

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

Form 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2020

OR

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.

(Exact Name of small business issuer as specified 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, Oklahoma 74136
(Address of principal executive offices) (Zip Code)

(918) 494-0505

(Registrant's telephone number, including area code)

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

Securities registered pursuant to Section 12(b) of the Act:

<u>Title of Each Class</u>	<u>Trading Symbol(s)</u>	<u>Name of Each Exchange on Which Registered</u>
None	None	None

Indicate by check mark whether the registrant (1) has filed reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically 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 for such shorter period that the registrant was required to submit such files). Yes No

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

Large accelerated filer
Non-accelerated filer

Accelerated filer
Smaller reporting company
Emerging growth company

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

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

**APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY
PROCEEDINGS DURING THE PRECEDING FIVE YEARS**

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13, or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes No

As of May 15, 2020, the issuer had 202,650,642 outstanding shares of Common Stock.

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PART I

Item 1. Financial Statements.

THE CORETEC GROUP INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(unaudited)

	March 31, 2020	December 31, 2019
Assets		
Current assets:		
Cash	\$ 80,494	\$ 58,149
Prepaid expenses	47,518	88,821
Total current assets	<u>128,012</u>	<u>146,970</u>
Property and equipment, net	-	126
Other assets:		
Patents, net	1,119,197	1,139,255
Goodwill	166,000	166,000
Deposits-other	3,575	3,575
Total other assets	<u>1,288,772</u>	<u>1,308,830</u>
Total Assets	<u>\$ 1,416,784</u>	<u>\$ 1,455,926</u>
Liabilities and Stockholders' Equity		
Current liabilities:		
Notes payable	\$ 22,365	\$ 39,138
Accounts payable and accrued expenses	557,122	615,815
Total current liabilities	<u>579,487</u>	<u>654,953</u>
Long term debt:		
Notes payable - related party, net of discounts	23,389	120,508
Total Liabilities	<u>602,876</u>	<u>775,461</u>
Stockholders' equity:		
Preferred stock, Series A convertible, \$0.0002 par value, 500,000 shares authorized; 345,000 shares issued and outstanding at March 31, 2020 and December 31, 2019	69	69
Common stock \$0.0002 par value, 1,500,000,000 shares authorized; 202,650,642 and 193,521,506 shares issued and outstanding at March 31, 2020 and December 31, 2019, respectively	40,530	38,704
Additional paid-in capital	6,797,809	6,135,885
Accumulated deficit	(6,024,500)	(5,494,193)
Total Stockholders' Equity	<u>813,908</u>	<u>680,465</u>
Total Liabilities and Stockholders' Equity	<u>\$ 1,416,784</u>	<u>\$ 1,455,926</u>

See notes to unaudited condensed consolidated financial statements

THE CORETEC GROUP INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(unaudited)

	Three Months Ended March 31,	
	2020	2019
Income:		
Revenue	\$ -	\$ -
Expenses:		
Research and development	20,057	20,057
General and administrative	289,811	184,896
Interest	220,439	93,370
Total expenses	530,307	298,323
Net loss	\$ (530,307)	\$ (298,323)
Loss per share:		
Basic and diluted	\$ (0.003)	\$ (0.004)
Weighted average shares outstanding, basic and diluted	193,621,826	68,622,677

See notes to unaudited condensed consolidated financial statements

THE CORETEC GROUP INC.
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (DEFICIENCY)
FOR THE THREE MONTHS ENDED MARCH 31, 2020 and THREE MONTHS ENDED MARCH 31, 2019
(unaudited)

