SKINVISIBLE INC
Form 10-Q
May 15, 2012

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 10-Q

[X] Quarterly Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended **March 31, 2012**

[ ] Transition Report pursuant to 13 or 15(d) of the Securities Exchange Act of 1934

For the transition period from _____ to _____

Commission File Number: **000-25911**

Skinvisible, Inc.

(Exact name of Registrant as specified in its charter)

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

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

702.433.7154
(Registrant's telephone number)

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was

required to file such reports), and (2) has been subject to such filing requirements for the past 90 days

[X] Yes [ ] No

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

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

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). [ ] Yes [X] No

State the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: 108,228,909 common shares as of March 31, 2012.

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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

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

F-1	Consolidated Balance Sheets as of March 31, 2012 (unaudited) and December 31, 2011 (audited)
F-2	Consolidated Statements of Operations for the three months ended March 31, 2012 and 2011 (unaudited)
F-3	Consolidated Statements of Cash Flow for the three months ended March 31, 2012 and 2011 (unaudited)
F-4	Notes to Consolidated Financial Statements

These consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and the SEC instructions to Form 10-Q. In the opinion of management, all adjustments considered necessary for a fair presentation have been included. Operating results for the interim period ended March 31, 2012 are not necessarily indicative of the results

that can be expected for the full year.

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SKINVISIBLE, INC.

CONSOLIDATED BALANCE SHEETS

(Unaudited)

	March 31, 2012	December 31, 2011
ASSETS		
Current assets		
Cash	$1,199	$1,218
Accounts receivable	605	1,105
Inventory	14,077	14,953
Due from related party	7,145	1,145
Prepaid expense and other current assets	31,774	8,613
Total current assets	54,800	27,034
Fixed assets, net of accumulated depreciation of $330,316 and $328,852, respectively	5,402	5,717
Intangible and other assets:		
Patents and trademarks, net of accumulated amortization of $180,025 and $122,602, respectively	275,171	264,166
Total assets	$335,373	$296,917
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current liabilities		
Accounts payable and accrued liabilities	$766,044	$623,972
Accrued interest payable	33,758	—
Loans from related party	16,525	12,400
Loans payable	27,661	27,661
Convertible notes payable, net of unamortized debt discount of $3,886 and $-0- respectively	72,590	62,475
Convertible notes payable related party, net of unamortized discount of $595,809 and $403,722, respectively	634,846	531,810
Unearned revenue	212,292	229,792
Total current liabilities	1,763,716	1,488,110
Total liabilities	1,763,716	1,488,110
Stockholders' deficit		
Common stock; $0.001 par value; 200,000,000 shares authorized 108,228,909 and 101,673,759 shares issued and outstanding at March 31, 2012 and March 31, 2011, respectively	108,230	106,594
Additional paid-in capital	19,896,841	19,821,156
Accumulated deficit	(21,433,414)	(21,118,943)
Total stockholders' deficit	(1,428,343)	(1,191,193)

Total liabilities and stockholders' deficit	$335,373	$296,917

See Accompanying Notes to Consolidated Financial Statements.

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SKINVISIBLE, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)

	Three months ended	
	March 31, 2012	March 31, 2011
Revenues	$30,078	$80,355
Cost of revenues	876	438
Gross profit	29,202	79,917
Operating expenses		
Depreciation and amortization	17,719	15,144
Selling general and administrative	$292,933	$308,859
Total operating expenses	310,652	324,003
Loss from operations	(281,450)	(244,086)
Other income and (expense)		
Interest expense	(34,748)	(22,950)
Gain on extinguishment of Debt	1,727	—
Total other expense	(33,021)	(22,950)
Provision for income taxes	—	—
Net loss	$(314,471)	$(267,036)
Basic loss per common share	$(0.00)	$(0.00)
Basic weighted average common shares outstanding	104,559,568	100,295,748

See Accompanying Notes to Consolidated Financial Statements.

