

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

Form 10-K

(Mark One)

ANNUAL REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2018

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

FOR THE TRANSITION PERIOD FROM \_\_\_\_\_ TO \_\_\_\_\_

COMMISSION FILE NUMBER 000-54697

**THE CORETEC GROUP INC.**

(Name of small business issuer in its charter)

OKLAHOMA

(State or other jurisdiction of  
incorporation or organization)

73-1479206

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

6804 South Canton Avenue, Suite 150, Tulsa, OK 74136

(Address of principal executive offices) (Zip Code)

Issuer's telephone Number: (918) 494-0505

Securities registered under Section 12(b) of the Exchange Act: None.

Securities registered under Section 12(g) of the Exchange Act: None

Indicate by check mark if the issuer is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes  No

Indicate by check if the issuer is not required to file reports pursuant to Section 13 or 15(d) of the Exchange Act.

Yes  No

Indicate by check mark whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 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 every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or such shorter period that the registrant was required to submit such files).

Yes  No

Indicate by check if disclosure of delinquent filers in response to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, 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"/>
		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

The aggregate market value of the voting and non-voting common equity held by non-affiliates, computed by reference to the average bid and asked price of such common equity as of June 30, 2018 was \$4,317,152.

As of April 8, 2019, the issuer had 68,673,537 outstanding shares of Common Stock.

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DOCUMENTS INCORPORATED BY REFERENCE: NONE

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## PART I

This Annual Report on Form 10-K includes the accounts of The Coretec Group Inc. (individually referred to as “the Group”), an Oklahoma corporation, together with its wholly-owned subsidiary, Coretec Industries LLC, a North Dakota limited liability corporation (individually referred to as “Coretec”). References in this Report to “we”, “our”, “us” or the “Company” refer to The Coretec Group Inc. and its consolidated subsidiary unless context dictates otherwise.

### FORWARD LOOKING STATEMENTS

Certain statements in this report, including information incorporated by reference, are “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended, Section 21E of the Securities Exchange Act of 1934, as amended, and the Private Securities Litigation Reform Act of 1995, as amended. Forward-looking statements reflect current views about future events and financial performance based on certain assumptions. They include opinions, forecasts, intentions, plans, goals, projections, guidance, expectations, beliefs or other statements that are not statements of historical fact. Words such as “will,” “may,” “should,” “could,” “would,” “expects,” “plans,” “believes,” “anticipates,” “intends,” “estimates,” “approximates,” “predicts,” “forecasts,” “potential,” “continue,” or “projects,” or the negative or other variation of such words, and similar expressions may identify a statement as a forward-looking statement. Any statements that refer to projections of our future financial performance, our anticipated growth and trends in our businesses, our goals, strategies, focus and plans, and other characterizations of future events or circumstances, including statements expressing general optimism about future operating results and the development of our products, are forward-looking statements.

Although forward-looking statements in this Annual Report on Form 10-K reflect the good faith judgment of our management, such statements can only be based on facts and factors currently known by us. Consequently, forward-looking statements are inherently subject to risks and uncertainties and actual results and outcomes may differ materially from the results and outcomes discussed in or anticipated by the forward-looking statements. Factors that could cause or contribute to such differences in results and outcomes include, without limitation, those specifically addressed under the heading “Risk Factors” below, as well as those discussed elsewhere in this Annual Report on Form 10-K. Readers are urged not to place undue reliance on these forward-looking statements, which speak only as of the date of this Annual Report on Form 10-K. We file reports with the Securities and Exchange Commission (“SEC”). The public can read and copy any materials we file with the SEC at the SEC’s Public Reference Room at 100 F Street, NE, Washington, DC 20549. You can obtain additional information about the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. In addition, the SEC maintains an Internet site ([www.sec.gov](http://www.sec.gov)) that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC, including us.

We undertake no obligation to revise or update any forward-looking statements in order to reflect any event or circumstance that may arise after the date of this Annual Report on Form 10-K. Readers are urged to carefully review and consider the various disclosures made throughout the entirety of this Annual Report on Form 10-K, which attempt to advise interested parties of the risks and factors that may affect our businesses, financial condition, results of operations and prospects.

### ITEM 1. BUSINESS

#### Organizational History

On June 22, 2017, The Coretec Group Inc. (the “Group” or the “Company”) filed an Amended Certificate of Incorporation with the Secretary of State of the State of Oklahoma to change its name from “3DIcon Corporation” to “The Coretec Group Inc.”, which became effective on June 29, 2017.

The Group, formerly known as 3DIcon Corporation, was incorporated on August 11, 1995, under the laws of the State of Oklahoma. Prior to September 30, 2016, the day we closed a transaction contemplated by the Share Exchange Agreement (as defined below), the Group’s primary activity had been the raising of capital in order to pursue its goal of becoming a significant participant in the development, commercialization and marketing of next generation 3D display technologies.

On September 30, 2016 (the “Closing Date”), we closed a transaction contemplated by a Share Exchange Agreement dated May 31, 2016 (the “Share Exchange Agreement”) with Coretec, and four Coretec members (the “Members”), which Members held all outstanding membership interests in Coretec. Pursuant to the Share Exchange Agreement, Coretec became a wholly-owned subsidiary of the Group, and the Group issued an aggregate 15,870 post-split shares of the Group’s Series B Convertible Preferred Stock to the Members, resulting in their collective beneficial ownership of approximately 65% of the Group’s common stock on a fully-diluted basis, which shares were subject to a one-year lock up agreement. The Series B Convertible Preferred Stock was convertible into 1,914 shares, or an aggregate of 30,374,363 post-shares of common stock. Since the parties agreed and acknowledged that such conversion shares were not available for issuance, the Group agreed to take action to proceed in good faith to cause a corporate action that allowed the Group to issue such conversion shares (the “Capitalization Adjustment”). In the event that the Capitalization Adjustment was not completed by May 30, 2017, the Members had an option, but not the obligation, to rescind the Share Exchange Agreement by surrendering for cancellation all consideration paid by the Group and the Group returning all membership interests in Coretec. The Capitalization Adjustment was completed on June 28, 2017 with the completion of a reverse stock split and the Share Exchange Agreement was not rescinded.

#### **Background of the Share Exchange Agreement.**

As discussed above, on the Closing Date, we closed a transaction contemplated by the Share Exchange Agreement, pursuant to which Coretec became a wholly-owned subsidiary of the Group. Coretec was organized on June 2, 2015 in the state of North Dakota. It is currently developing, testing, and providing new and/or improved technologies, products, and service solutions for medical, electronic, photonic, display, and lighting markets among others. The combination of the two companies provides a significant number of opportunities to increase shareholder value by:

- Providing technological support to advance the refinement of CSpace® image material;
- Adding recognized expertise to the team;
- Creating the opportunity for near-term revenue;
- Adding a significant portfolio of Intellectual Property (IP); and
- Drug delivery

#### **Overview of the Consolidated Company.**

**Coretec’s Technology.** Coretec’s underlying technology is based on the production of a high value liquid silicon precursor, cyclohexasilane (“CHS”). A key advantage of CHS is that it remains in liquid form at room temperature and does not convert to a gas until heated above 400°F. This compares to materials commonly used for manufacturing silicon-based semiconductors and solar cells (monosilane or trichlorosilane) that have much lower boiling points which leads to higher cost handling and shipping. Another key advantage of CHS is that the production rate of the silicon-forming step can be increased by a factor of six relative to the currently used materials, leading to significant cost savings. We anticipate that CHS will first be used as an alternative to monosilane or trichlorosilane when adding silicon to lithium ion batteries or when used in manufacturing silicon-based semiconductors.

We also see longer term potential in several emerging markets where there are opportunities in the conversion of CHS into nanoparticles and nanowires for use in such emerging, high-growth markets as:

- Energy storage
- Solid state lighting
- Authentication of critical documentation
- Printable electronics
- Building-integrated solar energy

**Enhancement of CSpace.** A key challenge in the development of CSpace® is the development of the material used for the image chamber. The Company has explored a variety of glass alternatives. While progress has been made, it has been concluded that limitations remain, primarily in weight and cost.

A key virtue of having access to the Coretec IP portfolio of silicon-based materials is that we can now use all of the manufacturing infrastructure and knowledge that is available for optical plastics for the CSpace® image chamber. The benefit to CSpace® is that silicon-based optical plastics can be molded into a broad range of shapes and allow the image chamber to be much lighter and much lower in cost than the glass material we worked with before.

**Near-Term Revenue Opportunities.** Opportunities for near-term revenue continue to be explored in battery and microelectronic markets. Interest in the use of silicon in Li-ion batteries continues to increase driven by the growing demand for electrical vehicles and home energy storage systems for backup power. Discussions are ongoing with suppliers of Li-ion battery anode materials that are seeking next generation materials to further increase performance while improving lifetime, safety and reliability. We believe these suppliers will be well positioned to take advantage of the benefits provided by CHS when combined as a liquid with other powder-based materials. While we believe the use of CHS in Li-ion batteries will provide near term revenue, we also continue to explore revenue opportunities in microelectronics and especially those early adopter markets where advanced microelectronics are being developed in lower volumes and with less price sensitivity.

#### **Recent Developments.**

As previously disclosed, in June 2016, the Company's wholly-owned subsidiary, Coretec Industries LLC, signed an exclusive licensing agreement (the "NDSU/RF Agreement") with the NDSU Research Foundation ("NDSU/RF"), pursuant to which the Company had sponsored North Dakota State University to provide research and to license certain technologies from August 14, 2015 to June 30, 2017. The Company was to provide compensation to NDSU/RF and NDSU/RF was to provide certain deliverables to the Corporation. However, a dispute arose between the Corporation and NDSU/RF regarding compensation and deliverables (the "Dispute").

On June 29, 2018, the Company and Coretec Industries LLC (collectively, the "Coretec Parties") entered into a settlement agreement and general release (the "Settlement Agreement") with NDSU/RF to resolve the Dispute, pursuant to which Coretec and NDSU/RF shall fully and forever release each other from the NDSU/RF Agreement and mutually release each other of all claims in connection therewith.

#### **Overview of Business**

##### **Coretec Business**

Coretec Industries LLC, a North Dakota limited liability company, was established in 2015 to create technology-based solutions (products and services) that address energy-related market needs globally. Coretec was founded by three corporate entities: EOS Management LLC, Carlton James North Dakota, Ltd., and ChymaTek Energy Solutions, LLC. Principals supporting the business included Simon Calton, and Ronald Dombrowski. The principals have combined expertise in forming and managing technology-based startups, fundraising, sales, and marketing. They were advised by Ramez Elgammal, VP of Technology, an expert in silicon chemistry and Doug Freitag, Chairman of our Advisory Board, an expert in the application of Si materials and Federal business development.

Coretec's business model is to identify and commercialize disruptive technologies in silicon and 3D visualization serving advanced technology markets in support of global grand challenges in health, environment, security and energy. Sources of disruptive technology are licensed technology created by major universities, institutes, national laboratories and other research centers. Where technology does not already exist, research is to be sponsored and jointly developed with our customers. The initial candidates for commercialization center around CHS, and a source of this technology includes silicon technologies. CHS technologies include methods to produce and process cyclohexasilane (Si<sub>6</sub>H<sub>12</sub>), "stacked" polysilane ((R<sub>2</sub>Si)<sub>n</sub>) and their alloys with various dopants into liquid silane, Si, silicon nitride, and SiC thin films, Si nanowires and Si QDs. Future technologies will include high refractive index siloxane polymers (HRISP).

Coretec technology will be used to form partnerships with established manufacturers and distributors in global markets of interest. Early adoption of these technologies is anticipated in markets for battery energy storage (Li-ion), solid-state lighting (LEDs), solar energy (BIPV) and printable electronics (Asset Monitoring). These respective supply chains include material suppliers, process tool suppliers, subcomponent suppliers and OEMs. We will first form strategic partnerships with specialty material suppliers with expertise in Si. Once the supply of our materials has been established, we will form partnerships with OEMs and their suppliers in the respective markets looking for a competitive advantage we believe we can provide.

## Coretec Overview

Coretec is developing, testing, and providing new and/or improved technologies and resulting product solutions for energy-related industries including, but not limited to oil/gas, renewable energy, energy conservation, and distributed energy industries. Many of these technologies and resulting product solutions also have application to the broader markets of anti-counterfeit packaging, medical devices, electronics, photonics, and displays. The initial technologies and product solutions are based on new innovations in cyclohexasilane (Si<sub>6</sub>H<sub>12</sub>), Si QDs, “stacked” polysilane ((R<sub>2</sub>Si)<sub>n</sub>), their alloys with various dopants, and in the future, high refractive index siloxane polymers (HRISP). Early adoption of these technologies and resulting product solutions is anticipated in markets for energy storage (Li-ion batteries), solid-state lighting (LEDs), solar energy (BIPV) and printable electronics (Asset Monitoring).

Coretec was founded by three corporate entities:

- EOS Management LLC
  - o Expertise and experience in equipment and services for oil/gas industry.
- Carlton James North Dakota Ltd.
  - o Expertise and experience in procuring and managing investments and financial services.
- ChymaTek Energy Solutions LLC
  - o Expertise and experience in R&D and commercialization of material and chemical technologies.

### *Business Model*

Coretec’s business model includes monitoring the ever-growing catalogue of new technologies and valuable IP for licensing opportunities that could lead to incremental improvements and/or additional features in resulting products or lead to next generation products for use by energy-related industries and is created and held within universities and other parties that may lack financial resources and/or interest to further develop and commercialize them.

Additionally, where needs exist, but new technologies and resulting products are not currently available, conduct research and development (“R&D”) activities through sponsored projects performed at major universities, institutes, national laboratories and other research centers. Coretec will leverage existing, world-class expertise, experience, and laboratory facilities that reside in these non-profit, R&D entities for R&D, testing, and “proof of concept” studies up to and including at the device level that may be required to create commercialization opportunities.

Following these “proof of concept studies”, commercialization opportunities (e.g., manufacturing, marketing, sales) created for its technologies and IP will include, but are not limited to:

- joint ventures or other business collaborations with Coretec’s joint development partners who can manufacture, market and sell new or improved products (based upon Coretec’s technologies and IP) into existing or new supply chains (that the partner company/companies already have an established, significant presence or can capture and grow market share); or
- manufacturing, marketing and selling its own products; or
- creating “exit strategies” such as:
  - o sale of one or more technologies and IP to the private sector;
  - o license and/or sublicense one or more technologies and IP to the private sector; or
  - o other business transactions, e.g., merger, acquisition, spinoffs.

## *Research & Development*

Coretec's priorities for R&D and commercialization are customer/market-driven and guided by the needs and specifications of the energy-related industries served. Identified customer/market-driven opportunities include:

- New and novel silicon-based materials that facilitate “greener” more eco-friendly energy production, including:
  - lower cost, longer life, higher capacity battery energy storage systems, e.g., Li-ion batteries (LiBs), for use in transportation and distributed power generation systems;
  - more aesthetically appealing, lower cost building integrated photovoltaics (BIPV); and
  - flexible and/or printable electronics for use in monitoring the condition of distributed or remote assets, e.g., wind power and embedded, wireless sensors to detect corrosion and other changes in pipelines.
- New and novel silicon-based materials that facilitate “greener” more energy efficient products, including encapsulation of high brightness LEDs to improve light extraction and solar cells to improve full spectrum light collection;
- New and novel silicon-based materials that facilitate more efficient and eco-friendly exploration and monitoring of distributed energy industries, including imaging materials for visualizing oil and gas exploration and distribution data using volumetric 3D displays; and
- New and novel silicon-based materials that prevent illegal imitation or reproduction of a product or service used within energy-related industries, including trusted supply (anti-counterfeit packaging) products for supply chain assurance, currency, identity documents, lottery tickets, etc.

## *Future Revenue*

In the future, we foresee revenue coming from one or more business transactions such as:

- sale of Coretec's novel silicon-based materials that improve or otherwise enhance performance of various products, e.g., Li-ion batteries, electronics, PV/solar cells, and displays and/or other optical-based devices;
- a share of the revenue coming from the sale of jointly developed product(s) and/or from one or more joint ventures with strategic partners; and/or
- sale of technology/technologies and associated IP to joint development partners or other companies.

## *Gelest Supply Agreement*

The Company is currently negotiating an agreement with Gelest Inc., a Pennsylvania corporation (“Gelest”), where Gelest will provide Cyclohexasilane (“CHS” or the “Products”) storage and handling, website and catalog listings of CHS produced by or for the Company for sale to its customers, and customer service, including trans-fill of customer cylinders.

## **Competition**

Based on our market research and competitive analysis, we have concluded that our CHS technology is unique and provides an advantage in that it should allow 1) production at high yields at low cost using readily available raw materials, 2) storage, transport and use as a liquid at room temperature 3) processing of the liquid into fibers, particles, and films that when heated forms silicon, and 4) the simple addition of dopants to the liquid at an atomic level that when heated forms doped silicon. Competing silanes provided by numerous manufacturers exist as a gas at room temperature and are explosive resulting in greater cost during storage, handling, transportation and use. Our closest competitor is cyclopentasilane which exists as a gas at room temperature and has proven costly and difficult to manufacture. Other competitors exist in specific applications. For example, graphene and carbon nanotubes are potential competitors in printable electronics but are only now emerging and require purification that is proving costly.



Coretec's business and commercialization model is based in part upon establishing joint development partnerships with companies that are commercially successful and financially sound as well as deeply embedded in the supply chains for the aforementioned energy-related products. For example, Coretec is developing a strategic partnership with a domestic supplier of silicon-based materials that will facilitate further development and scale-up of Si6H12 plus chemical derivatives and other materials based on Si6H12. This strategic partnership will enable Coretec to supply large quantities of these novel silicon materials to those companies interested in producing prototype batteries, electronics, and PV/solar cells for testing and commercial evaluation. Coretec will continue to seek other such strategic partnerships within the private sector.

## **Company Business**

The Company is developing a patented volumetric 3D display technology that was developed by and with the University of Oklahoma (the "University") under a Sponsored Research Agreement ("SRA"). The development to date has resulted in multiple new technologies, two working laboratory prototypes (Lab Proto 1 and Lab Proto 2), and eight provisional patents; five of the eight provisional patents have been combined and converted to five utility patents. Under the SRA, the Company has obtained the exclusive worldwide marketing rights to these 3D display technologies.

On May 26, 2009, the United States Patent and Trademark Office ("USPTO") approved the patent called "Volumetric Liquid Crystal Display" for rendering a three-dimensional image and converted it to U.S. patent No. 7,537,345. On December 28, 2010, USPTO approved the patent called "Light Surface Display for Rendering a Three-Dimensional Image," and issued the United States Patent No. 7,858,913. On August 21, 2012, the USPTO approved a continuation patent called "3D Volumetric Display" and issued the US Patent No. 8,247,755. These patents describe the foundation of what is called CSpace® technology ("CSpace").

## **Company Overview**

The Company intends to commercialize the CSpace volumetric 3D technology through a combination of government funded research and development contracts, joint development agreements with industry partners and technology licensing agreements for high value applications in military planning, cyber data analysis, battlespace visualization, oil and gas exploration and medical imaging.

### *Commercialization Strategy and Target Applications*

The Company plans to commercialize the CSpace volumetric 3D technology through customer funded research and development contracts and technology licensing agreements for high value applications like air traffic control, design visualization, and medical imaging. The Company plans to develop products for contract engineering and with joint development customers. At this time the Company does not have any commercialized products and does not plan to develop its own products based on the CSpace technology due to the high value / low volume nature of the best-fit initial applications for this technology. These applications include but are not limited to the following:

- Healthcare (diagnostics, surgical planning, training, telemedicine, biosurveillance);
- Cyber security data visualization;
- Military (operational planning, training, modeling and simulation, battlespace awareness, damage assessment, autonomous piloting);
- Physical security (passenger, luggage & cargo screening);
- Mining, oil & gas exploration; or
- Meteorological and oceanographic data visualization.

## **Competition**

Based on our market research and competitive analysis to date, we have concluded that the CSpace volumetric technology is unique and advantaged versus other 3D technologies in that it can deliver both 1) a true 360 degree viewing experience for multiple simultaneous users, and 2) high image quality, high reliability and large image size. Rear projection 3D displays such as those from Zecotek, Setred, and EuroLCDs (formerly LC Tech LightSpace) do not provide a 360-degree viewing experience and are typically limited to one or two users. Early proof of concept work done on infrared active phosphor displays by 3D Display Laboratories proved to not be scalable due to limited phosphor persistence and vector scanning limitations. While holographic and light field displays show promise, they do not deliver a true 360-degree viewing experience and cost-effective multiple user systems do not appear feasible due to current and expected pixel density, data bandwidth and compute power limitations.

## History of 3D Technology Research and Development at the University of Oklahoma

Beginning in 2007 the University, under an SRA with the Company, undertook the development of high potential 3D display technologies.

It is anticipated that Coretec's technology will play a key role in the continued development of an image space material for CSpace.

### Intellectual Property History, Status and Rights

The USPTO approved the pending patent called "Volumetric Liquid Crystal Display" for rendering a three-dimensional image and converted it to US patent No. 7,537,345. On July 16, 2013, USPTO approved the pending patent called "Computer System with Digital Micromirror Device," and issued US patent No. 8,487,865.

CSpace Patents are as follow: On December 28, 2010, USPTO approved the pending patent called "Light Surface Display for Rendering a Three-Dimensional Image," and issued the US Patent No. 7,858,913. On August 21, 2012, the USPTO approved a continuation patent called "3D Volumetric Display" and issued the US Patent No. 8,247,755. On December 13, 2011, USPTO approved a continuation patent called "3D Light Surface Display," and issued the US Patent No. 8,075,139.

Through an SRA with the University, we have obtained the exclusive worldwide marketing rights to certain 3D display technologies under development by the University. The development to date has resulted in the University filing eight provisional patents; five of the eight provisional patents have been combined and converted to five utility US patents, one pending European patent and one pending Japanese patent.

