SECURITIES & EXCHANGE COMMISSION EDGAR FILING

CIPHERLOC Corp

Form: 10-K

Date Filed: 2020-12-29

Corporate Issuer CIK: 1022505

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

FORM 10-K

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Fiscal Year Ended September 30, 2020

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from **N/A** to **N/A**

Commission File Number: **000-28745**

Cipherloc Corporation
(Name of small business issuer as specified in its charter)

Texas	**86-0837077**
State of Incorporation	IRS Employer Identification No.

6836 Bee Cave Road, Bldg. 1, S#279
Austin, TX 78746
(Address of principal executive offices)

(512) 649-7700
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act: **None.**

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

Common Stock, par value $0.01
(Title of Class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. [ ] Yes [X] No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. [ ] Yes [X] No

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes [X] No [ ]

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

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

Large accelerated filer	[ ]	Accelerated filer	[ ]
Non–Accelerated filer	[X]	Small reporting company	[X]
		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 has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. [ ]

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

On March 31, 2020, the last business day of the registrant's most recently completed second fiscal quarter, the aggregate market value of the Common Stock held by non-affiliates of the registrant was $22,051,118 based upon the closing price on that date of the common stock of the registrant on the OTCQB Venture Market of $0.85.

As of December 23, 2020, there were 27,505,196 shares of the issuer's common stock, par value $0.01 per share, issued and outstanding.

CIPHERLOC CORPORATION
FORM 10-K ANNUAL REPORT
FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2020 AND 2019
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Special Note Regarding Forward-Looking Statements

Some of our statements under "Business," "Properties," "Legal Proceedings," "Management's Discussion and Analysis of Financial Condition and Results of Operations," the Notes to Financial Statements and elsewhere in this Annual Report on Form 10-K constitute "forward-looking statements." In some cases, forward-looking statements are identified by terminology such as "may," "will," "should," "could," "would," "expects," "plans," "intends," "anticipates," "believes," "estimates," "approximates," "predicts," "potential" or "continue" or the negative of such terms and other comparable terminology. Forward-looking statements usually relate to future events and anticipated revenues, earnings, cash flows or other aspects of our operations or operating results. Forward-looking statements generally include statements containing:

- projections about accounting and finances;
- plans and objectives for the future;
- projections or estimates about assumptions relating to our performance; or
- our opinions, views or beliefs about the effects of current or future events, circumstances or performance.

You should view these statements with caution. Those statements are not guaranteeing future performance, circumstances or events. They are based on facts and circumstances known to us as of the date the statements are made. All phases of our business are subject to uncertainties, risks and other influences, many of which we do not control. Any of these factors either alone or taken together, could have a material adverse effect on us and could change whether any forward-looking statement ultimately turns out to be true. Additionally, we assume no obligation to update any forward-looking statement as a result of future events, circumstances or developments.

PART I

ITEM 1. BUSINESS

Overview

Cipherloc Corporation (the "Company" or "Cipherloc") was incorporated in the State of Texas on June 22, 1953 as American Mortgage Company. Effective August 27, 2014, we changed our name to Cipherloc Corporation. Our headquarters are located at 6836 Bee Cave Road, Building 1, S#279, Austin, TX 78746. Our website is www.cipherloc.net. The information contained, or referred to, on our website is not part of this Annual Report on Form 10-K unless expressly noted.

Business Strategy

We are developing products and services around our patented polymorphic encryption technology designed to enable a more efficient and stronger layer of protection to be added to existing solutions. Through a licensing program, we anticipate offering the first secure commercially viable advanced "Polymorphic Encryption Core" ("PEC") software developers kit to be used in any commercial data security industry and/or in sensitive applications.

Our innovative and patented polymorphic technology eliminates the flaws and inadequacies associated with today's encryption algorithms. Instead of dealing with large monolithic blocks of data, our approach decomposes the information to be protected into multiple segments. These individual segments each have a unique encryption key, utilize different encryption algorithms, are randomly grouped into different lengths, and can be further re-encrypted. Since segments are independent from each other and are individually protected, our technology is not susceptible to computational attacks. In fact, the strength of our technology improves as compute power increases.

Products and Services

During 2018 and 2019, we attempted to market several products, services and solutions. The initial solution suite was marketed under several product names. CipherLoc EDGE, a solution to be installed on mobile/handset devices, was designed to enable data to be securely sent between any two mobile devices. CipherLoc ENTERPRISE, a solution to be installed on desktops, laptops and tablet computers, was designed to enable data to be securely sent between any two platforms. CipherLoc GATEWAY, a solution to be installed on servers, was designed to enable end-to-end data protection to and from servers, computers, tablets, and/or mobile devices via the GATEWAY-protected servers. CipherLoc SHIELD was designed as a solution to be used as a data storage platform.

During 2018 and 2019, there were forward-looking public announcements by the Company's then-management of product names or segments that were not delivered to the market and are not presently available to customers. Our current management restructured the Company to invest material resources into only products and services that are deliverable, have viable economic potential, and may be publicly disclosed without adversely affecting our competitive position. The core of our product and service offerings will continue to be built around our patents and our polymorphic encryption technology ,which is a highly secure, quantum-ready data protection technology carrying FIPS 140-2 (Federal Information Processing Standard 140-2) validation certificate #3381 for the "CipherLoc Polymorphic Encryption Engine Core" solution by the National Institute of Standards and Technology (NIST). We focused our development efforts during 2020 to develop commercial application of its technology by advancing a Software Development Kit ("SDK") for the Polymorphic Encryption Core. By doing so, we have allowed potential customers to integrate and configure the PEC using the SDK.

Research and Development

Our research and development expenditures for the years ended September 30, 2020 and 2019 were $1,689,455 and $1,744,480, respectively. During December 2019, management determined that the maturity of our patented technology justified a cessation of academic research activity and the elimination of the chief scientist's role leading academic efforts. Cost savings from those actions are now allocated entirely to product development, product engineering, and revenue-generating sales activity. Management continued to emphasis these three areas during fiscal year 2020 and intends to do so during fiscal year 2021 as well.

Competition

The encryption software market sector is highly competitive, subject to rapid change, and significantly affected by new product introductions and other activities of market participants.

Some of our competitors in certain markets have greater financial, technical, sales, marketing and other resources than we do. Because of these and other factors, competitive conditions in these industries are likely to continue to intensify in the future. Increased competition could result in price reductions, reduced net revenue and profit margins and loss of market share, any of which could harm our business.

We believe that our future results depend largely upon our ability to better serve customers and by offering new product enhancements whether by internal development or acquisition. We also believe we must continue to provide existing product offerings that compete favorably with respect to ease of use, reliability, performance, range of useful features, reputation, and price.

We anticipate we will face increasing pricing pressures from competitors in the future. Given that there are low barriers to entry into the software market and that the market is subject to rapid technological change, we believe that competition will persist and intensify in the future.

Intellectual Property

Protective Measures

Our intellectual property is an important and vital asset of our company that enables us to develop, market, and sell our products and services and enhance our competitive position. Intellectual property includes our proprietary business and technical know-how, inventions, works of authorship, and confidential information. To protect our intellectual property, we rely primarily upon legal rights in trade secrets, patents, copyrights, and trademarks, in addition to company policies and procedures, security practices, contracts, and relevant operational measures.

We protect the confidentiality of proprietary information by entering into non-disclosure agreements with our employees, contractors, and channel and business partners, and we enter into license agreements with respect to our software and proprietary information that include confidentiality terms. These agreements are generally non-transferable and have either a perpetual or time-limited term. We also employ access controls and associated security measures to protect our facilities, equipment, and networks.

Patents, Copyrights, Trademarks, and Licenses

Our products, particularly our software and related documentation, are protected under U.S. and international copyright laws and laws related to the protection of intellectual property and proprietary rights. Currently, we have 6 patents, with approximately 5 patents pending with the U.S. Patent and Trademark Office. We employ procedures to label copyrightable works with the appropriate proprietary rights notices, and we actively enforce these rights in the U.S. and abroad. However, these measures may not provide adequate protection, and our intellectual property rights may be challenged.

Cipherloc's logo, is a registered trademark of the Company in the U.S. In the U.S., we are generally able to maintain our trademark rights and renew trademark registrations for as long as the trademarks are in use.

Government Regulations

Export Control Regulations. It is expected that all our products will be subject to U.S. export control laws and applicable foreign government import, export and/or use requirements. The level of control generally depends on the nature of the goods and services in question. For example, the level of control is impacted by the nature of the software and encryption incorporated into our products. Where controls apply, the export of our products may require an export license or authorization or that the transaction qualifies for a license exception or the equivalent and may also be subject to corresponding reporting requirements. For the export of some of our products, we may be subject to various post-shipment reporting requirements. Minimal U.S. export restrictions apply to all our products, whether or not they perform encryption functions. In the event we become a Department of Defense contractor, there are certain registration requirements that may be triggered by our sales. In addition, certain of our items and/or transactions may be subject to the International Traffic in Arms Regulations (ITAR) if our software or services are specifically designed or modified for defense purposes. Companies engaged in manufacturing or exporting ITAR-controlled goods and services (even if these companies do not export such items) are required to register with the U.S. State Department.

