
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-Q

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

For the Quarterly Period ended March 31, 2017

Commission File No. **000-52542**

Spotlight Innovation Inc.

(Name of small business issuer in its charter)

Nevada

(State or other jurisdiction of incorporation or
organization)

98-0518266

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

**11147 Aurora Avenue
Aurora Business Park, Building 3
Urbandale, Iowa 50322**

(Address of principal executive offices)

(515) 274-9087

(Issuer's telephone number)

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. 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 (§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 No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input checked="" type="checkbox"/>
(Do not check if smaller reporting company)		Emerging growth company	<input type="checkbox"/>

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

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

Indicate the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date: As of May 18, 2017, the Company had 34,473,514 outstanding shares of its common stock, par value \$0.001.

Special Note Regarding Forward-Looking Statements

This Quarterly Report on Form 10-Q, including "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Item 2 of Part I of this report include forward-looking statements. These statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance, or achievements expressed or implied by forward-looking statements.

In some cases, you can identify forward-looking statements by terminology such as "may," "should," "expects," "plans," "anticipates," "believes," "estimates," "predicts," "potential," "proposed," "intended," or "continue" or the negative of these terms or other comparable terminology. You should read statements that contain these words carefully, because they discuss our expectations about our future operating results or our future financial condition or state other "forward-looking" information. There may be events in the future that we are not able to accurately predict or control. Before you invest in our securities, you should be aware that the occurrence of any of the events described in this Quarterly Report could substantially harm our business, results of operations and financial condition, and that upon the occurrence of any of these events, the trading price of our securities could decline and you could lose all or part of your investment. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, growth rates, levels of activity, performance or achievements. We are under no duty to update any of the forward-looking statements after the date of this Quarterly Report to conform these statements to actual results.

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PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

SPOTLIGHT INNOVATION INC.
CONSOLIDATED BALANCE SHEETS
(unaudited)

	<u>March 31,</u> <u>2017</u>	<u>December</u> <u>31,</u> <u>2016</u>
<u>ASSETS</u>		
Current assets:		
Cash	\$ 223,862	\$ 313,333
Prepaid expenses	187,983	214,500
Notes receivable	1,070,615	1,000,000
Total current assets	1,482,460	1,527,833
Property, and equipment, net	12,648	13,155
In-process research and development	6,977,347	6,977,347
Total assets	<u>\$ 8,472,455</u>	<u>\$ 8,518,335</u>
<u>LIABILITIES AND EQUITY</u>		
Current liabilities:		
Accounts payable	\$ 401,186	\$ 395,849
Accounts payable and accrued liabilities – related parties	15,562	3,560
Accrued liabilities	692,901	699,567
Stock payable	3,876,973	3,921,973
Notes payable	169,924	174,769
Lines of credit, net of discounts of \$1,233 and \$4,929, respectively	1,002,068	998,370
Short-term debt – related party	767,558	290,064
Total current liabilities	6,926,172	6,484,152
Long-term liabilities:		
Long-term liabilities	935,702	713,442
Total liabilities	7,861,874	7,197,594
Equity:		
Series A preferred stock, \$0.001 par value, 1,500,000 shares authorized, 0 shares issued and outstanding	-	-
Series C preferred stock, \$0.001 par value, 500,000 shares authorized, 0 shares issued and outstanding	-	-
Preferred stock, \$0.001 par value, 4,000,000 shares authorized 0 shares issued and outstanding	-	-
Common stock, \$0.001 par value, 4,000,000,000 shares authorized, 29,631,050 and 27,276,054 shares issued and 28,631,050 and 27,276,054 outstanding, respectively	29,631	27,276
Additional paid-in capital	35,474,728	34,035,015
Accumulated deficit	(37,426,039)	(35,369,670)
Common stock held in treasury stock, 1,000,000 shares at cost	-	-
Total equity attributable to Spotlight Innovation Inc.	(1,921,680)	(1,307,379)
Non-controlling interest	2,532,261	2,628,120
Total equity	610,581	1,320,741
Total liabilities and equity	<u>\$ 8,472,455</u>	<u>\$ 8,518,335</u>

The accompanying notes are an integral part of these unaudited consolidated financial statements.

SPOTLIGHT INNOVATION INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(unaudited)

	For the Three Months Ended March 31, 2017	For the Three Months Ended March 31, 2016
REVENUE	\$ -	\$ -
COST OF SALES	52,875	-
OPERATING EXPENSES:		
General and administrative expenses	1,636,775	1,000,024
Research and development expenses	175,166	-
Depreciation expense	1,280	1,182
Total operating expenses	1,813,221	1,001,206
LOSS FROM OPERATIONS	(1,866,096)	(1,001,206)
OTHER INCOME (EXPENSE):		
Interest income	33,844	-
Interest expense	(519,636)	(167,481)
Loss on change in value of derivative liability	(4,364)	(215,186)
Gain on extinguishment of debt and related derivative liability	205,745	-
Gain (loss) on foreign currency exchange	(1,721)	200
Total other income (expense)	(286,132)	(382,467)
Net loss from continuing operations	(2,152,228)	(1,383,673)
Net loss from discontinued operations	-	(80,953)
Net loss	(2,152,228)	(1,464,626)
Net loss attributable to non-controlling interest holders	(95,859)	(21,367)
Net loss attributable to Spotlight Innovation Inc. shareholders	\$ (2,056,369)	\$ (1,443,259)
Net loss per common share - basic and diluted		
Continued operations	\$ (0.08)	\$ (0.09)
Discontinued operations	0.00	(0.01)
Total	\$ (0.08)	\$ (0.10)
Weighted average number of common shares outstanding - basic and diluted	28,732,182	14,696,257

The accompanying notes are an integral part of these unaudited consolidated financial statements.