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SKINVISIBLE, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

	Three months ended	
	March 31, 2012	March 31, 2011
Cash flows from operating activities:		
Net loss	$(314,471)	$(267,036)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	17,718	15,144
Stock based compensation	—	85,800
Amortization of debt discount	103,814	139,503
Debt paid with common stock	41,659	—
Gain on extinguishment of debt	(1,728)	—
Changes in operating assets and liabilities:		
Decrease in inventory	876	438
Increase in accounts receivable	500	(250,000)
Increase in prepaid expenses and other current assets	(23,161)	(11,510)
(Increase) decrease in related party receivable	(6,000)	—
Increase in accounts payable and accrued liabilities	143,800	20,630
Increase (decrease) in accrued interest	33,758	19,784
Increase in unearned revenue	(17,500)	172,500
Net cash used in operating activities	(20,735)	(74,747)
Cash flows from investing activities:		
Purchase of fixed assets and intangible assets	(28,409)	(14,583)
Net cash used in investing activities	(28,409)	(14,583)
Cash flows from financing activities:		
Proceeds from issuance of stock	—	63,000
Proceeds from, net of payments to, related parties for loans	4,125	—
Proceeds from convertible notes payable	14,000	—
Proceeds from loans	31,000	25,200
Net cash provided by financing activities	49,125	88,200
Net change in cash	(19)	(1,130)
Cash, beginning of period	1,218	2,481
Cash, end of period	$1,199	$1,351
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Non-cash investing and financing activities:		
Common stock issued on conversion of debts	$41,659	$56,056

Beneficial conversion feature	$4,664	$—

See Accompanying Notes to Consolidated Financial Statements.

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SKINVISIBLE, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

Going concern – The accompanying financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. The Company has incurred cumulative net losses of $21,433,414 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.

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

Use of estimates – The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Revenue recognition

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

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

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1. DESCRIPTION OF BUSINESS, HISTORY AND SUMMARY OF SIGNIFICANT POLICIES - (continued)

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

Accounts Receivable – Accounts receivable is comprised of uncollateralized customer obligations due under normal trade terms requiring payment within 30 days from the invoice date. The carrying amount of accounts receivable is reviewed periodically for collectability. If management determines that collection is unlikely, an allowance that reflects management's best estimate of the amounts that will not be collected is recorded. Management reviews each accounts receivable balance that exceeds 30 days from the invoice date and, based on an assessment of creditworthiness, estimates the portion, if any, of the balance that will not be collected. As of March 31, 2012, the Company had not recorded a reserve for doubtful accounts.

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

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

ASC 350-10 requires the Company to compare the fair value of the reporting unit to its carrying amount on an annual basis to determine if there is potential impairment. If the fair value of the reporting unit is less than its carrying value, an impairment loss is recorded to the extent that the fair value of the goodwill within the reporting unit is less than its carrying value. During 2010, the Company completed an impairment review and did not recognize any impairment of goodwill and other intangible assets already included in the financial statements. The Company expects to receive future benefits from previously acquired goodwill over an indefinite period of time. Accordingly, beginning January 1, 2002, the Company has foregone all related amortization expense. Prior to January 1, 2002, the Company amortized goodwill over an estimated useful life ranging from 3 to 15 years using the straight-line method.

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

settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

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

Stock based compensation expense recognized under ASC 718-10 for the three months ended March 31, 2012 and 2011 totaled $0 and $85,800, respectively.

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

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2. FIXED ASSETS

Fixed assets consist of the following as of March 31, 2012 and 2011:

	2012	2011
Machinery and equipment	$55,463	55,463
Furniture and fixtures	113,635	113,635
Computers, equipment and software	38,105	38,105
Leasehold improvements	12,569	12,596
Lab equipment	115,946	115,946
Total	335,718	335,718
Less: accumulated depreciation	330,316	328,852
Fixed assets, net of accumulated depreciation	$5,402	6,866

Depreciation expense for the three months ended March 31, 2012 and 2011 was $314 and $484, respectively.

3. INTANGIBLE AND OTHER ASSETS

Patents and trademarks are capitalized at its historical cost and are amortized over their useful lives. As of March 31, 2012, patents and trademarks total $455,196, net of $180,025 of accumulated amortization. Amortization expense for the three months ended March 31, 2012 and 2011 was $17,405 and $14,661, respectively.

License and distributor rights (“agreement”) was acquired by the Company in January 1999 and provides exclusive use distribution of polymers and polymer based products. The Company has a non-expiring term on the license and distribution rights. Accordingly, the Company annually assesses this license and distribution rights for impairment and has determined that no impairment write-down is considered necessary as of March 31, 2012

4. UNEARNED REVENUE

Unearned revenue totaling $212,292 as of March 31, 2011 relates to a marketing and distribution rights agreement entered into during 2010 for which monies were received and not considered earned. See note 9 “Definitive Agreements”.