Enhancements to existing products may, and new products will, be subject to review under the Export Administration Act to determine what export classification they will receive. In light of the ongoing discussions regarding anti-terrorism legislation in the U.S. Congress, there continues to be discussions regarding the correct level of export control. Export regulations may be modified at any time. Modifications to the export regulations could reduce or eliminate our ability to export some or all of our products from the U.S. without a license in the future, which could put us at a disadvantage in competing for international sales compared to companies located outside of the U.S. that would not be subject to these restrictions. Modifications to the export regulations could prevent us from exporting our existing and future products in an unrestricted manner without a license or make it more difficult to receive the desired classification. If export regulations were to be modified in such a way, we may be put at a competitive disadvantage with respect to selling our products internationally. We will complete technical reviews on any new products that we acquire or develop that may be subject to these regulations before we can export them.

Privacy Laws. We may be subject to various international, federal and state regulations regarding the treatment and protection of personally identifying and other regulated information. Applicable laws may include, without limitation, U.S. federal laws and implementing regulations such as the GLBA and HIPAA, as well as state laws and regulations, and international laws and regulations including the European Union General Data Protection Regulation, or the GDPR, which replaced the European Union Data Protection Directive in May 2018. Additionally, some of these laws have requirements on the transmittal of data from one jurisdiction to another. In the event our systems are compromised by an unauthorized party, many of these privacy laws require that we provide notices to our customers whose personally identifiable data we reasonably believe may have been compromised. Additionally, if we transfer data in violation of these laws, we could be subjected to substantial fines. To mitigate the risk of compromised information, we use encryption and other security to protect our databases.

Personnel

As of the date of this Annual Report on Form 10-K, we have full-time employee, 1 part-time employee and two full-time contractors. These low employee and contractor counts reflect the actions made by the Company in March and April to reduce the monthly operating expenses. The Company has determined this level of staffing is appropriate to continue pursuing applications of its technology with prospective customers.

WHERE YOU CAN FIND MORE INFORMATION

You are advised to read this Form 10-K in conjunction with other reports and documents that we file from time to time with the SEC. In particular, please read our Quarterly Reports on Form 10-Q and Current Reports on Form 8-K that we file from time to time. You may obtain copies of these reports directly from us or from the SEC at the SEC's Public Reference Room at 100 F. Street, N.E. Washington, D.C. 20549, and you may obtain information about obtaining access to the Reference Room by calling the SEC at 1-800-SEC-0330. In addition, the SEC maintains information for electronic filers at its website http://www.sec.gov.

ITEM 1A. RISK FACTORS

Outlined below are some of the risks that we believe could affect our business and financial statements. An investment in our common stock involves a high degree of risk. You should carefully consider the following information about these risks, together with the other information contained in this Annual Report on Form 10-K, before investing in our common stock. If any of the events anticipated by the risks described below occur, our results of operations and financial condition could be adversely affected which could result in a decline in the market price of our common stock, causing you to lose all or part of your investment.

A pandemic, epidemic or outbreak of an infectious disease, such as COVID-19, may materially and adversely affect our business and operations.

On March 11, 2020, the World Health Organization declared the COVID-19 outbreak a pandemic. The COVID-19 pandemic is affecting the United States and global economies and may affect our operations and those of third parties on which we rely. While the potential economic impact brought by, and the duration of the COVID-19 pandemic is difficult to assess or predict, the impact of the COVID-19 pandemic on the global financial markets may reduce our ability to access capital, which could negatively impact our short-term and long-term liquidity. The ultimate impact of the COVID-19 pandemic is highly uncertain and subject to change. We do not yet know the full extent of potential delays or impacts on our business, financing or the global economy as a whole. However, these effects could have a material impact on our liquidity, capital resources, operations and business and those of the third parties on which we rely.

Because our common stock is quoted on the OTCQB instead of national exchange, our investors may have a difficulty selling their stock or may experience negative volatility on the market price of our common stock.

Our common stock is traded on the OTCQB Venture Market ("OTCQB") operated by the OTC Markets Group. The OTCQB is often highly illiquid, in part because it does not have a national quotation system by which potential investors can follow the market price of shares except through information received and generated by a limited number of broker-dealers that make markets in particular stocks. There is a greater chance of volatility for securities that trade on the OTCQB as compared to a national exchange or quotation system. This volatility may be caused by a variety of factors, including the lack of readily available price quotations, the absence of consistent administrative supervision of bid and ask quotations, lower trading volume, and market conditions. Investors in our common stock may experience high fluctuations in the market price and volume of the trading market for our securities. These fluctuations, when they occur, have a negative effect on the market price for our securities. Accordingly, our stockholders may not be able to realize a fair price from their shares when they determine to sell them or may have to hold them for a substantial period of time until the market for our common stock improves.

We depend significantly upon the continued involvement of our present management.

The Company's success depends significantly upon the involvement of our present management, who are in charge of our strategic planning and operations. We may need to attract and retain additional talented individuals in order to carry out our business objectives. The competition for individuals with expertise in this industry could be intense and there are no assurances that these individuals will be available to us.

Compliance with changing regulation of corporate governance and public disclosure will result in additional expenses and pose challenges for our management.

Changing laws, regulations and standards relating to corporate governance and public disclosure, including the Dodd-Frank Wall Street Reform and Consumer Protection Act and the rules and regulations promulgated there under, the Sarbanes-Oxley Act and SEC regulations, have created uncertainty for public companies and significantly increased the costs and risks associated with accessing the U.S. public markets. Our management team will need to devote significant time and financial resources to comply with both existing and evolving standards for public companies, which will lead to increased general and administrative expenses and a diversion of management time and attention from revenue generating activities to compliance activities.

Risks Related to Our Industry

We face intense competition.

We expect to experience intense competition across all markets for our products and services. Although we believe our business and product portfolio will be a competitive advantage, our competitors that are focused on narrower product lines may be more effective in devoting technical, marketing, and financial resources to compete with us. In addition, barriers to entry in our businesses generally are low, and products, once developed, can be distributed broadly and quickly at a relatively low cost. Open-source software vendors are devoting considerable efforts to developing software that mimics the features and functionality of our anticipated products. These competitive pressures may result in decreased sales volumes, price reductions, and/or increased operating costs, such as for marketing and sales incentives, resulting in lower revenue, gross margins, and operating income.

Our business depends on our ability to attract and retain talented employees.

Our business is based on successfully attracting and retaining talented employees. The market for highly skilled workers and leaders in our industry is extremely competitive. If we are less successful in our recruiting efforts, or if we are unable to retain key employees, our ability to develop and deliver successful products and services may be adversely affected. Effective succession planning is also important to our long-term success. Failure to ensure effective transfer of knowledge and smooth transitions involving key employees could hinder our strategic planning and execution.

Delays in product development schedules may adversely affect our revenues.

The development of software products is a complex and time-consuming process. New products can require long development and testing periods. Our increasing focus on innovative and new software presents new and complex development issues. Significant delays in new product releases or significant problems in creating new products could adversely affect our revenue.

Acquisitions and joint ventures may have an adverse effect on our business.

If we made acquisitions or entered into joint ventures as part of our long-term business strategy, these transactions would involve significant challenges and risks including that the transactions do not advance our business strategy, that we don't realize a satisfactory return on our investment, or that we experience difficulty in the integration of new employees, business systems, and technology, or diversion of management's attention from our other businesses. These events could harm our operating results or financial condition.

Risks Related to Our Securities

The market price for our common stock may be volatile, and you may not be able to sell our stock at a favorable price or at all.

Many factors could cause the market price of our common stock to rise and fall, including:

- actual or anticipated variations in our quarterly results of operations;
- changes in market valuations of companies in our industry;
- changes in expectations of future financial performance;
- fluctuations in stock market prices and volumes;
- issuances of dilutive common stock or other securities in the future;
- the addition or departure of key personnel;

- announcements by us or our competitors of acquisitions, investments or strategic alliances; and
- it is possible that the proceeds from sales of our common stock may not equal or exceed the prices you paid for the shares after including the costs and fees of making the sales

Substantial sales of our common stock, or the perception that such sales might occur, could depress the market price of our common stock.

We cannot predict whether future issuances of our common stock or resale in the open market will not decrease the market price of our common stock. The consequence of any such issuances or resale of our common stock on our market price may be increased as a result of the fact that our common stock is thinly, or infrequently, traded. The exercise of any options, or the vesting of any restricted stock that we may grant to directors, executive officers and other employees in the future, the issuance of common stock in connection with acquisitions and other issuances of our common stock, may decrease the market price of our common stock.

Holders of our common stock have a risk of potential dilution if we issue additional shares of common stock in the future.