SPOTLIGHT INNOVATION INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)

	Three Months Ended March 31, 2017	Three Months Ended March 31, 2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	\$(2,152,228)	\$(1,464,626)
Less: net loss from discontinued operations	-	(80,953)
Net loss from continuing operations	(2,152,228)	(1,383,673)
<i>Adjustments to reconcile net loss to cash used in operating activities:</i>		
Share-based compensation	934,000	296,498
Depreciation and amortization	1,280	790
Loss on change of fair value of derivative liability	4,364	215,186
Amortization of debt discount	408,698	42,516
Interest expense on derivative liability that exceeds face value	76,708	-
Gain on extinguishment of debt and related derivative liability	(205,745)	-
(Gain) loss on foreign currency exchange	1,721	(200)
Changes in operating assets and liabilities:		
Prepaid Expense	26,517	8,750
Accounts payable	5,337	82,559
Accounts payable and accrued liabilities - related party	12,002	-
Accrued liabilities	(10,736)	142,708
Accrued interest from notes receivable	(33,844)	-
Cash used in continuing operating activities	(931,926)	(594,866)
Cash used in discontinued operating activities	-	(38,992)
Total cash used in operating activities	(931,926)	(633,858)
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash paid for note receivables	(36,771)	-
Cash paid for purchase of fixed assets	(774)	(4,769)
Cash used in continuing investing activities	(37,545)	(4,769)
Cash used in discontinued investing activities	-	(392)
Total cash used in investing activities	(37,545)	(5,161)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of notes payable	(210,000)	-
Proceeds from convertible debenture - net	405,000	550,000
Proceeds from demand note	685,000	-
Proceeds from sale of common shares and warrants	-	55,140
Cash provided by continuing financing activities	880,000	605,140
Cash provided by discontinued financing activities	-	-
Total cash provided by financing activities	880,000	605,140
Decrease in cash during the period	(89,471)	(33,879)
Cash, beginning of the period	313,333	299,919
Cash, end of the period	\$ 223,862	\$ 266,040
SUPPLEMENTAL CASH FLOWS INFORMATION		
Income taxes paid	\$ -	\$ -
Interest paid	\$ 10,748	\$ 47,901
NON-CASH INVESTING AND FINANCING TRANSACTIONS		
Common shares issued for extinguishment of debt and related derivative liability	\$ 435,157	\$ -
Debt discount for relative fair value of warrants attached to convertible debentures	\$ 22,910	\$ -
Debt discount for relative fair value of royalties attached to convertible debentures	\$ 222,260	\$ -
Common shares issued for stock payable	\$ 50,000	\$ -
Derivative liability related to convertible debentures	\$ 236,538	\$ 906,585

The accompanying notes are an integral part of these unaudited consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

NOTE 1. DESCRIPTION OF BUSINESS AND BASIS OF PRESENTATION

Spotlight Innovation Inc. (the “Company”) was organized under the laws of the state of Nevada on March 23, 2012 under the name Spotlight Innovation, LLC. In December 2013, the Company, through a reverse acquisition, merged with American Exploration Corporation (“American Exploration”). Spotlight Innovation Inc. is a pharmaceutical company focused on acquiring the intellectual property rights to innovative and proprietary therapeutics designed to address unmet medical needs, with an emphasis on rare, emerging, or neglected diseases. To find and evaluate unique opportunities, we leverage our extensive relationships with leading scientists, academic institutions and other sources. We provide value-added development capability to accelerate progress. When scientifically significant benchmarks have been achieved, we will endeavor to partner with proven market leaders via sale, out-license or strategic alliance.

As of March 31, 2017, the Company had four subsidiaries: Celtic Biotech Iowa, Inc. “Celtic Iowa”, Caretta Therapeutics, LLC (“Caretta”), SMA Therapeutics, LLC (“SMA”), and Zika Therapeutics, LLC (“Zika”).

Cancer

On June 4, 2014, Celtic Biotech Iowa, Inc. acquired Celtic Biotech Limited (hereinafter “CBL”). CBL was founded in 2003 in Dublin, Ireland and is developing novel and highly specialized compounds derived from snake venom, for the treatment of solid cancers and cancer imaging.

Pain Management

Caretta Therapeutics, LLC was formed in August 2016 to develop the commercialization of over-the-counter products. Caretta holds a license agreement to develop, manufacture and sell certain products derived from snake venom that may have analgesic properties.

Zika Virus Infection

On August 19, 2016, the Company entered a Sponsored Research Agreement (the “SRA”) with the Florida State University Research Foundation (“FSURF”) starting September 1, 2016, to perform certain research, over a two-year period, related to the discovery, synthetic modification, and preclinical validation of drug-like compounds intended to treat patients with Zika virus infection. The research is being conducted under the direction of Professor Hengli Tang.

Spinal Muscular Atrophy

In October 2016, the Company entered into an Exclusive License Agreement with Indiana University Research and Technology Corporation to commercialize STL-182, an orally-available small molecule that may have therapeutic potential for treating spinal muscular atrophy. Spinal Muscular Atrophy is an autosomal recessive disorder that is a leading genetic cause of death in infants and toddlers.

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Basis of Presentation

The accompanying consolidated financial statements of the Company have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") and the rules of the Securities and Exchange Commission ("SEC") and should be read in conjunction with the audited financial statements and notes thereto contained in the Company's latest Annual Report filed with the SEC on Form 10-K. In the opinion of management, all adjustments, consisting of normal recurring adjustments, necessary for a fair presentation of the financial position and the results of operations for the interim periods presented have been reflected herein. The results of operations for interim periods are not necessarily indicative of the results to be expected for the full year. Notes to the financial statements that would substantially duplicate disclosures contained in the audited financial statements for the most recent fiscal year, as reported in the Form 10-K for the period ended December 31, 2015 filed with the SEC, have been omitted.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates include those regarding the valuation of the assets acquired and liabilities assumed in the acquisition of Memcine and share-based compensation.

Principles of Consolidation

The consolidated financial statements include the Company's accounts, including those of the Company's subsidiaries. Accordingly, the Company has consolidated CBL, Celtic Iowa, CDT (Suspended), Caretta, Zika, and SMA. All significant intercompany accounts and transactions have been eliminated.

Non-Controlling Interest

The Company is required to report its non-controlling interest in all subsidiaries as a separate component of shareholders' equity. The Company is also required to present the consolidated net income and the portion of the consolidated net income allocable to the non-controlling interest and to the shareholders of the Company separately in its consolidated statements of operations. Losses applicable to the non-controlling interest are allocated to the non-controlling interest even when those losses are in excess of the non-controlling interest's investment basis.

Loss per Common Share

Basic net income (loss) per common share is computed by dividing the net income (loss) attributable to common shareholders by the weighted-average number of common shares outstanding during the period. Diluted net income (loss) per share is computed by dividing the net income (loss) attributable to common shareholders by the weighted-average number of common and common equivalent shares outstanding during the period. Common share equivalents included in the diluted computation represent shares issuable upon assumed exercise of stock options and warrants or the assumed conversion of convertible debt instruments, using the treasury stock and "if converted" method. For periods in which net losses are incurred, weighted average shares outstanding is the same for basic and diluted loss per share calculations, as the inclusion of common share equivalents would have an anti-dilutive effect.