5. STOCK OPTIONS AND WARRANTS

Stock options employees and directors – During the year ended December 31, 2010, the Company granted stock options to employees and directors totaling 1,610,000 shares of its common stock with a weighted average strike price of $0.06. Certain stock options were exercisable upon grant and have a life ranging from 3 months to 5 years. The stock options were valued at $91,460 using the Black-Scholes option pricing model based upon the following assumptions: term of 5 years, risk free interest rates ranging from 1.25% to 2.19%, a dividend yield of 0% and volatility rates ranging from 131% to 172%. The Company recorded an expense of $91,460 for the year ended December 31, 2010. There were no stock options issued to employees or directors during the three months ended March 31, 2012.

Stock options non-employees – During the year ended December 31, 2010, the Company granted stock options for services totaling 450,000 shares of its common stock with a weighted average strike price of $0.06 per share. All stock options were exercisable upon grant. The stock options have been valued at $25,563 using the Black-Scholes option pricing model based upon the following assumptions: term of 5 years, risk free interest rates ranging from 1.25% to 3.5%, a dividend yield of 0% and volatility rates ranging from 131% to 172%. There were no non-employee stock options issued during the three months ended March 31, 2012.

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5. STOCK OPTIONS AND WARRANTS – (continued)

The following is a summary of option activity during the three months ended March 31, 2012.

	Number of Shares	Weighted Average Exercise Price
Balance, December 31, 2011	9,980,000	0.05
Options granted and assumed	—	—
Options expired	30,000	0.4
Options canceled	—	—
Options exercised	—	—
Balance, March 31, 2012	9,950,000	0.05

As of March 31, 2012, 9,950,000 stock options are exercisable.

Stock warrants -

The following is a summary of warrants activity during the three months ended March 31, 2012.

	Number of Shares	Weighted Average Exercise Price
Balance, December 31, 2011	5,762,451	0.10
Warrants granted and assumed	387,500	0.06
Warrants expired	212,500	0.12
Warrants canceled	—	—
Warrants exercised	—	—
Balance, March 31, 2012	5,937,451	0.09

All warrants outstanding as of March 31, 2011 are exercisable. The warrants issued during 2012 were issued as part of a series of common stock subscriptions for retirement of debts.

6. RELATED PARTY TRANSACTIONS

For the three months ending March 31, 2012, the Company had an two unsecured loans payable due to officers of the Company bearing no interest, due on demand totaling $11,500 and $5,025, respectively. For the three months ended March 31, 2011 the company had no related party transactions. As of March 31, 2012, all other related party notes have been extinguished or re-negotiated as convertible notes. See note 7.

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7. CONVERTIBLE NOTES PAYABLE

On December 31, 2011, the Company re-negotiated accrued salaries and interest for the three employees. Under the terms of the agreements, the notes dated before December 31, 2010 and all salaries not previously converted were converted to promissory notes convertible into common stock with a warrant feature. The promissory notes are unsecured, due five years from issuance, and bear an interest rate of 10%. At the investor's option until the repayment date, the note may be converted to shares of the Company's common stock at a fixed price of $0.04 per share along with additional warrants to purchase one share for every two shares issued at the exercise price of $0.06 per share for three years after the conversion date. The Company has determined the value associated with the beneficial conversion feature in connection with the notes to be $538,295 for the notes negotiated on December 31, 2010, $45,557 for the notes negotiated on July 1, 2011 and $676,055 for the notes negotiated December 31, 2011. The aggregate beneficial conversion feature has been accreted and charged to general and administrative expenses as a financing expense in the amount of $103,036 as of March 31, 2012. The beneficial conversion feature is valued under the intrinsic value method.

On March 12, 2012 the Company signed two promissory notes for $10,000 and $4,000. The promissory notes are convertible into common stock with a warrant feature. The promissory notes are unsecured, due six months from issuance, and bear an interest rate of 10%. At the investor's option until the repayment date, the note may be converted to shares of the Company's common stock at a fixed price of $0.04 per share along with additional warrants to purchase one share for every two shares issued at the exercise price of $0.06 per share for two years after the conversion date. The Company has determined the value associated with the beneficial conversion feature in connection with the notes to be $4,664. The aggregate beneficial conversion feature has been accreted and charged to general and administrative expenses as a financing expense in the amount of $778 as of March 31, 2012. The beneficial conversion feature is valued under the intrinsic value method.