In addition, the Company owns exclusively two U.S. patents as noted below.

*Key Patents Exclusively Licensed to the Company from the University of Oklahoma:*

#### United States Patents Granted

- "3D Volumetric Display" - 8,247,755, August 21, 2012
- "3DLight Surface Display" - 8,075,139, December 13, 2011
- "Light Surface Display for Rendering a Three-Dimensional Image" - 7,858,913, December 28, 2010
- "Volumetric Liquid Crystal Display"- 7,537,345, May 26, 2009
- "Computer System with Digital Micromirror Device" – 8,487,865, July 16, 2014

#### International Patents Granted-Japan

- "Light Surface Display for Rendering a Three-Dimensional Image" - Japanese Patent Number 5,594,718, August 15, 2014

#### International Patents Pending-Europe

- "Light Surface Display for Rendering a Three-Dimensional Image" - European Application Number EP07755984, filed April 25, 2007

#### Key Patents Exclusively Owned by the Company:

- "Ultra High-Resolution Volumetric Three-Dimensional Display" - 9,423,682, August 23, 2016
- "Hloform 3D Projection Display" - 2014/02680162A1, September 18, 2014

## **Employees**

We had four employees as of April 8, 2019: Mr. Michael Kraft, Chief Executive Officer, Ramez Elgammal, PhD, Vice-President of Technology, Mr. Ronald Robinson, Chief Financial Officer, and Ms. Judith Keating, Company Secretary and Director of Investor Relations. None of our employees are covered by a collective bargaining agreement. We consider relations with our employees to be good.

## **ITEM 1A. RISK FACTORS**

### **Risks Relating to Our Businesses**

***We have a limited operating history, as well as a history of operating losses.***

We have a limited operating history. We cannot assure you that we can achieve revenue or sustain revenue growth or profitability in the future. We have a cumulative net loss of \$3,639,808 for the period from inception (June 2, 2015) to December 31, 2018. Our operations are subject to the risks and competition inherent in the establishment of a business enterprise. Unanticipated problems, expenses, and delays are frequently encountered in establishing a new business and marketing and developing products. These include, but are not limited to, competition, the need to develop customers and market expertise, market conditions, sales, marketing and governmental regulation. Our failure to meet any of these conditions would have a materially adverse effect upon us and may force us to reduce or curtail our operations. Revenues and profits, if any, will depend upon various factors. We may not achieve our business objectives and the failure to achieve such goals would have an adverse impact on our business.

***We may be unable to successfully integrate and develop the vertical synergies anticipated by or complete all obligations under the Share Exchange Agreement.***

Integration of the Group and Coretec may be a complex, time-consuming and costly process requiring the employment of additional personnel, including key management and accounting personnel. Additionally, the integration of the Group and Coretec businesses may require significant financial resources that would otherwise be available for the ongoing development or expansion of existing operations. Unanticipated problems, delays, costs or liabilities may also be encountered in the development of these businesses. Failure to successfully and fully integrate and develop these businesses and operations may have a material adverse effect on our business, financial condition, results of operations and cash flows. The difficulties of combining the acquired operations include, among other things:

- operating a larger combined organization;
- coordinating geographically disparate organizations, systems and facilities;
- consolidating corporate technological and administrative functions;
- integrating internal controls and other corporate governance matters;
- the diversion of management's attention from other business concerns;
- hiring additional management and other critical personnel; and
- potential environmental or regulatory liabilities and title problems.

In addition, we may not realize all of the anticipated benefits from the Share Exchange Agreement, such as increased earnings, cost savings and revenue enhancements, for various reasons, including difficulties integrating operations and personnel, higher than expected acquisition and operating costs, unknown liabilities, inaccurate reserve estimates and fluctuations in markets. If these benefits do not meet the expectations of financial or industry analysts, the market price of our shares may decline.

Our research and development efforts with respect to new technologies may not result in customer or market acceptance. Some or all of those technologies may not successfully make the transition from the research and development stage to cost-effective production as a result of technology problems, competitive cost issues, yield problems, and other factors. Even if we successfully complete a research and development effort with respect to a particular technology, our customers may decide not to introduce or may terminate products utilizing the technology for a variety of reasons, including difficulties with other suppliers of components for the products, superior technologies developed by our competitors and unfavorable comparisons of our solutions with these technologies, price considerations and lack of anticipated or actual market demand for the products.

Our business could be harmed if we are unable to develop and utilize new technologies that address the needs of our customers, or our competitors or customers develop and utilize new technologies more effectively or more quickly than we can. Any investments made to enhance or develop new technologies that are not successful could have an adverse effect on our net revenue and operating results.

***Fluctuations in direct or indirect raw material costs could have an adverse impact on our business.***

The availability and prices of raw material inputs may be influenced by supply and demand, changes in world politics, unstable governments in exporting nations and inflation. The prices of our direct and indirect raw materials have been, and we expect them to continue to be, volatile. If the cost of direct or indirect raw materials increases significantly and we are unable to offset the increased costs with higher selling prices, our profitability will decline. Additionally, we may not be able to obtain lower prices from our suppliers should our sale prices decrease. Increases in prices for our products could also hurt our ability to remain both competitive and profitable in the markets in which we compete.

Future raw material prices may be impacted by new laws or regulations, suppliers' allocations to other purchasers, changes in our supplier manufacturing processes as some of our products are byproducts of these processes, interruptions in production by suppliers, natural disasters, volatility in the price of crude oil and related petrochemical products and changes in exchange rates.

***We operate in industries that are subject to significant fluctuation in supply and demand and ultimately pricing that affects our revenue and profitability.***

For example, the LED lighting industry is in the relatively early stages of adoption and is characterized by constant and rapid technological change, rapid product obsolescence and price erosion, evolving standards, short product life-cycles and fluctuations in product supply and demand. The LED industry has experienced significant fluctuations, often in connection with, or in anticipation of, product cycles and changes in general economic conditions. As the markets for our products mature, additional fluctuations may result from variability and consolidations within the industry's customer base. These fluctuations have been characterized by lower product demand, production overcapacity, higher inventory levels and increased pricing pressure. These fluctuations have also been characterized by higher demand for key components and equipment used in, or in the manufacture of, our products resulting in longer lead times, supply delays and production disruptions.

***We operate in a highly competitive industry.***

The silane chemical markets are global, capital intensive and highly competitive. Our competitors may have greater financial resources, as well as other strategic advantages, to maintain, improve and possibly expand their facilities, and as a result, they may be better positioned to adapt to changes in the industry or the global economy. The advantages that our competitors have over us could have a material adverse effect on our business. In addition, new entrants may increase competition in our industry, which could have a material adverse effect on our business. An increase in the use of substitutes for certain of our products also could have a material adverse effect on our financial condition and operations.

***Environmental, health and safety regulation—Compliance with extensive environmental, health and safety laws could require material expenditures or changes in our operations.***

Our operations are subject to extensive environmental, health and safety laws and regulations at national, international and local levels in numerous jurisdictions. In addition, our production facilities require operating permits that are subject to renewal and, in some circumstances, revocation. The nature of the chemicals industry exposes us to risks of liability under these laws and regulations due to the production, storage, transportation, disposal and sale of chemicals and materials that can cause contamination or personal injury if released into the environment.

***A reduction or disruption in our supplies, or an incorrect forecast, could negatively impact our business.***

Our production capacity could be affected by manufacturing problems. Difficulties in the production process could reduce yields or interrupt production, and, as a result of such problems, we may not be able to deliver products on time or in a cost-effective, competitive manner. As the complexity of both our products and our fabrication processes has become more advanced, manufacturing tolerances have been reduced and requirements for precision have become more demanding. In the past, we have experienced delays in delivery and product quality. Our failure to adequately manage our capacity or maintain product quality could have a negative impact on net sales and harm our customer relationships.

Furthermore, we may suffer disruptions in our manufacturing operations, either due to production difficulties such as those described above or as a result of external factors beyond our control. We manufacture combustible materials in our manufacturing process and are therefore subject to the risk of explosions and fires, which can cause major disruptions to our operations. If operations at a manufacturing facility are interrupted, we may not be able to shift production to other facilities on a timely basis or at all. In addition, certain of our products are only capable of being produced at a single manufacturing facility due to unique manufacturing requirements and to the extent that any of these facilities fail to produce these products, this risk will be increased. Even if a transfer is possible, transitioning production of a particular type of material from one of our facilities to another can take between three to six months to accomplish, and in the interim period we would likely suffer extensive or total supply disruption and incur substantial costs. Such an event could have a material negative impact on our business, financial condition and results of operations.

Our ability to meet customer demands also depends on our ability to obtain timely and adequate delivery of materials, parts and components from our suppliers. From time to time, suppliers may extend lead times, limit the amounts supplied to us or increase prices due to capacity constraints or other factors. Supply disruptions may also occur due to shortages in critical resources, such as lithium aluminum hydride, other specialized chemicals or energy or other general supplier disruptions. A reduction or interruption in supplies or a significant increase in the price of one or more supplies could have a material negative impact on our business, financial condition and results of operations.

***If we do not keep pace with technological innovations, our future products may not remain competitive and our operating results may suffer.***

We operate in rapidly changing highly competitive markets. Technological advances, the introduction of new products and new design techniques could adversely affect our business unless we are able to adapt to changing conditions. Technological advances could render our solutions less competitive or obsolete, and we may not be able to respond effectively to the technological requirements of evolving markets. Therefore, we will be required to expend substantial funds for and commit significant resources to enhancing and developing new technology which may include purchasing advanced design tools and test equipment, hiring additional highly qualified engineering and other technical personnel, and continuing and expanding research and development activities on existing and potential human interface solutions.

***We may not be able to achieve the target specifications for the second and third generation CSpace laboratory prototypes.***

The process of developing new highly technical products and solutions is inherently complex and uncertain. It requires accurate anticipation of customers' changing needs and emerging technological trends. We must make long-term investments and commit significant resources before knowing whether these investments will eventually result in products that achieve customer acceptance and generate the revenues required to provide desired returns. If we fail to achieve and meet our target specifications in the development of the second and third generation CSpace laboratory prototypes, we could lose market position and customers to our competitors and that could have a material adverse effect on our results of operations and financial condition.

***We may not be able to secure the customer funding necessary to develop the CSpace Trade Show Prototype.***

An important part of our business strategy moving forward is the development of our Lab Proto 3. While we believe this prototype will enable us to secure customer funded development contracts whereby our customer would provide part or all of the funding necessary to develop products for or with the customer and to secure technology licensing agreements, there can be no assurances that this will occur. If we are unable to secure customer funded development contracts, we will likely not be able to develop our CSpace Trade Show Prototype. Without the CSpace Trade Show Prototype we will not be able to successfully implement our business strategy for our volumetric 3D Display products, which could cause harm to our competitive position and financial condition.

***We may not be able to successfully license the CSpace technology to customers.***

A significant portion of our expected future revenues will be generated through licensing our CSpace technology to third parties such as Boeing, Lockheed Martin, Siemens, and General Electric. However, there is no guarantee we will be able to successfully license our CSpace technology to such companies or to other third parties. If we fail to successfully license our CSpace technology, it could negatively impact our revenue stream and financial condition.

***We may not be able to compete successfully in the markets applicable to our volumetric 3D display technology.***

Although the volumetric 3D display technology that we are attempting to develop is new, and although at present we are aware of only a limited number of companies that have publicly disclosed their attempts to develop similar technology, we anticipate a number of companies are or will attempt to develop technologies/products that compete or will compete with our technologies. Further, even if we are the first to market with a technology of this type, and even if the technology is protected by patents or otherwise, because of the vast market and communications potential of such a product, we anticipate the market will be flooded by a variety of competitors (including traditional display companies), many of which will offer a range of products in areas other than those in which we compete, which may make such competitors more attractive to prospective customers. In addition, many if not all of our competitors and potential competitors will initially be larger and have greater financial resources than we do. Some of the companies with which we may now be in competition, or with which we may compete in the future, have or may have more extensive research, marketing and manufacturing capabilities and significantly greater technical and personnel resources than we do, and may be better positioned to continue to improve their technology in order to compete in an evolving industry. Further, technology in this industry may evolve rapidly once an initially successful product is introduced, making timely product innovations and use of new technologies essential to our success in the marketplace. The introduction by our competitors of products with improved technologies or features may render any product we initially market obsolete and unmarketable. If we or our partners are not able to deliver to market products that respond to industry changes in a timely manner, or if our products do not perform well, our business and financial condition will be adversely affected.

***The technologies being developed may not gain market acceptance.***

The products that we are currently developing utilize new technologies. As with any new technologies, in order for us to be successful, these technologies must gain market acceptance. Since the technologies that we anticipate introducing to the marketplace will exploit or encroach upon markets that presently utilize or are serviced by products from competing technologies, meaningful commercial markets may not develop for our technologies.

In addition, the development efforts of the Company and the University on the 3D technology are subject to unanticipated delays, expenses or technical or other problems, as well as the possible insufficiency of funding to complete development. Our success will depend upon the ultimate products and technologies meeting acceptable cost and performance criteria, and upon their timely introduction into the marketplace. The proposed products and technologies may never be successfully developed, and even if developed, they may not satisfactorily perform the functions for which they are designed. Additionally, these may not meet applicable price or performance objectives. Unanticipated technical or other problems may occur which would result in increased costs or material delays in their development or commercialization.

***If we are unable to successfully retain existing management and recruit qualified personnel having experience in our business, we may not be able to continue our operations.***

Our success depends to a significant extent upon the continued services of our Board of Directors, management officers and other technical advisors. Our success also depends on our ability to attract and retain other key executive officers. As of April 8, 2019, we had only four employees. If we are unable to successfully retain existing management and recruit qualified personnel having experience in our business, we may not be able to continue our operations.

***There is substantial doubt about our ability to continue as a going concern. If we do not continue as a going concern, investors will lose their entire investment.***

We have a limited operating history. Since our inception, we have incurred net losses. As of December 31, 2018, we had a working capital deficiency of \$2,847,980. We believe these conditions indicate that there is substantial doubt about our ability to continue as a going concern within the next twelve months from the date of this filing. Our auditors have expressed substantial doubt about our ability to continue as a going concern. These concerns arise from the fact that we have insufficient revenues to fund development and operating expenses. If we are unable to continue as a going concern, you could lose your entire investment in us.

***We will need significant additional capital, which we may be unable to obtain.***

Our capital requirements in connection with our development activities and transition to commercial operations have been and will continue to be significant. As of April 8, 2019, we require approximately \$1.6 million of additional funds through December 2019 to continue research, development and testing of our technologies, to obtain intellectual property protection relating to our technologies when appropriate, and to improve and market our technologies. There can be no assurance that financing will be available in amounts or on terms acceptable to us, if at all.

### **Risks Related to Our Intellectual Property**

***If we fail to establish, maintain and enforce intellectual property rights with respect to our technology and/or licensed technology, our financial condition, results of operations and business could be negatively impacted.***

Our ability to establish, maintain and enforce intellectual property rights with respect to our technology will be a significant factor in determining our future financial and operating performance. We seek to protect our intellectual property rights by relying on a combination of patent, trade secret and copyright laws. We also use confidentiality and other provisions in our agreements that restrict access to and disclosure of its confidential know-how and trade secrets.

Outside the patents and pending patent applications directly granted to us, we seek to protect our technology as trade secrets and technical know-how. However, trade secrets and technical know-how are difficult to maintain and do not provide the same legal protections provided by patents. In particular, only patents will allow us to prohibit others from using independently developed technologies that are similar. If competitors develop knowledge substantially equivalent or superior to our trade secrets and technical know-how or gain access to our knowledge through other means such as observation of our technology that embodies trade secrets at customer sites that we do not control, the value of our trade secrets and technical know-how would be diminished.

While we strive to maintain systems and procedures to protect the confidentiality and security of our trade secrets and technical know-how, these systems and procedures may fail to provide an adequate degree of protection. For example, although we generally enter into agreements with our employees, consultants, advisors, and strategic partners restricting the disclosure and use of trade secrets, technical know-how and confidential information, we cannot provide any assurance that these agreements will be sufficient to prevent unauthorized use or disclosure. In addition, some of the technology deployed at customer sites in the future, which we do not control, may be readily observable by third parties who are not under contractual obligations of non-disclosure, which may limit or compromise our ability to continue to protect such technology as a trade secret.

While we are not currently aware of any infringement or other violation of our intellectual property rights, monitoring and policing unauthorized use and disclosure of intellectual property is difficult. If we learned that a third party was in fact infringing or otherwise violating our intellectual property, we may need to enforce our intellectual property rights through litigation. Litigation relating to our intellectual property may not prove successful and might result in substantial costs and diversion of resources and management attention.

If our technology is licensed to customers at some point in the future, the strength of the intellectual property under which we would grant licenses can be a critical determinant of the value of such potential licenses. If we are unable to secure, protect and enforce our intellectual property now and in the future, it may become more difficult for us to attract such customers. Any such development could have a material adverse effect on our business, prospects, financial condition and results of operations.

***We may face claims that we are violating the intellectual property rights of others.***

Although we are not aware of any potential violations of others' intellectual property rights, we may face claims, including from direct competitors, other companies, scientists or research universities, asserting that our technology or the commercial use of such technology infringes or otherwise violates the intellectual property rights of others. We cannot be certain that our technologies and processes do not violate the intellectual property rights of others. If we are successful in developing technologies that allow us to earn revenues and our market profile grows, we could become increasingly subject to such claims.

We may also face infringement claims from the employees, consultants, agents and outside organizations we have engaged to develop our technology. While we have sought to protect ourselves against such claims through contractual means, we cannot provide any assurance that such contractual provisions are adequate, and any of these parties might claim full or partial ownership of the intellectual property in the technology that they were engaged to develop.

If we were found to be infringing or otherwise violating the intellectual property rights of others, we could face significant costs to implement work-around methods, and we cannot provide any assurance that any such work-around would be available or technically equivalent to our potential technology. In such cases, we might need to license a third party's intellectual property, although any required license might not be available on acceptable terms, or at all. If we are unable to work around such infringement or obtain a license on acceptable terms, we might face substantial monetary judgments against us or an injunction against continuing to use or license such technology, which might cause us to cease operations.

In addition, even if we are not infringing or otherwise violating the intellectual property rights of others, we could nonetheless incur substantial costs in defending ourselves in suits brought against us for alleged infringement. Also, if we are to enter into a license agreement in the future and it provides that we will defend and indemnify our customer licensees for claims against them relating to any alleged infringement of the intellectual property rights of third parties in connection with such customer licensees' use of such technologies, we may incur substantial costs defending and indemnifying any customer licensees to the extent they are subject to these types of claims. Such suits, even if without merit, would likely require our management team to dedicate substantial time to addressing the issues presented. Any party bringing claims might have greater resources than we do, which could potentially lead to us settling claims against which we might otherwise prevail on the merits.

Any claims brought against us or any customer licensees alleging that we have violated the intellectual property of others could have negative consequences for our financial condition, results of operations and business, each of which could be materially adversely affected as a result.



***At this time, we do not own all of the intellectual property in Volumetric Liquid Crystal Display or Light Surface Display for Rendering Three-Dimensional Images, and, apart from the SRA with the University and the exclusive worldwide marketing rights thereto, we have no contracts or agreements pending to acquire the intellectual property.***

Although we have obtained exclusive worldwide marketing rights to “Volumetric Liquid Crystal Display” and “Light Surface Display for Rendering Three-Dimensional Images”, two technologies vital to our business and growth strategy, we do not own all of the intellectual property in these technologies. Although our exclusive worldwide marketing rights to these technologies stand alone and are independent of the SRA, outside of our SRA with the University, we have no pending agreements to obtain or purchase ownership over all intellectual property in these technologies. Should the University lose their rights in such technologies or we are otherwise unable to utilize the rights obtained in such agreements it would be difficult to successfully implement our business strategy going forward and our stock value would likely decrease.

***Our subsidiary, Coretec, does not own any patents***

We do not currently own any patents related to our silicon-based businesses and only had an exclusive worldwide license to certain intellectual property owned by NDSU/RF pursuant to a license agreement between Coretec and NDSU/RF. Under the license agreement with NDSU/RF, NDSU/RF retains ownership of the licensed patents. The NDSU/RF Agreement was renegotiated with NDSU/RF and on June 29, 2018, the Company entered into a Settlement Agreement with NDSU/RF to resolve the dispute, pursuant to which the Company and NDSU/RF fully and forever released each other from the NDSU/RF Agreement and mutually released each other of all claims.

**Risks Relating to Our Current Financing Arrangements:**

***There are a large number of shares underlying our convertible debentures and warrants that may be available for future sale and the sale of these shares may depress the market price of our common stock.***

As of April 8, 2019, we had 68,673,537 shares of common stock issued and outstanding and convertible debentures outstanding that may be converted into an estimated 228,786,636 shares of common stock at current market prices. The number of shares of common stock issuable upon conversion of the outstanding convertible debentures may increase if the market price of our stock declines. We also have outstanding warrants issued to Golden State Equity Investors, Inc. f/k/a Golden Gate Investors (“Golden State”) to purchase 61 shares of common stock at an exercise price of \$114,450. The sale of the shares underlying the convertible debentures and warrants may adversely affect the market price of our common stock.

Our obligation to issue shares upon conversion of our convertible debentures is essentially limitless. Additionally, as of April 8, 2019, we have 1,431,326,463 unissued authorized shares available.

***The conversion price of our convertible debentures is continuously adjustable, which could require us to issue a substantially greater number of shares, which will cause dilution to our existing stockholders.***

The following is an example of the number of shares of our common stock that are issuable, upon conversion of our 4.75% \$100,000 convertible debenture (excluding accrued interest) issued to Golden State on November 3, 2006, based on the remaining principal balance of \$63,675 and market prices 25%, 50% and 75% below the market price as of April 8, 2019 of \$0.04.

