBLE, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

The Merger is expected to close as soon as practicable after the satisfaction or waiver of all the conditions to the closing in the Merger Agreement, which is currently expected to be in the second quarter of calendar year 2019.

Support Agreements

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

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

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

Additional Information for Shareholders

The proposed Merger was submitted to the Company’s and Parent’s shareholders for their consideration and approval. In connection with the proposed Merger, the Parent filed relevant materials with the SEC, including a proxy statement of the Parent. A definitive proxy statement and a form of proxy were mailed to the shareholders of the Parent. This report is not a substitute for the proxy statement, circular, or other document(s) that the Company and/or Parent may file with the SEC in connection with the proposed transaction. **The Parent’s shareholders are urged to read the proxy statement and other documents filed with the SEC regarding the proposed Merger transaction because they contain important information about the Company, Parent, and the proposed Merger transaction itself.** The Parent’s shareholders may obtain, without charge, a copy of the proxy statement and other relevant documents filed with the SEC from the SEC’s website at www.sec.gov.

The Parent, and its management may be deemed to be participants in the solicitation of proxies from the Parent’s shareholders with respect to the special meeting of shareholders that will be held to consider the matters to be approved by the Parent’s shareholders in connection with the Merger transaction. Information about the Parent’s

directors and executive officers and their ownership of the Parent Common Shares is set forth in the proxy statement for special shareholder meeting, which has been filed with the SEC on Schedule 14A. Shareholders may obtain additional information regarding the interests of the Parent and its directors and executive officers in the proposed Merger, which may be different than those of the Parent's shareholders generally, by reading the proxy statement and other relevant documents regarding the proposed merger, filed with the SEC.

17. SUBSEQUENT EVENTS

In accordance with ASC Topic 855-10, the Company has analyzed its operations subsequent to December 31, 2018 to the date these financial statements were available to be issued and has determined that it does not have any material subsequent events to disclose in these financial statements.

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Item 9. Changes In and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

As required by Rule 13a-15 under the Securities Exchange Act of 1934, we have carried out an evaluation of the effectiveness of our disclosure controls and procedures as of the end of the period covered by this annual report, being December 31, 2018. This evaluation was carried out under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer.

Disclosure controls and procedures are controls and other procedures that are designed to ensure that information required to be disclosed in our reports filed or submitted under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported, within the time periods specified in the Securities and Exchange Commission's rules and forms. Disclosure controls and procedures include controls and procedures designed to ensure that information required to be disclosed in our company's reports filed under the Securities Exchange Act of 1934 is accumulated and communicated to management, including our Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure.

Based upon that evaluation, including our Chief Executive Officer and Chief Financial Officer, we have concluded that our disclosure controls and procedures were ineffective as of the end of the period covered by this annual report.

Management's Annual Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rule 13a-15(f) under the Securities Exchange Act of 1934). Management has assessed the effectiveness of our internal control over financial reporting as of December 31, 2018 based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. As a result of this assessment, management concluded that, as of December 31, 2018, our internal control over financial reporting was not effective. Our management identified the following material weaknesses in our internal control over financial reporting, which are indicative of many small companies with small staff: (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.

We plan to take steps to enhance and improve the design of our internal control over financial reporting. During the period covered by this annual report on Form 10-K, we have not been able to remediate the material weaknesses identified above. To remediate such weaknesses, we hope to implement the following changes during our fiscal year ending December 31, 2019 : (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 in (i) and (ii) 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.

This annual report does not include an attestation report of our registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by our registered public accounting firm pursuant to an exemption for non-accelerated filers set forth in Section 989G of the Dodd-Frank Wall Street Reform and Consumer Protection Act.

Item 9B. Other Information

On September 21, 2017, our director, Greg McCartney, passed away.

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PART III

Item 10. Directors, Executive Officers and Corporate Governance

The following information sets forth the names, ages, and positions of our current directors and executive officers as of December 31, 2018.

| <u>Name</u> | <u>Age</u> | <u>Position(s) and Office(s) Held</u> |
|-----------------|------------|--|
| Terry Howlett | 70 | Chief Executive Officer, Chief Financial Officer, and Director |
| David St. James | 46 | Director |

Set forth below is a brief description of the background and business experience of each of our current executive officers and directors.