8. COMMITMENTS AND CONTINGENCIES

Lease obligations – The Company has operating leases for its offices. Future minimum lease payments under the operating leases for the facilities as of March 31, 2012 are as follows:

2012 43,919
2013 9,601

Rental expense, resulting from operating lease agreements, approximated $13,687 for the three months ended March 31, 2012.

9. DEFINITIVE AGREEMENTS

During the year ended December 31 2011, the Company amended two license agreements previously entered into with RHEI Pharmaceuticals HK Ltd. previously amended October 12, 2010. The amendment canceled what was previously referred to as the “Three Products Agreement” and modified the “DermSafe Agreement” to include license rights to Europe only. The DermSafe Agreement allows for the exclusive manufacturing, marketing and distribution rights to the Companies patent pending hand sanitizer using Chlorhexidine Gluconate as the active ingredient and trademarked DermSafe for Europe. All amounts previously paid for the license agreement were applied to the “DermSafe Agreement”. On July 26, 2011 the DermSafe Agreement was amended, deferring the remaining $200,000 payment until December 15th, 2011 and all other agreements with RHEI were cancelled, with the option to renegotiate (provided the “Three Products” were not licensed to another company) once the balance payment for DermSafe was received. The cash received has been considered deferred revenue and is amortized over a 5 year period.

As of March 31, 2012, the $200,000 had not been received, management expects the payments to be received during the 2nd quarter of 2012. As March 31, 2011, of the cash received of $300,000, $115,000 had been amortized and recognized as revenue leaving a balance of $185,000 as unearned revenue.

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

Forward-Looking Statements

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

Overview

We develop innovative polymer delivery vehicles and related compositions that hold active ingredients on the skin for extended periods of time when applied topically. We designed a process for combining water soluble and insoluble polymers that is specifically formulated to carry water insoluble and certain cationic active ingredients in water-based products without the use of alcohol, silicones, waxes, or other organic solvents. This enables active agents the ability to perform their intended functions for an extended period of time. Our polymer delivery vehicles, trademarked Invisicare®, allow normal skin respiration and perspiration. The polymer compositions we develop wear off as part of the natural exfoliation process of the skin's outer layer cells.

We believe Invisicare® offers the following benefits:

§ Displays superior skin adherence for extended time periods

§ Non-occlusive yet resists water wash-off, respiration and perspiration

§ Increased efficacy of active ingredients

§ Allows for lower use levels of actives with increased persistence of effect

§ Offers advantage of controlled and/or sustained time-release

§ Highly compatible with a variety of actives and bases

§ Easy to emulsify

§ Formulates well at a cream, lotion, or spray viscosity

§ Non-irritating emulsion dries quickly with no greasy after-feel

§ Non-occlusive film forms protective barrier against environmental irritants

§ Broad polymer selection to meet application requirements

§ Offers “Life Cycle” management to core products with potential for new patent

§ Simplified manufacturing process

Products that successfully incorporate Invisicare to date include acne, antimicrobial hand sanitizer lotions, suncare products, skincare moisturizers, sunless tanning products as well as various dermatology, women’s health, pain management and other pharmaceutical products for various disorders. On an ongoing basis, we are seeking to develop polymer formulations that can successfully be incorporated into other products.

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Our primary objective is to license Invisicare to established brand manufacturers and marketers of prescription and over-the-counter products in the dermatological, medical, cosmetic, and other pharmaceutical markets. With the exception of sales to one vendor, our management's policy is to only sell Invisicare to vendors that have executed a license agreement with us. We conduct our research and development in-house. We engage an outside party that currently handles all of our manufacturing and distribution needs.

Recent Developments

Feasibility Agreement

In February of 2012, we entered into a feasibility agreement with Novartis, AG. This project continues to progress and has been extended for a further six month period with development results scheduled to be provided to Novartis by the second quarter of 2012.