	<u>Series A Preferred Stock</u>		<u>Common Stock</u>		<u>Additional Paid-In Capital</u>	<u>Accumulated Deficit</u>	<u>Total</u>
	<u>Shares</u>	<u>Par Value</u>	<u>Shares</u>	<u>Par Value</u>			
Balance December 31, 2019	345,000	\$ 69	193,521,506	\$ 38,704	\$ 6,135,885	\$ (5,494,193)	\$ 680,465
Debt converted to common stock	-	-	9,129,136	1,826	298,174	-	300,000
Beneficial conversion feature of note payable	-	-	-	-	310,303	-	310,303
Warrants issued	-	-	-	-	53,447	-	53,447
Net loss for the period	-	-	-	-	-	(530,307)	(530,307)
Balance March 31, 2020	345,000	\$ 69	202,650,642	\$ 40,530	\$ 6,797,809	\$ (6,024,500)	\$ 813,908
Balance December 31, 2018	345,000	\$ 69	68,474,520	\$ 13,695	\$ 2,166,745	\$ (3,639,808)	\$ (1,459,299)
Common stock exchanged for liabilities	-	-	199,017	40	7,822	-	7,862
Net loss for the period	-	-	-	-	-	(298,323)	(298,323)
Balance March 31, 2019	345,000	\$ 69	68,673,537	\$ 13,735	\$ 2,174,567	\$ (3,938,131)	\$ (1,749,760)

See notes to unaudited condensed consolidated financial statements

THE CORETEC GROUP INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)

	Three Months Ended March 31,	
	2020	2019
Cash Flows from Operating Activities		
Net loss	\$ (530,307)	\$ (298,323)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation	126	189
Amortization - intangible assets	20,057	20,057
Amortization - debt discount	202,882	33,874
Change in:		
Prepaid expenses	41,303	10,652
Accounts payable and accrued liabilities	(58,693)	157,946
Net cash used in operating activities	<u>(324,632)</u>	<u>(75,605)</u>
Cash Flows from Financing Activities		
Payments on insurance premium financing	(16,773)	(13,324)
Proceeds from debt and warrants issued	363,750	85,000
Net cash provided by financing activities	<u>346,977</u>	<u>71,676</u>
Net change in cash	22,345	(3,929)
Cash, beginning of period	<u>58,149</u>	<u>4,001</u>
Cash, end of period	<u>\$ 80,494</u>	<u>\$ 72</u>
Supplement Disclosure of Cash flow Information		
Cash paid during the period for interest	\$ 18,780	\$ 2,675
Non-Cash Financing Activities		
Notes payable converted to common stock	\$ 300,000	\$ -
Common stock issued to satisfy accounts payable	\$ -	\$ 7,862
Recognition of beneficial conversion feature	\$ 310,303	\$ -

See notes to unaudited condensed consolidated financial statements

THE CORETEC GROUP INC.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Note 1 – Business Organization, Nature of Business and Basis of Presentation

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).

Basis of Presentation

The accompanying condensed consolidated financial statements of the Company have been prepared without audit pursuant to the rules and regulations of the Securities and Exchange Commission (“SEC”). Certain information and footnote disclosures normally included in the consolidated financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted pursuant to such rules and regulations. The Company believes that the disclosures made are adequate to make the information presented not misleading. These condensed consolidated financial statements should be read in conjunction with the Company’s year-end audited consolidated financial statements and related footnotes included in the previously filed Form 10-K, and in the opinion of management, reflects all adjustments necessary to present fairly the consolidated financial position of the Company. The consolidated results of operations for interim periods may not be indicative of the results which may be realized for the full year.

Note 2 – Going Concern and Management’s Plans

The Company has realized a cumulative net loss of \$6,024,500 for the period from inception (June 2, 2015) to March 31, 2020, has negative working capital of \$474,864, and no revenues. The Company has insufficient revenue and capital commitments to fund the development of its planned products and pay operating expenses. These conditions, among others, raise substantial doubt about the Company’s ability to continue as a going concern for a year following the issuance of these condensed consolidated financial statements.

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 condensed 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 condensed consolidated financial statements do not necessarily purport to represent realizable or settlement values. The condensed consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Note 3 – Summary of Significant Accounting Policies

Principles of Consolidation

The condensed consolidated financial statements 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 condensed 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.

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 rates, embedded instruments and conversion discounts. The carrying value approximates fair value.