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For the three months ended March 31, 2017 and 2016, the dilutive effect of the issuance of 0 and 0 options, 121,500 and 70,338 warrants, and 767,282, and 0 common shares issuable for conversion of convertible debt, respectively, were excluded from the diluted earnings per share calculation because their effect would have been anti-dilutive.

Cash and Cash Equivalents

The Company considers all highly liquid investments with maturity of three months or less when purchased to be cash equivalents. The Company maintains its cash in institutions insured by the Federal Deposit Insurance Corporation ("FDIC"). The Company had \$223,862 and \$313,333 cash equivalents at March 31, 2017 and December 31, 2016, respectively.

Concentrations of Credit Risk

Financial instruments which potentially subject the Company to concentrations of credit risk include cash deposits placed with financial institutions. The Company maintains its cash in bank accounts which, at times, may exceed federally insured limits as guaranteed by the Federal Deposit Insurance Corporation ("FDIC"). As of March 31, 2017, the Company had \$0 of cash balances that were uninsured. The Company has not experienced any losses on such accounts.

Foreign exchange and currency translation

For the three months ended March 31, 2017 and 2016, the Company maintained cash accounts in U.S. dollars as well as European Union euros, and incurred certain expenses denominated in U.S. dollars and European Union euros. The Company's functional and reporting currency is the U.S. dollar. Transactions denominated in foreign currencies are translated into U.S. dollars at exchange rates in effect on the date of the transactions. Assets and liabilities are translated using exchange rates at the end of each period. Exchange gains or losses on transactions are included in earnings. For all periods presented, any exchange gains or losses or translation adjustments resulting from foreign currency transactions are included in the statements of operations as other income (expense).

In-Process Research and Development

In-process research and development ("IPR&D") represents the estimated fair value assigned to research and development projects acquired in a purchased business combination that have not been completed at the date of acquisition and which have no alternative future use. IPR&D assets acquired in a business combination are capitalized as indefinite-lived intangible assets. These assets remain indefinite-lived until the completion or abandonment of the associated research and development efforts. During the periods prior to completion or abandonment, those acquired indefinite-lived assets are not amortized but are tested for impairment annually, or more frequently, if events or changes in circumstances indicate that the asset might be impaired. During periods after completion, those acquired indefinite-lived assets are amortized based on their useful life. The fair value of the assets acquired was \$6,977,347. These assets are still subject to research and development completion and accordingly, no amortization has been recorded.

Property and Equipment

Property and equipment is stated at cost less accumulated depreciation and amortization. Maintenance and repairs are charged to expense as incurred. Renewals and betterments which extend the life or improve existing equipment are capitalized. Upon disposition or retirement of equipment, the cost and related accumulated depreciation are removed and any resulting gain or loss is reflected in operations. Depreciation is provided using the straight-line method over the estimated useful lives of the assets, which is 3-10 years.

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Impairment of Long-Lived Assets and Intangibles

The Company performs impairment tests on its long-lived assets when circumstances indicate that their carrying amounts may not be recoverable. If required, recoverability is tested by comparing the estimated future undiscounted cash flows of the asset or asset group to its carrying value. If the carrying value is not recoverable, the asset or asset group is written down to fair value. For the three months ended March 31, 2017 and 2016, the Company recorded no impairment to the Company's long-lived assets.

Deferred Financing Costs

We have incurred debt origination costs in connection with the issuance of short-term convertible debt. These costs are capitalized as deferred financing costs and amortized using the straight-line method over the term of the related convertible debt.

Stock-Based Compensation

The Company measures the cost of employee services received in exchange for stock and stock options based on the grant date fair value of the awards. The Company determines the fair value of stock option grants using the Black-Scholes option pricing model. The Company determines the fair value of shares of non-vested stock (also commonly referred to as restricted stock) based on the last quoted price of our stock on the date of the share grant. The fair value determined represents the cost for the award and is recognized over the vesting period during which an employee is required to provide service in exchange for the award. As share-based compensation expense is recognized based on awards ultimately expected to vest, the Company reduces the expense for estimated forfeitures based on historical forfeiture rates, if historical forfeiture rates are available. Previously recognized compensation costs may be adjusted to reflect the actual forfeiture rate for the entire award at the end of the vesting period. Excess tax benefits, if any, are recognized as an addition to paid-in capital.

Income Taxes

The Company utilizes the asset and liability method in accounting for income taxes. Under this method, deferred tax assets and liabilities are recognized for operating loss and tax credit carry-forwards and for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the year 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 the results of operations in the period that includes the enactment date. A valuation allowance is recorded to reduce the carrying amounts of deferred tax assets unless it is more likely than not that the value of such assets will be realized.

Fair Value of Financial Instruments

The Company follows FASB ASC 820, *Fair Value Measurement* ("ASC 820"), which clarifies fair value as an exit price, establishes a hierarchical disclosure framework for measuring fair value, and requires extended disclosures about fair value measurements. The provisions of ASC 820 apply to all financial assets and liabilities measured at fair value.

As defined in ASC 820, fair value, clarified as an exit price, represents the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. As a result, fair value is a market-based approach that should be determined based on assumptions that market participants would use in pricing an asset or a liability.

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As a basis for considering these assumptions, ASC 820 defines a three-tier value hierarchy that prioritizes the inputs used in the valuation methodologies in measuring fair value.

Level 1 – Quoted prices in active markets for identical assets or liabilities.

Level 2 – Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The fair value hierarchy also requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The Company's IPR&D assets were valued on a discounted cash flow model using the income approach. The inputs to the model were within Level 3 of the fair value hierarchy.

Subsequent Events

The Company evaluated subsequent events through the date when financial statements are issued for disclosure consideration.

Recent Accounting Pronouncements

There were various accounting standards and interpretations issued recently, none of which are expected to have a material effect on the Company's operations, financial position or cash flows.

NOTE 3. GOING CONCERN

The Company is an early stage company and as such has not generated revenues from operations and there is no assurance of any future revenues. The accompanying financial statements have been prepared assuming that the Company will continue as a going concern, which contemplates, among other things, the realization of assets and satisfaction of liabilities in the normal course of business. As of March 31, 2017, the Company had accumulated net losses of \$37,426,039 and had a working capital deficit of \$5,443,712. These factors raise substantial doubt as to the Company's ability to continue as a going concern.