% Below Market	Price Per Share	Effective Conversion Price	Number of Shares Issuable (1)	% of Outstanding Stock
25%	\$ 0.038	\$ 0.030	291,205,399	424%
50%	\$ 0.025	\$ 0.020	437,126,472	637%
75%	\$ 0.013	\$ 0.010	874,889,691	1,274%

(1) Shares issuable exclude 61 shares underlying the remaining warrants exercisable at \$114,450 per share.

As illustrated, the number of shares of common stock issuable upon conversion of our convertible debentures will increase if the market price of our stock declines, which will cause dilution to our existing stockholders.

***The continuously adjustable conversion price feature of our convertible debentures may encourage investors to make short sales in our common stock, which could have a depressive effect on the price of our common stock.***

So long as the market price of our stock is below \$1,200, the issuance of shares in connection with the conversion of the \$100,000 convertible debenture results in the issuance of shares at an effective 20% discount to the trading price of the common stock prior to the conversion. The significant downward pressure on the price of the common stock as the selling stockholders convert and sell material amounts of common stock could encourage short sales by investors. This could place further downward pressure on the price of the common stock. The selling stockholders could sell common stock into the market in anticipation of covering the short sale by converting their securities, which could cause the further downward pressure on the stock price. In addition, not only the sale of shares issued upon conversion or exercise of debentures and warrants, but also the mere perception that these sales could occur, may adversely affect the market price of the common stock.

***The issuance of shares upon conversion of outstanding Series A Stock, the convertible debentures or the exercise of outstanding warrants may cause immediate and substantial dilution to our existing stockholders.***

The issuance of shares upon conversion of our outstanding Series A Convertible Preferred Stock, convertible debentures and exercise of warrants would result in substantial dilution to the interests of other stockholders since the selling stockholders may ultimately convert and sell the full amount issuable on conversion. Although Golden State may not convert its convertible debenture and/or exercise their warrants if such conversion or exercise would cause it to own more than 9.9% of our outstanding common stock, this restriction does not prevent the selling stockholders from converting and selling some of their holdings and then converting the rest of their holdings. In this way, assuming the market price remains at a level acceptable to the selling stockholders, the selling stockholders could continue on a "conversion-sell-conversion" trend while never holding more than 9.9% of our common stock. Further, under the convertible debenture there is theoretically no upper limit on the number of shares that may be issued, which will have the effect of further diluting the proportionate equity interest and voting power of holders of our common stock.

***If we are unable to issue shares of common stock upon conversion of the convertible debenture as a result of our inability to increase our authorized shares of common stock or as a result of any other reason, we are required to pay penalties to Golden State, redeem the convertible debenture at 130% and/or compensate Golden State for any buy-in that it is required to make.***

If we are unable to issue shares of common stock upon conversion of the convertible debenture as a result of our inability to increase our authorized shares of common stock or as a result of any other reason, we are required to:

- Make payments to Golden State for late issuance of common stock upon conversion of the convertible debenture, in the amount of \$100 per business day after the delivery date for each \$10,000 of convertible debenture principal amount being converted or redeemed;
- In the event we are prohibited from issuing common stock, or fail to timely deliver common stock on a delivery date, or upon the occurrence of an event of default, then at the election of Golden State, we must pay to Golden State a sum of money determined by multiplying up to the outstanding principal amount of the convertible debenture designated by Golden State by 130%, together with accrued but unpaid interest thereon; and
- If ten days after the date we are required to deliver common stock to Golden State pursuant to a conversion, Golden State purchases (in an open market transaction or otherwise) shares of common stock to deliver in satisfaction of a sale by Golden State of the common stock which it anticipated receiving upon such conversion (a "Buy-In"), then we are required to pay in cash to Golden State the amount by which its total purchase price (including brokerage commissions, if any) for the shares of common stock so purchased exceeds the aggregate principal and/or interest amount of the convertible debenture for which such conversion was not timely honored, together with interest thereon at a rate of 15% per annum, accruing until such amount and any accrued interest thereon is paid in full.

In the event that we are required to pay penalties to Golden State or redeem the convertible debentures held by Golden State, we may be required to curtail or cease our operations.

**Risks Relating to Our Common Stock:**

***The price of our common stock is volatile and fluctuations in our operating results and announcements and developments concerning our business affect our stock price, which may cause investment losses for our stockholders.***

The market for our common stock is highly volatile and the trading price of our stock on the OTC Pink Marketplace is subject to wide fluctuations in response to, among other things, operating results, the number of stockholders desiring to sell their shares, changes in general economic conditions and the financial markets, the execution of new contracts and the completion of existing agreements and other developments affecting us. In addition, statements or changes in opinions, ratings, or earnings estimates made by brokerage firms or industry analysts relating to our market or relating to us could result in an immediate and adverse effect on the market price of our common stock. The highly volatile nature of our stock price may cause investment losses for our shareholders. In the past, securities class action litigation has often been brought against companies following periods of volatility in the market price of their securities. If securities class action litigation is brought against us, such litigation could result in substantial costs while diverting management's attention and resources.

***Our common stock is subject to the "Penny Stock" rules of the SEC and the trading market in our securities is limited, which makes transactions in our stock cumbersome and may reduce the value of an investment in our stock.***

The Securities and Exchange Commission has adopted Rule 15g-9 which establishes the definition of a "penny stock," for the purposes relevant to us, as any equity security that has a market price of less than \$5.00 per share or with an exercise price of less than \$5.00 per share, subject to certain exceptions. For any transaction involving a penny stock, unless exempt, the rules require:

- That a broker or dealer approve a person's account for transactions in penny stocks; and
- The broker or dealer receives from the investor a written agreement to the transaction, setting forth the identity and quantity of the penny stock to be purchased.

In order to approve a person's account for transactions in penny stocks, the broker or dealer must:

- Obtain financial information and investment experience objectives of the person; and
- Make a reasonable determination that the transactions in penny stocks are suitable for that person and the person has sufficient knowledge and experience in financial matters to be capable of evaluating the risks of transactions in penny stocks.

The broker or dealer must also deliver, prior to any transaction in a penny stock, a disclosure schedule prescribed by the Commission relating to the penny stock market, which, in highlight form:

- Sets forth the basis on which the broker or dealer made the suitability determination; and
- That the broker or dealer received a signed, written agreement from the investor prior to the transaction.

Generally, brokers may be less willing to execute transactions in securities subject to the "penny stock" rules. This may make it more difficult for investors to dispose of our common stock and cause a decline in the market value of our stock.

Disclosure also has to be made about the risks of investing in penny stocks in both public offerings and in secondary trading and about the commissions payable to both the broker-dealer and the registered representative, current quotations for the securities and the rights and remedies available to an investor in cases of fraud in penny stock transactions. Finally, monthly statements have to be sent disclosing recent price information for the penny stock held in the account and information on the limited market in penny stocks.

***Financial Industry Regulatory Authority, Inc. ("FINRA") sales practice requirements may limit a shareholder's ability to buy and sell our common stock.***

In addition to the "penny stock" rules described above, FINRA has adopted rules that require that in recommending an investment to a customer, a broker-dealer must have reasonable grounds for believing that the investment is suitable for that customer. Prior to recommending speculative low-priced securities to their non-institutional customers, broker-dealers must make reasonable efforts to obtain information about the customer's financial status, tax status, investment objectives and other information. Under interpretations of these rules, FINRA believes that there is a high probability that speculative low-priced securities will not be suitable for at least some customers. FINRA requirements make it more difficult for broker-dealers to recommend that their customers buy our common stock, which may limit your ability to buy and sell our stock and have an adverse effect on the market for our shares.

***Our stock is thinly traded, so you may be unable to sell your shares at or near the quoted bid prices if you need to sell a significant number of your shares.***

The shares of our common stock are thinly-traded on the OTC Pink Marketplace, meaning that the number of persons interested in purchasing our common stock at or near bid prices at any given time may be relatively small or non-existent. As a consequence, there may be periods of several days or more when trading activity in our shares is minimal or non-existent, as compared to a seasoned issuer which has a large and steady volume of trading activity that will generally support continuous sales without an adverse effect on share price. We cannot give you any assurance that a broader or more active public trading market for our common stock will develop or be sustained, or that current trading levels will be sustained. Due to these conditions, we can give you no assurance that you will be able to sell your shares at or near bid prices or at all if you need money or otherwise desire to liquidate your shares.

***Shares eligible for future sale may adversely affect the market.***

From time to time, certain of our stockholders may be eligible to sell all or some of their shares of common stock by means of ordinary brokerage transactions in the open market pursuant to Rule 144 promulgated under the Securities Act, subject to certain limitations. In general, pursuant to amended Rule 144, non-affiliate stockholders may sell freely after six months subject only to the current public information requirement. Affiliates may sell after six months subject to the Rule 144 volume, manner of sale (for equity securities), and current public information and notice requirements. Any substantial sales of our common stock pursuant to Rule 144 may have a material adverse effect on the market price of our common stock.

***We could issue additional common stock, which might dilute the book value of our common stock.***

Our Board of Directors has authority, without action or vote of our shareholders, to issue all or a part of our authorized but unissued shares. Such stock issuances could be made at a price that reflects a discount or a premium from the then-current trading price of our common stock. In addition, in order to raise capital, we may need to issue securities that are convertible into or exchangeable for a significant amount of our common stock. These issuances would dilute the percentage ownership interest, which would have the effect of reducing your influence on matters on which our shareholders vote and might dilute the book value of our common stock. You may incur additional dilution if holders of stock options, whether currently outstanding or subsequently granted, exercise their options, or if warrant holders exercise their warrants to purchase shares of our common stock.

***Our common stock could be further diluted as a result of the issuance of convertible securities, warrants or options.***

In the past, we have issued convertible securities (such as convertible debentures and notes), warrants and options in order to raise money or as compensation for services and incentive compensation for our employees and directors. We have shares of common stock reserved for issuance upon the exercise of certain of these securities and may increase the shares reserved for these purposes in the future. Our issuance of these convertible securities, options and warrants could affect the rights of our stockholders, could reduce the market price of our common stock or could result in adjustments to exercise prices of outstanding warrants (resulting in these securities becoming exercisable for, as the case may be, a greater number of shares of our common stock), or could obligate us to issue additional shares of common stock to certain of our stockholders.

***We do not intend to pay dividends.***

We do not anticipate paying cash dividends on our common stock in the foreseeable future. We may not have sufficient funds to legally pay dividends. Even if funds are legally available to pay dividends, we may nevertheless decide in our sole discretion not to pay dividends. The declaration, payment and amount of any future dividends will be made at the discretion of our board of directors, and will depend upon, among other things, the results of our operations, cash flows and financial condition, operating and capital requirements, and other factors our board of directors may consider relevant. There is no assurance that we will pay any dividends in the future, and, if dividends are paid, there is no assurance with respect to the amount of any such dividend.

***If we fail to maintain effective internal controls over financial reporting, the price of our common stock may be adversely affected.***

Our internal control over financial reporting may have weaknesses and conditions that could require correction or remediation, the disclosure of which may have an adverse impact on the price of our common stock. We are required to establish and maintain appropriate internal controls over financial reporting. Failure to establish those controls, or any failure of those controls once established, could adversely affect our public disclosures regarding our business, prospects, financial condition or results of operations. In addition, management's assessment of internal controls over financial reporting may identify weaknesses and conditions that need to be addressed in our internal controls over financial reporting or other matters that may raise concerns for investors. Any actual or perceived weaknesses and conditions that need to be addressed in our internal control over financial reporting or disclosure of management's assessment of our internal controls over financial reporting may have an adverse impact on the price of our common stock.

***We are required to comply with certain provisions of Section 404 of the Sarbanes-Oxley Act of 2002 and if we fail to comply in a timely manner, our business could be harmed, and our stock price could decline.***

Rules adopted by the SEC pursuant to Section 404 of the Sarbanes-Oxley Act of 2002 require an annual assessment of internal controls over financial reporting, and for certain issuers an attestation of this assessment by the issuer's independent registered public accounting firm. The standards that must be met for management to assess the internal controls over financial reporting as effective are evolving and complex, and require significant documentation, testing, and possible remediation to meet the detailed standards. We expect to incur significant expenses and to devote resources to Section 404 compliance on an ongoing basis. It is difficult for us to predict how long it will take or how costly it will be to complete the assessment of the effectiveness of our internal control over financial reporting for each year and to remediate any deficiencies in our internal control over financial reporting. As a result, we may not be able to complete the assessment and remediation process on a timely basis. In addition, although attestation requirements by our independent registered public accounting firm are not presently applicable to us, we could become subject to these requirements in the future and we may encounter problems or delays in completing the implementation of any resulting changes to internal controls over financial reporting. In the event that our Chief Executive Officer or Chief Financial Officer determine that our internal control over financial reporting is not effective as defined under Section 404, we cannot predict how regulators will react or how the market prices of our shares will be affected; however, we believe that there is a risk that investor confidence and share value may be negatively affected.

**ITEM 1B. UNRESOLVED STAFF COMMENTS**

Not applicable.

**ITEM 2. PROPERTIES**

Our executive offices are located at 6804 South Canton Avenue, Suite 150, Tulsa, Oklahoma 74136. The Company signed an Office Lease Agreement (the "Lease Agreement") on April 24, 2008. On July 2, 2015 the Lease Agreement was amended to extend the expiration date to July 31, 2018 and operating month to month thereafter.

**ITEM 3. LEGAL PROCEEDINGS**

We are not a party to any pending legal proceeding, nor is our property the subject of a pending legal proceeding, that is not in the ordinary course of business or otherwise material to the financial condition of our business. None of our directors, officers or affiliates is involved in a proceeding adverse to our business or has a material interest adverse to our business.

**ITEM 4. MINE SAFETY DISCLOSURES**

Not applicable.

**PART II**

**ITEM 5. MARKET FOR COMMON EQUITY AND RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES**

Our common stock is quoted on the OTC Pink marketplace under the symbol “CRTG”.

For the periods indicated, the following table sets forth the high and low bid prices per share of common stock. These prices represent inter-dealer quotations without retail markup, markdown, or commission and may not necessarily represent actual transactions.

2018 Fiscal Year

	High		Low
First Quarter ended March 31, 2018	\$ 0.17	\$	0.06
Second Quarter ended June 30, 2018	\$ 0.10	\$	0.06
Third Quarter ended September 30, 2018	\$ 0.10	\$	0.03
Fourth Quarter ended December 31, 2018	\$ 0.09	\$	0.03

2017 Fiscal Year

	High		Low
First Quarter ended March 31, 2017	\$ 0.57	\$	0.21
Second Quarter ended June 30, 2017	\$ 0.80	\$	0.02
Third Quarter ended September 30, 2017	\$ 0.45	\$	0.15
Fourth Quarter ended December 31, 2017	\$ 0.37	\$	0.07

The market price of our common stock, like that of other technology companies, is highly volatile and is subject to fluctuations in response to variations in operating results, announcements of technological innovations or new products, or other events or factors. Our stock price may also be affected by broader market trends unrelated to our performance.

## Holders

As of April 8, 2019, we had approximately 5,200 active holders of our common stock. The number of active record holders was determined from the records of our transfer agent and does not include beneficial owners of common stock whose shares are held in the names of various security brokers, dealers, and registered clearing agencies. Our transfer agent is Continental Stock Transfer & Trust Company, 17 Battery Place, New York, NY 10004.

## Dividend Policy

We have not declared any dividends to date. We have no present intention of paying any cash dividends on our common stock in the foreseeable future, as we intend to use earnings, if any, to generate growth. The payment of dividends, if any, in the future, rests within the discretion of our Board of Directors and will depend, among other things, upon our earnings, capital requirements and our financial condition, as well as other relevant factors. There are no restrictions in our Certificate of Incorporation or By-laws that restrict us from declaring dividends.

## Equity Compensation Plan Information

We have three stock-based compensation plans, the 2014 Equity Incentive Plan, the 2015 Equity Incentive Plan and the 2018 Equity Incentive Plan, together referred to herein as the "Stock Plans." As of April 8, 2019, 216,557 options to purchase our common stock were issued and outstanding under the Stock Plans with a weighted-average price of \$3.51.

The following table sets forth the information indicated with respect to our compensation plans under which our common stock is authorized for issuance.

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans not approved by security holders:			
2014 Plan	50,000,000	\$ 2.72	750,103
2015 Plan	85,000,000	2.72	142,244
2018 Plan	15,000,000	2.72	13,952,161
<b>Total</b>	<b>150,000,000</b>	<b>\$ 2.72</b>	<b>14,844,508</b>

## Recent Sales of Unregistered Securities

On November 15, 2017, the Company conducted a private placement with an accredited investor and related party, Victor Keen, Co-Chairman of the Board of Directors of the Company, pursuant to which it sold 20,000,000 shares of common stock for a purchase price of \$750,000.



Simultaneously, the Company issued an option to purchase an aggregate of 2,666,667 shares of common stock to a third-party accredited investor as an inducement to provide Victor Keen with a personal loan, the proceeds from which Victor Keen used to partially fund his purchase of the shares.

The option was exercisable, at any time on or after the initial issuance date, at an exercise price of \$0.0375 per share, subject to adjustment, and expired one year from the date of issuance on November 15, 2018.

The \$750,000 in proceeds received for the common stock issued and the option to purchase common stock were recorded using the relative fair value method under the guidance in ASC 470-20-25-2. The fair value of the 20,000,000 shares of common stock issued was determined using the quoted closing price of \$0.28 and the option was valued based on the Black Scholes valuation on November 15, 2017 of \$714,719. Based on the proportion of the fair values to the sum of the fair values of the common stock and the option, \$665,113 (89%) was allocated to the common stock and \$84,887 (11%) was allocated to the option.

The \$714,719 estimated fair value of option to purchase common stock issued in November 2017 was determined using the Black-Scholes option pricing model. The expected dividend yield of \$0 is based on the average annual dividend yield at the date issued. Expected volatility of 300.18% is based on the historical volatility of the stock. The risk-free interest rate of 1.55% is based on the U.S. Treasury Constant Maturity rates as of the issue date. The expected life of the option of one year is based on the historical exercise behavior and expected future experience.

The Company issued an aggregate of 522,924 shares of the Company's common stock on February 15, 2018. The Company had agreed to issue to certain consultants and service providers (collectively, "Recipients") and the Recipients had agreed to accept, shares of common stock in consideration for the satisfaction, in lieu of cash payment, of an aggregate of \$71,880 owed by the Company to the Recipients. Among the Recipients were (i) Doug Freitag, the Company's former Chief Executive Officer, who received 322,154 shares of common stock in satisfaction of \$41,880 owed to him for services he provided to the Company; (ii) Concordia Financial Group, the Company's financial consultant, who received 230,770 shares of common stock in satisfaction of \$30,000 owed for services provided to the Company under the terms of the independent consulting agreement (the "Independent Consulting Agreement"). On July 2, 2018, August 6, 2018 and October 1, 2018 the Company issued an aggregate of 430,985 shares of the company's common stock to Concordia Financial Group in satisfaction of \$22,046 owed for services provided under the Independent Consulting Agreement. On October 24, 2018 and January 24, 2019, Matthews Kappers, an associate of Concordia Financial Group, was issued 63,930 shares of common stock in satisfaction of \$2,960 owed to him for consulting services. On January 24, 2019 Matthews Kappers was issued 199,017 shares of common stock in satisfaction of \$7,862 owed to him for consulting services.

## **ITEM 6. SELECTED FINANCIAL DATA**

Not applicable.

## **ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION**

*The following discussion and analysis should be read together with our consolidated financial statements and the related notes appearing elsewhere in this Report. This discussion contains forward-looking statements reflecting our current expectations that involve risks and uncertainties. See "Forward-Looking Statements" for a discussion of the uncertainties, risks and assumptions associated with these statements. Actual results and the timing of events could differ materially from those discussed in our forward-looking statements as a result of many factors, including those set forth under "Risk Factors" and elsewhere in this Report.*

### **Plan of Operation**

#### **Background:**

From June 2, 2015 (inception), our wholly owned subsidiary, Coretec Industries, LLC, aimed to create technology-based solutions (products and services) that address energy-related market needs globally. Leveraging the expertise of its management in forming and managing technology-based startups, funding raising, sales, and marketing. They were advised by Dr. Philip Boudjouk, an expert in silicon ("Si") chemistry and Doug Freitag, an expert in the application of Si materials and Federal business development.

On June 22, 2017, the Group filed an Amended Certificate of Incorporation (the “Amendment”) with the Secretary of State of the State of Oklahoma, to (i) change its name from “3DIcon Corporation” to “The Coretec Group Inc.” and to (ii) effect a 1-for-300 reverse stock split. The Name Change and Reverse Split became effective with the State of Oklahoma on June 28, 2017 and with FINRA on June 29, 2017.

The Group was incorporated on August 11, 1995, under the laws of the State of Oklahoma as First Keating Corporation. The articles of incorporation were amended August 1, 2003 to change the name to 3DIcon Corporation. During 2001, First Keating Corporation began to focus on the development of 360-degree holographic technology. On July 15, 2005, the Group entered into a Sponsored Research Agreement (“SRA”) with the University of Oklahoma (the “University” or “OU”), which expired on January 14, 2007, under which they conducted a research project entitled “Investigation of 3-Dimensional Display Technologies”. On February 23, 2007, they entered into an SRA with the University, which expired on March 31, 2010, under which they conducted a research project entitled “3-Dimensional Display Development”. The development to date has resulted in multiple new technologies, two working laboratory prototypes (Lab Proto 1 and Lab Proto 2), and eight provisional patents; five of the eight provisional patents have been combined and converted to five utility patents. Under the SRA, the Group has obtained the exclusive worldwide marketing rights to these 3D display technologies.

On September 30, 2016 we closed a transaction contemplated by the Share Exchange Agreement with Coretec, pursuant to which Coretec became a wholly-owned subsidiary of the Group. The combination of the two companies provides a significant number of opportunities to increase shareholder value by:

- Providing technological support to advance the refinement of CSpace image material;
- Adding recognized expertise to the team;
- Creating the opportunity for near-term revenue; and
- Adding a significant portfolio of Intellectual Property.

