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 June 30, 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.)

333 Jackson Plaza, Suite 1200, Ann Arbor, MI 48103
(Address of principal executive offices) (Zip Code)

(918) 494-0509
(Registrant's telephone number, including area code)

Former address: 6804 South Canton Avenue, Suite 150, Tulsa, Oklahoma 74136
(Former name , former address and former fiscal year, if changed since last report)

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

Title of Each Class	Trading Symbol(s)	Name of Each Exchange on Which Registered
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	☐	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☒
		Emerging growth company	☐

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

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 August 14, 2020, the issuer had 204,151,128 outstanding shares of Common Stock.

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PART I

Item 1. Financial Statements.

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

	June 30, 2020	December 31, 2019
Assets		
Current assets:		
Cash	$ 107,777	$ 58,149
Prepaid expenses	33,342	88,821
Total current assets	141,119	146,970
Property and equipment, net	-	126
Other assets:		
Patents, net	1,099,140	1,139,255
Goodwill	166,000	166,000
Deposits-other	3,575	3,575
Total other assets	1,268,715	1,308,830
Total Assets	$ 1,409,834	$ 1,455,926
Liabilities and Stockholders' Equity		
Current liabilities:		
Notes payable	$ 5,591	$ 39,138
Accounts payable and accrued expenses	478,183	615,815
Total current liabilities	483,774	654,953
Long term debt:		
Notes payable - related party, net of discounts	186,253	120,508
Total Liabilities	670,027	775,461
Stockholders' equity:		
Preferred stock, Series A convertible, $0.0002 par value, 500,000 shares authorized; 345,000 shares issued and outstanding at June 30, 2020 and December 31, 2019	69	69
Common stock $0.0002 par value, 1,500,000,000 shares authorized; 203,550,642 and 193,521,506 shares issued and outstanding at June 30, 2020 and December 31, 2019, respectively	40,710	38,704
Additional paid-in capital	7,013,160	6,135,885
Accumulated deficit	(6,314,132)	(5,494,193)
Total Stockholders' Equity	739,807	680,465
Total Liabilities and Stockholders' Equity	$ 1,409,834	$ 1,455,926

See notes to unaudited condensed consolidated financial statements

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

	Three Months Ended		Six Months Ended	
	June 30, 2020	**June 30, 2019**	**June 30, 2020**	**June 30, 2019**
Income:				
Revenue	$ -	$ -	$ -	$ -
Expenses:				
Research and development	20,057	20,057	40,115	40,115
General and administrative	212,930	170,359	502,740	355,256
Interest	56,645	95,433	277,084	188,802
Total expenses	289,632	285,849	819,939	584,173
Net loss	$ (289,632)	$ (285,849)	$ (819,939)	$ (584,173)
Loss per share:				
Basic and diluted	$ (0.001)	$ (0.004)	$ (0.004)	$ (0.008)
Weighted average shares outstanding, basic and diluted	202,710,642	69,334,436	198,166,791	68,980,523

See notes to unaudited condensed consolidated financial statements

THE CORETEC GROUP INC.
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (DEFICIENCY)
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2020 and 2019
(unaudited)

	Series A Preferred Stock		Common Stock		Additional Paid-In	Accumulated	
	Shares	Par Value	Shares	Par Value	Capital	Deficit	Total
Balance December 31, 2019	**345,000**	**$ 69**	**193,521,506**	**$ 38,704**	**$ 6,135,885**	**$ (5,494,193)**	**$ 680,465**
Warrants issued	-	-	-	-	53,447	-	53,447
Debentures converted to common stock	-	-	9,129,136	1,826	298,174	-	300,000
Beneficial converson feature of note payable	-	-	-	-	310,303	-	310,303
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**
Warrants issued	-	-	-	-	23,692	-	23,692
Beneficial converson feature of note payable	-	-	-	-	191,839	-	191,839
Exchange of stock options for common shares	-	-	900,000	180	(180)	-	-
Net loss for the period	-	-	-	-	-	(289,632)	(289,632)
Balance June 30, 2020	**345,000**	**$ 69**	**203,550,642**	**$ 40,710**	**7,013,160**	**(6,314,132)**	**739,807**
Balance December 31, 2018	**345,000**	**$ 69**	**68,474,520**	**$ 13,695**	**$ 2,166,745**	**$ (3,639,808)**	**$ (1,459,299)**
Common stock issued 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)**
Common stock issued for services	-	-	972,668	195	29,496	-	29,691
Common stock issued for liabilities	-	-	273,469	54	11,138	-	11,192
Net loss for the period	-	-	-	-	-	(285,850)	(285,850)
Balance June 30, 2019	**345,000**	**$ 69**	**69,919,674**	**$ 13,984**	**2,215,201**	**$ (4,223,981)**	**$ (1,994,727)**