Beneficial Conversion Feature of Convertible Notes Payable

The Company accounts for convertible notes payable in accordance with the guidelines established by the Financial Accounting Standards Board's ("FASB") Accounting Standards Codification ("ASC") Topic 470-20, Debt with Conversion and Other Options. The beneficial conversion feature of a convertible note is normally characterized as the convertible portion or feature of certain notes payable that provide a rate of conversion that is below market value or in-the-money when issued. The Company records a beneficial conversion feature related to the issuance of a convertible note when issued.

The beneficial conversion feature of a convertible note is credited to additional paid-in-capital. The intrinsic value is recorded in the condensed consolidated financial statements as a debt discount and such discount is amortized over the expected term of the convertible note and is charged to interest expense.

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 loss 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.

Basic and diluted loss per common share are calculated the same for all periods presented due to the net loss. The following securities are excluded from the calculation of weighted average dilutive common shares because their inclusion would have been anti-dilutive:

	March 31,	
	2020	2019
Options	21,716,557	216,557
Warrants	1,020,000	61
Series A convertible preferred stock	115,000	115,000
Convertible debt	16,717,325	301,164,653
Total potentially dilutive shares	39,568,882	301,496,271

Subsequent Events

The Company evaluates events that have occurred after the balance sheet date but before the condensed consolidated financial statements are issued. Based upon the evaluation, the Company did not identify any recognized or non-recognized subsequent events that would have required adjustment or disclosure in the consolidated financial statements, except as disclosed in Note 6.

Recent Accounting Pronouncements

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

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 measure goodwill impairment and test by comparing the fair value of a reporting unity with its carrying amount. The Company adopted this standard effective January 1, 2020 and will apply the standard on a prospective basis. The adoption of this standard did not have a material impact on the Company's consolidated financial position and results of operations.

Note 4 –Notes Payable

	March 31, 2020	December 31, 2019
<i>Notes payable:</i>		
6.3% Insurance premium finance agreement due July 2020	\$ 22,365	\$ 39,138
<i>Notes payable - related party:</i>		
10% Promissory note due January 2024	\$ 550,000	\$ 475,000
<i>Less:</i>		
Beneficial conversion feature	(422,585)	(273,422)
Warrants issued	(81,010)	(59,108)
Debt issue costs	(23,016)	(21,962)
Total notes payable - related party	\$ 23,389	\$ 120,508

6.3% Insurance premium finance agreement, due July 2020

The Company entered into an insurance financing agreement in September 2019 totaling \$61,503. The monthly payments under the agreement are due in eleven installments of \$5,591 through July 2020. The Company made installment payments of \$16,773 during the three months ended March 31, 2020.

10% Promissory note due January 2024, net

On October 4, 2019, the Company entered into a Credit Agreement and related Promissory Note with DAF the Lender. DAF is managed by Carlton James, Ltd, a UK based company of which Simon Calton is the Chief Executive Officer. Mr. Calton is Co-Chairman of Coretec. The 10% Promissory Note, in a principal amount of \$2,500,000, is due January 15, 2024 and has attached warrants to subscribe for and purchase 3,000,000 shares of common stock at an exercise price of \$0.052 per share. Under the terms of the Credit Agreement, DAF will fund the Promissory Note in sixteen (16) tranches in amounts of \$125,000 and \$175,000 per month beginning in October 2019. Interest is accrued monthly and paid in advance for the first 12 months and thereafter principal and interest payments shall be paid monthly in equal amounts, amortized over a 36-month period.

Under the terms of the Promissory Note, DAF has the right to elect to convert all or part of the Promissory Notes at a price equal to seventy percent (70%) of the average closing price of the Company's common stock as reported on the over-the-counter quotation system on the OTC Markets during the fifteen (15) calendar days prior to the loan closing date of October 4, 2019, which calculates to \$0.0329 per share.

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. Given the terms and related-party nature of the agreement, the commitment date was determined to be the date the funds are advanced to the Company and is limited to the funding value less other debt discounts (see below). A debt discount of \$310,303 and \$281,837 was recorded, with a corresponding credit to additional paid-in capital for the beneficial conversion feature for the three months ended March 31, 2020 and the year ended December 31, 2019, respectively. The debt discount will be amortized over the life of the debt and \$30,770 was amortized to interest expense during the three months ended March 31, 2020.