### Combined Company Plans

**Coretec’s Technology.** Coretec’s underlying technology is based on the efficient production of a high value liquid silicon precursor, cyclohexasilane. A key advantage of cyclohexasilane (“CHS”) is that it is a liquid at room temperature and does not convert to a gas until heated above 400°F. This compares to materials commonly used for manufacturing silicon-based semiconductors and solar cells (monosilane or trichlorosilane) that have much lower boiling points which leads to higher cost handling and shipping. Another key advantage of CHS is that the production rate of the silicon-forming step can be increased by a factor of six relative to the currently used materials, leading to significant cost savings. The Company anticipates that CHS will first be used as an alternative to monosilane or trichlorosilane when adding silicon to lithium ion batteries or when used in manufacturing silicon-based semiconductors.

The Company also sees longer term potential in several emerging markets where there are opportunities in the conversion of CHS into nanoparticles and nanowires for use in such emerging, high-growth markets as:

- Energy storage
- Solid state lighting
- Authentication of critical documentation
- Printable electronics
- Building-integrated solar energy
- Drug delivery

**Enhancement of CSpace.** A key challenge in the development of CSpace® is the development of the material to be used for the image chamber. The Company had been exploring a variety of glass alternatives and it has been concluded that limitations remain, primarily in weight and cost.

A key virtue of having access to the Coretec IP portfolio of Silicon-based materials is that the Company can use all of the manufacturing infrastructure and knowledge that's available for optical plastics for the CSpace® image chamber. The benefit to CSpace® is that we can mold the material into a broad range of shapes that is much lighter and much lower in cost than the glass material we worked with before. While this approach is being explored, alternative approaches continue to be considered.

**Near-Term Revenue Opportunities.** Opportunities for near-term revenue continue to be explored in battery and microelectronic markets. Interest in the use of silicon in Li-ion batteries continues to increase driven by the growing demand for electrical vehicles and home energy storage systems for backup power. Discussions are ongoing with suppliers of Li-ion battery anode materials that are seeking next generation materials to further increase performance while improving lifetime, safety and reliability. We believe these suppliers will be well positioned to take advantage of the benefits provided by CHS when combined as a liquid with other powder-based materials. While we believe the use of CHS in Li-ion batteries will provide near term revenue, we also continue to explore revenue opportunities in microelectronics and especially those early adopter markets where advanced microelectronics are being developed in lower volumes and with less price sensitivity.

#### **Recent Developments**

As previously disclosed, in June 2016, the Company's wholly-owned subsidiary, Coretec Industries LLC, signed an exclusive licensing agreement (the "NDSU/RF Agreement") with the NDSU Research Foundation ("NDSU/RF"), pursuant to which the Company had sponsored North Dakota State University to provide research and to license certain technologies from August 14, 2015 to June 30, 2017. The Company was to provide compensation to NDSU/RF and NDSU/RF was to provide certain deliverables to the Corporation. However, a dispute arose between the Corporation and NDSU/RF regarding compensation and deliverables (the "Dispute").

On June 29, 2018, the Company and Coretec Industries LLC (collectively, the "Coretec Parties") entered into a settlement agreement and general release (the "Settlement Agreement") with NDSU/RF to resolve the Dispute, pursuant to which Coretec and NDSU/RF shall fully and forever release each other from the NDSU/RF Agreement and mutually release each other of all claims in connection therewith.

## RESULTS OF OPERATIONS FOR THE YEAR ENDED DECEMBER 31, 2018 COMPARED TO THE YEAR ENDED DECEMBER 31, 2017

### Revenue

We did not have revenues for the years ended December 31, 2018 and 2017.

### Research and Development Expenses

The research and development expenses were \$85,066 for the year ended December 31, 2018, as compared to \$456,360 for the year ended December 31, 2017. The approximately \$371,000 decrease was a result of the cost related to the license agreement cancelled in 2018 with NDSU/RF, of \$213,000, the SRA signed with NDSU on August 14, 2015 which is under dispute, of \$146,000, and the amortization of patent cost related to the NDSU/RF License Agreement of \$13,000.

## General and Administrative Expenses

Our general and administrative expenses were \$751,251 for the year ended December 31, 2018, as compared to \$936,780 for the year ended December 31, 2017. The approximately \$186,000 net decrease was a result of the decrease in cost for consulting fees of \$46,000 from agreements concluded in 2017, a decrease of \$75,000 for options issued to our new CEO in 2017, a decrease of legal fees of \$23,000, a decrease in Edgarizing and transfer agent fees of \$36,000 from our SEC reporting, a decrease in accounting fees for reviews and proforma information prepared in 2017 of \$32,000, a decrease of office supplies of \$4,000, a decrease of \$6,000 for our web design in 2017, a decrease of \$3,300 on the sale of office furniture in 2017, a decrease of \$3,000 in telephone expense and rent expense of \$8,000 from the closing of our North Dakota office in 2017. These decreases were partially off-set by an increase in marketing consultants of \$36,000, an increase in insurance expense of \$1,000, and an increase in salaries and contract labor of \$11,000.

## Interest Expense

Interest expense was \$394,943 for the year ended December 31, 2018, as compared to \$320,093 for the year ended December 31, 2017. The increase of approximately \$75,000 was a result of the increase of the principal balance due under our loan agreements with Carlton James ND, LTD and Victor F. Keen.

## Financial Condition, Liquidity and Capital Resources

Management remains focused on controlling cash expenses. We recognize our limited cash resources and plan our expenses accordingly. We intend to leverage stock-for-services wherever possible. The operating budget consists of the following expenses:

- Acceleration of research and development through increased research personnel as well as other research agencies.
- General and administrative expenses: salaries, insurance, investor related expenses, rent, travel, website, etc.
- Hiring executive officers for technology, operations and finance.
- Professional fees for accounting and audit; legal services for securities and financing; patent research and protection.

We had net cash of \$4,001 at December 31, 2018. We had negative working capital of \$2,847,980 at December 31, 2018.

During the year ended December 31, 2018, we used \$635,161 of cash for operating activities, a decrease of \$199,673 or 24% compared to the year ended December 31, 2017. The decrease in the use of cash for operating activities was a result of the decrease in the loss from operations of \$666,762, the gain on settlement of accounts payable of \$184,789, the increase in amortization of debt discount of \$56,022, the increase in stock issued for services, the decrease in loss on sale of property and equipment of 3,259, the decrease in amortization of intangibles of \$12,777, a decrease in the options issued for common stock of \$50,000, the increase in prepaid expenses of \$11,375 and a decrease of accounts payable of \$285,671.

During the year ended December 31, 2018, there was \$-0- of net cash provided by investing activities, a decrease of \$232 or 100% compared to the year ended December 31, 2017. The decrease was a net result of \$2,500 of cash proceeds from the sale of property and equipment and \$2,268 of cash expended for the purchase of computer equipment in 2017.

During the year ended December 31, 2018, there was \$168,532 of cash provided by financing activities, a decrease of \$1,136,106 or 87% compared to the year ended December 31, 2017. The decrease was due to proceeds from stock and options issued for cash of \$750,000 and a decrease in proceeds from notes payable to related parties of \$412,807, offset by a decrease in the payments on our insurance financing agreement of \$2,935 and an increase in proceeds from exercise of warrants of \$23,766.

We expect to fund the ongoing operations through the existing financing in place, through raising additional funds as permitted by the terms of Golden State financing as well as reducing our monthly expenses. Our ability to fund the operations of the Company is highly dependent on the underlying stock price of the Company.

### **Off Balance Sheet Arrangements**

The Company does not engage in any off-balance sheet arrangements that are reasonably likely to have a current or future effect on our consolidated financial condition, revenues, and results of operations, liquidity or capital expenditures.

### **Significant Accounting Policies**

#### *Fair Value of Financial Instruments*

The following methods and assumptions were used to estimate the fair value of each class of financial instrument held by the Company:

*Current assets and current liabilities* - The carrying value approximates fair value due to the short maturity of these items.

*Notes payable* - The fair value of the Company's notes payable has been estimated by the Company based upon the liability's characteristics, including interest rate. The carrying value approximates fair value.

#### *Use of Estimates*

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management 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 the estimates and assumptions used.

#### *Intangible Assets*

Intangible assets consist primarily of acquired patents. The Company acquired \$1,400,000 of intangible assets in conjunction with the reverse acquisition. Intangible assets with finite lives are amortized on a straight-line basis over their useful lives.

#### *Research and Development*

Research and development costs are expensed as incurred. Research and development costs amounted to approximately \$85,000 and \$456,000 for the years ended December 31, 2018 and 2017, respectively.

#### *Recently Issued Accounting Pronouncements*

See the Recent Accounting Pronouncements section of Note 1 to our Consolidated Financial Statements included in Part II, Item 8 of this report for further details of recent accounting pronouncements.

### **ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

Not applicable.

### **ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA**

All financial information required by this Item is attached hereto at the end of this report beginning on page F-1 and is hereby incorporated by reference.

### **ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE**

None.

## ITEM 9A. CONTROLS AND PROCEDURES

### Management's Report on Internal Control over Financial Reporting

*Limitations on Effectiveness of Controls.* In designing and evaluating our disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. In addition, the design of disclosure controls and procedures must reflect the fact that there are resource constraints and that management is required to apply its judgment in evaluating the benefits of possible controls and procedures relative to their costs.

*Evaluation of Disclosure Controls and Procedures.* Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures as of December 31, 2018. The term "disclosure controls and procedures," as defined in Rule 13a-15 under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to management, including our principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure.

Based on our evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of December 31, 2018, our disclosure controls and procedures were not effective at a reasonable assurance level as we do not have sufficient resources in our accounting function, which restricts the Company's ability to gather, analyze and properly review information related to financial reporting in a timely manner. In addition, due to our size and nature, segregation of all conflicting duties may not always be possible and may not be economically feasible. However, to the extent possible, management will engage financial consultants and perform additional analysis and other procedures to help address this material weakness. Until remediation actions are fully implemented and the operational effectiveness of related internal controls are validated through testing, the material weaknesses described above will continue to exist.

Notwithstanding the assessment that our Internal Control Over Financial Reporting was not effective and that there is a material weakness as identified herein, we believe that our consolidated financial statements contained in this Annual Report fairly present our consolidated financial position, results of operations and cash flows for the periods covered thereby in all material respects.

*Changes in Internal Control Over Financial Reporting.* There has been no change in our internal control over financial reporting identified in connection with the evaluation required by Rule 13a-15(d) of the Exchange Act that occurred during the quarter ended December 31, 2018 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

## ITEM 9B. OTHER INFORMATION

None.

## PART III

### ITEM 10. DIRECTORS, EXECUTIVE OFFICERS, PROMOTERS AND CONTROL PERSONS; COMPLIANCE WITH SECTION 16(A) OF THE EXCHANGE ACT

#### EXECUTIVE OFFICERS, DIRECTORS AND KEY EMPLOYEES

The following table sets forth the names and ages of the members of our Board of Directors and our executive officers and the positions held by each. There are no family relationships among any of our Directors and Executive Officers.

Name	Age	Position
<b>Victor Keen</b>	<b>77</b>	<b>Director, Co-Chairman</b>
<b>Simon Calton</b>	<b>38</b>	<b>Director, Co-Chairman</b>
<b>Michael A. Kraft</b>	<b>56</b>	<b>Chief Executive Officer</b>
<b>Ronald Robinson</b>	<b>73</b>	<b>Chief Financial Officer</b>
<b>Ron Dombrowski</b>	<b>54</b>	<b>Director</b>

#### **Victor Keen – Director, Co-Chairman**

Mr. Keen is a significant shareholder in the Company and has been a member of the Board since November 2007. Mr. Keen is a graduate of Harvard Law School and Trinity College. Until November 2010 he was the chair of the Tax Practice Group at Duane Morris LLP, an international law firm and one of the 100 largest law firms in the world. In November 2010, Mr. Keen became Of Counsel to the firm and has since devoted the majority of his time to charitable board memberships, as well as real estate investments and other ventures. For more than ten years Mr. Keen served on the board of Research Frontiers (NASDAQ: REFR), a developer of “Smart Glass” through licensees around the world. Mr. Keen has been an active investor in a number of private companies, both start up and later stage, including: Lending Tree, acquired by IAC Interactive Corp. (NASDAQ: IACI); Circle Lending, Inc., now part of Richard Branson’s Virgin Group; and Rollover Systems, Inc., a privately held company involved in the matching of individual IRA/pension accounts with appropriate managers. Mr. Keen is a co-founder and co-owner of Bantam Pharmaceutical LLC, a privately held biotechnology company founded in 2015 focusing on the discovery and development of innovative cancer therapies.

#### **Simon Calton – Director, Co-Chairman**

Simon Calton has over 12 years of experience in financing and company structuring and utilizes his experience to find opportunities in different sectors. Since 2008, Mr. Calton has structured a number of Alternative Investment Products geared around Construction and Development in the United States and United Kingdom. In 2012 he co-founded Carlton James North Dakota Ltd, which specializes in funding specific projects and developments throughout the United States. In 2007 Mr. Calton co-founded Carlton James Private and Commercial, a project investment, pension administration service and global financing firm which helps to fund projects around the globe.

We believe Mr. Calton is qualified to serve on our board of directors because of his extensive business and management experience.

#### **Michael A. Kraft – Chief Executive Officer**

In addition to his role as CEO, Michael is a Mentor-in-Residence at the University of Michigan Technology Transfer Office and he is Founder/Managing Director of MKT Partners, LLC, an Executive Advisory and Interim C-Level firm focused on business development for materials science, performance materials and technology systems. Michael has served as an Executive in Residence for a large European PE Firm, CEO of Covaron Advanced Materials, Executive Officer and Vice President of Ceradyne Inc. (previously NASDAQ: CRDN), and GM at both Kulicke & Soffa and General Electric. As CEO/GM he has managed P&L’s from start-up to \$300M and as a member of two executive teams grew shareholder value to >\$1.4B by identifying critical business drivers, growing revenues and market share organically, building strategic partnerships, and completing accretive acquisitions. Michael completed the General Electric Crotonville Management Program with a Master of Management and Business from Penn State University. He holds a Bachelor of Science in Electrical Engineering & Systems Science from Michigan State University and recently extended his executive education by completing courses in Strategic Planning and Technology Marketing at CalTech.



**Ron Dombrowski – Director**

Since August 2015, Mr. Dombrowski served as a member of Coretec's Board of Directors. Between April 2015 and November 2015, he was Director of Sales and Marketing at Lifting Solutions Automation Inc. From August 2010 to April 2015 Mr. Dombrowski served as the Vice President of Sales and Marketing at Limited Solutions Automation Inc. He is a graduate of the Southern Illinois University with degrees in Electrical Engineering and Management. Mr. Dombrowski has also attended executive education programs at University of Phoenix and Marquette University. Mr. Dombrowski has over 25 years of global sales and operations experience, growing and scaling both startups and Fortune 500 technology companies.

We believe that Mr. Dombrowski is qualified to serve on our board of directors because of his background in sales and operations experience.

**Ronald Robinson - Chief Financial Officer**

Ronald Robinson was appointed Chief Financial Officer on January 28, 2013. He was a partner in three local CPA firms spanning forty years, the latest of which was Sutton Robinson Freeman & Co., PC, from 1999 through 2010, of which he was the managing partner and performed SEC/PCOAB audits for several clients, including the Company. He has been an SEC compliance and accounting consultant for the Company since 2010. Mr. Robinson is a graduate of East Central University, Ada, Oklahoma with a BS in Accounting.

**Audit Committee**

On February 25, 2008, the Board of Directors created an Audit Committee comprising of Mr. Victor Keen. We intend to continue to evaluate the composition of our Audit Committee.

**Compensation Committee**

On February 25, 2008, the Board of Directors created a Compensation Committee comprising of Mr. Victor Keen. We intend to continue to evaluate the composition of our Compensation Committee.

**Nomination and Corporate Governance Committee**

On February 25, 2008, the Board of Directors created Nominations and Corporate Governance Committee comprising of Mr. Victor Keen. We intend to continue to evaluate the composition of our Nominations and Corporate Governance Committee.

**Director or Officer Involvement in Certain Legal Proceedings**

Our directors and executive officers were not involved in any legal proceedings as described in Item 401(f) of Regulation S-K in the past ten years.

**Board Leadership Structure and Role in Risk Oversight**

Although we have not adopted a formal policy on whether the Chairman and Chief Executive Officer positions should be separate or combined, in the past we determined that it was in the best interests of the Company and its shareholders to combine these roles.

Our Board of Directors receives and reviews periodic reports from management, auditors, legal counsel, and others, as considered appropriate regarding our Company's assessment of risks. Our Board of Directors focuses on the most significant risks facing our Company and our Company's general risk management strategy and ensures that risks undertaken by us are consistent with the Board's appetite for risk. While the Board oversees our Company's risk management, management is responsible for day-to-day risk management processes. We believe this division of responsibilities is the most effective approach for addressing the risks facing our Company and that our board leadership structure and role in risk oversight is effective.

## *Involvement in Certain Legal Proceedings*

To our knowledge, our directors and executive officers have not been involved in any of the following events during the past ten years:

1. any bankruptcy petition filed by or against such person or any business of which such person was a general partner or executive officer either at the time of the bankruptcy or within two years prior to that time;
2. any conviction in a criminal proceeding or being subject to a pending criminal proceeding (excluding traffic violations and other minor offenses);
3. being subject to any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, permanently or temporarily enjoining him from or otherwise limiting his involvement in any type of business, securities or banking activities or to be associated with any person practicing in banking or securities activities;
4. being found by a court of competent jurisdiction in a civil action, the SEC or the Commodity Futures Trading Commission to have violated a Federal or state securities or commodities law, and the judgment has not been reversed, suspended, or vacated;
5. being subject of, or a party to, any Federal or state judicial or administrative order, judgment decree, or finding, not subsequently reversed, suspended or vacated, relating to an alleged violation of any Federal or state securities or commodities law or regulation, any law or regulation respecting financial institutions or insurance companies, or any law or regulation prohibiting mail or wire fraud or fraud in connection with any business entity; or
6. being subject of or party to any sanction or order, not subsequently reversed, suspended, or vacated, of any self-regulatory organization, any registered entity or any equivalent exchange, association, entity or organization that has disciplinary authority over its members or persons associated with a member.

## **Code of Ethics**

We have not adopted a Code of Ethics and Business Conduct for Officers, Directors and Employees that applies to all of our officers, directors and employees.

## **Employment Agreements**

The Company entered into a consulting agreement dated March 20, 2017 with Mr. Michael A. Kraft, who became the Company's CEO. Under the terms of the agreement the Company agreed to compensate Mr. Kraft, \$1,500 per day for his commitment to allocate seven days a month to the Company and a \$25,000 bonus payable in the Company's restricted stock upon the occurrence of certain events. In addition, the Company agreed to issue to Mr. Kraft, an option to purchase up to \$50,000 of the Company's common stock at an exercise price equal to the market price as of the date on which certain milestones are completed. During the years ended December 31, 2018 and 2017, the Company recognized \$126,000 and \$177,195 of expense respectively, under the terms of the agreement. As of December 31, 2018, Mr. Kraft is owed \$91,409 in unpaid consulting fees and out of pocket expenses, which is included in accounts payable and accrued expenses.

On January 22, 2017, the Company hired silicon materials expert Ragnar Avery as Vice President, CHS Marketing and Sales. Mr. Avery led new business development and sales initiatives for the Company's proprietary liquid silicon precursor, CHS. The consulting agreement was effective as of February 1, 2017 and was cancelled December 31, 2017. The Company paid Mr. Avery a fee of \$125 per hour for the first three months and \$150 per hour thereafter. The Company paid Mr. Avery a fee of \$44,425 for the year ended December 31, 2017.

On November 13, 2017, the Company hired Ramez Elgammal as Vice President of Technology. Mr. Elgammal will lead new business development and sales initiatives for the Company's proprietary liquid silicon precursor, CHS. The one-year consulting agreement was effective as of November 15, 2017 and continued in full force and effect through November 14, 2018 whereupon the agreement was renewed on a month to month term. The Company paid Mr. Elgammal a fee of \$125 per hour. The Company paid Mr. Elgammal a fee of \$58,063 and \$11,000 for the years ended December 31, 2018 and 2017 respectively.

## Director Compensation

Our directors have not received monetary compensation for their service on the Board of Directors. Directors may receive compensation for their services and reimbursement for their expenses as shall be determined from time to time by resolution of the Board.

Except as below, none of the following parties has, since our date of incorporation, had any material interest, direct or indirect, in any transaction with us or in any presently proposed transaction that has or will materially affect us:

- Any of our directors or officers;
- Any person proposed as a nominee for election as a director;
- Any person who beneficially owns, directly or indirectly, shares carrying more than 10% of the voting rights attached to our outstanding shares of common stock;
- Any member of the immediate family of any of the foregoing persons.

The Company issued an aggregate of 1,589,010 shares of the Company's Series B Convertible Preferred in connection with Securities Purchase Agreements (the "Securities Purchase Agreements") dated December 11, 2015. Pursuant to the Securities Purchase Agreements, the Company had agreed to issue, and on March 23, 2016 issued, to certain officers, directors, consultants and service providers (collectively, "Recipients") and the Recipients had agreed to accept, and on March 23, 2016 received, shares of Series B Preferred in consideration for the satisfaction, in lieu of cash payment, of an aggregate of \$1,105,402 owed by the Company to the Recipients. Each Series B Preferred may be converted in whole or in part, from time to time, into 6.38 post-split shares of Common Stock. Among the Recipients were (i) Victor F. Keen, the Company's former Chief Executive Officer, who received 1,193,582 shares of Series B Preferred in satisfaction of \$685,354 owed to him under certain notes, in connection with certain advances he provided to the Company and for services he provided to the Company; (ii) Ronald W. Robinson, the Company's Chief Financial Officer, who received 85,771 shares of Series B Preferred in satisfaction of \$90,291 owed to him for services he provided to the Company; (iii) Martin Keating, a former Director of the Company, who received 19,266 shares of Series B Preferred in satisfaction of \$20,280 owed to him under certain notes and for services he provided to the Company; and (iv) Newton, O'Connor, Turner & Ketchum, PC, a law firm of which John O'Connor, a former Director of the Company, is a partner, that received 50,149 shares of Series B Preferred in satisfaction of \$52,791 owed to it for services provided to the Company.