The exercise of options and warrants and/or the conversion of preferred stock will dilute the shareholder's ownership percentage. We may issue options to purchase or grant up to an aggregate of 3,000,000 shares of common stock under our 2019 Stock Grant/Option Plan. We also have outstanding warrants to purchase 24,290,866 shares of our common stock. In the future, we may grant additional stock options, warrants, or convertible securities. The exercise or conversion of stock options, warrants, preferred stock, or convertible securities will dilute the ownership percentage of our other stockholders. The dilutive effect of the exercise or conversion of these securities may adversely affect our ability to obtain additional capital. The holders of these securities may be expected to exercise or convert their securities when we are able to obtain additional equity capital on terms more favorable than these securities.

We do not intend to pay cash dividends to our stockholders, so you will not receive any return on your investment in our Company prior to selling your interest in the Company.

The Company has never paid any cash dividends to our stockholders. We currently intend to retain any future earnings for funding growth and, therefore, do not expect to pay any cash dividends in the foreseeable future. As a result, you will not receive any return on your investment prior to selling your shares in our Company, and for the other reasons discussed in this "Risk Factors" section, you may not receive any return on your investment even when you sell your shares in our Company.

Our common stock is subject to restrictions on sales by broker-dealers and penny stock rules, which may be detrimental to investors.

Our common stock is subject to Rules 15g-1 through 15g-9 under the Exchange Act, which imposes certain sales practice requirements on broker-dealers who sell our common stock to persons other than established customers and "accredited investors" (as defined in Rule 501(a) of the Securities Act). For transactions covered by this rule, a broker-dealer must make a special suitability determination for the purchaser and have received the purchaser's written consent to the transaction prior to the sale. This rule adversely affects the ability of broker-dealers to sell our common stock and purchasers of our common stock to sell their shares of our common stock.

Additionally, our common stock is subject to SEC regulations applicable to “penny stocks.” Penny stocks include any non-Nasdaq equity security that has a market price of less than $5.00 per share, subject to certain exceptions. The regulations require that prior to any non-exempt buy/sell transaction in a penny stock; a disclosure schedule proscribed by the SEC relating to the penny stock market must be delivered by a broker-dealer to the purchaser of such penny stock. This disclosure must include the amount of commissions payable to both the broker-dealer and the registered representative and current price quotations for our common stock. The regulations also require that monthly statements be sent to holders of a penny stock that disclose recent price information for the penny stock and information of the limited market for penny stocks. These requirements adversely affect the market liquidity of our common stock.

Our Articles of Incorporation allow us to issue preferred stock without shareholder approval.

Our board of directors has “blank check” authority to issue up to 10,000,000 shares of preferred stock and to determine the price, rights, preferences, privileges and restrictions, including voting rights, of those shares without any additional vote or action by our shareholders. The rights of the holders of the common stock will be subject to, and could be materially adversely affected by, the rights of the holders of any preferred stock that may be issued in the future. For example, we could issue preferred stock that has superior rights to dividends or is convertible into shares of common stock. This might adversely affect the market price of the common stock.

If we experience delays and/or defaults in customer payments, we could be unable to recover all expenditures.

Because of the nature of our contracts, at times we commit resources to projects prior to receiving payments from the customer in amounts sufficient to cover expenditures on projects as they are incurred. Delays in customer payments may require us to make a working capital investment. If a customer defaults in making their payments on a project in which we have devoted resources, it could have a material negative effect on our working capital and results of operations.

If we do not effectively manage our growth, our existing infrastructure may become strained, and we may be unable to increase revenue growth.

Our past growth that we have experienced, and in the future may experience, may provide challenges to our organization, requiring us to expand our personnel and our operations. Future growth may strain our infrastructure, operations and other managerial and operating resources. If our business resources become strained, our earnings may be adversely affected, and we may be unable to increase revenue growth. Further, we may undertake contractual commitments that exceed our labor resources, which could also adversely affect our earnings and our ability to increase revenue growth.

The future issuance of equity or of other securities that are convertible into equity may dilute your investment and reduce your equity interest.

We may choose to raise additional capital in the future, depending on market conditions, strategic considerations and operational requirements. To the extent that additional capital is raised through the issuance of shares of our common stock or other securities convertible into shares of our common stock, our stockholders’ ownership interests in our Company will be diluted. Future issuances of our common stock, other equity securities or other securities convertible into shares of our common stock or other equity securities, the exercise of currently outstanding or future options or warrants for our common stock, or the perception that such sales or exercises may occur, could adversely affect the prevailing market price of our common stock and impair our ability to raise capital through future offerings of equity or equity-linked securities.

Our auditor indicated that certain factors raise substantial doubt about our ability to continue as a going concern.

The financial statements included with this report are presented under the assumption that we will continue as a going concern, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business over a reasonable length of time. We had a net loss of approximately $7.0 million for the year ended September 30, 2020 and an accumulated deficit in aggregate of approximately $68.4 million at year end. We are not generating sufficient operating cash flows to support continuing operations and expect to incur further losses in the development of our business.

In our financial statements for the year ended September 30, 2020, our auditor indicated that certain factors raised substantial doubt about our ability to continue as a going concern. These factors included our accumulated deficit, as well as the fact that we were not generating sufficient cash flows to meet our regular working capital requirements. Our ability to continue as a going concern is dependent upon our ability to generate future profitable operations and/or to obtain the necessary financing to meet our obligations and repay our liabilities arising from normal business operations when they come due. Management’s plan to address our ability to continue as a going concern includes: (1) obtaining debt or equity funding from private placement or institutional sources; and (2) generating cash flow from operations. Although management believes that it will be able to obtain the necessary funding to allow us to remain a going concern through the methods discussed above, there can be no assurances that such methods will prove successful. The accompanying financial statements do not include any adjustments that might result from the outcome of this uncertainty.

ITEM 1B. UNRESOLVED STAFF COMMENTS

Not applicable.

ITEM 2. PROPERTIES

We lease office space at 2107 Wilson Blvd. S#530, Arlington, Virginia. In February 2020, we entered into a lease agreement with our landlord for approximately 3,666 square feet. The lease was effective February 1, 2020 and has a five year and six months term. The initial monthly rent is $13,289, and the lease agreement provides for annual rent increases of approximately 2.7%. The amount of future payments guaranteed is $822,082. We terminated the employment with all of the employees working in the Arlington space during the restructure completed in April. As such, we have surrendered the space to the landlord and are actively negotiating an exit from the lease.

ITEM 3. LEGAL PROCEEDINGS

See “Litigation” in Note 7 – Commitments and Contingencies of the Notes to the Financial Statements in Part II, Item 8 of this Annual Report on Form 10-K.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Our common stock is traded on the over-the-counter market and quoted on the OTCQB Venture Market run by OTC Markets Group under the symbol "CLOK."

As of December 23, 2020, there were 27,505,196 shares of common stock of the Company issued and outstanding, and there were 1,121 holders of the Company's common stock. The actual number of holders of our common stock is greater than this number of record holders, and includes stockholders who are beneficial owners, but whose shares are held in street name by brokers or held by other nominees. This number of holders of record also does not include stockholders whose shares may be held in trust by other entities.

Dividends

We did not declare any dividends for the year ended September 30, 2020. Our Board of Directors does not intend to declare dividends in the foreseeable future. The declaration, payment, and amount of any future dividends will be made at the discretion our Board of Directors, and will depend upon, among other things, the results of our operations, cash flows and financial condition, operating and capital requirements, and other factors as the Board of Directors considers relevant. There is no assurance that future dividends will be paid, and if dividends are paid, there is no assurance with respect to the amount of any such dividend.

Transfer Agent

The Transfer Agent and Registrar for our common stock is Pacific Stock Transfer Company located in Las Vegas, Nevada.

Recent Sales of Unregistered Securities

Stock Issued for Cash

During the year ended September 30, 2020, there was no stock issued for cash.

Stock and Stock Options Issued to Board of Directors and Officers

During the year ended September 30, 2020, the Company issued 620,000 stock options to employees that were subsequently forfeited due to employee terminations. Stock compensation expense for $194,896 was recognized in the period.

During the year ended September 30, 2019, the Company issued 9,346 shares of common stock with a fair value of $11,216 to its employees as part of their compensation. The Company also issued 1,100,000 stock options to members of the board of directors and officers with a Black Scholes value of $862,000 to vest ratably over a three-year period. Stock compensation expense for $45,942 was recognized in the period.

During the year ended September 30, 2020, 300,000 stock options were cancelled due to the termination of employment. As of September 30, 2020, 800,000 stock options are outstanding. None of the shares are in the money and the unamortized amount of stock compensation as of September 30, 2020 is $383,453.

Stock Issued for Services

During the year ended September 30,2020, the Company did not issue any stock for services.

During the year ended September 30, 2019, the Company issued 20,000 shares of common stock with a fair value of $40,000 to a consultant for consulting services rendered.

The foregoing offers, sales and issuances were exempt from registration under Section 4(a)(2) of the Securities Act.

ITEM 6. SELECTED FINANCIAL DATA

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

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis should be read in conjunction with our financial statements, including the notes thereto, appearing elsewhere in this Annual Report on Form 10-K.