Launch of Hand Sanitizer in Canada

Our DermSafe antimicrobial hand sanitizer was officially launched by Alto Pharmaceuticals ("Alto") in Canada on September 1, 2011. Alto, a Toronto-based dermatology focused company, has licensed the exclusive rights to DermSafe for commercial use in Canada. Alto will market the product under the name DermSafePC and is targeting institutions like schools, police forces, and penitentiaries seeking for an alternative to alcohol due to safety and long-term efficacy concerns.

Hand Sanitizer DermSafe receives Dermatology Seal of Approval

DermSafe Hand Sanitizing Lotion has received the "Seal of Approval" from the Dermatology Review Panel™ ("DRP"). DRP is an independent panel of dermatologists that reviews scientific data for non-prescription products in order to authenticate the product's claims. The DRP dermatologists evaluated our scientific data and validated the following claims for DermSafe Hand Sanitizer: DermSafe is alcohol-free, it offers protection from harmful bacteria for up to four hours, it resists wash-off and it provides a moisture barrier for the hands. DermSafe, marketed by Alto Pharmaceuticals in Canada, will soon display the DRP Seal on its promotional materials and packaging. Claims made by over-the-counter products can be confusing to the consumer so the DRP program was formed to provide an independent, arms-length review of a product's scientific data in support of its claims. The DRP Seal of Approval helps consumers and medical professionals easily identify products that meet the panel's approval standards.

Launch of Hand Sanitizer in the EU

In July of 2011, we entered into a revised agreement with RHEI Pharmaceuticals, NV, a global pharmaceutical business development firm, with special focus on bringing core medicines from the U.S., Europe and Japan into the fast-growing South-East Asian marketplace. We licensed the commercial rights to our patent pending DermSafe hand sanitizer to RHEI for the commercial rights for the EU for $500,000 of which $300,000 has been received. RHEI received regulatory approval in Belgium in 2011 to begin marketing in the EU. RHEI is undertaking clinical studies for the product in Belgium to use to promote DermSafe’s benefits through the healthcare market. Due to the added expenses to be incurred for the clinical trial(s) the revised agreement allows RHEI to delay payment of the balance due of $200,000 into 2012. An agreement has been made allowing RHEI to import DermSafe from Skinvisible’s Canadian licensee, Alto Pharmaceuticals, Inc., who is now manufacturing product Alto has also agreed to supply other territories globally with finished product, giving new licensees a very quick to market option.

Launch of First Prescription Product in US Market

In July of 2011, our licensee, Women's Choice Pharmaceuticals LLC, a specialty pharmaceutical company based in Arizona, launched ProCort, Skinvisible's first prescription product in the United States. ProCort is a topical treatment for hemorrhoids formulated with our patented delivery system Invisicare. ProCort is made of a combination of hydrocortisone acetate and pramoxine hydrochloride. ProCort is a prescription product focused on the women's health market.

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Women's Choice Pharmaceuticals has been granted the exclusive rights to commercialize our product within the United States. We have received a development fee and now will receive a license fee paid in milestones plus on-going royalties based on product sales. Six month sales ending December 31, 2011 exceeded $200,000 and they are on line for first year (12 month period) sales of $1 million to $1.5 million. Women's Choice Pharmaceuticals' revenue forecast for ProCort is $20 million by its third year.

Patent Developments

We intend to continually generate new patents (intellectual property) on our Invisicare technology as well as on the dermatology and medical products we have formulated. Our patent protection continued to increase in 2011 with the issuance of new patents for Invisicare including Canada and Europe. Including the previous patents granted for Invisicare in the United States, Australia, India, China, Japan, S. Korea, Hong Kong, these new patents brings the number of patents issued for Invisicare to nine.

In February the Canadian Patent Office issued a Notice of Allowance for the comprehensive technology patent for Skinvisible’s Invisicare polymer delivery system. The Canadian patent for Invisicare (Patent number 758/10701.492) includes a total of forty-eight claims. This patent protects Invisicare in three key areas: 'Topical Composition', ‘Topical Composition Precursor’, and ‘Methods for Manufacturing and Using'.

The European Patent Office (EPO) granted our European patent application number 02752847.0 pertaining to our drug delivery system, Invisicare. The comprehensive patent protects Invisicare in three main areas: its composition, its method of combining polymers to make the Invisicare complex and the skin / medical conditions Invisicare is used for.