Under the terms of the DAF Credit Agreement, warrants to subscribe for and purchase 3,000,000 shares of common stock at an exercise price of \$0.052 per share are available to be issued to DAF. The warrants will be issued in amounts of 150,000 and 210,000 per month as the advance is received during the funding period. As of March 31, 2020, 1,020,000 warrants have been granted under the terms of the DAF Credit Agreement. The estimated value of the warrants granted monthly, with each advance, is calculated using the Black-Scholes option pricing model. The resulting estimated value of the warrant is used to proportionally allocate the fair value of the debt advance and the fair value of the warrants. The allocated cost of the warrants amounted to \$53,447 and \$60,593 during the three months ended March 31, 2020 and the year ended December 31, 2019, respectively, and is being amortized over the life of the debt. \$6,114 was amortized during the three months ended March 31, 2020.

Additionally, under the terms of the Credit Agreement, the Company agreed to pay a commitment fee of 3% of each advance and reimburse DAF for certain expenses in connection with the preparation, interpretation, performance and enforcement of the Credit Agreement. Those costs amounted to \$11,250 and \$22,767 for three months ended March 31, 2020 and the year ended December 31, 2019 and are being amortized over the life of the debt and \$2,073 was amortized during the three months ended March 31, 2020.

On March 31, 2020, under the terms of the Credit Agreement, DAF converted \$300,000 of the principle of the Promissory Note into 9,129,136 shares of common stock at \$0.0329 per share. A related charge of \$130,370 of the beneficial conversion feature was made to interest expense along with debt issue related charges of \$25,523 for the warrants and \$8,123 for the deferred cost, during the three months ended March 31, 2020.

Note 5 – Commitments and Contingencies

Warrants

Under the terms of the DAF Credit Agreement, warrants to subscribe for and purchase 3,000,000 shares of common stock at an exercise price of \$0.052 per share are available to be issued to DAF. The warrants are being issued in amounts of 150,000 and 210,000 per month during the funding period. As of March 31, 2020, 1,020,000 warrants have been granted under the terms of the DAF Credit Agreement. The estimated value of the warrants granted monthly, with each advance, is calculated 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 resulting estimated value of the warrant is used to proportionally allocate the fair value of the debt advance and the fair value of the warrant.

Warrants Summary

The following table summarizes the Company's warrant activity during the three months ended March 31, 2020:

	<u>Number of Warrants</u>	<u>Weighted Average Exercise Price</u>	<u>Weighted Average Remaining Life In Years</u>	<u>Aggregate Intrinsic Value</u>
Outstanding, December 31, 2019	570,000	\$ 0.052	4.59	\$ -
Granted	450,000	0.052	5.00	-
Outstanding, March 31, 2020	<u>1,020,000</u>	<u>\$ 0.052</u>	<u>4.80</u>	<u>\$ -</u>
Exercisable, March 31, 2020	<u>1,020,000</u>	<u>\$ 0.052</u>	<u>4.80</u>	<u>\$ -</u>

Options

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 is 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 three-month period ended March 31, 2020:

	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Life In Years	Aggregate Intrinsic Value
Outstanding, December 31, 2019	21,716,557	\$ 0.08	4.36	\$ -
Granted	-	-	-	-
Outstanding, March 31, 2020	<u>21,716,557</u>	<u>\$ 0.08</u>	<u>4.36</u>	<u>\$ -</u>
Exercisable, March 31, 2020	<u>21,716,557</u>	<u>\$ 0.08</u>	<u>4.36</u>	<u>\$ -</u>

The following table summarizes the Company's options as of March 31, 2020:

Options Outstanding		Options Exercisable	
Exercise Price	Outstanding Number of Options	Weighted Average Remaining Life In Years	Exercisable Number of Options
\$ 0.41	21,500,000	4.36	21,500,000
\$ 0.24	208,160	7.25	208,160
\$ 52.50	4,383	.23	4,383
\$ 70.26	3,449	2.25	3,449
\$ 420.00	565	1.13	565
Total	<u>21,716,557</u>	<u>4.36</u>	<u>21,716,557</u>

Litigation, Claims, and Assessments

The Company may be involved in legal proceedings, claims and assessments arising in the ordinary course of business. In the opinion of management, such matters are currently not expected to have a material impact on the Company's condensed consolidated financial statements. The Company records legal costs associated with loss contingencies as incurred and accrues for all probable and estimable settlements.