Our Business

We are developing products and services around our patented polymorphic encryption technology designed to enable a more efficient and stronger layer of protection to be added to existing solutions. Through a licensing program, we anticipate offering the first secure commercially viable advanced "Polymorphic Encryption Core" ("PEC") software developers kit to be used in any commercial data security industry and/or in sensitive applications.

Our innovative and patented polymorphic technology eliminates the flaws and inadequacies associated with today's encryption algorithms. Instead of dealing with large monolithic blocks of data, our approach decomposes the information to be protected into multiple segments. These individual segments each have a unique encryption key, utilize different encryption algorithms, are randomly grouped into different lengths, and can be further re-encrypted. Since segments are independent from each other and are individually protected, our technology is not susceptible to computational attacks. In fact, the strength of our technology improves as compute power increases.

Critical Accounting Policies

Our financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The preparation of these financial statements requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Our management periodically evaluates the estimates and judgments made. Management bases its estimates and judgments on historical experience and on various factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates as a result of different assumptions or conditions.

The methods, estimates, and judgment we use in applying our most critical accounting policies have a significant impact on the results we report in our financial statements. The SEC has defined "critical accounting policies" as those accounting policies that are most important to the portrayal of our financial condition and results and require us to make our most difficult and subjective judgments, often as a result of the need to make estimates of matters that are inherently uncertain. Based upon this definition, our most critical estimates are accounting for convertible debt and embedded derivatives, software revenue recognition, and stock issued to employees and non-employees. Our most critical accounting policies applicable to the periods presented are noted below. For additional information see Note 2, "Significant Accounting Policies" in the notes to our financial statements appearing elsewhere in this report. Although we believe that our estimates and assumptions are reasonable, they are based upon information presently available, and actual results may differ significantly from these estimates.

Our critical accounting policies and estimates are those related to revenue recognition, deferred income taxes, accounting for share-based payments, and litigation.

Revenue Recognition. We adopted the new accounting revenue standard for revenue recognition effective October 1, 2018 using the modified retrospective transition method applied to those contracts which were not completed as of October 1, 2018. Results for reporting periods beginning after October 1, 2018 are presented under this new guidance, while prior period amounts are not adjusted and continue to be reported in accordance with our historic accounting under previous revenue guidance. See Note (1) Summary of Significant Accounting Policies.

The Company's contracts with customers often include promises to transfer multiple products and services to a customer. Determining whether products and services are considered distinct performance obligations that should be accounted for separately versus together may require significant judgment.

Judgment is required to determine the standalone selling price ("SSP") for each distinct performance obligation. For products and services aside from maintenance and support, the Company estimates SSP by adjusting the list price by historical discount percentages. SSP for software and hardware maintenance and support fees is based on the stated percentages of the fees charged for the respective products.

The Company's perpetual and term software licenses have significant standalone functionality and therefore revenue allocated to these performance obligations are recognized at a point in time upon electronic delivery of the download link and the license keys. For certain arrangements revenue is recognized based on usage or ratably over the term of the arrangement.

Product maintenance and support services are satisfied over time as they are stand-ready obligations throughout the support period. As a result, revenues associated with maintenance services are deferred and recognized as revenue ratably over the term of the contract.

Revenues associated with professional services are recognized at a point in time upon customer acceptance.

Accounting for Share-Based Payments. As discussed further in Note (10) Share-Based Payment Arrangements , to our consolidated financial statements, we account for share-based awards in accordance with the authoritative guidance issued by the FASB on stock compensation.

We have used and expect to continue to use the Black-Scholes option-pricing model to compute the estimated fair value of share-based compensation expense. The Black-Scholes option-pricing model includes assumptions regarding dividend yields, expected volatility, expected option term and risk-free interest rates. The assumptions used in computing the fair value of share-based compensation expense reflect our best estimates, but involve uncertainties relating to market and other conditions, many of which are outside of our control. We estimate expected volatility based primarily on historical daily price changes of our stock and other factors. The expected option term is the number of years that we estimate that the stock options will be outstanding prior to exercise. The estimated expected term of the stock awards issued has been determined pursuant to SEC Staff Accounting Bulletin SAB No. 110. If other assumptions or estimates had been used, the share-based compensation expense that was recorded for the years ended September 30, 2019 and 2018 could have been materially different. Furthermore, if different assumptions or estimates are used in future periods, share-based compensation expense could be materially impacted in the future.

Under ASC 718-20-35-7, Repurchase or Cancellation of equity awards, the amount of cash or other assets transferred (or liabilities incurred) to repurchase an equity award shall be charged to equity, to the extent that the amount paid does not exceed the fair value of the equity instruments repurchased at the repurchase date. Any excess of the repurchase price over the fair value of the instruments repurchased shall be recognized as additional compensation cost.

Results of Operations

Fiscal Year Ended September 30, 2020 Compared to Fiscal Year Ended September 30, 2019

Revenue increased to $47,983 for the year ended September 30, 2020 from $46,600 for the year ended September 30, 2019. There was no cost of revenues for the years ended September 30, 2020 or September 30, 2019.

General and administrative expenses increased to $4,573,673 for the year ended September 30, 2020 from $3,372,047 for the year ended September 30, 2019. The increases in general and administrative expenses primarily resulted from higher legal expenses of $1,043,820, an impairment loss related to the operating leases of $382,962, increase in stock compensation of $153,355 , an increase in corporate insurance of $142,197 and an increase in salary expense of $101,099 offset by decrease in payroll taxes of $236,369 along with, the decrease in miscellaneous expense over last year that included payments totaling $416,000 to Quality Healthcare International, Inc. (“QHI”) and Noun Energy.

Sales and marketing expenses decreased to $710,595 for the year ended September 30, 2020 from $1,772,197 for the year ended September 30, 2019. Sales and marketing expenses decreased primarily due to non-recurring payments made to Ageos during 2019 to hire individual sales consultants under contract with the Company for $1,217,072 and a decrease in travel related costs of $49,559 offset by an increase in salary expense of $205,029.

Research and development expenses decreased to $1,689,455 for the year ended September 30, 2020 from $1,744,480 for the year ended September 30, 2019. Research and development expenses decreased primarily as a result lower salary expense of $604,489, a decrease in stock compensation of $15,615 offset by an increase in consulting expense of $565,079

Total other expenses, net, increased to $44,332 for the year ended September 30, 2020 from $8,101 for the year ended September 30, 2019. The increase is a result of losses on the disposal of fixed assets.

Liquidity and Capital Resources

We had an accumulated deficit as of September 30, 2020 of $68,426,608. We expect to generate continued operating losses until we generate revenues sufficient to exceed our operating expenses. At September 30, 2020, we had $1,079,839 in cash. We do not believe that our existing cash balances are sufficient to fund future operations for the next 12 months. We are considering options to issue additional equity as a means to increase liquidity sufficient to fund operations through December 31, 2021.

Cash Flows

The following table summarizes, for the periods indicated, selected items in our Statements of Cash Flows:

	Year Ended September 30,	
	2020	2019
Net cash (used in) provided by:		
Operating activities	$ (6,646,091)	$ (6,139,815)
Investing activities	$ (28,972)	$ (37,059)
Financing activities	$ (84,570)	$ (40,000)

Operating Activities

For the year ended September 30, 2020, cash used in operating activities was $6,646,091, primarily attributable to a net loss of $6,970,072 non-cash items of $640,433 and a net change in net operating assets and liabilities of $316,452. Non-cash items primarily consisted of an impairment loss of $382,961 related to operating leases, stock compensation expense of $194,896, a net loss on disposal of assets of $44,332 and depreciation of $18,243. The change in our net operating assets and liabilities was primarily due to an increase in prepaid and other assets of $322,912 and an increase in accounts payable and accrued liabilities of $6,460. The Company used cash during the year to pay for the cost of general and administrative, sales and marketing, and research and development activities which combined to be $6,973,723.

For the year ended September 30, 2019, cash used in operating activities was $6,139,815, primarily attributable to a net loss of $6,834,023, partially offset by the net change in our net operating assets and liabilities of $580,123 and non-cash charges of $114,085. The change in our net operating assets and liabilities was primarily due to an increase in prepaid expenses and other assets of $116,719 and an increase in accounts payable and accrued liabilities of $696,842. Non-cash charges consisted of stock compensation of $57,158, shares issued in exchange for services of $40,000 and depreciation of $16,927.

Investing Activities

Cash used in investing activities was $28,972 and $37,059, attributable to the purchases of property and equipment for the years ended September 30, 2020 and 2019, respectively.

Financing Activities

For the year ended September 30, 2020, cash provided by financing activities was $215,430, primarily derived from the proceeds from the PPA loan of $365,430, offset by a payment of $450,000 for the repurchase of treasury stock.

For the years ended September 30, 2019, cash used in financing activities was $40,000, was due to a payout related to an oversubscription on a capital raise.