See notes to unaudited condensed consolidated financial statements

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

	Six Months Ended June 30,	
	2020	**2019**
Cash Flows from Operating Activities		
Net loss	$ (819,939)	$ (584,173)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation	126	378
Amortization - intangible assets	40,115	40,115
Amortization - debt discount	241,776	45,134
Common stock issued for services	-	29,691
Change in:		
Prepaid expenses	55,479	294
Accounts payable and accrued liabilities	(137,632)	280,048
Net cash used in operating activities	(620,075)	(188,513)
Cash Flows from Financing Activities		
Payments on insurance premium financing	(33,546)	(26,648)
Proceeds from debt and warrants issued	703,249	245,000
Net cash provided by financing activities	669,703	218,352
Net change in cash	49,628	29,839
Cash, beginning of period	58,149	4,001
Cash, end of period	$ 107,777	$ 33,840
Supplemental Disclosure of Cash flow Information		
Cash paid during the period for interest	$ 36,280	$ 4,423
Non-Cash Financing Activities		
Notes payable converted to common stock	$ 300,000	$ -
Common stock issued to satisfy liabilities	$ -	$ 19,054
Recognition of beneficial conversion feature	$ 502,142	$ -

See 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 $6,314,132 for the period from inception (June 2, 2015) to June 30, 2020, has negative working capital of $342,655 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.

Earnings(Loss) Per Common Share

Basic earnings (loss) per common share is computed by dividing net income or 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.
Diluted loss per common share is calculated the same as basic loss per common share for all periods presented because the exercise or conversion of the securities and other instruments would be anti-dilutive due to the net loss.

The following securities and other instruments to issue common stock are excluded from the calculation of weighted average dilutive common shares:

	June 30,	
	2020	**2019**
Options	20,212,174	216,557
Warrants	1,440,000	61
Series A convertible preferred stock	115,000	115,000
Convertible debt	27,355,623	224,284,663
Total potentially dilutive shares	**49,122,797**	**224,616,281**

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 condensed 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.

In August 2020, the FASB issued ASU 2020-06, *Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging—Contracts in Entity's Own Equity (Subtopic 815-40).* This ASU simplifies the accounting for convertible instruments. The guidance removes certain accounting models which separate the embedded conversion features from the host contract for convertible instruments. ASU 2020-06 is effective for fiscal years beginning after December 15, 2023, including interim periods within those fiscal years. Early adoption is permitted no earlier than the fiscal year beginning after December 15, 2020. The Company is currently evaluating the impact of the adoption of this standard on its consolidated financial statements.

Note 4 – Notes Payable

		June 30, 2020		December 31, 2019
Notes payable:				
6.3% Insurance premium finance agreement due July 2020	$	5,591	$	39,138
Notes payable - related party:				
10% Promissory note due January 2024	$	900,000	$	475,000
Less:				
Beneficial conversion feature		(582,744)		(273,422)
Warrants issued		(99,254)		(59,108)
Debt issue costs		(31,749)		(21,962)
Total notes payable - related party	**$**	**186,253**	**$**	**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 $33,546 during the six months ended June 30, 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 $502,141 and $281,837 was recorded, with a corresponding credit to additional paid-in capital for the beneficial conversion feature for the six months ended June 30, 2020 and the year ended December 31, 2019, respectively. The debt discount will be amortized over the life of the debt and $62,450 was amortized to interest expense during the six months ended June 30, 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 June 30, 2020, 1,440,000 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 $77,140 and $60,593 during the six months ended June 30, 2020 and the year ended December 31, 2019, respectively, and is being amortized over the life of the debt. $11,471 was amortized during the six months ended June 30, 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 $21,750 and $22,767 for the six months ended June 30, 2020 and the year ended December 31, 2019 and are being amortized over the life of the debt with $3,840 being amortized during the six months ended June 30, 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 at the time of the conversion.