Mr. Terry H. Howlett, has been our Chief Executive Officer and Director since March 5, 1998. Mr. Howlett has a diversified background in market initialization and development, sales and venture capital financing for emerging growth companies. He has held senior management, marketing and sales positions with various companies, including the Canadian Federation of Independent Business, Family Life Insurance, and Avacare of Canada and founded Presley Laboratories, Inc., which marketed cosmetic and skin, care products on a direct sales basis. For the ten years prior to becoming President of the Company, Mr. Howlett was the President and CEO of Voice-it Solutions, Inc., a publicly traded company on the Vancouver Stock exchange that made voice response software for order entry systems.

Mr. David St. James is an inventor and businessman based in Las Vegas, Nevada. He has invented and co-invented turbochargers and superchargers, some of which are in use today on production vehicles and in Formula 1. He has also been involved in other various aspects of the automotive industry, including product development, service, and repair. He has been an Officer and Director of Homeland Resources Ltd. since July of 2014 and currently serves as the President and a Director. He has been the Vice President and a Director of Nouveau Ventures Inc. since August of 2014. Mr. St. James served as the President of XLR Medical Corporation from January 2009 through January 2012.

Directors

Our bylaws authorize no less than one (1) and more than twelve (12) directors. We currently have two directors.

Term of Office

Our Directors are appointed for a one-year term to hold office until the next annual general meeting of our shareholders or until removed from office in accordance with our bylaws. Our officers are appointed by our board of directors and hold office until removed by the board.

Significant Employees

Ms. Doreen McMorran, is head of Business Development. Ms. McMorran brings to the Company almost 20 years of experience in the medical and pharmaceutical industry, specifically in the areas of strategic planning, sales and marketing. She has spent the last seven years selling to international dermatology and skincare focused companies like Procter and Gamble, Johnson & Johnson, Stiefel, Galderma, Novartis and Graceway, to name a few. Ms. McMorran, who holds a Bachelor of Commerce (Honors) degree, spent six years in the pharmaceutical industry with Astra Pharma. Additionally she has held senior management level positions with a number of healthcare companies, focusing on business development, sales, marketing and operations.

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Dr. James A. Roszell, Ph.D. is a doctoral chemist with over 35 years' experience in product formulation, experimental design, analysis, and method validation. Since joining Skinvisible in 1998, he has been responsible for research and development of our patented technology, related polymer delivery vehicles, product formulations and compositions. Dr. Roszell is a joint contributor to Skinvisible's first Patent Number 6.756.059 and responsible for all of our patents in the US and internationally. Prior to joining Skinvisible, he worked as a chemist for Supertech Products, Inc. in Florida where his responsibilities included ensuring compliance with OSHA, EPA and other standards and regulations, maintenance of quality control, research and development for new products. Dr. Roszell's background includes work in chemical, pharmaceutical, environmental and clinical laboratory arenas. His chemical and scientific expertise makes a significant contribution to our business.

Family Relationships

There are no family relationships between or among the directors, executive officers or persons nominated or chosen by us to become directors or executive officers.

Involvement in Certain Legal Proceedings

To the best of our knowledge, during the past ten years, none of the following occurred with respect to a present or former director, executive officer, or employee: (1) any bankruptcy petition filed by or against any business of which such person was a general partner or executive officer either at the time of the bankruptcy or within two years prior to that time; (2) any conviction in a criminal proceeding or being subject to a pending criminal proceeding (excluding traffic violations and other minor offenses); (3) being subject to any order, judgment or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, permanently or temporarily enjoining, barring, suspending or otherwise limiting his or her involvement in any type of business, securities or banking activities; and (4) being found by a court of competent jurisdiction (in a civil action), the SEC or the Commodities Futures Trading Commission to have violated a federal or state securities or commodities law, and the judgment has not been reversed, suspended or vacated.

Audit Committee

We do not have a separately-designated standing audit committee. The entire board of directors performs the functions of an audit committee, but no written charter governs the actions of the board of directors when performing the functions of that would generally be performed by an audit committee. The board of directors approves the selection of our independent accountants and meets and interacts with the independent accountants to discuss issues related to financial reporting. In addition, the board of directors reviews the scope and results of the audit with the independent accountants, reviews with management and the independent accountants our annual operating results, considers the

adequacy of our internal accounting procedures and considers other auditing and accounting matters including fees to be paid to the independent auditor and the performance of the independent auditor.