The ability of the Company to continue as a going concern is dependent upon the Company's successful efforts to raise sufficient capital and then attain profitable operations. Management is investigating all options to raise enough funds to meet the Company's working capital requirements through either the sale of the Company's common stock or other financings. There can be no assurances, however, that management will be able to obtain sufficient additional funds when needed, or that such funds, if available, will be obtained on terms satisfactory to the Company.

NOTE 4. DISCONTINUED OPERATIONS

Memcine

On June 2, 2015, the Company acquired 82.25% of the ownership in Memcine for \$30,000.

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The following table summarizes the allocation of the purchase price to the net assets acquired:

Fair value at June 2, 2015	
Cash	\$ 27,071
Property, plant and equipment	18,071
IPR&D	212,541
Total assets	257,683
Accounts payable and accrued liabilities	(854)
Deferred liabilities	(220,465)
Total liabilities	(221,319)
Net assets acquired	\$ 36,364

The Company recorded the 17.75% non-controlling interest in Memcine at a fair value of \$6,364.

On October 12, 2016 the Company terminated its interests in Memcine pursuant to a Termination Agreement with Memcine, the University of Iowa Research Foundation, and Dr. Tony Vanden Bush. The Company has reclassified the results from operations of Memcine to discontinued operations.

The following table summarizes the results of the Memcine business included in the consolidated statement of income as discontinued operations:

	Three Months Ended March 31, 2016
Sales	\$ -
General and administrative expenses	80,516
Depreciation	437
Income before taxes	(80,953)
Income taxes	-
Net loss from discontinued operations	<u>\$ (80,953)</u>

Non-transferable balance sheet positions, such as intercompany payables of \$299,574 as of October 12, 2016 were considered forgiven and netted against the gain on the disposal.

NOTE 5. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

Description	Useful lives (years)	March 31, 2017	December 31, 2016
Computers	5	\$ 9,620	\$ 9,620
Software	3	761	761
Furniture	5	1,974	1,200
Equipment	10	9,000	9,000
Subtotal		21,355	20,581
Less accumulated depreciation		(8,707)	(7,426)
Property and equipment, net		\$ 12,648	\$ 13,155

NOTE 6. NOTES RECEIVABLE

During 2016, the Company made two investments in SOLX, Inc. (“SOLX”), a Massachusetts-based, privately-held medical device company that develops innovative surgical technologies to treat refractory glaucoma and preserve vision. The Company purchased \$200,000 and \$800,000 in Senior Convertible Promissory notes, maturing October 1, 2017. The notes carry an interest rate of 10%. No periodic interest payments will be made, upon maturity the principal balance and the accrued interest will be paid unless converted to equity. On a fully converted basis, the principal represents about a 10% interest in SOLX. Of the 10% interest, 3% has been assigned to K4 Enterprise, LLC (“K4”). During the three-month ending March 31, 2017, the Company purchased an additional note from SOLX in the amount of \$36,771, and accrued interest income of \$33,844.

NOTE 7. NOTES PAYABLE

During 2016, the Company conducted a private offering of up to \$2,500,000 in principal amount of the Company’s convertible promissory notes (the “Private Placement”), which bear interest at the rate of 7.5% per annum. The notes are convertible into shares of common stock of the Company at a price per share equal to 90% of the closing bid price of the common stock during the 20 consecutive trading days immediately preceding such conversion. The notes mature 24 months after issuance, if not converted prior to the maturity date, the notes automatically convert into shares of common stock of the Company at a per share price equal to 80% of the closing bid price of the common stock of the Company during the 20 consecutive trading days immediately preceding the maturity date. The holders of the notes will receive, in the aggregate, pro rata based on investment, a total of five percent of the revenues of Caretta Therapeutics, LLC during the years ending December 31, 2017, 2018, 2019 and 2020. The investors shall also receive warrants to purchase a number of shares equal to 30% of the amount invested, for a period of two years, at an exercise price per share equal to 110% of the closing bid price of the common stock of the Company on the six month anniversary of the date of issuance of such warrant. During the year ended December 31, 2016, the Company issued convertible notes in the aggregate principal amount of \$1,382,000, under the Private Placement.

During the three months ended March 31, 2017, under the Private Placement, the Company issued convertible notes in the aggregate principal amount of \$405,000. During the three months ended March 31, 2017, the Company recorded \$236,538 and \$222,260 of derivative liability and royalty liability, respectively, associated with these convertible notes. In addition, the Company also recorded debt discount related to the relative fair value of the warrants in the amount of \$22,910. As of March 31, 2017, these convertible notes were converted into 767,282 shares of common stock, fair valued at \$385,907, and stock payable of \$5,000. The Company also recorded a gain on extinguishment of debt and related derivative liability in the amount of \$205,745.

NOTE 8. LEASES

As of March 31, 2017, the Company has one lease agreement. On December 15, 2016, the Company entered into a commercial sublease with K4 in Urbandale, Iowa, for a term of five years, commencing December 15, 2016, ending December 1, 2021, and automatically continuing on a year-to-year basis thereafter, unless terminated in accordance with the provisions thereof. K4 is a related party. Monthly rent is \$1,314, which will increase by 2% annually, plus a proportionate share of expenses, which will initially be \$800 per month.

NOTE 9. INCOME TAXES

Realization of deferred tax assets is dependent upon sufficient future taxable income during the period that deductible temporary differences and carry-forwards are expected to be available to reduce taxable income.

At March 31, 2017, the Company's deferred tax assets consisted primarily of net operating loss carry forwards. For the three months ended March 31, 2017 and 2016, the material reconciling items between the tax benefit computed at the statutory rate and the actual benefit recognized in the financial statements consisted of expenses related to share-based compensation and the change in the valuation allowance during the applicable period. At March 31, 2017 and 2016, the Company has recorded a 100% valuation allowance as management believes it is likely that any deferred tax assets will not be realized.

As of March 31, 2017, the Company has a net operating loss carry forward of approximately \$35.8 million, which will expire between years 2028 and 2036. Due to the change in ownership provisions of the Tax Reform Act of 1986, our net operating loss carry forwards are expected to be subject to significant annual limitations for the change in ownership that resulted in the merger with American Exploration.

NOTE 10. EQUITY

The Company has authorized the issuance of 1,500,000 shares of Series A preferred stock, 500,000 shares of Series C preferred stock, 4,000,000 shares of preferred stock and 4,000,000,000 shares of common stock.