Skinvisible was granted a Sunscreen patent from the United States Patent Office March of 2012. This patent entitled “Sunscreen Composition With Enhanced UVA Absorber Stability and Methods”, has a Patent Number 8128913. Skinvisible has developed three sunscreen formulations using avobenzone; SPF 15, 30 and 50. Skinvisible’s new formulation with avobenzone has eight hours of photostability, a unique advantage in the marketplace. It also allows our sunscreens to be labeled “broad spectrum” as defined by the new FDA sunscreen guidelines in effect this year. This patent further strengthens the company’s existing intellectual property assets. The patent provides protection for its sunscreen formulation in the United States until November 2029.

Additionally, we have numerous patents pending internationally on various formulations and unique mechanisms in topical delivery. All patents with Invisicare are owned by Skinvisible.

Patent protection is important to our company. Pharmaceutical companies are pursuing new or improved revenue streams along with protecting their own intellectual properties. Invisicare allows companies to sell a patent-protected product that has been revitalized with new benefits, giving them a new story to help combat generic competitors. A prescription dermatology product can generate sales of $100 plus million per year; some even $200 plus million – and that is why we believe the investment into a license with an Invisicare formulation is a very viable option for these companies.

We continue to submit for patent protection worldwide for products formulated with Invisicare.

Status of Research and Development for New Applications

We believe that the enhancement and extension of our existing products and the development of new product categories have contributed significantly to our growth to date and are necessary for our continued growth. Our management evaluates new ideas and seeks to develop new products and improvements to existing products to satisfy industry requirements and changing consumer preferences. We seek to identify trends in consumer preferences and to generate new product ideas. Specific to the objective of generating new products, we are continuing our research and development toward developing additional applications with Invisicare.

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In the first quarter of 2011, we entered into a feasibility agreement with Novartis Pharma AG of Basel, Switzerland. Under the agreement, we will assess the technical feasibility of a topical formulation with an undisclosed compound utilizing our proprietary Invisicare delivery system. This formulation, if proven successful, would improve Invisicare's main benefits by providing controlled release of the proprietary active ingredient. The agreement includes the option for the two companies to enter into a future exclusive licensing agreement which would include a licensing fee and royalties based on sales. The second phase of this project's development contract was extended and will conclude in the 2nd quarter of 2012.

Orphan Drug Applications

In March 2011, we submitted our product for Netherton Syndrome to the U.S. Food and Drug Administration (FDA) to obtain orphan drug designation. This was followed with Skinvisible's orphan drug application to the European Medicines Agency (EMA) in February of 2012. On May 10 of 2012 our EMA application was withdrawn and the EMA have requested further studies. We will review the studies suggested by the EMA that would provide the necessary data to obtain orphan drug designation. In addition we believe this data will assist us in obtaining orphan drug designation by the FDA in the US.

Netherton Syndrome is a genetic disease that is characterized by excessively scaly, circular red skin, brittle hair and for some also atopic dermatitis. Once approved, we will seek an exclusive pharmaceutical partner to expedite the approval and commercialization of this formulation worldwide. There are incentives provided for the development of orphan drugs, they include eligibility for seven years of market exclusively for the product (USA) and ten years in Europe, as well as a waiver of fees, tax incentives and a potential for grants to fund clinical trials. Some orphan drugs also receive an expedited review if the disease is severe or life-threatening.

Results of Operations for the Three Months Ended March 31, 2012 and 2011

Revenues

Our total revenue reported for the three months ended March 31, 2012 was $30,078, a decrease from $80,355 for the same period ended March 31, 2011. The decrease in revenues for the three months ended March 31, 2012 from the prior period is attributable to lower sales of polymers to our licensees.

Cost of Revenues

Our cost of revenues for the three months ended March 31, 2012 increased to $876, as compared with $438 for the three months ended March 31, 2011. The change in our cost of revenues for the three and nine months ended September 30, 2010 from the prior periods is minimal and attributable to sales of polymers.

Gross Profit

Gross profit for the three months ended March 31, 2012 was $29,202, or approximately 97% of sales. Gross profit for three months ended March 31, 2011 was $79,917, or approximately 99% of sales.