We do not have an audit committee financial expert because of the size of our company and our board of directors at this time. We believe that we do not require an audit committee financial expert at this time because we retain outside consultants who possess these attributes as needed.

For the fiscal year ending December 31, 2018, the board of directors:

1. Reviewed and discussed the audited financial statements with management, and
2. Reviewed and discussed the written disclosures and the letter from our independent auditors on the matters relating to the auditor's independence.

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Based upon the board of directors' review and discussion of the matters above, the board of directors authorized inclusion of the audited financial statements for the year ended December 31, 2018 to be included in this Annual Report on Form 10-K and filed with the Securities and Exchange Commission.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Exchange Act requires our directors and executive officers and persons who beneficially own more than ten percent of a registered class of the Company's equity securities to file with the SEC initial reports of ownership and reports of changes in ownership of common stock and other equity securities of the Company. Officers, directors and greater than ten percent beneficial shareholders are required by SEC regulations to furnish us with copies of all Section 16(a) forms they file. To the best of our knowledge based solely on a review of Forms 3, 4, and 5 (and any amendments thereof) received by us during or with respect to the year ended December 31, 2018, the following persons have failed to file, on a timely basis, the identified reports required by Section 16(a) of the Exchange Act during fiscal year ended December 31, 2018:

| Name and principal position | Number of Transactions not Known failures to | | |
|-----------------------------|--|-----------------|----------------------|
| | late reports | timely reported | file a required form |
| Terry Howlett | 0 | 4 | 0 |
| CEO, CFO & Director | | | |
| David St. James | 0 | 0 | 0 |
| Doreen McMorran | 0 | 4 | 0 |

Code of Ethics

We adopted a Code of Ethics for Financial Executives, which include our principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions. The Code of Ethics was filed as an exhibit to the annual report on Form 10KSB for the fiscal year ended December 31, 2004 and filed with the SEC on April 14, 2005.

Item 11. Executive Compensation**Compensation Discussion and Analysis**

Currently, the objective of the cash compensation paid by the company is to provide fair reimbursement for the time spent by our executive officer and independent directors to the extent feasible within the financial constraints faced by our developing business. The stock options granted to our executive officer and to our independent directors are intended to provide these individuals with incentives to pursue the growth and development of the company's operations and business opportunities. Although the options awarded to our executive and directors are typically exercisable immediately, they also remain valid and exercisable for terms of several years. We believe this provides the proper balance of short-term and long-term incentives to increase the value of the company. Although an immediate increase in share price following the issuance of the options would obviously result in a profit if those options were exercised, the longer exercisable period of the options also provides an incentive to increase value over the long term and gives our executive officer and directors the opportunity to realize gains based on the sustained growth of our operations and revenues.

In addition, our sole executive officer holds substantial ownership in the company and is generally motivated by a strong entrepreneurial interest in expanding our operations and revenue base to the best of his ability.

Table of Contents**Summary Compensation Table**

The table below summarizes all compensation awarded to, earned by, or paid to our former or current executive officers for the fiscal years ended December 31, 2018 and 2017.

SUMMARY COMPENSATION TABLE

| Name and principal position | Year | Salary (\$) | Bonus (\$) | Stock Awards (\$) | Option Awards (\$) | Non-Equity | Nonqualified | All Other Compensation (\$) | Total (\$) |
|-----------------------------|------|-------------|------------|-------------------|--------------------|-----------------------------|--|-----------------------------|------------------------|
| | | | | | | Incentive Compensation (\$) | Plan Deferred Compensation Earnings (\$) | | |
| Terry Howlett | 2018 | 180,000 | - | - | - | - | - | - | 180,000 ⁽¹⁾ |
| CEO & CFO | 2017 | 180,000 | - | - | - | - | - | - | 180,000 ⁽²⁾ |

(1) Due to financial constraints, however, the total paid to Mr. Howlett during the fiscal year ended December 31, 2018 was \$0.

(2) Due to financial constraints, however, the total salary paid to Mr. Howlett during the fiscal year ended December 31, 2017 was \$2,800.