Office Leases

The Company has an amended office lease in Tulsa, Oklahoma that expired on July 31, 2018. The Company is now on a month to month basis at \$1,980 per month under the terms of the Tulsa lease. Additionally, on December 3, 2019, the Company signed a one-year office lease in Ann Arbor, Michigan commencing January 1, 2020. The remaining rent obligation on the Ann Arbor office is \$11,340 (\$1,260 per month). Rent expense for the operating lease was \$8,262 and \$5,940 for the three months ended March 31, 2020 and 2019, respectively.

Note 6 – Subsequent Events

Notes payable - related party

Subsequent to March 31, 2020, DAF funded \$175,000 and earned 210,000 warrants under the terms of the DAF Credit Agreement.

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

Forward-Looking Statements

The information in this report contains forward-looking statements. All statements other than statements of historical fact made in this report are forward looking. In particular, the statements herein regarding industry prospects and future results of operations or financial position are forward-looking statements. These forward-looking statements can be identified by the use of words such as “believes,” “estimates,” “could,” “possibly,” “probably,” “anticipates,” “projects,” “expects,” “may,” “will,” or “should” or other variations or similar words. No assurances can be given that the future results anticipated by the forward-looking statements will be achieved. Forward-looking statements reflect management’s current expectations and are inherently uncertain. Our actual results may differ significantly from management’s expectations.

This Quarterly Report on Form 10-Q includes the accounts of The Coretec Group Inc., an Oklahoma corporation, together with its wholly owned subsidiary, Coretec Industries LLC, a North Dakota limited liability corporation formed in North Dakota (individually referred to as “Coretec”). References in this Report to “we,” “our,” “us” or the “Group” refer to The Coretec Group Inc. and its consolidated subsidiary unless context dictates otherwise. The following discussion and analysis should be read in conjunction with our consolidated financial statements, included herewith. This discussion should not be construed to imply that the results discussed herein will necessarily continue into the future, or that any conclusion reached herein will necessarily be indicative of actual operating results in the future. Such discussion represents only the best present assessment of our management.

Plan of Operation

Background:

On June 22, 2017, The Coretec Group Inc. (the “Group”) 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. The Group'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.

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. Pursuant to the Share Exchange Agreement, Coretec became a wholly owned subsidiary of the Group (collectively, the "Company"). 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; and
- Adding a significant portfolio of Intellectual Property.

Recent Developments

On October 4, 2019, the Company entered into a Credit Agreement and related Promissory Note with DAF the Lender. DAF is managed by Carlton James, Ltd, a UK based company of which Simon Calton is the Chief Executive Officer. Mr. Calton is Co-Chairman of Coretec. The 10% Promissory Note, in a principal amount of \$2,500,000, is due January 15, 2024 and has attached warrants to subscribe for and purchase 3,000,000 shares of common stock at an exercise price of \$0.052 per share. Under the terms of the Credit Agreement, DAF will fund the Promissory Note in sixteen (16) tranches in amounts of \$125,000 and \$175,000 per month beginning in October 2019. Interest is accrued monthly and paid in advance for the first 12 months and thereafter principal and interest payments shall be paid monthly in equal amounts, amortized over a 36-month period. On March 31, 2020, under the terms of the Credit Agreement, DAF converted \$300,000 of the principle of the Promissory Note into 9,129,136 shares of common stock at \$0.0329 per share. See Note 4 of notes to the unaudited condensed consolidated financial statements.