Common Stock

The Company issued common stock for services during the three months ended March 31, 2017. The table below details the issuances:

Month	Shares issued	Fair Value at issue date
January, 2017	1,360,000	\$ 884,000
February, 2017	100,000	50,000
Total	1,460,000	\$ 934,000

Treasury Stock

During the three months ended March 31, 2017, the Company reacquired 1,000,000 shares of its common stock. The shares were previously held by Cris Grunewald, executive officer of the Company, and the shares remained issued, but not outstanding, at March 31, 2017. The shares are recorded at a cost of \$0.

Options

2009 Plan

In 2009, the Company adopted the 2009 Stock Option Plan (the "2009 Plan"). The 2009 Plan allows the Company to issue options to officers, directors and employees, as well as consultants, to purchase up to 7,000,000 shares of common stock.

As of March 31, 2017, there are 5,200 stock options outstanding under the 2009 Plan which were issued prior to the merger. These stock options were valued at \$6,934 using the Black-Scholes model which was included in the purchase price of American Exploration.

2015 Equity Incentive Plan

On November 25, 2015, the Company authorized the Spotlight Innovation Inc. 2015 Equity Incentive Plan (the "Plan").

The total number of shares of common stock which may be issued under the options granted pursuant to the Plan is 3,600,000. The shares covered by the portion of any grant under the plan which expires unexercised shall become available again for grant under the plan.

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2016 Equity Incentive Plan

On December 13, 2016, the Company adopted the Spotlight Innovation Inc. 2016 Equity Incentive Plan (the “2016 Plan”) and reserved 5,000,000 shares of common stock under the 2016 Plan.

During the quarter ended March 31, 2017, the Company issued no options to purchase shares of common stock to a former member of the Board of Directors and current Board of Director members. A summary of the stock option activity for the three months ended March 31, 2017 is presented below.

	Options	Weighted-Average Exercise Price
Outstanding December 31, 2016	153,771	\$ 12.48
Granted	-	-
Exercised	-	-
Expired/Forfeited	-	-
Outstanding March 31, 2017	153,771	\$ 12.48
Exercisable March 31, 2017	153,771	12.48

Warrants

During the three months ended March 31, 2017, the Company issued warrants to purchase 121,500 shares of common stock. These warrants were issued in connection with the Company’s private placement conducted during the three months ended March 31, 2017. These warrants have an exercise price equal to the closing price of the common stock of the Company on the six-month issuance thereof. The relative fair value of the warrants based on the Black-Scholes model was \$22,910.

During the three months ended March 31, 2017, 494,171 warrants expired with an average exercise price of \$1.29.

The fair value of the above warrants was determined by using the Black-Scholes option-pricing model. Variables used in the model for the warrants issued include: i) discount rates ranging from 1.47% to 1.66%; ii) expected terms of 3.00 years; iii) expected volatility ranging from 133.04% to 270.27%; iv) zero expected dividends and v) stock price of \$0.41 to \$0.52.

A summary of the warrant activity for the three months ended March 31, 2017 is presented below:

	Warrants	Weighted-Average Exercise Price
Outstanding at December 31, 2016	5,826,271	\$ 1.19
Granted	121,500	0.55
Exercised	-	-
Expired/forfeited/terminated	(494,171)	1.29
Outstanding March 31, 2017	5,453,600	\$ 1.16
Exercisable March 31, 2017	5,453,600	\$ 1.16

The weighted average remaining contractual term of the outstanding warrants and exercisable warrants as of March 31, 2017 is 2.00 years.

NOTE 11. RELATED PARTY TRANSACTIONS

John M. Krohn, President, Chief Operating Officer and Director of the Company, is a 50% owner of K4. The Company has entered into several financing agreements with K4. The Company entered into a Sublease with K4, to occupy the current offices of the Company. On December 16, 2016, the Company (i) issued 350,000 common membership units of its subsidiary Caretta Therapeutics, LLC to K4, (ii) issued 200,000 common membership units of its subsidiary Zika Therapeutics, LLC to K4, (iii) issued 200,000 common membership units of its subsidiary SMA Therapeutics, LLC to K4 and (iv) assigned to 30% of the distributions and income receive by the Corporation from its investment in SOLX, Inc. to K4.

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On October 5, 2016, Caretta entered into a license agreement with Dr. Paul Reid, of Celtic Biotech, Iowa. In August 2016, Mr. Arthur purchased a convertible note in the principal amount of \$20,000 from the Company, in a private placement, and received a warrant to purchase 6,000 shares of the Company's common stock. These warrants have an exercise price equal to the closing price of the Company common stock of the six-month issuance thereof.

The material terms of the note are:

- At any time prior to the maturity date, the note is convertible into shares of common stock of the Company at a price per share equal to 90% of the closing bid price of the common stock during the 20 consecutive trading days immediately preceding such conversion.
- Interest will accrue at 7.5% computed on a 365-day basis. Interest is payable upon conversion of the convertible note at the applicable conversion price.

In December 2016, Mr. Arthur converted the note in its entirety into 54,054 shares of the Company's common stock.

The warrant issued to Mr. Arthur provides for the issuance of warrants to purchase that number of shares of common stock of the Company equal to 30% of the amount invested in the convertible notes based on the exercise price of the Warrants (the exercise price is defined as 110% of the closing bid price of the common stock of the Company on the six-month anniversary of the issuance date of the convertible note).

In August and November 2016, Dr. Agarwal purchased an aggregate principal amount of \$350,000 of the note from the Company, in a private placement, and received warrants to purchase an aggregate of 105,000 shares of the Company's common stock. The warrants issued to Dr. Agarwal provides for the issuance of warrants to purchase that number of shares of common stock of the Company equal to 30% of the amount invested in the convertible notes based on the exercise price of the Warrants (the exercise price is defined as 110% of the closing bid price of the common stock of the Company on the six-month anniversary of the issuance date of the convertible note).

In connection with the issuance of the notes, Caretta Therapeutics, LLC (a subsidiary of the Company) entered into a Royalty Agreement with Mr. Arthur and Dr. Agarwal pursuant to which Mr. Arthur and Dr. Agarwal will receive a pro rata share of a royalty during 2017, 2018, 2019 and 2020 of the Company's subsidiary Caretta Therapeutics, LLC as follows:

- Aggregate of 5% of net revenue.
- Net revenues defined as gross revenues, minus all license/royalty fees and cost of goods sold.
- Royalties will cease once investor has received two times the amount invested in the respective note.

As of March 31, 2016, the Company has a demand note with K4 in the amount of \$607,251. There are no formal payment terms, this loan is payable upon demand.