Narrative Disclosure to the Summary Compensation Table

We granted Mr. Howlett the right to convert his accrued compensation of \$90,000 as of December 31, 2017 into our common stock at \$1.00 per share at any time until 2022. If exercised, we also agreed to issue a three year warrant to Mr. Howlett to purchase an aggregate amount of 45,000 shares of common shares at a strike price of \$1.50 per share.

Outstanding Equity Awards at Fiscal Year-End

The table below summarizes all unexercised options, stock that has not vested, and equity incentive plan awards for each named executive officer as of December 31, 2018.

**OUTSTANDING EQUITY AWARDS
AT FISCAL YEAR-END
OPTION AWARDS STOCK AWARDS**

| Name | Number of Securities Underlying Unexercised Options (#) Exercisable | Number of Securities Underlying Unexercised Options (#) Unexercisable | Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Options (#) | Option Exercise Price (\$) ⁽¹⁾ | Option Expiration Date | Number of Shares or Units of Stock That Have Not Vested (#) | Market Value of Shares or Units of Stock That Have Not Vested (\$) | Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#) | Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested (#) |
|---------|---|---|---|---|---------------------------|---|--|---|---|
| | | | | | | | | | |
| Terry | 20,000 | - | - | 0.04 | 10/19/2018 ⁽²⁾ | - | - | - | - |
| Howlett | 20,000 | - | - | 0.05 | 12/7/2019 ⁽³⁾ | - | - | - | - |
| | 34,000 | - | - | 0.02 | 2/10/2021 | - | - | - | - |

(1) On April 21, 2009, we modified the exercise price on all of our outstanding options issued prior to March 31, 2009 to \$2.00 per share, which included all options issued to Mr. Howlett aside from the option issued on December 7, 2009 of 20,000 shares at \$4.00 per share and the option issued on November 15, 2010 at \$3.00 per share. On October 17, 2014, we modified the exercise price to \$2.50 per share on the option issued on December 7, 2009 of 20,000 shares. Aside from this modification, during the last fiscal year there was not any outstanding option re-priced or otherwise modified. There was no tandem feature, reload feature, or tax-reimbursement feature associated with any of the stock options we granted to our executive officers or otherwise.

(2) On January 19, 2014, our Board of Directors approved to extend the expiration date 5 years.

(3) On October 17, 2014, our Board of Directors approved to extend the expiration date 5 years.

Director Compensation

The table below summarizes all compensation of our directors as of December 31, 2018.

DIRECTOR COMPENSATION

| Name | Fees Earned or Paid in Cash | Stock Awards (\$) | Option Awards (\$) | Non-Equity Incentive Plan Compensation (\$) | Non-Qualified Deferred Compensation Earnings (\$) | All Other Compensation (\$) | Total (\$) |
|---|--|----------------------------------|-----------------------------------|--|--|--|-----------------------|
| Greg McCartney Former Director | - | 1,200 | - | - | - | - | - |
| David St. James | 1,625 | - | - | - | - | - | - |

Table of Contents**Narrative Disclosure to the Director Compensation Table**

All the fees earned or paid in cash and stock options awards granted to Terry Howlett were earned in connection with his service as an executive officer. Mr. Howlett received no compensation for his service as a member of our board of directors.

On September 22, 2017, we granted an option to purchase 2,000 shares of our common stock to Mr. St. James. The options have a strike price of \$1.75. 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.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The following table sets forth, as of April 4, 2019, the beneficial ownership of our common stock by each executive officer and director, by each person known by us to beneficially own more than 5% of the our common stock and by the executive officers and directors as a group.

| Title of class | Name and address of beneficial owner ⁽¹⁾ | Amount of beneficial ownership⁽²⁾ | Percent of class⁽³⁾ |
|---|--|---|---------------------------------------|
| Executive Officers & Directors: | | | |
| Common | Terry Howlett ⁽⁴⁾ | 3,109,218 shares | 53% |
| Common | David St. James ⁽⁵⁾ | 2,000 | Less than 1% |
| Total of All Directors and Executive Officers: | | 3,111,218 shares | 53% |
| More Than 5% Beneficial Owners: | | | |
| | Doreen McMorran ⁽⁷⁾ | 1,840,817 shares | 53% |

⁽¹⁾ Except as otherwise indicated, the address of each person named in this table is c/o Skinvisible, Inc., 6320 South Sandhill Road, Suite 10, Las Vegas, Nevada 89120.