In addition to shares issued under the Securities Purchase Agreements, Victor F. Keen, the Company's former CEO and current Co-Chairman of the Board of Directors, was issued an additional 152,386 shares of Series B Preferred in satisfaction of \$87,500 owed to him as compensation as CEO prior to closing the Share Exchange Agreement.

Prior to Mr. Freitag's October 1, 2016 appointment as Chief Executive Officer of the Company, he received compensation from the Company in his capacity as a consultant in the form of 5,000,000 shares of common stock and 44,769 shares of Series B Preferred issued under the Securities Purchase Agreement in lieu of cash payment of an aggregate of \$47,0340 owed to him by the Company.

On March 21, 2017, Doug Freitag resigned as Chief Executive Officer of the Company in order to allow Michael A. Kraft to take over in his place as the Company's newly appointed Chief Executive Officer. In connection with Mr. Kraft's appointment, the Company entered into a consulting agreement with Mr. Kraft, pursuant to which it agreed to compensate Mr. Kraft, \$1,500 per day for his commitment to allocate seven days a month to the Company and a \$25,000 bonus payable in the Company's restricted stock upon the occurrence of certain events. In addition, the Company agreed to issue to Mr. Kraft, an option to purchase up to \$50,000 of the Company's common stock at an exercise price equal to the market price as of the date on which certain milestones are completed. Mr. Freitag assumed a strategic consulting role as the Company's Vice President of Technology and remained on the Company's Board of Directors until his resignation on August 20, 2017.

## **Risk Management**

The Company does not believe risks arising from its compensation policies and practices for its employees are reasonably likely to have a material adverse effect on the Company.

## **Director Independence**

Because the Company's Common Stock is not currently listed on a national securities exchange, the Company has used the definition of "independence" of The NASDAQ Stock Market to make this determination. NASDAQ Listing Rule 5605(a)(2) provides that an "independent director" is a person other than an officer or employee of the company or any other individual having a relationship which, in the opinion of the company's board of directors, would interfere with the exercise of independent judgment in carrying out the responsibilities of a director. The NASDAQ listing rules provide that a director cannot be considered independent if:

- the director is, or at any time during the past three years was, an employee of the company;
- the director or a family member of the director accepted any compensation from the company in excess of \$120,000 during any period of 12 consecutive months within the three years preceding the independence determination (subject to certain exclusions, including, among other things, compensation for board or board committee service);
- a family member of the director is, or at any time during the past three years was, an executive officer of the company;
- the director or a family member of the director is a partner in, controlling stockholder of, or an executive officer of an entity to which the company made, or from which the company received, payments in the current or any of the past three fiscal years that exceed 5% of the recipient's consolidated gross revenue for that year or \$200,000, whichever is greater (subject to certain exclusions);
- the director or a family member of the director is employed as an executive officer of an entity where, at any time during the past three years, any of the executive officers of the company served on the compensation committee of such other entity; or
- the director or a family member of the director is a current partner of the company's outside auditor, or at any time during the past three years was a partner or employee of the company's outside auditor, and who worked on the company's audit.

Based on this review of the Company's Board of Directors, none of the members are considered to be independent under the listing standards of the Rules of NASDAQ set forth in the NASDAQ Manual.

## **Section 16(a) Beneficial Ownership Reporting Compliance**

Section 16(a) of the Exchange Act requires our directors and executive officers and persons who own more than 10% of the issued and outstanding shares of our common stock to file reports of initial ownership of common stock and other equity securities and subsequent changes in that ownership with the SEC. Officers, directors and greater than ten percent stockholders are required by SEC regulation to furnish us with copies of all Section 16(a) forms they file. During the year ended December 31, 2017, the below reports were not reported on a timely basis:

- Victor Keen failed to timely file one Form 4 to report his acquisition of 20,000,000 shares of common stock after such acquisition on November 15, 2017.
- Dennis K. Anderson failed to timely file one Form 3 to report his resignation as a director of the Company within 10 days after such resignation on December 8, 2017.

## ITEM 11. EXECUTIVE COMPENSATION

The following table sets forth all compensation earned in respect of our Co-Chairman, Chief Executive Officers and our Chief Financial Officer for our last three completed fiscal years.

### SUMMARY COMPENSATION TABLE

The following information is furnished for the years ended December 31, 2018, 2017 and 2016 for our Co-Chairman, Chief Executive Officers and our Chief Financial Officer.

Name and Principal Position	Year	Salary (\$)	Bonus (\$)	Stock Awards (\$)	Option Awards (\$)	Non-Equity Incentive Plan Compensation (\$)	Change in Pension Value and Non-Qualified Deferred Compensation Earnings (\$)	All Other Compensation (\$)	Total (\$)
Victor Keen Co-Chairman and former CEO*	2018	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	2017	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	2016	\$ 87,500	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 87,500
Doug Freitag Former CEO ** ****	2018	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	2017	\$ 58,055	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 58,055
	2016	\$ 100,517	\$ -	\$ 4,500	\$ -	\$ -	\$ -	\$ -	\$ 105,017
Michael A. Kraft CEO ***	2018	\$ 126,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 126,000
	2017	\$ 102,000	\$ -	\$ 25,000	\$ 50,000	\$ -	\$ -	\$ -	\$ 177,500
	2016	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Ronald Robinson CFO	2018	\$ 72,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 72,000
	2017	\$ 72,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 72,000
	2016	\$ 60,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 60,000

\* Victor Keen was Chief Executive Officer from November 1, 2013 to July 2016.

\*\* Doug Freitag was the Company's Chief Executive Officer from July 2016 to March 2017.

\*\*\* Michael A. Kraft was appointed CEO in March 2017.

\*\*\*\* Includes compensation for consulting services prior to CEO position.

## OUTSTANDING EQUITY AWARDS AT FISCAL YEAR END

The following table sets forth with respect to grants of options to purchase our common stock to the executive officers as of December 31, 2018:

Name	Number of Securities Underlying Unexercised Options #	Number of Securities Underlying Unexercised Options #	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Options #	Option Exercise Price \$	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested #	Market Value of Shares or Units of Stock That have not vested \$	Equity Incentive Plan Awards: Number of Unearned Shares Units or Other Rights That Have Not Vested #	Equity Incentive Plan Awards Market or Payout Value of Unearned Shares Units or Other Rights That have not Vested \$
Victor Keen, former CEO	3,530	-	-	\$ 70 to \$420	2020 - 2022	-	-	-	-
Michael A. Kraft, CEO	208,160	-	-	\$ 0.24	2027	-	-	-	-

### Director Compensation 2018

Name	Fees Earned or Paid in Cash (\$)	Stock Awards (\$)	Option Awards (\$)	Non-Equity Incentive Plan Compensation (\$)	Change in Pension Value and Nonqualified Deferred Compensation Earnings (\$)	All Other Compensation (\$)	Total (\$)
Victor Keen	\$ -	-	-	-	-	-	\$ -
Simon Calton	\$ -	-	-	-	-	-	\$ -
Doug Freitag	\$ -	-	-	-	-	-	\$ -
Ron Dombrowski	\$ -	-	-	-	-	-	\$ -

**ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS**

**SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT**

The following table provides information about shares of common stock beneficially owned as of April 8, 2019 by:

- each director;
- each officer named in the summary compensation table;
- each person owning of record or known by us, based on information provided to us by the persons named below, to own beneficially at least 5% of our common stock; and
- all directors and executive officers as a group.

Name of Beneficial Owner	Common Stock Beneficial Ownership <sup>(1)</sup>	Percent of Class <sup>(2)</sup>	Series A Preferred Beneficial Ownership	Percent of Class <sup>(10)</sup>
<b>Named Executive Officers and Directors:</b>				
Victor Keen (3)	39,944,744	50.34%	265,000	76.81%
Michael A. Kraft (4)	208,160	0.30%	-	-
Ronald Robinson (5)	584,326	0.85%	-	-
Simon Calton (6)	9,074,344	13.21%	-	-
Ronald Dombrowski (7)	3,644,920	5.31%	-	-
All directors and executive officers as a group (5 person)	53,456,524	67.23%	265,000	76.81%
<b>Other 5% Stockholders:</b>				
Carlton James North Dakota Ltd (9)	7,593,591	11.06%	-	-
Dennis Anderson (8)	10,023,541	14.60%	-	-
Golden State Equity Investors, Inc.	4,673,464	6.81%	-	-

(1) Number of Shares Beneficially Owned include the conversion of all Series B Preferred shares into common stock.

(2) Percentage ownership is determined based on shares owned together with securities exercisable or convertible into shares of common stock within 60 days of the date of this report, for each stockholder. Beneficial ownership is determined in accordance with the rules of the SEC and generally includes voting or investment power with respect to securities. Furthermore, the percentages set forth in this column are based on the 68,673,537 issued and outstanding shares of common stock on April 8, 2019.

(3) Represents 28,597,343 shares owned by Mr. Keen and (i) 10,541,773 shares issuable upon the conversion of the two convertible notes held by Mr. Keen in the amount of \$350,000, and (ii) 713,794 shares prorated ownership of shares held by Carlton James North Dakota Ltd. Victor Keen is a Co-Chairman of the Company's Board of Directors, (iii) 3,530 shares issuable upon exercise of the options held by Mr. Keen, and (iv) 88,333 shares issuable upon the conversion of 265,000 shares of Series A preferred stock held by Mr. Keen.

(4) In connection with the Company's appointment of Mr. Kraft as CEO, the Company agreed to issue a \$25,000 bonus in restricted stock upon the occurrence of certain events. In addition, the Company agreed, upon the occurrence of such events, to issue an option to purchase up to \$50,000 (208,160 shares) of the Company's common stock at an exercise price equal to the market price as of the date the milestones are met. Accordingly, Mr. Kraft's beneficial ownership reflects 208,160 shares beneficially owned.

(5) Represents 595 shares owned by Mr. Robinson, 3 shares in Mr. Robinson's IRA, 144 shares owned by Robinson, Freeman, PC, a corporation of which Mr. Robinson owns a 50% interest, and 583,585 shares issued upon conversion of the shares of Series B Preferred previously held by Mr. Robinson. Ronald Robinson is our Chief Financial Officer.

(6) Represents 9,074,344 shares owned by Mr. Calton, including Mr. Calton's prorated ownership of shares held by Carlton James North Dakota Ltd. Simon Calton is the Co-Chairman of the Company's Board of Directors.

- (7) Represents 3,644,920 owned by Mr. Dombrowski. Ronald Dombrowski is a Director on the Company's Board of Directors.
- (8) Represents 10,023,541 shares owned by Mr. Anderson. Dennis Anderson was previously a Director on the Company's Board of Directors. He resigned as a Director on December 8, 2017.
- (9) Represents 7,593,591 shares owned by Carlton James North Dakota Ltd. Shares held by Carlton James North Dakota Ltd., are controlled by all of its members.
- (10) Calculated on the basis of 345,000 issued and outstanding shares of Series A Preferred Stock as of April 8, 2019.

### **ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE**

#### **Related Party Transactions**

The Company entered into a consulting agreement dated July 7, 2015 with Mr. Doug Freitag, who became the Company's CEO on October 1, 2016. Mr. Freitag's field of consultation was in the area of working as a federal business and private sector business consultant and technical consultant. The work under this consulting agreement was performed for the Company, in support of business development, research, development, and commercialization activities. The consulting agreement was effective as of July 2015 and continued in full force through July 2016 and will continue monthly thereafter, unless terminated under the terms of the agreement. On October 1, 2016, the Company entered into a consulting agreement with Mr. Doug Freitag which replaced the previous agreement, but the terms are identical. The consulting agreement was effective as of October 1, 2016 and continued in full force and effect through December 31, 2016. The Company paid Mr. Freitag a fee of \$185 per hour. The Company entered into a third consulting agreement on January 1, 2017 with Mr. Freitag. Under the terms of the one-year agreement, Mr. Freitag's fee is \$194 per hour. The Company paid Mr. Freitag a fee of \$0- and \$58,054 for the years ended December 31, 2018 and 2017 respectively. Mr. Freitag assumed a strategic consulting role as the Company's Vice President of Technology and remained on the Company's Board of Directors until his resignation on August 20, 2017. On March 21, 2017, Doug Freitag resigned as Chief Executive Officer of the Company in order to allow Michael A. Kraft to take over in his place as the Company's newly appointed Chief Executive Officer. In connection with Mr. Kraft's appointment, the Company entered into a consulting agreement with Mr. Kraft, pursuant to which it agreed to compensate Mr. Kraft, \$1,500 per day for his commitment to allocate seven days a month to the Company and a \$25,000 bonus payable in the Company's restricted stock upon the occurrence of certain events. In addition, the Company agreed to issue to Mr. Kraft, an option to purchase up to \$50,000 of the Company's common stock at an exercise price equal to the market price as of the date on which certain milestones are completed. During the years ended December 31, 2018 and 2017, the company recognized \$126,000 and \$177,500 of expense respectively, under the terms of the agreement.

At December 31, 2016 the Company had an aggregate balance of \$440,500 of advances due to Mr. Victor Keen, Co-Chairman of the Board of Directors. During the years ended December 31, 2018 and 2017, Mr. Keen advanced the Company an additional \$25,000 and \$156,000, respectively, such that as of December 31, 2018, an aggregate amount of \$621,500 is due to Mr. Keen under the terms of a 14% Term loan which is included in notes payable – related party (see Note 4). As of December 31, 2018, accrued interest related to the 14% Term loan due June 2019 amounted to \$187,238 and interest expense was \$84,991 and \$81,729 respectively, during the years ended December 31, 2018 and 2017.

At December 31, 2016 the Company had an aggregate balance of \$613,825 of advances due to CJNDL, a company owned by Mr. Simon Calton, a director of the Company. During the years ended December 31, 2018 and 2017, CJNDL, advanced \$110,000 and \$52,109, respectively to the Company under the terms of two loans, which are included in term loans (see Note 4). As of December 31, 2018, accrued interest related to the 14% Term loans due June 2019 amounted to \$238,938 and interest expense was \$99,615 and \$88,532 during the years ended December 31, 2018 and 2017, respectively.



On March 30, 2017, the Company issued to Mr. Victor Keen, Co-Chairman of the Board of Directors, a 7% convertible promissory note in a principal amount of \$250,000, due March 1, 2019 and subsequently extended to June 30, 2019. The promissory note shall automatically convert into 6,413,108 shares of common stock of the Company calculated after giving effect to certain conversions as discussed in Note 4. As of December 31, 2018, accrued interest related to the 7% note amounted to \$31,286 and interest expense was \$17,743 and \$13,543 during the years ended December 31, 2018 and 2017, respectively.

On June 21, 2017, the Company issued to Mr. Victor Keen, Co-Chairman of the Board of Directors, a 7% convertible promissory note in a principal amount of \$100,000, due June 21, 2019. The promissory note shall automatically convert into 4,128,665 shares of common stock of the Company calculated after giving effect to certain conversions discussed in Note 4. As of December 31, 2018, accrued interest related to the 7% note due June 21, 2019 amounted to \$10,799 and interest expense was \$7,097 and \$3,702 during the years ended December 31, 2018 and 2017, respectively.

On November 15, 2017, the Company conducted a private placement with Victor Keen, Co-Chairman of the Board of Directors of the Company, pursuant to which it sold 20,000,000 shares of common stock for a purchase price of \$750,000.

#### **Director Independence**

As discussed above, none of the members are considered to be independent under the listing standards of the Rules of NASDAQ set forth in the NASDAQ Manual

#### **ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES**

##### **Audit Fees**

The aggregate fees billed by our principal accountants for the audit of our annual financial statements, review of financial statements included in the quarterly reports and other fees that are normally provided by the accountant in connection with statutory and regulatory filings or engagements for the fiscal years ended December 31, 2018 and 2017 were approximately \$69,000 and \$89,000, respectively.

##### **Audit-Related Fees**

The aggregate fees billed by our principal accountant for assurance and advisory services that were related to the performance of the audit or review of our financial statements for the fiscal years ended December 31, 2018 and 2017 were \$0 and \$0, respectively.

##### **Tax Fees**

The aggregate fees billed for professional services rendered by our principal accountant for tax compliance, tax advice and tax planning for the fiscal years ended December 31, 2018 and 2017 were \$0 and \$0, respectively.

##### **All Other Fees**

The aggregate fees billed for products and services provided by our principal accountant for the fiscal years ended December 31, 2018 and 2017 were \$0 and \$0, respectively.

#### **Policy on Audit Committee Pre-Approval of Audit and Permissible Non-Audit Services of Independent Auditors**

The Audit Committee's policy is to pre-approve all audit and permissible non-audit services provided by the independent auditors. These services may include audit services, audit-related services, tax services and other services. Pre-approval is generally provided for up to one year and any pre-approval is detailed as to the particular service or category of services and is generally subject to a specific budget. The independent auditors and management are required to periodically report to our Board of Directors regarding the extent of services provided by the independent auditors in accordance with this pre-approval, and the fees for the services performed to date. The Board of Directors may also pre-approve particular services on a case-by-case basis.

PART IV

ITEM 15. EXHIBITS

- 3.1 [Certificate of Incorporation \(1\)](#)
- 3.2 [Bylaws \(1\)](#)
- 3.3 [Amended Certificate of Incorporation \(1\)](#)
- 3.4 [Amended Certificate of Incorporation \(1\)](#)
- 3.5 [Amended Certificate of Incorporation \(1\)](#)
- 3.6 [Amended Certificate of Incorporation \(3\)](#)
- 3.7 [Amended Certificate of Incorporation \(6\)](#)
- 3.8 [Amendment to the Bylaws as of April 4, 2013 \(14\)](#)
- 3.9 [Certificate of Designation of Preferences, Rights and Limitation of Series A Convertible Preferred Stock \(20\)](#)
- 3.10 [Certificate of Designation of Preferences, Rights and Limitation of Series B Convertible Preferred Stock \(23\)](#)
- 3.11 [Certificate of Amendment to the Certificate of Designation of the Series B Convertible Preferred Stock \(25\)](#)
- 4.1 [Convertible Promissory Note dated August 1, 2012 issued to JMJ Financial \(7\)](#)
- 4.2 [Form of Convertible Bridge Note \(8\)](#)
- 4.3 [Form of Convertible Debenture dated June 25, 2013 \(18\)](#)
- 4.4 [Senior Convertible Note dated October 1, 2013 \(19\)](#)
- 4.5 [Convertible Promissory Note dated March 5, 2015 \(22\)](#)
- 4.6 [Convertible Note dated March 4, 2015 \(22\)](#)
- 10.1 [Securities Purchase Agreement \(1\)](#)
- 10.2 [Amendment No. 1 to Securities Purchase Agreement and Debenture \(1\)](#)
- 10.3 [Registration Rights Agreement dated November 3, 2006\(1\)](#)
- 10.4 [\\$100,000 convertible debenture \(1\)](#)
- 10.5 [\\$1.25 million convertible debenture dated November 3, 2006 \(1\)](#)
- 10.6 [Common Stock Purchase Warrant \(1\)](#)

- 10.7 [Sponsored Research Agreement by and between 3DIcon Corporation and the Board of Regents of the University of Oklahoma \(1\)](#)
- 10.8 [Sponsored Research Agreement Modification No. 1 by and between 3DIcon Corporation and the Board of Regents of the University of Oklahoma \(1\)](#)
- 10.9 [Sponsored Research Agreement Modification No. 2 by and between 3DIcon Corporation and the Board of Regents of the University of Oklahoma \(1\)](#)
- 10.10 [Amendment No. 2 to Securities Purchase Agreement, Debentures, and Registration Rights Agreement \(2\)](#)
- 10.11 [Securities Purchase Agreement dated June 11, 2007 \(2\)](#)
- 10.12 [\\$700,000 Convertible Debenture \(2\)](#)
- 10.13 [\\$1.25 million convertible debenture dated November 21, 2007 \(4\)](#)
- 10.14 [Registration Rights Agreement dated November 21, 2007 \(4\)](#)
- 10.15 [Agreement to Convert Debt to Stock dated November 30, 2010 \(5\)](#)
- 10.16 [Agreement for At-Will Employment with Assignment of Inventions, dated June 13, 2011 \(9\)](#)
- 10.17 [Agreement for At-Will Employment with Assignment of Inventions, dated March 19, 2012 \(10\)](#)
- 10.18 [Registration Rights Agreement dated August 1, 2012 \(11\)](#)
- 10.19 [Form of Securities Purchase Agreement \(8\)](#)
- 10.20 [Amendment Agreement dated December 21, 2012 \(12\)](#)
- 10.21 [Form Amendment Agreement dated January 26, 2013 \(13\)](#)
- 10.22 [Third Amendment to Securities Purchase Agreement and Convertible Note, dated July 22, 2013 \(15\)](#)
- 10.23 [Settlement Agreement, dated July 17, 2013 \(16\)](#)
- 10.24 [Order Granting Approval of Settlement Agreement, dated July 26, 2013 \(16\)](#)
- 10.25 [Second Amendment to Securities Purchase Agreement and Convertible Note, dated July 30, 2013 \(17\)](#)
- 10.26 [Securities Purchase Agreement, dated October 1, 2013 \(19\)](#)
- 10.27 [Common Stock Purchase Warrant, dated October 1, 2013 \(19\)](#)
- 10.28 [Form of Common Stock Purchase Warrant \(20\)](#)
- 10.29 [Form of Securities Purchase Agreement \(20\)](#)
- 10.30 [Mutual Release, dated January 17, 2014 \(21\)](#)
- 10.31 [Stipulation of Dismissal with Prejudice, dated January 22, 2014 \(21\)](#)
- 10.32 [Securities Purchase Agreements dated December 11, 2015 \(23\)](#)