NOTE 12. SUBSEQUENT EVENTS

Subsequent to March 31, 2017, K4 has loaned the Company an additional \$150,000. Subsequent to March 31, 2017 the Company has paid \$400,000 leaving an open balance with K4, at May 19, 2017, of \$357,251. There are no formal payment terms, this loan is payable upon demand. There is no stated interest rate.

Subsequent to March 31, 2017 a consultant loaned \$105,000 to the Company. There are no formal payment terms, this loan is payable upon demand. There is no stated interest rate.

Subsequent to March 31, 2017, the Company has accepted subscriptions for \$285,000 of convertible notes, under the Private Placement (See Note 7 above).

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

Overview

We are a pharmaceutical company focused on acquiring the intellectual property rights to innovative and proprietary therapeutics designed to address unmet medical needs, with an emphasis on rare, emerging, or neglected diseases. To find and evaluate unique opportunities, we leverage our extensive relationships with leading scientists, academic institutions and other sources. We provide value-added development capability to accelerate progress. When scientifically significant benchmarks have been achieved, we will endeavor to partner with proven market leaders via sale, out-license or strategic alliances.

Plan of Operation

As of March 31, 2017, the Company had four subsidiaries: Celtic Biotech Iowa, Inc., Caretta Therapeutics, LLC, SMA Therapeutics, LLC, and Zika Therapeutics, LLC.

Cancer

On June 4, 2014, Celtic Biotech Iowa, Inc. (hereinafter "Celtic Iowa," a subsidiary of the Company) acquired Celtic Biotech Limited (hereinafter "CBL"). CBL was founded in 2003 in Dublin, Ireland and is developing novel and highly specialized compounds derived from snake venom, for the treatment of solid cancers and cancer imaging.

Pain Management

Caretta Therapeutics, LLC ("Caretta") was formed in August 2016 to develop the commercialization of over-the-counter products. Caretta holds a license agreement to develop, manufacture and sell certain products derived from snake venom that may have analgesic properties.

Spinal Muscular Atrophy

On October 13, 2016, the Company entered into an Exclusive License Agreement with Indiana University Research and Technology Corporation to commercialize STL-182, an orally-available small molecule that may have therapeutic potential for treating spinal muscular atrophy. Spinal muscular atrophy is an autosomal recessive disorder that is a leading genetic cause of death in infants and toddlers.

Zika Virus Infection

On August 19, 2016, the Company entered a Sponsored Research Agreement (the "SRA") with the Florida State University Research Foundation ("FSURF") starting September 1, 2016, to perform certain research, over a two-year period, related to the discovery, synthetic modification, and preclinical validation of drug-like compounds intended to treat patients with Zika virus infection. The research is being conducted under the direction of Professor Hengli Tang.

Generally, we have financed operations to date through the proceeds of the private placement of equity and debt instruments. Management anticipates additional increases in operating expenses and capital expenditures relating to retention of additional personnel, and advancement of our technologies. We anticipate that we will finance these expenses with further issuances of equity securities and debt issuances.

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During the quarter ended March 31, 2017 the Company raised \$405,000 in convertible debt proceeds. The Company anticipates securing additional financing in 2017. Additional issuances of equity or convertible debt securities could result in dilution to our current shareholders. Further, such securities may have rights, preferences or privileges senior to our common stock. Additional financing may not be available upon acceptable terms, or at all. There can be no assurances, however, that management will be able to obtain sufficient additional funds when needed, or that such funds, if available, will be obtained on terms satisfactory to the Company

Critical Accounting Policies

The following describes the critical accounting policies used in reporting our financial condition and results of operations. In some cases, accounting standards allow more than one alternative accounting method for reporting. In those cases, our reported results of operations would be different should we employ an alternative accounting method.

The significant accounting policies and bases of presentation for our consolidated financial statements are described in Note 2 "Summary of Significant Accounting Policies." The preparation of our financial statements in accordance with U.S. generally accepted accounting principles (GAAP) requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, expenses and the disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

We believe the following accounting policies and estimates to be critical:

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 and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates include those regarding the valuation of the assets acquired and liabilities assumed in the acquisition of Memcine and share-based compensation.

Principles of Consolidation

The consolidated financial statements include the Company's accounts, including those of the Company's subsidiaries. Accordingly, the Company has consolidated CBL, Celtic Iowa, CDT (Suspended), Caretta, ZT, and SMA. All significant intercompany accounts and transactions have been eliminated.

Non-Controlling Interest

The Company is required to report its non-controlling interest in all subsidiaries as a separate component of shareholders' equity. The Company is also required to present the consolidated net income and the portion of the consolidated net income allocable to the non-controlling interest and to the shareholders of the Company separately in its consolidated statements of operations. Losses applicable to the non-controlling interest are allocated to the non-controlling interest even when those losses are in excess of the non-controlling interest's investment basis.

In the fourth quarter of 2016 the Company discontinued its operations with Memcine Pharmaceuticals. As part of the discontinuation, the Company sold it 100% of its rights including the non-controlling interest in Memcine.

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Investment in SOLX

The Company has a net 7% interest in SOLX, a private company that develops innovative surgical technologies to treat refractory glaucoma and preserve vision.

In-Process Research and Development

In-process research and development ("IPR&D") represents the estimated fair value assigned to research and development projects acquired in a purchased business combination that have not been completed at the date of acquisition and which have no alternative future use. IPR&D assets acquired in a business combination are capitalized as indefinite-lived intangible assets. These assets remain indefinite-lived until the completion or abandonment of the associated research and development efforts. During the periods prior to completion or abandonment, those acquired indefinite-lived assets are not amortized but are tested for impairment annually, or more frequently, if events or changes in circumstances indicate that the asset might be impaired. During periods after completion, those acquired indefinite-lived assets are amortized based on their useful life. The fair value of the assets acquired was \$6,977,347. These assets are still subject to research and development completion and accordingly, no amortization has been recorded.

Impairment of Long-Lived Assets and Intangibles

The Company performs impairment tests on its long-lived assets when circumstances indicate that their carrying amounts may not be recoverable. If required, recoverability is tested by comparing the estimated future undiscounted cash flows of the asset or asset group to its carrying value. If the carrying value is not recoverable, the asset or asset group is written down to fair value. For the quarter ended March 31, 2017, the Company has evaluated and recorded no impairment to the Company's intangible assets.