⁽²⁾ As used in this table, "beneficial ownership" means the sole or shared power to vote, or to direct the voting of, a security, or the sole or shared investment power with respect to a security (i.e., the power to dispose of, or to direct the disposition of, a security). In addition, for purposes of this table, a person is deemed, as of any date, to have "beneficial ownership" of any security that such person has the right to acquire within 60 days after such date.

⁽³⁾

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Except as otherwise indicated, all shares are owned directly and the percentage shown is based on 2,896,689 shares of common stock issued and outstanding on April 4, 2019.

(4) Includes 154,466 shares held in his name as indicated on our shareholder list, and 1,940,291 shares of common stock held in derivative securities.

(5) Includes an option to purchase 2,000 shares of common stock at \$1.75 per share.

(6) As stated in the reporting person's Form 4 filed with the Securities and Exchange Commission on January 25, 2010.

(7) Includes 36,000 shares held in her name as indicated on our shareholder list, and 1,802,655 shares of common stock held in derivative securities.

Item 13. Certain Relationships and Related Transactions, and Director Independence

Aside from that which follows and in "Executive Compensation," none of our directors or executive officers, nor any proposed nominee for election as a director, nor any person who beneficially owns, directly or indirectly, shares carrying more than 5% of the voting rights attached to all of our outstanding shares, nor any members of the immediate family (including spouse, parents, children, siblings, and in-laws) of any of the foregoing persons has any material interest, direct or indirect, in any transaction for the last two fiscal years or in any presently proposed transaction which, in either case, has or will materially affect us.

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During the year ended December 31, 2018, \$25,000 was advanced by Terry Howlett and \$25,000 was advanced by Doreen McMorran. \$10,000 was paid to Doreen McMorran in settlement of advances provided to the Company in the current and prior years. An additional \$7,260 in advances were settled as part of the purchase of Ovation Science Inc.

As of December 31, 2018, \$40,000 in advances remained due to Terry Howlett and Doreen McMorran, and all other related party notes have been extinguished or re-negotiated as convertible notes.

The following table details the notes that are outstanding for Terry Howlett and Doreen McMorran.

| Noteholder | Date of Note | Interest | Maturity | Outstanding Principal as of December 31, 2018 |
|-------------------|---------------------|-----------------|--------------------|--|
| Terry Howlett | December 31, 2015 | 10% | December 31, 2020 | \$177,213 |
| Terry Howlett | December 31, 2014 | 10% | December 31, 2019 | \$34,092 |
| Terry Howlett | September 30, 2014 | 10% | September 30, 2019 | \$36,150 |
| Terry Howlett | December 31, 2013 | 10% | December 31, 2018 | \$77,628 |
| Terry Howlett | December 31, 2011 | 10% | October 20, 2021 | \$415,658 |
| Terry Howlett | June 30, 2012 | 10% | July 1, 2017 | \$105,643 |
| Terry Howlett | December 31, 2012 | 10% | December 31, 2017 | \$46,046 |
| Terry Howlett | December 31, 2012 | 10% | December 31, 2017 | \$46,352 |
| Terry Howlett | June 30, 2013 | 10% | June 30, 2018 | \$62,491 |
| Terry Howlett | June 30, 2014 | 10% | June 30, 2019 | \$63,115 |
| Terry Howlett | December 30, 2016 | 10% | December 30, 2021 | \$98,480 |
| Terry Howlett | June 30, 2016 | 10% | June 30, 2021 | \$98,480 |
| Terry Howlett | July 1, 2017 | 10% | July 1, 2022 | \$90,000 |
| | | | | Accrued Interest as of December 31, 2018 |
| Terry Howlett | | | | \$344,380 |