- 10.33 [Share Exchange Agreement dated May 31, 2016 \(24\)](#)
- 10.34 [Supply Agreement date December 13, 2016 \(26\)](#)
- 10.35 [Option Agreement dated November 15, 2017 \(27\)](#)
- 10.36 [Settlement Agreement and General Release dated June 29, 2018 \(28\)](#)
- 21.1 [Subsidiaries \(29\)](#)
- 31.1\* [Certification by Chief Executive Officer, required by Rule 13a-14\(a\) or Rule 15d-14\(a\) of the Exchange Act](#)
- 31.2\* [Certification by Chief Financial Officer, required by Rule 13a-14\(a\) or Rule 15d-14\(a\) of the Exchange Act](#)
- 32.1\* [Certification by Chief Executive Officer, required by Rule 13a-14\(b\) or Rule 15d-14\(b\) of the Exchange Act and Section 1350 of Chapter 63 of Title 18 of the United States Code](#)
- 32.2\* [Certification by Chief Financial Officer, required by Rule 13a-14\(b\) or Rule 15d-14\(b\) of the Exchange Act and Section 1350 of Chapter 63 of Title 18 of the United States Code](#)
- 101.INS XBRL Instance
- 101.SCH XBRL Taxonomy Extension Schema
- 101.CAL XBRL Taxonomy Extension Calculation
- 101.DEF XBRL Taxonomy Extension Definition
- 101.LAB XBRL Taxonomy Extension Labels
- 101.PRE XBRL Taxonomy Extension Presentation

\* Filed herewith

- (1) Incorporated by reference to Form SB-2 as filed on December 15, 2006 (File No. 333-139420) and subsequently withdrawn on February 5, 2007
- (2) Incorporated by reference to Form SB-2 as filed on June 14, 2007 (File No. 333-143761)
- (3) Incorporated by reference to Current Report on Form 8-K as filed on December 23, 2010 (File No. 333-143761)
- (4) Incorporated by reference to Current Report on Form 8-K as filed on November 26, 2007 (File No. 333-143761)
- (5) Incorporated by reference to Current Report on Form 8-K as filed on December 7, 2010 (File No. 333-143761)
- (6) Incorporated by reference to Current Report on Form 8-K as filed on May 2, 2012 (File No. 333-143761)
- (7) Incorporated by reference to Current Report on Form 8-K as filed on August 7, 2012 (File No. 000-54697)
- (8) Incorporated by reference to Current Report on Form 8-K as filed on August 31, 2012 (File No. 000-54697)
- (9) Incorporated by reference to Current Report on Form 8-K as filed on June 14, 2011 (File No. 333-143761)

- (10) Incorporated by reference to Current Report on Form 8-K as filed on March 20, 2012 (File No. 333-143761)
- (11) Incorporated by reference to Current Report on Form 8-K as filed on August 7, 2012 (File No. 000-54697)
- (12) Incorporated by reference to Current Report on Form 8-K as filed on December 31, 2012 (File No. 000-54697)
- (13) Incorporated by reference to Current Report on Form 8-K as filed on January 31, 2013 (File No. 000-54697)
- (14) Incorporated by reference to Current Report on Form 8-K as filed on April 5, 2013 (File No. 000-54697)
- (15) Incorporated by reference to Current Report on Form 8-K as filed on July 26, 2013 (File No. 000-54697)
- (16) Incorporated by reference to Current Report on Form 8-K as filed on July 31, 2013 (File No. 000-54697)
- (17) Incorporated by reference to Current Report on Form 8-K as filed on August 5, 2013 (File No. 000-54697)
- (18) Incorporated by reference to Quarterly Report on Form 10-Q as filed on August 14, 2013 (File No. 000-54697)
- (19) Incorporated by reference to Current Report on Form 8-K as filed on October 7, 2013 (File No. 000-54697)
- (20) Incorporated by reference to Current Report on Form 8-K as filed on December 13, 2013 (File No. 000-54697)
- (21) Incorporated by reference to Current Report on Form 8-K as filed on January 28, 2014 (File No. 000-54697)
- (22) Incorporated by reference to Quarterly Report on Form 10-Q as filed on May 15, 2015 (File No. 000-54697)
- (23) Incorporated by reference to Current Report on Form 8-K as filed on March 24, 2016 (File No. 000-54697)
- (24) Incorporated by reference to Current Report on Form 8-K as filed on June 1, 2016 (File No. 000-54697)
- (25) Incorporated by reference to Current Report on Form 8-K as filed on October 6, 2016 (File No. 000-54697)
- (26) Incorporated by reference to Current Report on Form 8-K as filed on December 19, 2016 (File No. 000-54697)
- (27) Incorporated by reference to Current Report on Form 8-K as filed on December 6, 2017 (File No. 000-54697)
- (28) Incorporated by reference to Current Report on Form 8-K as filed on July 2, 2018 (File No. 000-54697)
- (29) Incorporated by reference to Annual Report on Form 10-K as filed on April 2, 2018 (File No. 000-54697)

**ITEM 16. FORM 10-K SUMMARY.**

Not applicable

**SIGNATURES**

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

**THE CORETEC GROUP INC.**

Date: April 12, 2019

/s/ Michael A. Kraft

Name: Michael A. Kraft  
Title: Chief Executive Officer  
(Principal Executive Officer)

/s/ Ronald W. Robinson

Name: Ronald W. Robinson  
Title: Chief Financial Officer  
(Principal Financial Officer)

In accordance with the Exchange Act, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

<u>SIGNATURE</u>	<u>TITLE</u>	<u>DATE</u>
By: <u>/s/ Victor F. Keen</u> Victor F. Keen	Director	April 12, 2019
By: <u>/s/ Simon Calton</u> Simon Calton	Director	April 12, 2019
By: <u>/s/ Ronald Dombrowski</u> Ronald Dombrowski	Director	April 12, 2019

THE CORETEC GROUP INC.  
December 31, 2018 and 2017

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**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To the Stockholders and the Board of Directors  
The Coretec Group Inc.

**Opinion on the Financial Statements**

We have audited the accompanying consolidated balance sheets of The Coretec Group Inc. and its subsidiary (the Company) as of December 31, 2018 and 2017, the related consolidated statements of operations, changes in stockholders' deficiency and cash flows for the years then ended, and the related notes to the consolidated financial statements (collectively, the financial statements). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2018 and 2017, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

**The Company's Ability to Continue as a Going Concern**

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1 to the financial statements, the Company has insufficient revenue and capital commitments to fund the development of its planned products and to pay operating expenses. This raises substantial doubt about the Company's ability to continue as a going concern. Management's plans in regard to these matters also are described in Note 1. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

**Basis for Opinion**

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

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

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

We have served as the Company's auditor since 2016.

/s/ HOGANTAYLOR LLP  
Tulsa, Oklahoma  
April 12, 2019



**THE CORETEC GROUP INC.**  
**CONSOLIDATED BALANCE SHEETS**  
**DECEMBER 31, 2018 AND 2017**

	2018	2017
<b>Assets</b>		
Current assets:		
Cash	\$ 4,001	\$ 470,630
Prepaid expenses	37,237	35,358
Total current assets	<u>41,238</u>	<u>505,988</u>
Property and equipment, net	882	1,638
Other assets:		
Patents, net	1,219,484	1,299,714
Goodwill	166,000	166,000
Deposits-other	2,315	2,315
Total other assets	<u>1,387,799</u>	<u>1,468,029</u>
Total Assets	<u>\$ 1,429,919</u>	<u>\$ 1,975,655</u>
<b>Liabilities and Stockholders' Deficiency</b>		
Current liabilities:		
Notes payable - related party	\$ 1,702,300	\$ 1,262,434
Notes and debentures payable	94,764	110,788
Accounts payable and accrued expenses	597,843	755,481
Accrued interest payable - related party	468,260	258,815
Accrued interest payable	26,051	22,984
Total current liabilities	<u>2,889,218</u>	<u>2,410,502</u>
Long term debt:		
Notes payable - related party, net of current portion and discount	-	124,422
Total Liabilities	<u>2,889,218</u>	<u>2,534,924</u>
Stockholders' deficiency:		
Preferred stock, Series A convertible, \$0.0002 par value, 500,000 shares authorized; 345,000 shares issued and outstanding at December 31, 2018 and 2017	69	69
Common stock \$0.0002 par value, 1,500,000,000 shares authorized; 68,474,520 and 66,785,428 shares issued and outstanding at December 31, 2018 and December 31, 2017, respectively	13,695	13,357
Additional paid-in capital	2,166,745	2,020,642
Accumulated deficit	(3,639,808)	(2,593,337)
Total Stockholders' Deficiency	<u>(1,459,299)</u>	<u>(559,269)</u>
Total Liabilities and Stockholders' Deficiency	<u>\$ 1,429,919</u>	<u>\$ 1,975,655</u>

See notes to consolidated financial statements

**THE CORETEC GROUP INC.**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
**YEARS ENDED DECEMBER 31, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
<b>Income:</b>		
Revenue	\$ -	\$ -
<b>Expenses:</b>		
Research and development	85,066	456,360
General and administrative	751,251	936,780
Interest	394,943	320,093
Total expenses	<u>1,231,260</u>	<u>1,713,233</u>
Gain on settlement of accounts payable	184,789	-
<b>Net loss</b>	<u>\$ (1,046,471)</u>	<u>\$ (1,713,233)</u>
<b>Loss per share:</b>		
Basic and diluted	<u>\$ (0.015)</u>	<u>\$ (0.067)</u>
Weighted average shares outstanding, basic and diluted	<u>67,909,853</u>	<u>25,461,630</u>

See notes to consolidated financial statements

**THE CORETEC GROUP INC.**  
**CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' DEFICIENCY**  
**YEARS ENDED DECEMBER 31, 2018 AND 2017**

	Series A Preferred Stock		Series B Preferred Stock		Common Stock		Additional Paid-In Capital	Accumulated Deficit	Total
	Shares	Par Value	Shares	Par Value	Shares	Par Value			
<b>Balance December 31, 2016</b>	<b>345,000</b>	<b>\$ 69</b>	<b>6,558,345</b>	<b>\$ 1,312</b>	<b>4,943,187</b>	<b>\$ 989</b>	<b>\$ 881,698</b>	<b>\$ (880,104)</b>	<b>\$ 3,964</b>
Recognition of beneficial conversion feature	-	-	-	-	-	-	350,000	-	350,000
Series B Preferred shares converted to common shares	-	-	(6,558,345)	(1,312)	41,842,241	8,368	(7,056)	-	-
Stock and options issued for cash	-	-	-	-	20,000,000	4,000	746,000	-	750,000
Options issued to purchase common stock	-	-	-	-	-	-	50,000	-	50,000
Net loss for the period	-	-	-	-	-	-	-	(1,713,233)	(1,713,233)
<b>Balance December 31, 2017</b>	<b>345,000</b>	<b>69</b>	<b>-</b>	<b>-</b>	<b>66,785,428</b>	<b>13,357</b>	<b>2,020,642</b>	<b>(2,593,337)</b>	<b>(559,269)</b>
Warrants exercised	-	-	-	-	-	-	49,106	-	49,106
Debentures converted to common stock	-	-	-	-	641,253	128	322	-	450
Common stock issued for liabilities	-	-	-	-	552,924	111	71,768	-	71,879
Common stock issued for services	-	-	-	-	494,915	99	24,907	-	25,006
Net loss for the period	-	-	-	-	-	-	-	(1,046,471)	(1,046,471)
<b>Balance December 31, 2018</b>	<b>345,000</b>	<b>\$ 69</b>	<b>-</b>	<b>\$ -</b>	<b>68,474,520</b>	<b>\$ 13,695</b>	<b>\$ 2,166,745</b>	<b>\$ (3,639,808)</b>	<b>\$ (1,459,299)</b>

Note - Share and per share information for the periods has been retroactively adjusted to reflect the June 28, 2017 one for 300 reverse split of the Company's common stock.

See notes to consolidated financial statements

**THE CORETEC GROUP INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**YEARS ENDED DECEMBER 31, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
<b>Cash Flows from Operating Activities</b>		
Net loss	\$ (1,046,471)	\$ (1,713,233)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation	756	1,002
Amortization - intangible assets	80,230	93,007
Amortization - debt discount	180,444	124,422
Common stock issued for services	25,006	-
Options issued for common stock	-	50,000
Gain on settlement of accounts payable	(184,789)	-
Loss on sale of property and equipment	-	3,259
Change in:		
Prepaid expenses	(1,879)	9,496
Accounts payable and accrued liabilities	311,542	597,213
Net cash used in operating activities	<u>(635,161)</u>	<u>(834,834)</u>
<b>Cash Flows from Investing Activities</b>		
Purchase of property and equipment	-	(2,268)
Proceeds from sale of property and equipment	-	2,500
Net cash provided by investing activities	<u>-</u>	<u>232</u>
<b>Cash Flows from Financing Activities</b>		
Payments on insurance premium financing	(39,088)	(42,023)
Proceeds from note payable - related party	183,854	596,661
Proceeds from exercise of warrants	23,766	-
Proceeds from options and common stock issued	-	750,000
Net cash provided by financing activities	<u>168,532</u>	<u>1,304,638</u>
Net change in cash	(466,629)	470,036
Cash, beginning of period	470,630	594
Cash, end of period	<u>\$ 4,001</u>	<u>\$ 470,630</u>
<b>Supplement Disclosure of Cash flow Information</b>		
Cash paid during the year for interest	\$ 1,967	\$ 2,797
<b>Non-Cash Investing Activities</b>		
Series B Preferred shares converted to common shares	\$ -	\$ 1,312
Debentures converted to common stock	\$ 25,790	\$ -
Common stock issued for liabilities	\$ 71,879	\$ -

See notes to consolidated financial statements

## THE CORETEC GROUP INC.

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

#### Note 1 – Summary of Significant Accounting Policies

##### *Nature of Business*

The Coretec Group Inc. (the “Group”) (formerly 3DIcon Corporation) (“3DIcon”) was incorporated on August 11, 1995, under the laws of the State of Oklahoma as First Keating Corporation. The articles of incorporation were amended August 1, 2003 to change the name to 3DIcon Corporation. During 2001, First Keating Corporation began to focus on the development of 360-degree holographic technology. From January 1, 2001, 3DIcon’s primary activity has been the raising of capital in order to pursue its goal of becoming a significant participant in the development, commercialization and marketing of next generation 3D display technologies.

Coretec Industries, LLC (“Coretec”), a wholly owned subsidiary of the Group (collectively the “Company”), was organized on June 2, 2015 in the state of North Dakota. Coretec is currently developing, testing, and providing new and/or improved technologies, products, and service solutions for energy-related industries including, but not limited to oil/gas, renewable energy, and distributed energy industries. Many of these technologies and products also have application for medical, electronic, photonic, display, and lighting markets among others. Early adoption of these technologies and products is anticipated in markets for energy storage (Li-ion batteries), renewable energy (BIPV), and electronics (Asset Monitoring).

##### *Reverse Acquisition*

On May 31, 2016, the Group entered into a Share Exchange Agreement (the “Share Exchange Agreement”) with Coretec and four Coretec members (the “Members”), which Members held all outstanding membership interests in Coretec. On September 30, 2016 (the “Closing Date”), the Group closed the transaction contemplated by the Share Exchange Agreement. Pursuant to the Share Exchange Agreement, the Members agreed to sell all their membership interests in Coretec to the Group in exchange for the Group’s issuance of an aggregate 4,760,872 shares of the Group’s Series B Convertible Preferred Stock to the Members (the “Exchange”). Coretec became a wholly-owned subsidiary of the Group and the former Members beneficially owned approximately 65% of the Group’s common stock on a fully-diluted basis on the Closing Date. Upon the closing of the Share Exchange Agreement, two of the Group’s Directors resigned and three new Directors associated with Coretec were nominated and elected, giving control of the board of directors to former Coretec Members. The 65% holders of the Group common stock were unable to sell that stock for a period of one year under the terms of a lock-up agreement reached between the parties. Victor Keen, the largest shareholder of the Group prior to the reverse acquisition, was also a participant in the lock-up agreement.

##### *Authorization of Name Change*

On February 21, 2017, the Board unanimously approved the proposal to seek stockholder approval and authorization to amend the 3DIcon Certificate of Incorporation to change the name of 3DIcon to “The Coretec Group Inc.” (the “Name Change”) and thereafter change its trading symbol to a trading symbol resembling the name of the Group following the Name Change. On February 21, 2017, a majority of the Group’s stockholders adopted resolutions by written consent authorizing the Board to undertake the Name Change. This Name Change became effective June 28, 2017 upon the Group’s filing of the Name Change Amendment with the Secretary of State of the State of Oklahoma.

##### *Authorization of Reverse Stock Split*

On February 21, 2017 (the “Record Date”), the Board of Directors unanimously approved, and a majority of the Company’s stockholders, as of the Record Date, approved by written consent pursuant to Section 18-1073 of the Oklahoma Act, to permit the Company’s Board of Directors, in its sole discretion, to effectuate one or more consolidations of the issued and outstanding shares of common stock at some future date no later than the first anniversary of the Record Date, pursuant to which the shares of common stock would be combined and reclassified into one validly issued fully paid and non-assessable share of common stock at a ratio (the “Reverse Split Ratio”) within the range of 1-for-50 and up to 1-for-300 (the “Reverse Split Range”), with each stockholder otherwise entitled to receive a fractional share of common stock as a result of the Reverse Stock Split. Effective June 28, 2017, a Reverse Stock Split pursuant to the maximum stated Reverse Split Ratio, each 300 shares of our issued and outstanding common stock was automatically converted into 1 share of common stock.

##### *Basis of Presentation*

Under accounting principles generally accepted in the United States of America (“U.S. GAAP”), the acquisition is treated as a “reverse acquisition” under the purchase method of accounting. The consolidated statements of operations herein reflect the historical results of Coretec prior to the completion of the reverse acquisition since it was determined to be the accounting acquirer, and do not include the historical results of operations for 3DIcon prior to the completion of the acquisition. 3DIcon’s assets and liabilities were consolidated with the assets and liabilities of Coretec as of the September 30, 2016 consummation of the acquisition.

## *Principles of Consolidation*

The consolidated balance sheets as of December 31, 2018 and 2017 and the consolidated statements of operations and cash flows for the years ended December 31, 2018 and 2017 include the accounts of the Group and its wholly owned subsidiary, Coretec. Intercompany transactions and balances have been eliminated in consolidation.

## *Use of Estimates*

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management 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 the estimates and assumptions used.

## *Property and Equipment*

Property and equipment are recorded at cost. Depreciation is recorded over the estimated useful lives using the straight-line method. Maintenance and repairs are expensed as incurred; major improvements and betterments are capitalized.

Estimated useful lives of property and equipment are as follows for the major classes of assets:

Asset Description	Estimated Lives (years)
Furniture and fixtures	7

## *Intangible Assets*

Intangible assets consist primarily of acquired patents. The Company acquired \$1,400,000 of intangible assets in conjunction with the reverse acquisition discussed in Note 1. Intangible assets with finite lives are amortized on a straight-line basis over their useful lives.

## *Goodwill*

Goodwill was acquired with the reverse acquisition discussed in Note 1. The Company evaluates the carrying value of goodwill on an annual basis and between annual evaluations if events occur or circumstances change that would more likely than not reduce the fair value of goodwill below its carrying amount. When assessing whether goodwill is impaired, management considers first a qualitative approach to evaluate whether it is more likely than not the fair value of the goodwill is below its carrying amount; if so, management considers a quantitative approach by analyzing changes in performance and market-based metrics as compared to those used at the time of the initial acquisition. For the periods presented, no impairment charges were recognized.

## *Long-Lived Assets*

Long-lived assets, such as property and equipment and intangible assets, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If circumstances require a long-lived asset or asset group be tested for possible impairment, the Company first compares undiscounted cash flows expected to be generated by that asset or asset group to its carrying value. If the carrying value of the long-lived asset or asset group is not recoverable on an undiscounted cash flow basis, impairment is recognized to the extent that the carrying value exceeds its fair value. Fair value is determined through various valuation techniques including discounted cash flow models, quoted market values and third-party independent appraisals, as considered necessary.

## Fair Value of Financial Instruments

The following methods and assumptions were used to estimate the fair value of each class of financial instrument held by the Company:

*Current assets and current liabilities* - The carrying value approximates fair value due to the short maturity of these items.

*Notes payable* - The fair value of the Company's notes payable has been estimated by the Company based upon the liability's characteristics, including interest rate. The carrying value approximates fair value.

## Basic and Diluted Loss Per Common Share

Basic loss per common share is computed by dividing net loss by the weighted average number of vested common shares outstanding during the period. Diluted earnings per share reflects the potential dilution that could occur if securities or other instruments to issue common stock were exercised or converted into common stock. The following securities are excluded from the calculation of weighted average dilutive common shares because their inclusion would have been anti-dilutive:

	December 31,	
	2018	2017
Options	216,557	2,950,262
Warrants	1,061	32,728
Series A convertible preferred stock	115,000	115,000
Convertible debentures	289,804,783	84,103,256
<b>Total potentially dilutive shares</b>	<b>290,137,401</b>	<b>87,201,246</b>

## Research and Development

Research and development costs are expensed as incurred. Research and development costs amounted to approximately \$85,000 and \$456,000 for the years ended December 31, 2018 and 2017, respectively.

## Income Taxes

The Company accounts for income taxes under an asset and liability approach that requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been recognized in the Company's consolidated financial statements or tax returns. In estimating future tax consequences, the Company generally considers all expected future events other than enactments of changes in tax laws or rates. The effect on deferred tax assets and liabilities of a change in tax rates will be recognized as income or expense in the period that includes the enactment date. A valuation allowance is established when necessary to reduce deferred tax assets to the amount expected to be realized.

The Company's tax benefits are fully offset by a valuation allowance due to the uncertainty that the deferred tax assets would be realized. Management considers the likelihood of changes by taxing authorities in its filed income tax returns and recognizes a liability for or discloses potential changes that management believes are more likely than not to occur upon examination by tax authorities. Management has not identified any uncertain tax positions in filed income tax returns that require recognition or disclosure in the accompanying consolidated financial statements.