Stock-Based Compensation

The Company measures the cost of employee services received in exchange for stock and stock options based on the grant date fair value of the awards. The Company determines the fair value of stock option grants using the Black-Scholes option pricing model. The Company determines the fair value of shares of non-vested stock (also commonly referred to as restricted stock) based on the last quoted price of our stock on the date of the share grant. The fair value determined represents the cost for the award and is recognized over the vesting period during which an employee is required to provide service in exchange for the award. As share-based compensation expense is recognized based on awards ultimately expected to vest, the Company reduces the expense for estimated forfeitures based on historical forfeiture rates, if historical forfeiture rates are available. Previously recognized compensation costs may be adjusted to reflect the actual forfeiture rate for the entire award at the end of the vesting period. Excess tax benefits, if any, are recognized as an addition to paid-in capital.

Fair Value of Financial Instruments

The Company follows FASB ASC 820, *Fair Value Measurement* ("ASC 820"), which clarifies fair value as an exit price, establishes a hierarchal disclosure framework for measuring fair value, and requires extended disclosures about fair value measurements. The provisions of ASC 820 apply to all financial assets and liabilities measured at fair value.

As defined in ASC 820, fair value, clarified as an exit price, represents the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. As a result, fair value is a market-based approach that should be determined based on assumptions that market participants would use in pricing an asset or a liability.

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As a basis for considering these assumptions, ASC 820 defines a three-tier value hierarchy that prioritizes the inputs used in the valuation methodologies in measuring fair value.

Level 1 – Quoted prices in active markets for identical assets or liabilities.

Level 2 – Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The fair value hierarchy also requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The Company's IPR&D assets were valued on a discounted cash flow model using the income approach. The inputs to the model were within Level 3 of the fair value hierarchy.

Results of Operations

Financial Condition and Changes in Financial Condition

Overall Operating Results:

Comparison of the Three Months Ended March 31, 2017 with the Three Months Ended March 31, 2016

Revenue. For the three months ended March 31, 2017 and 2016, we had no revenue. The lack of revenues is due to the Company continuing to develop technologies in the health field.

General and Administrative Expenses. Our selling, general and administrative expenses increased to \$1,636,775 for the three months ended March 31, 2017 from \$1,000,024 for the three months ended March 31, 2016, representing a \$636,751 increase. The increase was mainly due to an increase in marketing expense and share-based compensation.

Other Income (Expense). For the three months ended March 31, 2017, other expense, net was \$286,132, compared to \$382,467 for the three months ended March 31, 2016, a decrease of \$96,335. The decrease in other expense was primarily due to a gain recorded on the extinguishment of debt and related derivative liability and a decrease in loss on change in value of derivative liability, offset by an increase in interest expense related to amortization of debt discount.

Net Loss. The Company's net loss was \$2,152,228 and \$1,464,626 for the three months ended March 31, 2017 and 2016, respectively. The increase in net loss was mainly due to an increase interest expense related amortization of debt discount resulting from extinguishment of debt and related derivative liability, offset by a gain on the extinguishment.

Liquidity and Capital Resources:

We are an early stage company and have not generated any revenue to date. We have incurred recurring losses to date. Our financial statements have been prepared assuming that we will continue as a going concern and, accordingly, do not include adjustments relating to the recoverability and realization of assets and classification of liabilities that might be necessary should we be unable to continue in operation.

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The Company had \$223,862 in cash and cash equivalents as of March 31, 2017. The Company has negative working capital of \$5,443,712, and total stockholders' equity of \$610,581 as of March 31, 2017. For the three months ended March 31, 2017, the Company has experienced recurring losses from operations and may not have enough cash and working capital to fund its operations beyond the very near term, which raises substantial doubt about our ability to continue as a going concern. Management has made a similar note in the financial statements. The Company anticipates it will need approximately \$4,000,000 for the next twelve months to fund operations. We may be required to seek additional capital by selling debt or equity securities, selling assets, or otherwise be required to bring cash flows in balance when we approach a condition of cash insufficiency. The sale of additional equity or debt securities, if accomplished, may result in dilution to our then shareholders. We provide no assurance that financing will be available in amounts or on terms acceptable to us, or at all.

The Company has been receiving funding from K4 Enterprises, LLC ("K4 Enterprises") beginning in May 2016 to meet short-term operational needs while the Company attempts to attract new outside funding. For the three months ended March 31, 2017, K4 Enterprises has provided short-term operating cash totaling \$475,000 in the form of cash advances or direct payment of invoices for the Company.

Operating Activities

Cash flow from operations – continuing operations. Net cash used in operating activities from continuing operations was \$931,926 for the three months ended March 31, 2017, compared to \$594,866 for the three months ended March 31, 2016. Net cash used in operating activities for the three months ended March 31, 2017 was derived from our net loss, which included stock-based compensation of \$934,000, amortization of debt discount of \$408,698, interest expense on derivative liability that exceeds face value of \$76,708. Our net loss from continuing operations for the three months ended March 31, 2017 included a gain on extinguishment of debt and related derivative liability of \$205,745, compared to a loss of \$0 for the three months ended March 31, 2016.

Cash flow from operations – discontinued operations. Net cash used in operating activities from discontinued operations was \$0 for the three months ended March 31, 2017, compared to net cash used by operations of \$38,992 for the three months ended March 31, 2016.

Investing Activities

Cash flow from investing activities – continuing operations. Our investing activities from continuing operations used cash of \$37,545 during the three months ended March 31, 2017, primarily as a result of cash paid for notes receivables of \$36,771 and purchase of property and equipment of \$774. For the three ended March 31, 2016, our investing activities used cash of \$4,769, primarily as purchase of property and equipment of \$4,769.

Cash flow from investing activities – discontinued operations. Our investing activities from discontinued operations used cash of \$0 for the three months ended March 31, 2017. Our investing activities from discontinued operations used cash of \$392 during the three months ended March 31, 2016.

Financing Activities

Cash flow from financing activities – continuing operations. During the three months ended March 31, 2017, our financing activities from continuing operations provided cash of \$880,000, primarily as a result of proceeds from convertible debentures of \$405,000, proceeds from a demand note of \$685,000, offset primarily by payments on debt of \$210,000. Our financing activities provided cash of \$605,140 during the three months ended March 31, 2016, primarily as a result of proceeds from convertible debentures of \$550,000 and proceeds from sale of common stock and warrants of \$55,140.

Cash flow from financing activities – discontinued operations. During the three months ended March 31, 2017 and 2016, our financing activities from discontinued operations provided cash of \$0.

Off Balance Sheet Arrangements

We do not have any significant off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that is material to investors.