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 June 30, 2020, 1,440,000 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 six months ended June 30, 2020:

	Number of Warrants	Weighted Average Exercise Price	Weighted Average Remaining Life In Years	Aggregate Intrinsic Value
Outstanding, December 31, 2019	570,000	$ 0.052	4.36	$ -
Granted	870,000	0.052	4.72	-
Outstanding, June 30, 2020	**1,440,000**	**$ 0.052**	**4.59**	**$ -**

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. For options subject to future service conditions, compensation cost is recognized over the vesting period on a straight-line basis. 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 six months ended June 30, 2020:

	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Life In Years	Aggregate Intrinsic Value
Outstanding, December 31, 2019	21,716,557	$ 0.076	4.13	$ -
Expired	(4,383)	52.50	-	-
Exchanged for common stock	(1,500,000)	0.041	-	-
Outstanding, June 30, 2020	**20,212,174**	**$ 0.067**	**4.14**	**$ -**
Exercisable, June 30, 2020	**20,212,174**	**$ 0.067**	**4.14**	**$ -**

On June 8, 2020, the Board of Directors consented to a share exchange agreement with holders of 21,500,000 options awarded on August 7, 2019. The agreement allows for holders to exchange their options for rule 144 common stock at an exchange rate of 0.6 shares per 1 option. The modification of these options did not result in any additional compensation because there was no change in the fair value. On June 24, 2020, 1,500,000 options were exchanged for 900,000 shares that were issued under the executed exchange agreement.

The following table summarizes the Company's options as of June 30, 2020:

Exercise Price	Outstanding Number of Options	Weighted Average Remaining Life In Years	Exercisable Number of Options
$ 0.041	20,000,000	4.11	20,000,000
$ 0.240	208,160	7.00	208,160
$ 70.260	3,449	2.01	3,449
$ 420.000	565	0.88	565
Total	**20,212,174**	**4.14**	**20,212,174**

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 had an amended office lease in Tulsa, Oklahoma that expired on July 31, 2018. The Company was on a month to month basis at $1,980 per month under the terms of the Tulsa lease. The Company gave notice of termination of the Tulsa office lease and vacated the property on June 23, 2020.

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 $7,560 ($1,260 per month) as of June 30, 2020. Rent expense for the operating leases was $17,982 and $11,880 for the six months ended June 30, 2020 and 2019, respectively.

Supply Agreement

During June 2020, the Company entered into a supply agreement with Evonik Operations GmbH to purchase cyclohexasilane, Si_6H_{12} (CHS) for $185,000 per 500 grams. The supply agreement is valid until March 31, 2021.

Note 6 – Subsequent Events

Common stock

Subsequent to June 30, 2020, the Company issued 600,486 shares of common stock in payment of $33,902 of consulting services and accrued expenses.

Purchase Commitment

The Company paid Evonik Operations GmbH $92,500 on July 20, 2020, to initiate production of CHS, in accordance with the supply agreement entered into during June 2020.

Awarded Options

On July 1, 2020, the Company granted 1,000,000 options to purchase common stock with an exercise price of $0.065 and vesting schedule of four equal time periods over two years.

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 unaudited condensed consolidated financial statements, included herewith. This discussion should not be construed to imply that the results discussed herein will necessarily continue, 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.

On June 30, 2020, the Company accepted the retirement and resignations of Ron Robinson, Chief Financial Officer (CFO) and Judith Keating, Corporate Secretary of the Company. Matthew Hoffman, who joined the Company in May of 2020, was appointed CFO and Corporate Secretary effective June 30, 2020. Hoffman was also granted 1,000,000 options on July 1, 2020 with an exercise price of $0.065 and vesting schedule of four equal time periods over two years.

On June 8, 2020, the Board of Directors consented to a share exchange agreement with holders of 21,500,000 options awarded on August 7, 2019. The agreement allows for holders to exchange their options for rule 144 common stock at an exchange rate of 0.6 shares per 1 option. On June 24, 2020, 1,500,000 options were exchanged for 900,000 shares that were issued under the executed exchange agreement.

Results of Operations

RESULTS OF OPERATIONS FOR THE THREE MONTHS ENDED JUNE 30, 2020 COMPARED TO THE THREE MONTHS ENDED JUNE 30, 2019.

Revenue

The Company did not have revenue for the three-month periods ended June 30, 2020 and 2019.

Research and Development Expenses

The research and development expenses were $20,057 for both the three months ended June 30, 2020, and for the three months ended June 30, 2019, which represents the amortization of the patent cost.