Results of Operations

RESULTS OF OPERATIONS FOR THE THREE MONTHS ENDED MARCH 31, 2020 COMPARED TO THE THREE MONTHS ENDED MARCH 31, 2019.

Revenue

We did not have revenue for the three-month periods ended March 31, 2020 and 2019.

Research and Development Expenses

The research and development expenses were \$20,057 for both the three months ended March 31, 2020, and for the three months ended March 31, 2019, which represents the amortization of the patent cost.

General and Administrative Expenses

Our general and administrative expenses were \$289,811 for the three months ended March 31, 2020, as compared to \$184,896 for the three months ended March 31, 2019. The approximately \$105,000 increase is due primarily to the increase in consultants' fees of approximately \$55,000, an increase of approximately \$37,000 for legal fees which increase includes \$12,000 for patent renewals and the charge off of \$25,000 in legal fees for the fees incurred for possible merger candidates, an increase of approximately \$4,000 for transfer agent and news releases fees, an increase of approximately \$3,000 in directors' and officers' insurance premiums, an increase of approximately \$3,000 in travel expenses, approximately \$3,000 in fees for personnel recruitment, and approximately \$2,000 in office supplies and related expenses for the Ann Arbor office.

Interest Expense

Interest expense for the three months ended March 31, 2020 was \$220,439 as compared to \$93,370 for the three months ended March 31, 2019. The approximately \$127,000 net increase was a result of the approximately \$94,000 decrease in the amount of our interest on the previously outstanding notes and debentures converted to common stock in November 2019 and the approximately \$221,000 increase in interest costs on our DAF promissory note entered into in October 2019 including a charge of \$130,370 for the write-off of the discount from the beneficial conversion feature, a charge of \$25,523 for the write off of warrant costs and a charge of \$8,123 for the write off of deferred costs, upon the conversion of \$300,000 of principal into common stock.

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 whenever possible. The operating budget consists of the following expenses:

- 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.

Our independent registered public accountants, in their audit report accompanying our consolidated financial statements for the year ended December 31, 2019, expressed substantial doubt about our ability to continue as a going concern due to our organization having insufficient revenues to fund development and operating expenses.

We had net cash of \$80,494 at March 31, 2020.

We had negative working capital of \$474,864 at March 31, 2020.

During the three months ended March 31, 2020, we used \$324,632 of cash for operating activities, a net increase of \$249,027 or 329% compared to the three months ended March 31, 2019. The net increase in the use of cash for operating activities was a result of an increase in the net loss of \$231,984, an increase in the amortization of debt discount of \$169,008, an increase in prepaid expenses of \$30,651, and an increase in accounts payable and accrued liabilities of \$216,639.

During the three months ended March 31, 2020 and 2019, there were no investing activities.

During the three months ended March 31, 2020, there was \$346,977 of net cash provided by financing activities, an increase of \$275,301 or 384% compared to the three months ended March 31, 2019. The increase was a result of \$278,750 in net proceeds from related party notes payable, offset by \$3,449 in payments on our insurance premium financing.

We expect to fund the ongoing operations through the existing financing in place and through raising additional funds as permitted by the terms of new financing.

Our ability to fund the operations of the Company is highly dependent on the underlying stock price of the Company.

There is no assurance that we will be successful in raising additional funds on reasonable terms or that the funding will be sufficient to enable us to fully complete our development activities or attain profitable operations. If we are unable to obtain such additional financing on a timely basis or, notwithstanding any request we may make, our debt holders do not agree to convert their notes into equity or extend the maturity dates of their notes, we may have to curtail development, marketing and promotional activities, which would have a material adverse effect on our business, financial condition and results of operations, and ultimately, we could be forced to discontinue our operations and liquidate.

Off Balance Sheet Arrangements

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

Significant Accounting Policies

There has been no change in the significant accounting policies summarized in our Form 10-K for the year ended December 31, 2019, which was filed on April 2, 2020.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

The Company is a smaller reporting company, as defined by Rule 229.10(f)(1) and is not required to provide the information required by this Item.