Recent Accounting Pronouncements

During the quarter ended March 31, 2017, there were no accounting standards and interpretations issued which are expected to have a material impact on the Company's financial position, operations or cash flows.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Pursuant to Item 305(e) of Regulation S-K (§ 229.305(e)), the Company is not required to provide the information required by this Item as it is a "smaller reporting company," as defined by Rule 229.10(f)(1).

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

We have performed an evaluation under the supervision and with the participation of our management, including our President and Chief Operating Officer (COO), Chief Executive Officer (CEO) and Chief Financial Officer (CFO), of the effectiveness of our disclosure controls and procedures, (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of March 31, 2017. Based on that evaluation, our management, including our President and COO, CEO and CFO, concluded that our disclosure controls and procedures were not effective as of March 31, 2017 to provide reasonable assurance that information required to be disclosed by us in the reports filed or submitted by us under the Exchange Act is (i) recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and (ii) accumulated and communicated to our management, including our principal executive officer, as appropriate to allow timely decisions regarding required disclosure due to the material weaknesses described below.

Based on our evaluation under the framework described above, our management concluded that we had "material weaknesses" (as such term is defined below) in our control environment and financial reporting process consisting of the following as of the Evaluation Date:

- 1 lack of a functioning audit committee due to a lack of a majority of independent members and a lack of a majority of outside directors on our Board of Directors, resulting in ineffective oversight in the establishment and monitoring of required internal control and procedures;
- 2 inadequate segregation of duties consistent with control objectives; and
- 3 lack of accounting personnel with adequate experience and training.

A "material weakness" is defined under SEC rules as 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 a company's annual or interim financial statements will not be prevented or detected on a timely basis by the company's internal controls.

A system of controls, no matter how well designed and operated, cannot provide absolute assurance that the objectives of the system of controls are met, and no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within a company have been detected.

Changes in Internal Control over Financial Reporting

During the quarter ended March 31, 2017, there were no changes in our internal control over financial reporting identified in connection with management's evaluation of the effectiveness of our internal control over the financial reporting that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act.

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PART II – OTHER INFORMATION

Item 1. Legal Proceedings

Neither the Company nor its property is a party to any pending legal proceeding.

Item 1A. Risk Factors

There are no material changes from the risk factors previously disclosed in the Company's Form 10-K for the year ended December 31, 2016.

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

Responsive information previously has been included in a Current Report on Form 8-K.

Item 3. Defaults Upon Senior Securities

Item 4. Mine Safety Disclosures

None.

Item 5. Other Information

None.

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Item 6. Exhibits

Exhibit Number	Name of Exhibit
<u>31.1</u>	<u>Certification of Chief Executive Officer, pursuant to Rule 13a-14(a) of the Exchange Act, as enacted by Section 302 of the Sarbanes-Oxley Act of 2002. (1)</u>
<u>31.2</u>	<u>Certification of Chief Financial Officer, pursuant to Rule 13a-14(a) of the Exchange Act, as enacted by Section 302 of the Sarbanes-Oxley Act of 2002. (1)</u>
<u>32.1</u>	<u>Certification of Chief Executive Officer and Chief Financial Officer, pursuant to 18 United States Code Section 1350, as enacted by Section 906 of the Sarbanes-Oxley Act of 2002. (1)</u>
101**	The following materials from the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2017 are formatted in XBRL (Extensible Business Reporting Language): (i) the Consolidated Balance Sheets, (ii) the Consolidated Statements of Income, (iii) the Consolidated Statements of Stockholders' Equity, (iv) the Consolidated Statements of Cash Flows and (v) the Notes to Consolidated Financial Statements, tagged as blocks of text. (2)

(1) Filed herewith.

(2) Users of this data are advised that pursuant to Rule 406T of Regulation S-T, this XBRL information is being furnished and not filed herewith for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and Sections 11 or 12 of the Securities Act of 1933, as amended, and is not to be incorporated by reference into any filing, or part of any registration statement or prospectus, of Spotlight Innovation Inc., whether made before or after the date hereof, regardless of any general incorporation language in such filing.

SIGNATURES

In accordance with Section 13 or 15(d) of the Exchange Act, the registrant caused this report on Form 10-Q to be signed on its behalf by the undersigned, thereunto duly authorized.

SPOTLIGHT INNOVATION INC.

Dated: May 18, 2017

By: /s/ John M. Krohn
John M. Krohn
President/Chief Operating Officer,
Director

By: /s/ John William Pim
John William Pim
Chief Financial Officer

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO SECURITIES EXCHANGE ACT OF 1934
RULE 13a-14(a) OR 15d-14(a)**

I, John M. Krohn, certify that:

1. I have reviewed this Form 10-Q for Spotlight Innovation Inc. for the quarter ended March 31, 2017;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. I am responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. I have disclosed, based on the most recent evaluation of internal control over financial reporting, to the registrant's other certifying officer and registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Spotlight Innovation Inc.

Date: May 18, 2017

By: /s/ John M. Krohn

Name: John M. Krohn

Title: President, Chief Operating Officer
(Principal Executive Officer)

**CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO SECURITIES EXCHANGE ACT OF 1934
RULE 13a-14(a) OR 15d-14(a)**

I, John William Pim, certify that:

1. I have reviewed this Form 10-Q for Spotlight Innovation Inc. for the quarter ended March 31, 2017;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. I am responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. I have disclosed, based on my most recent evaluation of internal control over financial reporting, to the registrant's other certifying officer and registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Spotlight Innovation Inc.

Date: May 18, 2017

By: /s/ John William Pim

Name: John William Pim

Title: Chief Financial Officer

(Principal Financial Officer)

**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**

The undersigned, Chief Executive Officer and Chief Financial Officer of Spotlight Innovation Inc., hereby certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to their knowledge, the Quarterly Report on Form 10-Q of Spotlight Innovation Inc. for quarter ended March 31, 2017, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and that the information contained in the Quarterly Report on Form 10-Q fairly presents in all material respects the financial condition and results of operations of Spotlight Innovation Inc.

Date: May 18, 2017

By: /s/ John M. Krohn
John M. Krohn
President, Chief Operating Officer
(Principal Executive Officer)

By: /s/ John William Pim
John William Pim
Chief Financial Officer
(Principal Financial Officer)

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signatures that appear in typed form within the electronic version of this written statement required by Section 906, has been provided to Spotlight Innovation Inc. and will be retained by Spotlight Innovation Inc. and furnished to the Securities and Exchange Commission or its staff upon request.