The following is a summary of recent accounting pronouncements that are relevant to the Company:

In January 2016, the FASB issued ASU No. 2016-01, *Financial Instruments – Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities* (“ASU 2016-01”). ASU 2016-01 addresses certain aspects of recognition, measurement, presentation and disclosure of financial instruments, specifically equity investments and financial instruments measured at amortized cost. ASU 2016-01 is effective for public companies for annual and interim periods beginning after December 15, 2017. ASU 2016-01 did not have a material impact on the Company’s financial statements.

In August 2016, the FASB issued ASU No. 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments* (“ASU 2016-15”). ASU 2016-15 will make eight targeted changes to how cash receipts and cash payments are presented and classified in the statement of cash flows. ASU 2016-15 is effective for public companies for interim and annual periods beginning after December 15, 2017. ASU 2016-15 did not have a material impact on the Company’s cash flows.

In February 2016, the FASB issued accounting standards update (ASU) No. 2016-02, *Leases (Topic 842)* intended to increase transparency and comparability among companies by requiring most leases to be included on the balance sheet and by expanding disclosure requirements. This is effective for public business entities for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. The Company determined the ASU will not have a material impact to the consolidated financial statements as the Company only has one lease that is operating month to month.

The FASB has issued ASU 2014-09, *Revenue from Contracts with Customers*. This ASU supersedes the revenue recognition requirements in FASB ASC 605 - Revenue Recognition and most industry-specific guidance throughout the Codification. The standard requires that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. On July 9, 2015, the FASB deferred the effective date of ASU No. 2014-09 from annual periods beginning after December 15, 2016 to annual periods beginning after December 15, 2017. The adoption of this standard did not have a material impact on the Company’s consolidated financial position and results of operations because the Company currently has no revenue.

In January 2017, the FASB issued ASU 2017-01, *Business Combinations (Topic 805): Clarifying the Definition of a Business*. This ASU provides a screen to determine when a set is not a business. The screen requires that when substantially all of the fair value of gross assets acquired (or disposed of) is concentrated in a single identifiable asset or a group of similar identifiable assets, the set is not a business. The amendments in this ASU are effective beginning after December 15, 2017, including interim periods within those periods and should be applied prospectively. The adoption of this standard did not have a material impact on the Company’s consolidated financial position and results of operations.

In January 2017, the FASB issued ASU 2017-04, *Intangibles – Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment*. This ASU simplifies the subsequent measurement of goodwill by eliminating Step 2 from the goodwill test. Under Step 2, an entity had to perform procedures to determine the fair value at the impairment testing date of its assets and liabilities following the procedure that would be required in determining the fair value of assets acquired and liabilities assumed in a business combination. Instead, an entity should perform its annual, or interim, goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount. The amendments in this ASU are effective beginning after December 15, 2019, however early adoption is permitted beginning January 1, 2017 and should be applied on a prospective basis. The Company does not anticipate that the adoption of this standard will have a material impact on its consolidated financial position and results of operations.

#### Uncertainties

The Company has realized a cumulative net loss of \$3,639,808 for the period from inception (June 2, 2015) to December 31, 2018, negative working capital of 2,847,980, and no revenues. These conditions raise substantial doubt about the Company’s ability to continue as a going concern for a year following the issuance of these consolidated financial statements. The Company has insufficient revenue and capital commitments to fund the development of its planned products and to pay operating expenses.



The ability of the Company to continue as a going concern depends on the successful completion of the Company's capital raising efforts to fund the development of its planned products. The Company intends to continue to raise additional capital through debt and equity financings. There is no assurance that these funds will be sufficient to enable the Company to fully complete its development activities or attain profitable operations. If the Company is unable to obtain such additional financing on a timely basis or, notwithstanding any request the Company may make, the Company's debt holders do not agree to convert their notes into equity or extend the maturity dates of their notes, the Company may have to curtail its development, marketing and promotional activities, which would have a material adverse effect on the Company's business, financial condition and results of operations, and ultimately the Company could be forced to discontinue its operations and liquidate.

The accompanying consolidated financial statements have been prepared in conformity with U.S. GAAP, which contemplates the continuation of the Company as a going concern and the realization of assets and satisfaction of liabilities in the normal course of business. The carrying amounts of assets and liabilities presented in the consolidated financial statements do not necessarily purport to represent realizable or settlement values. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Under the terms of the Golden State Equity Investors, Inc ("Golden State") 4.75% Convertible Debenture due on December 31, 2018, subsequently extended to June 30, 2019, Golden State is obligated to submit conversion notices in an amount such that Golden State receives 1% of the outstanding shares of the Company every calendar quarter for a period of one year. In connection with each conversion, Golden State is expected to simultaneously exercise a percentage of warrants equal to the percentage of the principal being converted. The warrants are exercisable at \$114,450 per share. The number of warrants exercisable is subject to certain beneficial ownership limitations contained in the 4.75% Convertible Debenture ("the Beneficial Ownership Limitations"). The Beneficial Ownership Limitations prevent Golden State from converting on the 4.75% Convertible Debenture or exercising warrants if such conversion or exercise would cause Golden State's holdings to exceed 9.99% of the Company's issued and outstanding common stock. Subject to the Beneficial Ownership Limitations and provided that Golden State is able to sell the shares under Rule 144, Golden State is required to convert \$28.60 of the 4.75% Convertible Debenture and exercise 2.86 warrants per month. Based upon the current stock price, the issued and outstanding shares as of December 31, 2018 and ignoring the impact of the Beneficial Ownership Limitations, the Company may receive up to \$327,000 per month in funding for the duration of the debenture from Golden State as a result of warrant exercises. Due to the Beneficial Ownership Limitations, Golden State did not provide funding in the year ended December 31, 2017 and only \$23,766 in 2018.

## Note 2 – Property and Equipment

Property and equipment consist of the following:

	December 31, 2018	December 31, 2017
Furniture and fixtures	\$ 13,286	\$ 13,286
Less: Accumulated depreciation	(12,404)	(11,648)
<b>Totals</b>	<b>\$ 882</b>	<b>\$ 1,638</b>

Depreciation expense amounted to \$756 and \$1,002 for the years ended December 31, 2018 and 2017, respectively.

### Note 3 – Patents

The following table sets forth patents:

	December 31, 2018			December 31, 2017			Useful Life In Years
	Gross Carrying Amount	Accumulated Amortization	Net Book Value	Gross Carrying Amount	Accumulated Amortization	Net Book Value	
Patents	\$ 1,400,000	\$ (180,516)	\$ 1,219,484	\$ 1,400,000	\$ (100,286)	\$ 1,299,714	17.45

The patents were acquired with the September 30, 2016 reverse acquisition. Amortization expense for the next five fiscal years and thereafter is expected to be approximately \$80,000 annually through the year ended December 31, 2034.

### Note 4 – Debentures and Notes Payable

Debentures and notes payable consists of the following:

	December 31, 2018	December 31, 2017
<i>Notes and debentures payable:</i>		
6.05% Insurance premium finance agreement due July 2019	\$ 31,089	\$ -
5.25% Insurance premium finance agreement, due June 2018	-	21,323
9% Promissory note due June 2018	-	25,341
4.75% Convertible debenture due June 2019	63,675	64,124
<b>Total notes and debentures payable</b>	<b>\$ 94,764</b>	<b>\$ 110,788</b>
<i>Notes payable - related party:</i>		
14% Term loan due June 2019	\$ 374,993	\$ 264,993
14% Term loan due June 2019	621,500	596,500
14% Term loan due June 2019	400,941	400,941
7% Convertible promissory note due June 2019, net	228,627	98,187
7% Convertible promissory note due June 2019, net	76,239	26,235
Total notes payable - related party	<b>1,702,300</b>	<b>1,386,856</b>
Less current maturities	(1,702,300)	(1,262,434)
<b>Long-term debt</b>	<b>\$ -</b>	<b>\$ 124,422</b>

#### 6.05% Insurance premium finance agreement, due July 2019

The Company entered into an insurance financing agreement in 2018 totaling \$48,855 due July 2019 and made payments of \$17,766 during the year ended December 31, 2018.

#### 5.25% Insurance premium finance agreement, due June 2018

The Company entered into an insurance financing agreement in 2017 totaling \$37,711 due June 2018 and made payments of \$21,323 during the year ended December 31, 2018.

#### 9% Promissory note due June 2018

On April 26, 2016, the Company signed a 9% promissory note with Golden State in the amount of \$40,000. Golden State advanced the \$40,000 on the note and, on June 16, 2016, applied \$14,659 to fund the exercise of warrants under the terms of the 4.75% convertible debenture (described below) held by Golden State, leaving \$25,341 outstanding on the 9% promissory note as of December 31, 2017. During the year ended December 31, 2018, Golden State applied \$25,341 to fund the exercise of warrants under the terms of the 4.75% convertible debenture.

#### *4.75% Convertible debenture due June 2019*

On November 3, 2006, the Company issued to Golden State a 4.75% convertible debenture in a principal amount of \$100,000, due December 31, 2014, subsequently extended to December 31, 2018 and most recently extended to June 30, 2019 and warrants to buy 61 post-split equivalent shares of common stock at a post-split exercise price of \$114,450 per share. In connection with each conversion, Golden State is expected to simultaneously exercise a percentage of warrants equal to the percentage of the principal being converted. On January 8, 2018, Golden State converted \$225 of the 4.75% convertible debenture into 244,618 shares of common stock at \$0.0009 per share and exercised 0.2143 warrants at \$114,450 per share for \$24,525. On May 24, 2018, Golden State converted \$225 of the 4.75% convertible debenture into 396,635 shares of common stock at \$0.0006 per share and exercised 0.2143 warrants at \$114,450 per share and advanced \$23,766 cash for the exercise.

The conversion price for the 4.75% \$100,000 convertible debenture is the lesser of (i) \$1,200 or (ii) 80% of the average of the five lowest volume weighted average prices ("VWAP") during the twenty (20) trading days prior to the conversion. If Golden State elects to convert a portion of the debenture and, on the day that the election is made, the volume weighted average post-split price is below \$210, the Company shall have the right to prepay that portion of the debenture that Golden State elected to convert, plus any accrued and unpaid interest, at 135% of such amount.

#### *14% Term loan due June 2019, related party*

On April 18, 2016, the Company entered into an unsecured loan agreement whereby Carlton James North Dakota Limited ("CJNDL") agreed to provide the Company a loan facility of up to \$100,000. Under the terms of the agreement, the Company shall pay interest on the outstanding unpaid balance at the rate of 1.167% per month. The interest is due quarterly, and the principal is due June 29, 2019. CJNDL has advanced \$374,993 (\$274,993 in excess of the facility) on the loan as of December 31, 2018. During 2017, CJNDL agreed that the excess amount funded to date and any future funding under the loan will be done on the same terms and conditions as the original note.

#### *14% Term loan due June 2019, related party*

On February 24, 2016, the Company entered into an unsecured loan agreement whereby Victor Keen, Co-Chairman of the Company ("Keen") agreed to provide the Company a loan facility of up to \$300,000. Under the terms of the agreement, the Company shall pay interest on the outstanding unpaid balance at the rate of 1.167% per month. The interest is due quarterly, and the principal is due June 29, 2019. Keen has advanced \$621,500 (\$301,000 in excess of the facility) on the loan through December 31, 2018. During 2017, Keen agreed that the excess amount funded to date and any future funding under the loan will be done on the same terms and conditions as the original note.

#### *14% Term loan due June 2019, related party*

On June 1, 2015, Coretec obtained a \$500,000 revolving note agreement with CJNDL. The total amount of borrowings by Coretec shall not exceed \$500,000. Coretec accrues interest on the outstanding balance at the rate of 1.167% per month, payable on a quarterly basis. CJNDL has advanced \$400,941 on the loan as of December 31, 2018. Outstanding borrowings are secured by substantially all assets of the Company. The note is due on June 29, 2019.

#### *7% Convertible promissory note due June 2019, related party*

On March 30, 2017, the Company issued to Mr. Victor Keen, Co-Chairman of the Board of Directors, a 7% convertible promissory note in a principal amount of \$250,000, due March 1, 2019 ("Maturity Date"), subsequently extended to June 30, 2019. The promissory note shall automatically convert into eight percent (8%) of the fully diluted outstanding shares of common stock of the Company calculated after giving effect to (a) the exercise of all outstanding options, warrants or other rights to acquire shares of common stock of the Company, (b) the conversion of all outstanding convertible or exchangeable securities, and (c) after giving effect to the issuance of common stock upon conversion of this note (the "Conversion Shares"). The conversion shall not occur until both of the following two events shall have occurred (the "Conversion Event"): (i) the consummation of the Reverse Split by the Company as reflected in the Preliminary Information Statement filed with the Securities and Exchange Commission on March 7, 2017, and (ii) the conversion of all the Company's issued and outstanding Series A Convertible Preferred Stock and Series B Convertible Preferred Stock into the Conversion Shares. The calculation amounts to a total of 6,413,108 common shares. If the Conversion Event has not occurred prior to the earlier to occur of the Maturity Date and the occurrence of an event of default, then this note shall not be automatically converted into the Conversion Shares and Mr. Victor Keen may elect, at his sole discretion, (i) to have the outstanding principal balance of this note converted into the Conversion Shares; or (ii) to declare the outstanding principal balance of this note, together with all accrued interest, be paid in accordance with the terms of the note. Such election may be made at any time on or following the Maturity Date or the occurrence of an event of default. This note is an unsecured obligation of the Company. The embedded conversion option was deemed to be a beneficial conversion feature because the active conversion price was less than the commitment date market price of the common stock. The dollar amount of the beneficial conversion feature is limited to the carrying value of the promissory note, so a \$250,000 debt discount was recorded, with a corresponding credit to additional paid-in capital for the beneficial conversion feature. The debt discount will be amortized over the life of the debt and \$130,440 and \$98,187 was amortized during the years ended December 31, 2018 and 2017, respectively.

### *7% Convertible promissory note due June 2019, related party*

On June 21, 2017, the Company issued to Mr. Victor Keen, Co-Chairman of the Board of Directors, a 7% convertible promissory note in a principal amount of \$100,000, due June 21, 2019. The promissory note shall automatically convert into four percent (4%) of the fully diluted outstanding shares of common stock of the Company calculated after giving effect to (a) the exercise of all outstanding options, warrants or other rights to acquire shares of common stock of the Company, (b) the conversion of all outstanding convertible or exchangeable securities, and (c) after giving effect to the issuance of common stock upon conversion of this note (the "Conversion Shares"). The calculation amounts to 4,128,665 common shares. The conversion shall not occur until both of the following two events shall have occurred (the "Conversion Event"): (i) the consummation of the Reverse Split by the Company as reflected in the Preliminary Information Statement filed with the Securities and Exchange Commission on March 7, 2017, and (ii) the conversion of all of the Company's issued and outstanding Series A Convertible Preferred Stock and Series B Convertible Preferred Stock into the Conversion Shares. If the Conversion Event has not occurred prior to the earlier to occur of the Maturity Date and the occurrence of an event of default, then this note shall not be automatically converted into the Conversion Shares and Mr. Victor Keen may elect, at his sole discretion, (i) to have the outstanding principal balance of this note converted into the Conversion Shares; or (ii) to declare the outstanding principal balance of this note, together with all accrued interest, be paid in accordance with the terms of the note. Such election may be made at any time on or following the Maturity Date or the occurrence of an event of default. This note is an unsecured obligation of the Company. The embedded conversion option was deemed to be a beneficial conversion feature because the active conversion price was less than the commitment date market price of the common stock. The dollar amount of the beneficial conversion feature is limited to the carrying value of the promissory note, so a \$100,000 debt discount was recorded, with a corresponding credit to additional paid-in capital for the beneficial conversion feature. The debt discount will be amortized over the life of the debt and \$50,004 and \$26,235 was amortized during the year ended December 31, 2018 and 2017, respectively.

### **Note 5 – Commitments**

#### *Consulting Agreements*

On November 13, 2017, the Company hired Ramez Elgammal as Vice President of Technology. Mr. Elgammal will lead new business development and sales initiatives for the Company's proprietary liquid silicon precursor, CHS. The one-year consulting agreement was effective as of November 15, 2017 and continued in full force and effect through November 14, 2018 whereupon the agreement was renewed on a month to month term. The Company paid Mr. Elgammal a fee of \$58,063 for the year ended December 31, 2018.

The Company entered into a one-year independent consulting agreement with Concordia Financial Group ("Concordia") effective August 1, 2016, and month-to-month thereafter. Under the terms of the agreement, Concordia will provide business strategy services by assisting the Company by reviewing and evaluating the Company's plans, personnel, board composition, technology, development of business models, building financial models for projections, developing materials to describe the Company, developing capital sources and assisting and advising the Company in its financial negotiations with capital sources. Concordia also advises with respect to effective registration of offerings of Company securities, the management team, the Company's development of near and long-term budgets, marketing strategies and plans, and assists in presentations related to the above services. Concordia is paid an hourly fee of \$185. The Company recognized expense of \$54,483 and \$66,555 during the years ended December 31, 2018 and 2017, respectively.

The Company entered into a Sponsored Research Agreement (“SRA”) dated August 14, 2015 with North Dakota State University Research Foundation (“NDSU/RF”). With the proposed research for this project, NDSU/RF planned to make prototypical compounds and materials from CHS and CHS derivatives with the potential; 1) to act as efficient photoactive materials for solar cells, 2) to serve in electro active devices for optimization of current and voltage performance, 3) to perform at high levels of efficiency as silicon anodes in lightweight batteries (silicon has more than 11 times the capacity of carbon in the ubiquitous carbon based batteries), and, 4) to be incorporated into specialty inks for printed electronics applications. The research was conducted August 14, 2015 through August 31, 2016. The Company agreed to reimburse NDSU/RF for all costs incurred in performing the research up to a maximum amount of \$70,000. On June 7, 2016 the Company and NDSU/RF mutually agreed to amend the SRA. Under the terms of the amendment the term was extended to June 30, 2017 and the consideration was increased by \$120,000 to a maximum amount of \$190,000. The Company recognized expense of \$100,932 during the year ended December 31, 2017.

As of December 31, 2018, the remaining balance of the SRA to be paid under the terms of the agreement is \$93,578. As of December 31, 2018, and pursuant to the SRA, Coretec was in arrears on the payment of that obligation. Accordingly, as of December 31, 2018, Coretec would be considered in default under the SRA because of the unpaid obligations, which could allow NDSU/RF to exercise various options under the SRA, including an option to terminate the SRA if we do not cure the default within 10 business days after receiving written notice by NDSU/RF. Due to Coretec’s belief that certain obligations of NDSU/RF were unsatisfied, Coretec has actively communicated with NDSU/RF in order to determine what obligations are owed and what actions all parties are required to take, and will agree to take, in furtherance of the SRA. In connection with such objective, Coretec has sent NDSU/RF a detailed communication setting forth, among other things, the basis for its belief that (i) the payment obligation was not due to NDSU/RF; and (ii) NDSU/RF does not have the right to enforce a default. As of the date of this report, there have been no legal proceedings initiated in connection with the SRA. However, no assurances can be made that the active communications between the parties will result in a resolution or that legal proceedings will not be initiated in the future.

#### *Supply Agreement*

The Company is currently negotiating an agreement with Gelest Inc., a Pennsylvania corporation (“Gelest”) where Gelest will provide Cyclohexasilane (“CHS” or the “Products”) storage and handling, website and catalog listings of CHS produced by or for the Company for sale to its customers, and customer service, including trans-fill of customer cylinders.

#### **Note 6 – Preferred Stock, Warrants and Options**

The terms of the Series A Convertible Preferred Stock, Series B Convertible Preferred Stock, Warrants and Options are as follows:

##### *Series A Convertible Preferred Stock*

A total of 500,000 shares of Series A Convertible Preferred Stock (the “Series A Preferred Stock”) have been authorized for issuance under the Certificate of Designation of Preferences, Rights and Limitation of Series A Convertible Preferred Stock of the Company (the “Certificate of Designation”), which Certificate of Designation was filed with the Secretary of State of the State of Oklahoma on December 11, 2013. The shares of Series A Preferred Stock have a par value of \$0.0002 per share and a stated value of \$1.00 per share (the “Stated Value”) and shall receive a dividend of 6% of their Stated Value per annum payable or upon conversion or redemption of Series A Preferred at the option of the Corporation. We have not paid any cash or stock dividends to the holders of our Series A Preferred. As of December 31, 2018, dividends in arrears totaled approximately \$107,000. Under the Certificate of Designation, the holders of the Series A Preferred Stock have the following rights, preferences and privileges:

The Series A Preferred Stock may, at the option of the Investor, be converted at any time after the first anniversary of the issuance of the Series A Preferred Stock or from time to time thereafter into 166,667 post-split shares of Common Stock that such investor is entitled to in proportion to the 500,000 shares of Series A Preferred so designated in the Certificate of Designation.

The Series A Preferred Stock will automatically be converted into Common Stock anytime the post-split 5-day average VWAP of the Company's Common Stock prior to such conversion is equal to \$15.00 or more. Such mandatory conversion would be converted by the same method described above for discretionary conversions.

Except as otherwise required by law, the holders of shares of Series A Preferred Stock shall not have voting rights or powers.

In the event of any (i) liquidation, dissolution or winding up of the Company, whether voluntary or involuntary, or ii) sale, merger, consolidation, reorganization or other transaction that results in a change of control of the Company, each holder of a share of Series A Preferred shall be entitled to receive, subject to prior preferences and other rights of any class or series of stock of the Company senior to the Series A Preferred, but prior and in preference to any distribution of any of the assets or surplus funds of the Company to holders of Common Stock, or any other class or series of stock of the Company junior to the Series A Preferred, an amount equal to the Stated Value plus accrued and unpaid dividends (as adjusted for any stock dividends, combinations or splits with respect to such shares) (the "Preference Amount"). After such payment has been made to the holders of Series A Preferred of the full Preference Amount to which such holders shall be entitled, the remaining net assets of the Company available for distribution, if any, shall be distributed pro rata among the holders of Common Stock. In the event the funds or assets legally available for distribution to the holders of Series A Preferred are insufficient to pay the Preference Amount, then all funds or assets available for distribution to the holders of capital stock shall be paid to the holders of Series A Preferred pro rata based on the full Preference Amount to which they are entitled.