General and Administrative Expenses

The Company's general and administrative expenses were $212,930 for the three months ended June 30, 2020, as compared to $170,359 for the three months ended June 30, 2019. The approximately $43,000 increase results primarily from increases in consultant fees of approximately $19,000 and marketing expenses of approximately $19,000. Marketing expenses primarily increased due to the public relation firm fees increase of $14,000 and Directors' and officers' insurance premiums increased by approximately $3,000.

Interest Expense

Interest expense for the three months ended June 30, 2020 was $56,645 as compared to $95,433 for the three months ended June 30, 2019.

The approximately $39,000 net decrease was a result of approximately $95,000 decrease in the amount of interest on the previously outstanding notes and debentures converted to common stock in November 2019 offset by the approximately $56,000 increase in interest costs from the DAF promissory note executed in October 2019.

RESULTS OF OPERATIONS FOR THE SIX MONTHS ENDED JUNE 30, 2020 COMPARED TO THE SIX MONTHS ENDED JUNE 30, 2019.

Revenue

The Company did not have revenue for the six-month periods ended June 30, 2020 and 2019.

Research and Development Expenses

The research and development expenses were $40,115 for both the six months ended June 30, 2020, and for the six months ended June 30, 2019, which represents the amortization of the patent cost.

General and Administrative Expenses

Our general and administrative expenses were $502,740 for the six months ended June 30, 2020, as compared to $355,256 for the six months ended June 30, 2019. The approximately $147,000 increase is due primarily to the increase in consultants' fees of approximately $74,000 with an offset related to a decrease of approximately $20,000 in costs incurred for a feasibility study in 2019. Marketing related expense increased by approximately $40,000 including a $31,500 increase in expenses to a public relations firm. Legal fees increased during the period by approximately $38,000 which includes $13,000 for patent related expenses and $25,000 in legal fees incurred in search of possible merger candidates. Other increased expenses include approximately $8,000 for directors' and officers' insurance premiums, $6,000 of rent expense for Ann Arbor office, and approximately $4,000 in shareholder transfer agent costs.

Interest Expense

Interest expense for the six months ended June 30, 2020 was $277,084 as compared to $188,802 for the six months ended June 30, 2019. The approximately $88,000 net increase was a result of the approximately $189,000 decrease in the amount of our interest on the previously outstanding notes and debentures converted to common stock in November 2019 offset by the approximately $277,000 increase in interest costs on our DAF promissory note executed 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 to write-off warrant costs and a charge of $8,123 to write-off 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.
- Purchase research and development quantities of CHS for customer validation.
- 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 $107,777 at June 30, 2020.

We had negative working capital of $342,655 at June 30, 2020.

During the six months ended June 30, 2020, we used $620,075 of cash in operating activities, a net increase of $431,562 or 229% compared to the six months ended June 30, 2019. The net increase in the use of cash in operating activities was a result of an increase in the net loss of $235,766, and a decrease in accounts payable and accrued liabilities of $417,680 offset by an increase in the amortization of debt discount of $196,642, and an increase in prepaid expenses of $55,185.

During the six months ended June 30, 2020 and 2019, there were no investing activities.

During the six months ended June 30, 2020, there was $669,703 of net cash provided by financing activities, an increase of $451,351 or 207% compared to the six months ended June 30, 2019.

The increase was primarily a result of $703,249 in net proceeds from debt and warrants issued compared with $245,000 during the six months ended June 30, 2019.

We expect to fund 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 June 30, 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 June 30, 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 June 30, 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.

Not Applicable

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
10.1*	Supply Agreement dated as of June 25, 2020
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

* Incorporated by reference to Current Report on Form 8-K as filed on June 30, 2020

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: August 14, 2020

/s/ Michael A. Kraft
Name: Michael A. Kraft
Title: Chief Executive Officer

/s/ Matthew L. Hoffman
Name: Matthew L. Hoffman
Title: Chief Financial Officer

EXHIBIT 31.1

**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 Exchange46 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: August 14, 2020

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

EXHIBIT 31.2

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

I, Matthew L. Hoffman, 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: August 14, 2020

By: /s/ Matthew L. Hoffman
Matthew L. Hoffman
Chief Financial Officer

Exhibit 32.1

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 June 30, 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: August 14, 2020

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

Exhibit 32.2

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 June 30, 2020 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Matthew L. Hoffman, 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: August 14, 2020

By: /s/ Matthew L. Hoffman
Matthew L. Hoffman
Chief Financial Officer