Off-Balance Sheet Arrangements

We did not have during the periods presented, nor do we currently have, any off-balance sheet arrangements as defined under applicable SEC rules.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

ITEM 8. FINANCIAL STATEMENTS

CIPHERLOC CORPORATION

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and
Stockholders of Cipherloc Corporation

Opinion on the Financial Statements

We have audited the accompanying balance sheets of Cipherloc Corporation (the "Company") as of September 30, 2020 and 2019, and the related statements of operations, stockholders' equity (deficit), and cash flows for each of the years in the two-year period ended September 30, 2020, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of September 30, 2020 and 2019, and the results of its operations and its cash flows for each of the years in the two-year period ended, in conformity with accounting principles generally accepted in the United States of America.

The Company's Ability to Continue as a Going Concern

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 2 to the financial statements, the Company has incurred recurring losses from its operations, has negative working capital, and a significant accumulated deficit, which raise substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 2. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Basis for Opinion

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

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

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

/s/ Briggs & Veselka Co.

We have served as the Company's auditor since 2019.
Houston, Texas

December 28, 2020

CIPHERLOC CORPORATION
BALANCE SHEETS

	September 30, 2020	September 30, 2019
ASSETS		
Current assets		
Cash	$ 1,079,839	$ 7,839,472
Prepaid expenses	258,424	121,371
Total current assets	1,338,263	7,960,843
Other assets	200,000	7,566
Operating lease ROU asset	291,140	—
Fixed assets, net	—	40,182
Total assets	$ 1,829,403	$ 8,008,591
LIABILITIES & STOCKHOLDERS' EQUITY (DEFICIT)		
Current liabilities		
Accounts payable and accrued liabilities	$ 840,234	$ 650,681
Accrued compensation	10,000	142,293
Operating lease liability – current portion	132,608	—
Paycheck protection program loan – current portion	216,902	—
Deferred revenue	15,417	28,400
Total current liabilities	1,215,161	821,374
Paycheck protection program loan – long term	148,528	—
Operating lease liability – long-term portion	603,676	—
Total liabilities	1,967,365	821,374
Commitments and contingencies		
Series A convertible preferred stock, $0.01 par value, 1,000,000 shares authorized; 1,000,000 shares issued and outstanding as of September 30, 2020 and September 30, 2019	10,000	10,000
Common stock, $0.01 par value, 681,000,000 shares authorized; 27,505,196 and 40,792,510 shares outstanding; and 40,792,510 and 40,792,510 issued as of September 30, 2020 and September 30, 2019, respectively	407,925	407,925
Treasury stock, at cost 13,287,314 shares	(550,000)	—
Additional paid-in capital	68,420,721	68,225,828
Accumulated deficit	(68,426,608)	(61,456,536)
Total stockholders' equity (deficit)	(137,962)	7,187,217
Total liabilities and stockholders' equity (deficit)	$ 1,829,403	$ 8,008,591

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

CIPHERLOC CORPORATION
STATEMENTS OF OPERATIONS

	For the Year Ended September 30, 2020	For the Year Ended September 30, 2019
Revenues	$ 47,983	$ 46,600
Cost of revenues	—	—
Gross profit	47,983	46,600
Operating expenses:		
General and administrative	4,573,673	3,372,047
Sales and marketing	710,595	1,772,197
Research and development	1,689,455	1,744,480
Total operating expenses	6,973,723	6,888,724
Operating loss	(6,925,740)	(6,842,124)
Other (expenses) income:		
Loss on disposal of asset	(44,332)	—
Interest income, net	—	8,101
Total other income, net	(44,332)	8,101
Net loss	$ (6,970,072)	$ (6,834,023)
Net loss per common share - Basic and diluted:	$ (0.18)	$ (0.17)
Weighted average common shares outstanding - Basic and diluted	39,495,185	40,792,510

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

CIPHERLOC CORPORATION
STATEMENTS OF STOCKHOLDERS' EQUITY
FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019

	Preferred Stock		Common Stock			Additional		Stockholders'
	Shares	Amount	Shares Issued	Amount	Treasury Stock	Paid-in Capital	Accumulated Deficit	Equity (Deficit)
Balance at, September 30, 2018	1,000,000	$ 10,000	40,743,917	$ 407,438	$ 0	$ 68,169,157	$ (54,622,513)	$ 13,964,082
Common stock issued to an employee	—	—	9,346	94		11,122	—	11,216
Stock option expense issued to directors and officers	—	—	—	—		45,942	—	45,942
Common stock issued for services	—	—	20,000	200		39,800	—	40,000
Correction of shares outstanding	—	—	19,247	193		(193)	—	—
Refund of oversubscription	—	—	—	—		(40,000)	—	(40,000
Net loss	—	—	—	—		—	(6,834,023)	(6,834,023)
Balance at September 30, 2019	1,000,000	$ 10,000	40,792,510	$ 407,925	$ 0	$ 68,225,825	$ (61,456,536)	$ 7,187,217
Stock option expense issued to directors and officers	—	—	—	—		194,896	—	194,896
Purchase of treasury stock	—	—	—	—	$ (550,000)	—	—	$ (550,000)
Net loss	—	—	—	—		—	(6,970,072)	(6,970,072)
Balance at September 30, 2020	1,000,000	$ 10,000	40,792,510	$ 407,925	$ (550,000)	$ 68,420,721	$ (68,426,608)	$ (137,962)

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

CIPHERLOC CORPORATION
STATEMENTS OF CASH FLOWS

	For the Year Ended September 30, 2020	For the Year Ended September 30, 2019
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$ (6,970,072)	$ (6,834,023)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation	18,243	16,927
Stock-based compensation	194,896	57,158
Impairment loss	382,961	—
Loss on disposal of asset	44,333	—
Stock issued for services	—	40,000
Changes in operating assets and liabilities:		
Prepaid expenses and other assets	(322,912)	(116,719)
Accounts payable and accrued liabilities	151,736	598,638
Accrued compensation	(132,293)	69,804
Deferred revenue	(12,983)	28,400
Net cash used in operating activities	(6,646,091)	(6,139,815)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(28,972)	(37,059)
Net cash used in investing activities	(28,972)	(37,059)
CASH FLOWS FROM FINANCING ACTIVITIES		
Purchase of treasury stock	(450,000)	—
Proceeds from PPP loan	365,430	—
Repayment of oversubscription	—	(40,000)
Net cash provided by (used in) financing activities	(84,570)	(40,000)
DECREASE IN CASH	(6,759,633)	(6,216,874)
CASH, BEGINNING OF YEAR	7,839,472	14,056,346
CASH, END OF YEAR	$ 1,079,839	$ 7,839,472
NON-CASH INVESTING AND FINANCING ACTIVITIES :		
Capitalization of ROU asset	$ 746,125	$ —
ST operating lease liability recorded	$ 61,264	$ —
LT operating lease liability recorded	$ 684,861	$ —
Unpaid treasury stock	$ 100,000	—

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

NOTE 1 - DESCRIPTION OF BUSINESS

Cipherloc Corporation (the “Company” or “Cipherloc”) was incorporated in the State of Texas on June 22, 1953 as American Mortgage Company. Effective August 27, 2014, the Company changed its name to Cipherloc Corporation.

NOTE 2 - GOING CONCERN

We do not believe that our existing cash balances are sufficient to fund future operations for the next 12 months. We are considering options to issue additional equity as a means to increase liquidity sufficient to fund operations into the start of calendar year 2022. If we are unsuccessful doing so, then the Company will cease operations.

At September 30, 2020, the Company had not yet achieved profitable operations. We had a net loss of approximately $7.0 million for the year ended September 30, 2020 and had an accumulated deficit in aggregate of approximately $68.4 million since our inception. We expect to incur further losses in the development of our business. These conditions raise substantial doubt about the Company’s ability to continue as a going concern.

The Company’s ability to continue as a going concern is dependent on its ability to generate future profitable operations and/or to obtain the necessary financing to meet its obligations and repay its liabilities arising from normal business operations when they come due. Management’s plan to address the Company’s ability to continue as a going concern includes: (1) obtaining debt or equity funding from private placement or institutional sources; (2) generating cash flow from operations. Although management believes that it will be able to obtain the necessary funding to allow the Company to remain a going concern through the methods discussed above, there can be no assurances that such methods will prove successful.

These financial statements have been prepared assuming that the Company will continue as a going concern and therefore, the financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or the amount and classifications of liabilities that may result from the outcome of this uncertainty.

NOTE 3 – SIGNIFICANT ACCOUNTING POLICIES

The Company prepares its financial statements in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”). Significant accounting policies are as follows:

Use of Estimates and Assumptions

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect (i) the reported amounts of assets and liabilities, (ii) the disclosure of contingent assets and liabilities known to exist as of the date the financial statements are published, and (iii) the reported amount of net revenues and expenses recognized during the periods presented. Adjustments made with respect to the use of estimates often relate to improved information not previously available. Uncertainties with respect to such estimates and assumptions are inherent in the preparation of financial statements; accordingly, actual results could differ from these estimates. The Company’s most significant estimate relates to the valuation of its convertible note.

Legal

The Company is subject to legal proceedings, claims and liabilities which arise in the ordinary course of business. The Company accrues for losses associated with legal claims when such losses are probable and can be reasonably estimated. These accruals are adjusted as additional information becomes available or circumstances change. Legal fees are charged to expense as they are incurred.