The Company may not declare, pay or set aside any dividends on shares of any class or series of capital stock of the Company (other than dividends on shares of Common Stock payable in shares of Common Stock) unless the holders of the Series A Preferred Stock shall first receive, or simultaneously receive, a dividend on each outstanding share of Series A Preferred in an amount equal to the dividend per share that such holders would have received had they converted their shares of Series A Preferred into shares of Common Stock immediately prior to the record date for the declaration of the Common Stock dividend in an amount equal to the average VWAP during the 5 trading days prior to the date such dividend is due.

#### *Series A Warrants*

Each Unit under the Securities Purchase Agreement consists of warrants entitling the investor to purchase fifty (50) pre-split shares of Common Stock for each share of Series A Preferred purchased by such investor in the Private Placement, at an initial pre-split exercise price per share of \$0.0055. The exercise price and number of shares of Common Stock issuable under the warrants are subject to adjustments for stock dividends, splits, combinations and similar events. On or after the first anniversary of the issuance of the warrants and prior to close of business on the fourth anniversary of the issuance of the warrants, the warrants may be exercised at any time upon the election of the holder, provided however, that an investor may at any given time convert only up to that number of shares of Common Stock so that, upon conversion, the aggregate beneficial ownership of the Company's Common Stock (calculated pursuant to Rule 13d-3 of the Securities Exchange Act of 1934, as amended) of such investor and all persons affiliated with such investor, is not more than 4.99% of the Company's Common Stock then outstanding (subject to adjustment up to 9.99% at the investor's discretion upon 61 days' prior notice). The Series A Warrants expired in November 2017 and January 2018, four years from date of issuance.

#### *Series B Convertible Preferred Stock*

On March 22, 2016, the Company filed with the Secretary of State of the State of Oklahoma a Certificate of Designation (the "Certificate of Designation"), setting for the Preferences, Rights and Limitation of the Company's Series B Convertible Preferred Stock (the "Series B Preferred"). The Two Million (2,000,000) shares of Series B Preferred designated under the Certificate of Designation have a stated value of \$1.00 per share (the "Stated Value"). Under the Certificate of Designation, the holders of the Series B Preferred have the following rights, preferences and privileges:

The holders of Series B Preferred are not entitled to receive dividends but have voting rights equal to the number of shares of the Company's Common Stock into which their Series B Preferred can be converted, whether or not the shares are available for issuance.

At the option of the holder, Series B Preferred may be converted in whole or in part, from time to time, into 6.38 post-split shares of Common Stock. The Series B Preferred Stock will automatically be converted into Common Stock if (i) at any time the 5 day average VWAP of the Company's Common Stock prior to such automatic conversion is equal to pre-split \$0.10 or more; or (ii) the Company enters into a transaction for which the Company enters into a share exchange agreement or agreement and plan of merger, which agreement is executed within ninety (90) days after the date of the Certificate of Designation and pursuant to which the Company thereafter becomes a consolidated company with another entity, and the Company issues equity securities of the Company. Such automatic conversion would be converted by the same method described above for discretionary conversions.

In the event of any i) liquidation, dissolution or winding up of the Company, whether voluntary or involuntary, or ii) sale, merger, consolidation, reorganization or other transaction that results in a change of control of the Company, each holder of a share of Series B Preferred shall be entitled to receive, subject to prior preferences and other rights of any class or series of stock of the Company senior to the Series B Preferred, but prior and in preference to any distribution of any of the assets or surplus funds of the Company to holders of Common Stock, or any other class or series of stock of the Company junior to the Series B Preferred, an amount equal to the Stated Value (as adjusted for any stock dividends, combinations or splits with respect to such shares) (the "Preference Amount"). After such payment has been made to the holders of Series B Preferred of the full Preference Amount to which such holders shall be entitled, the remaining net assets of the Company available for distribution, if any, shall be distributed pro rata among the holders of Common Stock. In the event the funds or assets legally available for distribution to the holders of Series B Preferred are insufficient to pay the Preference Amount, then all funds or assets available for distribution to the holders of capital stock shall be paid to the holders of Series B Preferred pro rata based on the full Preference Amount to which they are entitled.

On September 30, 2016, the Company filed with the Secretary of State of the State of Oklahoma a Certificate of Amendment to the Certificate of Designation, increasing the number of authorized shares of Series B Preferred Stock from 2,000,000 shares to 6,600,000 shares.

Pursuant to the September 30, 2016 closing date of the May 31, 2016 Share Exchange Agreement, the Group issued 4,760,872 shares of the Group's Series B Convertible Preferred Stock in the reverse acquisition of Coretec. On July 27, 2017 the 4,760,872 Series B Preferred stock issued in the acquisition of Coretec and the previously issued 1,797,473 Preferred stock was converted into 41,842,241 post-split common shares of the Company which thereby retired all of the Series B Preferred stock.

#### *Michael Kraft Options*

On March 21, 2017, the Company and Mr. Michael Kraft entered into a Consulting Agreement whereby Mr. Kraft became the new CEO of the Company. Pursuant to the agreement the Company granted Mr. Kraft an option to purchase from the Company \$50,000 of common stock at the market price on the date of the execution of the Reverse Split, which became effective on June 28, 2017. Accordingly, the \$50,000 value of options calculates to 208,160 shares based upon the \$0.24 closing price on June 28, 2017.

The \$50,000 estimated fair value of option to purchase common stock issued in June 2017 was determined using the Black-Scholes option pricing model. The expected dividend yield of \$0 is based on the average annual dividend yield at the date issued. Expected volatility of 260.52% is based on the historical volatility of the stock. The risk-free interest rate of 1.84% is based on the U.S. Treasury Constant Maturity rates as of the issue date. The expected life of the option of ten years is based on historical exercise behavior and expected future experience.

#### *Golden State and Other Warrants*

As of December 31, 2018, Golden State has warrants outstanding to purchase 61 shares of common stock at a price of \$114,450 per share which expire December 31, 2018, subsequently extended to June 30, 2019. Global Capital has warrants outstanding to purchase 1,000 shares of common stock at a price of \$0.96 per shares which expired on March 31, 2019.

On November 15, 2017, the Company conducted a private placement with a related party, Victor Keen, Co-Chairman of the Board of Directors of the Company, pursuant to which it sold 20,000,000 shares of common stock, for a purchase price of \$750,000.

Simultaneously, the Company issued an option to purchase an aggregate of 2,666,667 shares of common stock to a third-party accredited investor as an inducement to provide Victor Keen with a personal loan, the proceeds from which Victor Keen used to partially fund his purchase of the shares.

The one-year option was exercisable, at any time on or after the November 15, 2017, at an exercise price of \$0.0375 per share and expired on November 15, 2018.

The \$750,000 in proceeds received for the common stock issued and the option to purchase common stock were recorded using the relative fair value method under the guidance in ASC 470-20-25-2. The fair value of the 20,000,000 shares of common stock issued was determined using the quoted closing price of \$0.28 and the option was valued based on the Black Scholes valuation on November 15, 2017 of \$714,719. Based on the proportion of the fair values to the sum of the fair values of the common stock and the option, \$665,113 (89%) was allocated to the common stock and \$84,887 (11%) was allocated to the option.

The \$714,719 estimated fair value of option to purchase common stock issued in November 2017 was determined using the Black-Scholes option pricing model. The expected dividend yield of \$0 is based on the average annual dividend yield at the date issued. Expected volatility of 300.18% is based on the historical volatility of the stock. The risk-free interest rate of 1.55% is based on the U.S. Treasury Constant Maturity rates as of the issue date. The expected life of the option of one year is based on the historical exercise behavior and expected future experience.

#### Warrants Summary

The following table summarizes the Company's warrant activity during the year ended December 31, 2018:

	Number of Warrants	Weighted Average Exercise Price	Weighted Average Remaining Life In Years	Aggregate Intrinsic Value
Outstanding, December 31, 2017	32,728	\$ 215	0.09	
Granted	-	-		
Expired	(31,667)	1.65		
Exercised	-	-		
Outstanding, December 31, 2018	<u>1,061</u>	<u>\$ 6,589</u>	<u>0.26</u>	<u>\$ -</u>
Exercisable, December 31, 2018	<u>1,061</u>	<u>\$ 6,589</u>	<u>0.26</u>	<u>\$ -</u>

The following table summarizes the Company's warrants as of December 31, 2018:

Warrants Outstanding		Warrants Exercisable	
Exercise Price	Outstanding Number of Warrants	Weighted Average Remaining Life In Years	Exercisable Number of Warrants
\$ 0.96	1,000	0.25	1,000
\$ 114,450	61	0.50	61
<b>Total</b>	<u>1,061</u>	<b>0.26</b>	<u>1,061</u>



## Options Summary

Stock options for employees, directors or consultants that vest immediately, are valued at the date of award, which does not precede the approval date, and compensation cost is recognized in the period the options are vested. Stock options generally become exercisable on the date of grant and expire based on the terms of each grant.

The estimated fair value of options for common stock granted was determined using the Black-Scholes option pricing model. The expected dividend yield is based on the average annual dividend yield as of the grant date. Expected volatility is based on the historical volatility of our stock. The risk-free interest rate is based on the U.S. Treasury Constant Maturity rates as of the grant date. The expected life of the option is based on historical exercise behavior and expected future experience.

The following table summarizes the Company's option activity during the year ended December 31, 2018:

	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Life In Years	Aggregate Intrinsic Value
Outstanding, December 31, 2017	2,950,262	\$ 0.63	1.5	\$ -
Granted	-	-	-	-
Expired	(2,733,705)	0.40	-	-
Exercised	-	-	-	-
Outstanding, December 31, 2018	<u>216,557</u>	<u>\$ 3.51</u>	<u>8.26</u>	<u>\$ -</u>
Exercisable, December 31, 2018	<u>216,557</u>	<u>\$ 3.51</u>	<u>8.26</u>	<u>\$ -</u>

The following table summarizes the Company's options as of December 31, 2018:

Options Outstanding		Options Exercisable	
Exercise Price	Outstanding Number of Options	Weighted Average Remaining Life In Years	Exercisable Number of Options
\$ 0.24	208,160	8.5	208,160
\$ 52.50	4,383	1.5	4,383
\$ 70.26	3,449	3.5	3,449
\$ 420.00	565	2.4	565
	<u>216,557</u>	<u>8.3</u>	<u>216,557</u>

## **Note 7 – Incentive Stock Plan**

In March 2014, the Company's 2014 Equity Incentive Plan (the "2014 EIP") was established. The total number of shares of stock which may be purchased or granted directly by options, stock awards or restricted stock purchase offers, or purchased indirectly through exercise of options granted under the 2014 EIP shall not exceed fifty million (50,000,000) shares. The shares are included in a registration statement filed March 2014. As of December 31, 2018, there were 750,103 shares available for issuance under the 2014 EIP.

In March 2015, the Company's 2015 Equity Incentive Plan (the "2015 EIP") was established. The total number of shares of stock which may be purchased or granted directly by options, stock awards or restricted stock purchase offers, or purchased indirectly through exercise of options granted under the 2015 EIP shall not exceed eighty-five million (85,000,000) shares. The shares are included in a registration statement filed March 2015. There are 142,244 shares available for issuance under the 2015 EIP as of December 31, 2018.

In January 2018, the Company's 2018 Equity Incentive Plan (the "2018 EIP") was established. The total number of shares of stock which may be purchased or granted directly by options, stock awards or restricted stock purchase offers, or purchased indirectly through exercise of options granted under the 2018 EIP shall not exceed fifteen million (15,000,000) shares. The shares are included in a registration statement filed January 2018. There are 13,952,161 shares available for issuance under the 2018 EIP as of December 31, 2018.

## **Note 8 – Office Lease**

The Company entered into a lease agreement in June 2015 for office space in North Dakota that was canceled on April 30, 2017 with no cancellation costs paid or due. The Company has an amended office lease in Tulsa, Oklahoma that expired on July 31, 2018. Rent expense for operating leases was \$23,298 and \$31,560 for the years ended December 31, 2018 and 2017, respectively. The Company is now on a month to month basis at \$1,980 per month under the terms of the lease.

## **Note 9 – Related Party Transactions**

The Company entered into a consulting agreement dated July 7, 2015 with Mr. Doug Freitag, who became the Company's CEO on October 1, 2016. Mr. Freitag's field of consultation was in the area of working as a federal business and private sector business consultant and technical consultant. The work under this consulting agreement was performed for the Company, in support of business development, research, development, and commercialization activities. The consulting agreement was effective as of July 2015 and continued in full force through July 2016 and will continue monthly thereafter, unless terminated under the terms of the agreement. On October 1, 2016, the Company entered into a consulting agreement with Mr. Doug Freitag which replaced the previous agreement, but the terms are identical. The consulting agreement was effective as of October 1, 2016 and continued in full force and effect through December 31, 2016. The Company paid Mr. Freitag a fee of \$185 per hour. The Company entered into a third consulting agreement on January 1, 2017 with Mr. Freitag. Under the terms of the one-year agreement, Mr. Freitag's fee is \$194 per hour.

The Company paid Mr. Freitag a fee of \$58,054 for the year ended December 31, 2017. Mr. Freitag assumed a strategic consulting role as the Company's Vice President of Technology and remained on the Company's Board of Directors until his resignation on August 20, 2017. On March 21, 2017, Doug Freitag resigned as Chief Executive Officer of the Company in order to allow Michael A. Kraft to take over in his place as the Company's newly appointed Chief Executive Officer. In connection with Mr. Kraft's appointment, the Company entered into a consulting agreement with Mr. Kraft, pursuant to which it agreed to compensate Mr. Kraft, \$1,500 per day for his commitment to allocate seven days a month to the Company and a \$25,000 bonus payable in the Company's restricted stock upon the occurrence of certain events. In addition, the Company agreed to issue to Mr. Kraft, an option to purchase up to \$50,000 of the Company's common stock at an exercise price equal to the market price as of the date on which certain milestones are completed. During the years ended December 31, 2018 and 2017, the company recognized \$126,000 and \$177,500 of expense respectively, under the terms of the agreement.

At December 31, 2016 the Company had an aggregate balance of \$440,500 of advances due to Mr. Victor Keen Co-Chairman of the Board of Directors. Subsequent to December 31, 2016, Mr. Keen advanced the Company an additional \$181,000 such that as of December 31, 2018, an aggregate amount of \$621,500 is due to Mr. Keen under the terms of a 14% Term loan which is included in notes payable – related party (see Note 4). As of December 31, 2018, accrued interest related to the 14% Term loan due June 2019 amounted to \$187,238 and interest expense was \$84,901 and \$81,729 during the years ended December 31, 2018 and 2017 respectively.

At December 31, 2016 the Company had an aggregate balance of \$613,825 of advances due to CJNDL, a company owned by Mr. Simon Calton, a director of the Company. Subsequent to December 31, 2016, CJNDL advanced the Company an additional \$162,109 under the terms of two loans, such that as of December 31, 2018, an aggregate amount of \$775,934 is due to CJNDL under the terms of the loans which are included in notes payable – related party (see Note 4). As of December 31, 2018, accrued interest related to the two loans due June 2019 amounted to \$238,938 and interest expense was \$99,615 and \$81,729 during the years ended December 31, 2018 and 2017 respectively.

On March 30, 2017, the Company issued to Mr. Victor Keen, Co-Chairman of the Board of Directors, a 7% convertible promissory note in a principal amount of \$250,000, due March 1, 2019. The promissory note shall automatically convert into eight percent (8%) of the fully diluted outstanding shares of common stock of the Company calculated after giving effect to certain conversions as discussed in Note 4.

On June 21, 2017, the Company issued to Mr. Victor Keen, Co-Chairman of the Board of Directors, a 7% convertible promissory note in a principal amount of \$100,000, due June 21, 2019. The promissory note shall automatically convert into four percent (4%) of the fully diluted outstanding shares of common stock of the Company calculated after giving effect to certain conversions discussed in Note 4.

On November 15, 2017, the Company conducted a private placement with Victor Keen, Co-Chairman of the Board of Directors of the Company, pursuant to which it sold 20,000,000 shares of common stock for a purchase price of \$750,000.

## **Note 10 – Settlement of Accounts Payable**

### *Digital Communication Agreement*

The Company entered into a one-year Digital Communication Agreement (“the Agreement”) with MDM Worldwide Solutions, Inc. (“MDM”) October 1, 2013 with automatic renewal for an additional twelve months unless either party notifies the other party in writing of its intention not to renew the Agreement at least sixty days prior to the requested date of termination. The agreement was canceled September 1, 2014, leaving a balance of \$45,000 in accounts payable. The remaining balance in accounts payable was written off in 2018 and accordingly, the Company recognized a gain of \$45,000 for the settlement of accounts payable in the year ending December 31, 2018.

### *North Dakota State University Exclusive License Agreement*

Under the terms of the NDSU/RF Agreement signed on June 16, 2016 with NDSU/RF, the Company was delinquent on payments of \$139,789 and unable to meet certain milestones. A dispute arose between the Company and NDSU/RF regarding compensation and deliverables. The NDSU/RF Agreement was renegotiated with NDSU/RF and on June 29, 2018, the Company entered into a settlement agreement and general release (the “Settlement Agreement”) with NDSU/RF to resolve the dispute, pursuant to which the Company and NDSU/RF fully and forever released each other from the NDSU/RF Agreement and mutually released each other of all claims. Accordingly, the Company recognized a gain of \$139,789 for the settlement of accounts payable in the year ending December 31, 2018.

## **Note 11 – Subsequent Events**

### *Debentures Payable*

Subsequent to December 31, 2018, Golden State extended their 4.75% Convertible debenture to June 30, 2019.

### *14% Term Loan due June 2019 to related party*

Subsequent to December 31, 2018, CJNDL advanced \$120,000 to the Company under the terms of the \$500,000 revolving note agreement, increasing the total outstanding balance to \$520,941. CJNDL has agreed that the excess amount funded to date and any future funding under the loan will be done on the same terms and conditions as the original note.

### *14% Term Loan due June 2019 to related party*

Subsequent to December 31, 2018, Victor Keen advanced \$25,000 to the Company under the terms of the \$100,000 revolving note agreement, increasing the total outstanding balance to \$646,500. Mr. Keen has agreed that the excess amount funded to date and any future funding under the loan will be done on the same terms and conditions as the original note.

### *7% Convertible promissory note due June 2019, related party*

Subsequent to December 31, 2018, Mr. Victor Keen extended the 7% promissory note due March 1, 2019 to June 30, 2019.

### *Common stock issued*

Subsequent to December 31, 2018 the company issued 199,017 shares of common stock to Matthews Kappers in consideration of consulting services performed during the year ended December 31, 2018.

**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER  
PURSUANT TO EXCHANGE ACT RULE 13a-14(a)/15d-14(a)  
AS ADOPTED PURSUANT TO SECTION 302 OF  
THE SARBANES-OXLEY ACT OF 2002**

I, Michael A. Kraft, certify that:

1. I have reviewed this Annual Report on Form 10-K of THE CORETEC GROUP INC.;
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. The registrant's other certifying officer and I are 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 13-a-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, including its consolidated subsidiaries, 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 financing reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the 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.

By: /s/ Michael A. Kraft  
Michael A. Kraft  
Chief Executive Officer  
Principal Executive Officer

Dated: April 12, 2019

**CERTIFICATION OF PRINCIPAL ACCOUNTING OFFICER  
PURSUANT TO EXCHANGE ACT RULE 13a-14(a)/15d-14(a)  
AS ADOPTED PURSUANT TO SECTION 302 OF  
THE SARBANES-OXLEY ACT OF 2002**

I, Ronald W. Robinson, certify that:

1. I have reviewed this Annual Report on Form 10-K of THE CORETEC GROUP INC.;
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. The registrant's other certifying officer and I are 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, including its consolidated subsidiaries, 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 that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the 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.

By: /s/ Ronald W. Robinson  
Ronald W. Robinson  
Chief Financial Officer  
Principal Accounting and Financial Officer

Dated: April 12, 2019

**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER  
PURSUANT TO 18 U.S.C. SECTION 1350  
AS ADOPTED PURSUANT TO SECTION 906  
OF THE SARBANES-OXLEY ACT of 2002**

In connection with the Annual Report of THE CORETEC GROUP INC. (the "Company") on Form 10-K for the period ended December 31, 2018 as filed with the Securities and Exchange Commission on the date hereof (the "Annual Report"), Michael A. Kraft, Chief Executive Officer of the Company, certifies, pursuant to 18 U.S.C. section 1350 of the Sarbanes-Oxley Act of 2002, that:

1. The Annual Report, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Annual Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By: /s/ Michael A. Kraft  
Michael A. Kraft  
Principal Executive Officer

Dated: April 12, 2019

**CERTIFICATION OF PRINCIPAL ACCOUNTING OFFICER  
PURSUANT TO 18 U.S.C. SECTION 1350  
AS ADOPTED PURSUANT TO SECTION 906  
OF THE SARBANES-OXLEY ACT of 2002**

In connection with the Annual Report THE CORETEC GROUP INC. (the "Company") on Form 10-K for the period ended December 31, 2018 as filed with the Securities and Exchange Commission on the date hereof (the "Annual Report"), Ronald W. Robinson, Chief Financial Officer of the Company, certifies, pursuant to 18 U.S.C. section 1350 of the Sarbanes-Oxley Act of 2002, that:

1. The Annual Report, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Annual Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By: /s/ Ronald W. Robinson  
Ronald W. Robinson  
Principal Accounting and Financial Officer

Dated: April 12, 2019