| Noteholder | Date of Note | Interest | Maturity | Outstanding Principal as of December 31, 2018 |
|-------------------|---------------------|-----------------|-------------------|--|
| Doreen McMorran | December 31, 2015 | 10% | December 31, 2020 | \$131,266 |
| Doreen McMorran | December 31, 2016 | 10% | December 31, 2021 | \$73,448 |
| Doreen McMorran | December 31, 2014 | 10% | December 31, 2019 | \$31,203 |
| Doreen McMorran | December 31, 2013 | 10% | December 31, 2018 | \$60,725 |
| Doreen McMorran | December 31, 2011 | 10% | October 20, 2021 | \$328,481 |
| Doreen McMorran | June 30, 2012 | 10% | June 30, 2017 | \$171,563 |
| Doreen McMorran | December 31, 2012 | 10% | December 31, 2017 | \$66,281 |
| Doreen McMorran | June 30, 2013 | 10% | June 30, 2018 | \$43,662 |
| Doreen McMorran | June 30, 2014 | 10% | June 30, 2019 | \$48,991 |
| Doreen McMorran | June 30, 2016 | 10% | June 30, 2021 | \$78,870 |
| Doreen McMorran | July 1, 2017 | 10% | July 1, 2021 | \$78,644 |
| | | | | Accrued Interest as of December 31, 2018 |
| Doreen McMorran | | | | \$601,130 |

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

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

Item 14. Principal Accounting Fees and Services

Below is the table of Audit Fees (amounts in US\$) billed by our auditor in connection with the audit of the Company's annual financial statements for the years ended:

| Financial Statements for the Year Ended December 31 | Audit Services | Audit Related Fees | Tax Fees | Other Fees |
|--|-----------------------|---------------------------|-----------------|-----------------------|
| 2018 | \$35,000 | \$0 | \$0 | \$0 |
| 2017 | \$37,000 | \$0 | \$0 | \$0 |

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PART IV

Item 15. Exhibits, Financial Statements Schedules

(a) Financial Statements and Schedules

The following financial statements and schedules listed below are included in this Form 10-K.

Financial Statements (See Item 8)

(b) Exhibits

| <u>Exhibit Number</u> | <u>Description</u> |
|----------------------------------|--|
| 2.1 | Agreement and Plan of Merger ⁽⁶⁾ |
| 3.1 | Articles of Incorporation, as amended ⁽¹⁾ |
| 3.2 | Bylaws, as amended ⁽¹⁾ |
| 3.3 | Certificate of Amendment ⁽²⁾ |
| 3.4 | Certificate of Change ⁽⁷⁾ |
| 4.1 | Convertible Promissory Note ⁽⁴⁾ |
| 4.2 | Convertible Promissory Note ⁽⁵⁾ |
| 10.1 | Promissory Note, dated December 17, 2015 |
| 10.2 | Promissory Note, dated October 8, 2015 |
| 10.3 | Securities Purchase Agreement ⁽⁴⁾ |
| 10.4 | Securities Purchase Agreement ⁽⁵⁾ |
| 14.1 | Code of Ethics ⁽³⁾ |
| 31.1 | <u>Certification of Chief Executive Officer pursuant to Securities Exchange Act Rule 13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</u> |
| 31.2 | <u>Certification of Chief Financial Officer pursuant to Securities Exchange Act Rule 13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</u> |
| 32.1 | <u>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</u> |

¹Incorporated by reference to the Registration Statement on Form 10SB12G filed on April; 30, 1999.

²Incorporated by reference to the Report on Form 8-K filed on September 12, 2008.

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³ Incorporated by reference to Current report on Form 10-KSB filed with the Securities and Exchange Commission on April 14, 2005.

⁴ Incorporated by reference to the Report on Form 8-K filed on April 20, 2017

⁵ Incorporated by reference to the Report on Form 8-K filed on August 8, 2017

⁶ Incorporated by reference to the Report on Form 8-K filed on March 26, 2018

⁷ Incorporated by reference to the Report on Form 8-K filed on January 22, 2019

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the 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.

By: /s/ Terry Howlett
Terry Howlett

President, Chief Executive Officer, Principal Executive Officer,

Chief Financial Officer, Principal Financial Officer, Principal Accounting Officer and Director

April 15, 2019

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

By: /s/ Terry Howlett
Terry Howlett

President, Chief Executive Officer, Principal Executive Officer,

Chief Financial Officer, Principal Financial Officer, Principal Accounting Officer and Director

April 15, 2019

By: /s/ David St. James
David St. James

Director

April 15, 2019