Cash and Cash Equivalents and Concentration of Credit Risk

The Company considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. The Company did not have any cash equivalents as of September 30, 2020 and 2019. At September 30, 2020 and 2019, cash includes cash on hand and cash in the bank. The Company maintains its cash in accounts held by large, globally recognized banks which, at times, may exceed federally insured limits as guaranteed by the Federal Deposit Insurance Corporation (FDIC). The FDIC insures these deposits up to $250,000. As of September 30, 2020, $829,839 of the Company’s cash balance was uninsured. The Company has not experienced any losses on cash.

Fixed Assets

Fixed assets are recorded at cost and depreciation is provided over the estimated useful lives of the related assets using the straight-line method for financial statement purposes. Equipment and furniture are depreciated over an estimated useful life of three (3) to five (5) years. Leasehold improvements are depreciated over the lesser of the related lease term or a useful life of ten (10) years. Software is depreciated over an estimated useful life of three (3) years.

Long-Lived Assets

Long-lived assets are evaluated for impairment whenever events or changes in business circumstances indicate that the carrying amount of the assets may not be fully recoverable or that the useful lives of these assets are no longer appropriate. Each impairment test is based on a comparison of the undiscounted future cash flows to the recorded value of the asset. If impairment is indicated, the asset is written down to its estimated fair value. There was no impairment recorded during the year ended September 30, 2019. During the year ended September 30, 2020, the Company recorded an impairment loss of $382,961 related to its Virginia lease. In addition, the Company recorded a loss of $44,336 on the disposal of fixed assets.

Fair Value of Financial Instruments

The Company's financial instruments consisted primarily of cash, accounts payable and accrued expenses, deferred revenue, convertible note payable, as well as embedded conversion features. The carrying amounts of such financial instruments approximate their respective estimated fair value due to the short-term maturities and approximate market interest rates of these instruments.

Fair value is focused on an exit price that would be received upon sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Within the measurement of fair value, the use of market-based information is prioritized over entity specific information and a three-level hierarchy for fair value measurements is used based on the nature of inputs used in the valuation of an asset or liability as of the measurement date.

The three-level hierarchy for fair value measurements is defined as follows:

- Level 1 – inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets;

- Level 2 – inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability other than quoted prices, either directly or indirectly, including inputs in markets that are not considered to be active;

- Level 3 – inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The fair values of the embedded conversion features in the Company's convertible notes and of the warrants issued by the Company were determined using level 2 measurements and are discussed in further detail in Notes 5 and 8, respectively.

Customer Concentration

During the year ended September 30, 2020 two customers accounted for approximately 100% of the Company's revenues. During the year ended September 30, 2019, one customer accounted for approximately 100% of the Company's revenues.

Revenue Recognition

The Company recognizes revenues in accordance with the provisions of Accounting Standards Update 2014-09, “Revenue from Contracts with Customers,” and a series of amendments which together we identify as “ASC Topic 606”. This new accounting standard, which we adopted on October 1, 2018 using the permitted modified retrospective method, outlines a single comprehensive model for entities to use in accounting for revenues arising from contracts with customers. The new standard supersedes most previous revenue recognition guidance, including industry-specific guidance. The effect of the adoption of ASC Topic 606 on retained earnings as of October 1, 2018 was not material. The differences between our reported operating results for the nine months ended June 30, 2020, which reflect the application of the new standard on our contracts, and the results that would have been reported if the accounting was performed pursuant to the accounting standards previously in effect, also were not material.

Central to the new revenue recognition guidance is a five-step revenue recognition model that requires reporting entities to:

1. Identify the contract,
2. Identify the performance obligations of the contract,
3. Determine the transaction price of the contract,
4. Allocate the transaction price to the performance obligations, and
5. Recognize revenue.

The Company accounts for a promise to provide a customer with a right to access the Company’s intellectual property as a performance obligation satisfied over time because the customer will simultaneously receive and consume the benefit from the entity’s performance of providing access to its intellectual property as the performance occurs.

<u>Nature of Products and Services</u>

Licenses for on-premises software provide the customer with a right to use the software as it exists when made available to the customer. Customers may purchase perpetual licenses or subscribe to licenses, which provide customers with the same functionality and differ mainly in the duration over which the customer benefits from the software. Revenue from distinct on-premises licenses is recognized upfront at the point in time when the software is made available to the customer. In cases where the license is being modified at the direction of the customer the revenue is being recognized ratably over the term of the arrangement. Revenue allocated to software maintenance and support services is recognized ratably over the contractual support period.

Professional services are primarily related to software implementation services and associated revenue is recognized upon customer acceptance.

<u>Contract Balances</u>

Timing of revenue recognition may differ from the timing of invoicing to customers. The Company records a contract asset or receivable when revenue is recognized prior to invoicing, or unearned revenue when revenue is recognized subsequent to invoicing. For perpetual licenses with multi-year product maintenance agreements, the Company generally invoices customers at the beginning of the coverage period. For multi-year subscription licenses, the Company generally invoices customers annually at the beginning of each annual coverage period. The Company records a contract asset related to revenue recognized for multi-year on-premises licenses as its right to payment is conditioned upon providing product support and services in future years.

There were no accounts receivable balances on September 30, 2020 and 2019. There was no adjustment needed to the accounts receivable for the cumulative effect of applying ASC 606 under the modified retrospective method. There was no impact on the opening balance contract assets and liabilities, for the cumulative effect of applying ASC 606 under the modified retrospective method as of October 1, 2018.

Deferred revenue is comprised mainly of unearned revenue related maintenance and technical support on term and perpetual licenses. Maintenance and technical support revenue are recognized ratably over the coverage period. Deferred revenue also includes contracts for professional services to be performed in the future which are recognized as revenue when the company delivers the related service pursuant to the terms of the customer arrangement.

Changes in deferred revenue were as follows:

Year Ended September 30, 2019		
Balance on September 30, 2018	$	—
Cumulative effect of applying ASC 606 under the modified retrospective method*		—
Deferral of revenue		75,000
Recognition of revenue		(46,600)
Balance at September 30, 2019	$	28,400
Year Ended September 30, 2020		
Balance on September 30, 2019	$	28,400
Deferral of revenue		35,000
Recognition of revenue		(47,983)
Balance at September 30, 2020	$	15,417

*See Note (1) Summary of Significant Accounting Policies, section *(s)* to our Financial Statements for further information.

Deferred revenue includes invoiced revenue allocated to remaining performance obligations that has not yet been recognized and will be recognized as revenue in future periods. Deferred revenue was $15,417 as of September 30, 2020, of which the Company expects to recognize 100% of the revenue over the next 12 months.

Payment terms and conditions vary by contract type, although terms generally include a requirement of payment within 30 to 90 days. In instances where the timing of revenue recognition differs from the timing of invoicing, the Company has determined its contracts generally do not include a significant financing component. The primary purpose of the Company's invoicing terms is to provide customers with simplified and predictable ways of purchasing its products and services, not to receive financing from our customers or to provide customers with financing. Examples include invoicing at the beginning of a subscription term with maintenance and support revenue recognized ratably over the contract period, and multi-year on-premises licenses that are invoiced annually with product revenue recognized upon delivery.

Significant Judgments

The Company's contracts with customers often include promises to transfer multiple products and services to a customer. Determining whether products and services are considered distinct performance obligations that should be accounted for separately versus together may require significant judgment.

Judgment is required to determine the standalone selling price ("SSP") for each distinct performance obligation. For products and services aside from maintenance and support, the Company estimates SSP by adjusting the list price by historical discount percentages. SSP for software and hardware maintenance and support fees is based on the stated percentages of the fees charged for the respective products. The Company's perpetual and term software licenses may have significant standalone functionality and therefore revenue allocated to these performance obligations are recognized at a point in time upon electronic delivery of the download link and the license keys. In cases where the license is being modified at the direction of the customer the revenue is being recognized ratably over the term of the arrangement. Product maintenance and support services are satisfied over time as they are stand-ready obligations throughout the support period. As a result, revenues associated with maintenance services are deferred and recognized as revenue ratably over the term of the contract.

Revenues associated with professional services are recognized at a point in time upon customer acceptance.

Assets Recognized from Costs to Obtain a Contract with a Customer

The Company recognizes an asset for the incremental costs of obtaining a contract with a customer if it expects the benefit of those costs to be longer than one year. The Company has determined that its sales commission program meets the requirements for cost capitalization. Total capitalized costs to obtain a contract were immaterial during the periods presented. The Company applies a practical expedient to expense costs as incurred for costs to obtain a contract with a customer when the amortization period would have been one year or less.