Item 4. Controls and Procedures.

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 March 31, 2020. 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 March 31, 2020, 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 disclosure controls and procedures were not effective and that there is a material weakness as identified herein, we believe that our consolidated financial statements contained in this Quarterly Report fairly present our consolidated financial position, results of operations and cash flows for the periods covered thereby in all material respects.

Changes in Disclosure Controls and Procedures. There has been no change in our disclosure controls and procedures identified in connection with the evaluation required by Rule 13a-15(d) of the Exchange Act that occurred during the quarter ended March 31, 2020, that has materially affected, or is reasonably likely to materially affect, our disclosure controls and procedures.

PART II

Item 1. 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 1A. Risk Factors.

Not Applicable.

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

On March 31, 2020, under the terms of the Credit Agreement, DAF converted \$300,000 of the principle of the Promissory Note into 9,129,136 shares of common stock at \$0.0329 per share. See Note 4 of notes to the unaudited condensed consolidated financial statements.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosure.

Not Applicable.

Item 5. Other Information.

None.

Item 6. Exhibits.

Exhibit

Number Description of Exhibit

31.1 [Rule 13a-14\(a\) / 15d-14\(a\) Certification of Chief Executive Officer.](#)

31.2 [Rule 13a-14\(a\) / 15d-14\(a\) Certification of Chief Financial Officer.](#)

32.1 [Section 1350 Certifications of Chief Executive Officer.](#)

32.2 [Section 1350 Certifications of Chief Financial Officer.](#)

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

SIGNATURES

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

THE CORETEC GROUP INC.

Date: May 15, 2020

/s/ Michael A. Kraft

Name: Michael A. Kraft

Title: Chief Executive Officer

/s/ Ronald W. Robinson

Name: Ronald W. Robinson

Title: Chief Financial Officer

**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO SECTION 302 OF THE
SARBANES-OXLEY ACT OF 2002**

I, Michael A. Kraft, certify that:

1. I have reviewed this quarterly report on Form 10-Q of The Coretec Group Inc.
2. Based on my knowledge, this quarterly 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 quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly 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 quarterly 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 controls 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 quarterly 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;
 - 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;
5. I have disclosed, based on my 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 function):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial data; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

Dated: May 15, 2020

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

**CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER
PURSUANT TO SECTION 302 OF THE
SARBANES-OXLEY ACT OF 2002**

I, Ronald W. Robinson, certify that:

1. I have reviewed this quarterly report on Form 10-Q of The Coretec Group Inc.
2. Based on my knowledge, this quarterly 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 quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly 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 quarterly 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 controls 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 quarterly 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;
 - 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;
5. I have disclosed, based on my 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 function):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial data; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

Dated: May 15, 2020

By: /s/ Ronald W. Robinson
Ronald W. Robinson
Chief Financial Officer

**CERTIFICATION 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 Quarterly Report of The Coretec Group Inc. (the "Company") on Form 10-Q for the quarter ended March 31, 2020 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Michael A. Kraft, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. section 1350 of the Sarbanes-Oxley Act of 2002, that:

- (1) The 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 Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

The foregoing certification is being furnished solely to accompany the Report pursuant to 18 U.S.C. section 1350 and is not being filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and is not to be incorporated by reference into any filing of the Company, whether made before or after the date hereof, regardless of any general incorporation language in such filing.

Date: May 15, 2020

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

**CERTIFICATION 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 Quarterly Report of The Coretec Group Inc. (the "Company") on Form 10-Q for the quarter ended March 31, 2020 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Ronald W. Robinson, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. section 1350 of the Sarbanes-Oxley Act of 2002, that:

- (1) The 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 Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

The foregoing certification is being furnished solely to accompany the Report pursuant to 18 U.S.C. section 1350 and is not being filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and is not to be incorporated by reference into any filing of the Company, whether made before or after the date hereof, regardless of any general incorporation language in such filing.

Date: May 15, 2020

By: /s/ Ronald W. Robinson

Ronald W. Robinson
Chief Financial Officer