Operating Expenses

Operating expenses decreased to $310,652 for the three months ended March 31, 2012 from $324,003 for the same period ended March 31, 2011. Our operating expenses for the three months ended March 31, 2012 consisted of depreciation and amortization expenses of $17,719 and selling, general and administrative expenses of $292,933. Our operating expenses for the three months ended March 31, 2011 consisted of depreciation and amortization expenses of 15,144, and selling, general and administrative expenses of $308,859.

Other Expenses

We paid more in interest expenses for three months ended March 31, 2012 than in the period ended 2011,which was the primary basis for total other expenses of $33,021for the three months ended March 31, 2012 as compared with $22,950 for the prior year period.

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Net Loss

We recorded a net loss of $314,471 for the three months ended March 31, 2012, as compared with a net loss of $267,036 for the three months ended March 31, 2011.

Liquidity and Capital Resources

As of March 31, 2012, we had total current assets of $54,800 and total assets in the amount of $335,373. Our total current liabilities as of March 31, 2012 were $1,763,716. We had a working capital deficit of $1,708,916 as of March 31, 2012.

Cash flows used in operating activities was $20,735 for the three months ended March 31, 2012. Our net loss of $314,471 was the main component of our negative operating cash flow, offset mainly by amortization of debt discount of $103,814, an increase in accounts payable and accrued liabilities of $143,000.

Cash flows used by investing activities during the three months ended March 31, 2012 was $28,409 as a result of the purchase of fixed and intangible assets.

Cash flows provided by financing activities during the three months ended March 31, 2012 amounted to $49,125 and consisted primarily of $31,000 in proceeds from loans, $14,000 in proceeds from convertible notes payable, and $4,125 in proceeds from related party loans.

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

Off Balance Sheet Arrangements

As of March 31, 2012, there were no off balance sheet arrangements.

Critical Accounting Policies

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

Going concern – The accompanying financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. The Company has incurred cumulative net losses of $21,433,414 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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Product sales – Revenues from the sale of products are recognized when title to the products are transferred to the customer and only when no further contingencies or material performance obligations are warranted, and thereby have earned the right to receive reasonably assured payments for products sold and delivered.

Royalty sales – The Company also recognizes royalty revenue from licensing its patent and trademarks, 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 – The Company also recognizes revenue from distribution and license rights 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.

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, 2010, the Company had not recorded a reserve for doubtful accounts.

Recently Issued Accounting Pronouncements

In January 2010, the FASB (Financial Accounting Standards Board) issued Accounting Standards Update 2010-07 (ASU 2010-07), Not-for-Profit Entities (Topic 958): Not-for-Profit Entities: Mergers and Acquisitions. This amendment to Topic 958 has occurred as a result of the issuance of FAS 164. The Company does not expect the provisions of ASU 2010-07 to have a material effect on the financial position, results of operations or cash flows of the Company.

In February 2010, the FASB (Financial Accounting Standards Board) issued Accounting Standards Update 2010-08 (ASU 2010-08), Technical Corrections to Various Topics. This amendment eliminated inconsistencies and outdated provisions and provided the needed clarifications to various topics within Topic 815. The amendments are effective for the first reporting period (including interim periods) beginning after issuance (February 2, 2010), except for certain amendments. The amendments to the guidance on accounting for income taxes in reorganization (Subtopic 852-740)

should be applied to reorganizations for which the date of the reorganization is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. For those reorganizations reflected in interim financial statements issued before the amendments in this Update are effective, retrospective application is required. The clarifications of the guidance on the embedded derivates and hedging (Subtopic 815-15) are effective for fiscal years beginning after December 15, 2009, and should be applied to existing contracts (hybrid instruments) containing embedded derivative features at the date of adoption. The Company does not expect the provisions of ASU 2010-08 to have a material effect on the financial position, results of operations or cash flows of the Company.

In February 2010, the FASB issued Accounting Standards Update 2010-09 (ASU 2010-09), Subsequent Events (Topic 855), amending guidance on subsequent events to alleviate potential conflicts between FASB guidance and SEC requirements. Under this amended guidance, SEC filers are no longer required to disclose the date through which subsequent events have been evaluated in originally issued and revised financial statements. This guidance was effective immediately and we adopted these new requirements for the period ended May 31, 2010. The adoption of this guidance did not have a material impact on our financial statements.