Software license revenue is generally recognized when a signed contract or other persuasive evidence of an arrangement exists, the software has been electronically delivered, the license fee is fixed or is measured on a paid user basis, and collection of the resulting receivable is probable. When contracts contain multiple elements wherein Vendor-Specific Objective Evidence ("VSOE") exists for all undelivered elements, we account for the delivered elements in accordance with the "Residual Method." VSOE of fair value for maintenance and support is established by a stated renewal rate, if substantive, included in the license arrangement or rates charged in stand-alone sales of maintenance and support. Revenue from subscription license agreements, which include software, rights to unspecified future products and maintenance, is recognized ratably over the term of the subscription period. When the fair value of VSOE of post contract customer support cannot be determined, the revenue is recognized ratably over the contract period. The only remaining undelivered element was post contract support services, and accordingly, the revenues were recognized on a pro rata basis prospectively over the terms of the related contracts. Deferred revenue results from fees billed to or collected from customers for which revenue has not yet been recognized.

The Company had deferred revenue of $15,417 and $28,400 as of September 30, 2020 and 2019, respectively.

Research and Development and Software Development Costs

The Company expenses all research and development costs, including patent and software development costs. Our research and development costs incurred for the years ended September 30, 2020 and 2019 were $1,689,455 and $1,744,480, respectively.

Stock-Based Compensation

The Company measures the cost of services provided by employees and non-employees in exchange for an award of an equity instrument based on the grant-date fair value of the award. There were stock options issued during the year ended September 30, 2020, however, awards were subsequently forfeited. Outstanding awards are the awards issued for the fiscal year 2019. There were both fully vested stock grants and stock options granted to employees and non-employees during the year ended September 30, 2019. As such, compensation cost was recognized for grant as well as a ratable portion for the stock options vesting over a three-year time frame.

The Company accounts for share-based payments in accordance with the authoritative guidance issued by the FASB on share-based compensation, which establishes the accounting for transactions in which an entity exchanges its equity instruments for goods or services. Under the provisions of the authoritative guidance, share-based compensation expense is measured at the grant date, based on the fair value of the award, and is recognized as an expense over the requisite employee service period (generally the vesting period), net of actual forfeitures. The Company estimates the fair value of share-based payments using the Black-Scholes option-pricing model. Additionally, share-based awards to non-employees are expensed over the period in which the related services are rendered at their fair value. All share-based awards are expected to be fulfilled with new shares of common stock.

Under ASC 718-20-35-7, Repurchase or Cancellation of equity awards, the amount of cash or other assets transferred (or liabilities incurred) to repurchase an equity award shall be charged to equity, to the extent that the amount paid does not exceed the fair value of the equity instruments repurchased at the repurchase date. Any excess of the repurchase price over the fair value of the instruments repurchased shall be recognized as additional compensation cost.

Income Taxes

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

The Company uses the two-step approach to recognize and measure uncertain tax positions. The first step is to evaluate the tax position for recognition by determining if the weight of available evidence indicates it is more likely than not, that the position will be sustained on audit, including resolution of related appeals or litigation processes, if any. The second step is to measure the tax benefit as the largest amount, which is more than 50% likely of being realized upon ultimate settlement. The Company considers many factors when evaluating and estimating the Company's tax positions and tax benefits, which may require periodic adjustments. The Company did not record any liabilities for uncertain tax positions during the years ended September 30, 2020 or 2019.

Basic and Diluted Net Loss per Common Share

Basic loss per share is computed by dividing net loss available to common shareholders by the weighted average number of common shares outstanding during the reporting period. The weighted average number of shares is calculated by taking the number of shares outstanding and weighting them by the amount of time that they were outstanding. Diluted earnings per share reflects the potential dilution that could occur if stock options, warrants, and other commitments to issue common stock were exercised or equity awards vest resulting in the issuance of common stock that could share in the earnings of the Company. As of September 30, 2020, and 2019, the Company had 1,000,000 shares of preferred stock outstanding, which are convertible into 1,500,000 shares of common stock.

Diluted loss per share is the same as basic loss per share during periods where net losses are incurred since the inclusion of the potential common stock equivalents would be anti-dilutive as a result of the net loss. During the year ended September 30, 2020, 24,146,866 warrants, 800,000 stock options and 1,000,000 shares of convertible preferred stock were excluded from the calculation of diluted loss per share because their effect would be anti-dilutive. During the year ended September 30, 2019, 24,290,866 warrants, 1,100,000 stock options, and 1,000,000 shares of convertible preferred stock were excluded from the calculation of diluted loss per share because their effect would be anti-dilutive.

Recent Accounting Announcements

The Financial Accounting Standards Board ("FASB") issues Accounting Standards Updates ("ASU") to amend the authoritative literature in the ASC. There have been several ASUs to date that amend the original text of the ASCs. Other than those discussed below, the Company believes those ASUs issued to date either (i) provide supplemental guidance, (ii) are technical corrections, (iii) are not applicable to the Company or (iv) are not expected to have a significant impact on the Company.

In December 2019, the FASB issued ASU 2019-12, *Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes.* This guidance removes certain exceptions to the general principles in Topic 740 and enhances and simplifies various aspects of the income tax accounting guidance, including requirements such as tax basis step-up in goodwill obtained in a transaction that is not a business combination, ownership changes in investments, and interim-period accounting for enacted changes in tax law. This standard is effective for fiscal years and interim periods within those fiscal years beginning after December 15, 2020. Early adoption is permitted. The Company are currently evaluating the impact of ASU 2019-12 on its financial statements, which is effective for the Company in its fiscal year and interim periods beginning on October 1, 2021.

In August 2018, the FASB issued ASU 2018-13, *Fair Value Measurements (Topic 820) – Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement*, to modify the disclosure requirements for fair value measurements. The ASU removes certain disclosure requirements related to transfers between fair value hierarchy levels and valuation processes for Level 3 fair value measurements. It modifies certain disclosure requirements for investments in entities that calculate net asset value. It adds certain disclosure requirements regarding gains and losses for recurring Level 3 fair value measurements and unobservable inputs used to develop Level 3 fair value measurements. ASU 2018-13 is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. The Company adopted ASU 2018-13 on October 1, 2019 and the adoption of this update did not have a material impact on the Company's notes to the financial statements.

In June 2018, the FASB issued ASU 2018-07, *Compensation – Stock Compensation (Topic 718) – Improvements to Nonemployee Share-Based Payment Accounting*, to expand the scope of Topic 718, *Compensation – Stock Compensation*, which currently only includes share-based payments to employees, to include share-based payments issued to nonemployees for goods or services. Thus, accounting for share-based payments to nonemployees and employees will be substantially aligned. ASU 2018-07 is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018. The Company adopted ASU 2018-07 on October 1, 2019 and the adoption of this update did not have a material impact on the Company's financial position, results of operations and cash flows.

In February 2016, the FASB issued ASU 2016-02, Leases, which aims to make leasing activities more transparent and comparable and requires substantially all leases be recognized by lessees on their balance sheet as a right-of-use asset (ROU) and corresponding lease liability, including leases currently accounted for as operating leases. Leases of mineral reserves and related land leases have been exempted from the standard. We adopted ASU 2016-02, Leases, on October 1, 2019. We elected the "package of practical expedients" within the standard which permits us not to reassess prior conclusions about lease identification, lease classification and initial direct costs. We made an accounting policy election to not separate lease and non-lease components for all leases. The adoption of this standard resulted in the recognition of right-of-use assets and lease liabilities of $0.2 million, which were not previously recorded on our balance sheet.

NOTE 4 – FIXED ASSETS, NET

As of September 30, 2020, and 2019, fixed assets consisted of the following:

	September 30,	
	2020	2019
Equipment and furniture	$ —	$ 37,875
Leasehold improvements	—	17,630
Software	—	12,676
	—	68,181
Accumulated depreciation	—	(27,999)
Fixed assets, net	$ —	$ 40,182

Depreciation expense for the years ended September 30, 2020 and 2019 was $18,243 and $16,927, respectively. The fixed assets were disposed of during 2020.

NOTE 5 – SOFTWARE LICENSES

Software License Agreements

During fiscal year 2019, the Company entered into a one-year agreement with SoundFi LLC (“SoundFi”) which will automatically renew for subsequent one-year periods unless otherwise terminated by either party. Cipherloc received $25,000 from SoundFi during the year ended September 30, 2020.

The Company executed an annual software licensing agreement with Castle Shield during the year ended September 30, 2020 which also include auto-renewing terms. Castle Shield made a $10,000 payment to the Company based on the terms of their agreement with Cipherloc.

During the year ended September 30, 2020, the Company recognized $47,983 in licensing revenue from the SoundFi and Castle Shield agreements.

NOTE 6 – DEBT

On April 6, 2020, to supplement its cash balance, the Company submitted their application for a Paycheck Protection Program ("PPP") loan (the "SBA loan") sponsored by the U.S. Small Business Administration in the amount of $365,430. On April 12, 2020, Company's SBA loan application was approved, and the Company received loan proceeds on April 22, 2020. The SBA loan has an interest rate of 1% and matures on April 12, 2022.

Section 1106 of the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") provides for forgiveness of up to the full principal amount of qualifying loans guaranteed under the PPP. The PPP and loan forgiveness are intended to provide economic relief to small businesses, such as the Company, that are adversely impacted under the COVID-19 Emergency Declaration issued by President Donald J. Trump on March 13, 2020.