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In April 2010, the FASB issued ASU No. 2010-17, “Revenue Recognition – Milestone Method (Topic 605): Milestone Method of Revenue Recognition” (codified within ASC 605 – Revenue Recognition). ASU 2010-17 provides guidance on defining a milestone and determining when it may be appropriate to apply the milestone method of revenue recognition for research or development transactions. ASU 2010-17 is effective for interim and annual periods beginning after June 15, 2010. The adoption of ASU 2010-17 is not expected to have any material impact on our financial position, results of operations or cash flows.

In May 2010, the FASB (Financial Accounting Standards Board) issued Accounting Standards Update 2010-19 (ASU 2010-19), Foreign Currency (Topic 830): Foreign Currency Issues: Multiple Foreign Currency Exchange Rates. The amendments in this Update are effective as of the announcement date of March 18, 2010. The Company does not expect the provisions of ASU 2010-19 to have a material effect on the Company’s financial position, results of operations or cash flows of the Company.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

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

Item 4T. Controls and Procedures

Disclosure Controls and Procedures

We carried out an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) as of March 31, 2012. This evaluation was carried out under the supervision and with the participation of our Chief Executive Officer and our Chief Financial Officer. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of March 31, 2012, our disclosure controls and procedures were not effective due to the presence of material weaknesses in internal control over financial reporting.

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company’s annual or interim financial statements will not be prevented or detected on a timely basis. Management has identified the following material weaknesses which have caused management to conclude that, as of March 31, 2012, our disclosure controls and procedures were not effective: (i) inadequate segregation of duties and effective risk assessment; and (ii) insufficient written policies and procedures for accounting and financial reporting with respect to the requirements and application of both US GAAP and SEC guidelines.

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

Our company plans to take steps to enhance and improve the design of our internal controls over financial reporting. During the period covered by this quarterly report on Form 10-Q, we have not been able to remediate the material weaknesses identified above. To remediate such weaknesses, we plan to implement the following changes during our fiscal year ending December 31, 2012: (i) appoint additional qualified personnel to address inadequate segregation of duties and ineffective risk management; and (ii) adopt sufficient written policies and procedures for accounting and financial reporting. The remediation efforts set out are largely dependent upon our securing additional financing to cover the costs of implementing the changes required. If we are unsuccessful in securing such funds, remediation efforts may be adversely affected in a material manner.

We are unable to remedy our controls related to the inadequate segregation of duties and ineffective risk management until we receive financing to hire additional employees. In January 2011, we hired an outsourced controller to improve the controls for accounting and financial reporting.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting during the three months ended March 31, 2012 that have materially affected, or are reasonable likely to materially affect, our internal control over financial reporting.

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PART II – OTHER INFORMATION

Item 1. Legal Proceedings

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

§ For an order declaring that Defendants have infringed one or more claims of the Patents;

§ For an order declaring that Defendants have infringed on the Company's trademarks;

§ For an order declaring that Defendants have willfully misappropriated the Company's trade secrets;

§ A preliminary and permanent injunction against Defendants prohibiting each of them from further infringement of the Patents and the Company's trademarks and trade secrets;

§ For an order declaring that Sunless Beauty Ltd. and Angie Trelstad have breached the License Agreement;

§ An award of damages the Company has suffered by reason of the allegations charged in the complaint;

§ An award to the Company of its costs and attorneys' fees;

§ Such other relief as the Court may deem just and proper.

We are currently in the process of settling the case. The parties are negotiating the terms of a settlement agreement, and we hope to have more information in the near future as to the resolution of the case.

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

Item 1A: Risk Factors

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

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

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

During the three months ended March 31, 2012, we issued 861,750 restricted shares of our common stock as a result of entering into debt conversion agreements with lenders to convert total principal balances and interest of $43,386 into equity.

During the three months ended March 31, 2012, we issued 775,000 shares of our common stock as a result of entering into a loan conversion agreements with lenders to convert a total principal balance and interest of $31,000 into equity. We also issued a two year warrant to the lender to purchase an aggregate amount of 387,500 shares of common shares at a strike price of $0.04 per share.

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.

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Item 3. Defaults upon Senior Securities

None

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None

Item 6. Exhibits

Exhibit Number	Description of Exhibit
31.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Skinvisible, Inc.

Date: May 14, 2012

By: /s/ Terry Howlett

Terry Howlett

Title: Chief Executive Officer, Chief Financial Officer and Director

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