As a result of staff reductions during 2020, the Company expects the ultimate amount of loan forgiveness to be minimal.

The Paycheck Protection Program loan balance at September 30, 2020 was $365,430

Future Minimum Paycheck Protection Program loan payment by Fiscal Year		
2021	$	216,902
2022		148,528
Total Paycheck Protection Program loan	$	365,430

NOTE 7 – RELATED PARTY TRANSACTIONS

Employees related to Ex Chief Executive Officer

Skylar, Olivia and Robin De La Garza, immediate family members of former CEO Michael De La Garza, earned $52,278, $47,176 and $53,000, respectively, in compensation for the year ended September 30, 2019. In August 2019, Robin and Skylar De La Garza were terminated as employees of the Company. The Company also paid $11,394 in educational costs of Skylar De La Garza and $6,200 in moving expenses of Olivia De La Garza. Michael De La Garza was the CEO and director of the Company during the period of time when these payments were made.

See Note 8 for additional related party transactions.

NOTE 8 – COMMITMENTS AND CONTINGENCIES

Litigation

The Company is currently not involved in any litigation that it believes could have a material adverse effect on its financial condition or results of operations.

A disgruntled former consultant has brought an action in Texas state court against the Company and its former chief executive officer, alleging fraud and misrepresentation pertaining to stock and payments alleged to be owed to the consultant. The Company believes it has made all required payments and delivered the stock to the consultant. The consultant has also included a claim of partial ownership of certain of the Company's patents, which management believes is without merit. The case is currently being defended by the Company and costs relating thereto have been submitted to the Company's insurance carrier.

In August 2019, the Board of Directors formed a special committee of independent directors (the "Special Committee") to investigate certain activities of Michael De La Garza ("De La Garza"), our former chief executive officer. Also in that same month, the Company initiated litigation against De La Garza in the District Court of Travis Country, Texas (the "Court"). On September 25, 2019, the Court entered a temporary injunction against De La Garza enjoining him from numerous acts. The Special Committee investigated certain activities of De La Garza, including the Ageos, LLC Operating Agreement, the QHCI/Noun note receivable, an advance/bonus, personal expenditures, and other items. All amounts expended have been expensed as of September 30, 2019.

The Company also sued De La Garza, among others, in federal district court seeking to invalidate the issuance of preferred stock to him in 2015. The preferred stock shares were converted to 13.5 million shares of common stock by De La Garza during 2018.

All litigation matters with Michael De La Garza were settled on August 28, 2020 with De La Garza agreeing to return 13.1 million shares of common stock to the Company and the Company agreeing to pay De La Garza $400,000 between September 30, 2020 and September 30, 2021. At September 20, 2020, Cipherloc owed $100,000 in settlement payments which will be made in $25,000 payments on December 1, 2020, March 1, 2021, June 1, 2021, and September 1, 2021.

The Company is seeking to invalidate the issuance of 1 million shares of Cipherloc preferred stock to former director and chief financial officer, Pamela Thompson, which stock is now being held by the Carmel Trust II, in or around 2011. As such, the Company has sued James LeGanke, as Trustee of Carmel Trust II, in federal court as part of its efforts to invalidate those shares. The Company alleges that Thompson failed to comply with both state law and Company bylaws when she and then CEO, Michael De La Garza, caused the Company to issue the preferred stock to themselves as purported compensation. The lawsuit is ongoing, and its resolution is unknown.

On October 13, 2020, Ageos, LLC, a Virginia limited liability company ("Ageos"), filed a Third Party Complaint against Cipherloc (Third Party Case No. GV20015643-00) in connection with the pending action titled Scandium, LLC v. Ageos, LLC (Case No. GV20014313-00) in the General District Court for Fairfax County in the Commonwealth of Virginia. The action relates to an operating agreement, by and between Cipherloc and Ageos, whereby Cipherloc agreed to guarantee Ageos's lease in order to enable the leasing of space in Fairfax County, VA. Cipherloc subsequently terminated the agreement with Ageos and offered to take over the space as an accommodation. Ageos declined. Ageos's third party complaint demands from Cipherloc, among other things, all damages obtained by Scandium, LLC against Ageos; (ii) other compensatory damages in connection with certain lease payments under the lease discussed above; and (iii) pre-judgment interest. This lawsuit is ongoing, and its resolution is unknown.

Leases

In February 2019, the Company and the landlord for its leased office space in Buda, Texas entered into a new lease agreement, and the Company reduced its rented space from approximately 3,900 to 1,302 square feet. The new lease became effective on February 1, 2019 and has a three-year term. The initial monthly rent is $2,566, and the lease agreement provided for annual rent increases of approximately 2.7%. The lease automatically renews for a three-year term, unless either party to the lease agreement notifies the other of the intent to terminate the lease in writing at least 180 days prior to the expiration of the current term. In July 2020, the Company executed a lease termination agreement with the landlord for an early termination fee of $10,546 and forfeited the existing security deposit of $2,566. There are no future payments related to this lease.

In October 2018, the Company leased approximately 3,900 square feet of office space on North Scottsdale Road in Scottsdale, Arizona. The lease for this facility began on October 4, 2018 and originally continued until October 31, 2021. Annual rent of $77,180 was prepaid for the first year from November 1, 2018 to October 31, 2019, and the lease agreement provides for annual rent increases of approximately 5.0%. In June 2020, the Company executed a lease termination agreement with the landlord for an early termination fee of $27,013 and forfeited the existing security deposit of $9,796. There are no future payments related to this lease.

In February 2020, the Company leased approximately 3,666 square feet of office space on 2107 Wilson Boulevard, Arlington, Virginia. The lease for this facility began on February 1, 2020 and continues until July 31, 2025. The base annual rent is $159,471, a $100,000 security deposit was paid, and abatement of monthly rent payments was provided until August 1, 2020, and the lease provides for annual rent increases of approximately 2.5%. The amount of future payments guaranteed is $822,082.

As the result of restructuring actions intended to conserve cash during the COVID-19 crisis, the landlord of the Wilson Boulevard space was notified that the Company no longer needed the space and is seeking an amicable and reasonable termination of the lease agreement.

As of September 30, 2020, the Company had one lease agreements for facilities.

Leases with an initial term of 12 months or less are not recorded on our Balance Sheet; we recognize lease expense for these leases on a straight-line basis over the lease term. Leases with initial terms in excess of 12 months are recorded as operating or financing leases in our Balance Sheet.

Lease assets and operating lease liabilities are recognized based on the present value of the future minimum lease payments over the lease term at commencement date. As most of our leases do not provide an implicit rate, we use a secured incremental borrowing rates based on the information available at commencement date, including lease term, in determining the present value of future payments. The operating lease asset also includes any lease payments made and excludes lease incentives and initial direct costs incurred. Our lease terms may include options to extend or terminate the lease when it is reasonably certain that the option will be exercised.

At inception, the Company determines if an arrangement contains a lease and whether that lease meets the classification criteria of a finance or operating lease. Some of the Company's lease arrangements contain lease components (e.g. minimum rent payments) and non-lease components (e.g. maintenance, labor charges, etc.). The Company generally accounts for each component separately based on the estimated standalone price of each component. For certain leases, the Company accounts for the lease and non-lease components as a single lease component.

The Company's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

Operating Leases

Operating leases are included in operating lease ROU lease assets, and operating lease liabilities and operating long-term lease liabilities on the Balance Sheets. Lease expense for operating leases is recognized on a straight-line basis over the lease term. Variable lease expense is recognized in the period in which the obligation for those payments is incurred. Lease expense is included in general and administrative expense in the statements of operations and is reported net of lease income. Lease income is not material to the results of operations for the quarter ended June 30, 2020. The Company announced a corporate restructuring on June 30, 2020 which will result in the abandonment of certain office spaces. The Company has recorded an impairment charge of approximately $382,962 which is the estimate of the future payments less projected sublease income from the abandoned office space.

Cash Flows

An initial right-of-use asset of $233,751 was recognized as a non-cash asset addition with the adoption of the new lease accounting standard. Cash paid for amounts included in the present value of operating lease liabilities was $28,534 during third quarter 2020 and is included in operating cash flows. In February 2020, the Company's new lease in Arlington, Virginia added approximately $746,000 in new lease obligations.

The weighted average remaining lease terms and discount rates for all of our operating lease were as follows as of September 30, 2020:

Remaining lease term and discount rate:	September 30, 2020
Weighted average remaining lease terms (years)	
Lease facilities	4.83
Weighted average discount rate	
Lease facilities	4.35%

Significant Judgements

Significant judgements include the discount rates applied, the expected lease terms, and lease renewal options. There are three leases with a renewal option. Using the practical expedient, the Company utilized existing lease classifications as of September 30, 2019. As a result, the lease renewal options were not changed on implementation.

Future annual minimum lease obligations at September 30, 2020 are as follows:

Year ending September 30		Amount
2021	$	162,135
2022		166,180
2023		170,322
2024		174,575
2025		148,870
	$	822,082

Rent expense totaled $218,997 and $150,575 for the years ended September 30, 2020 and 2019, respectively.

NOTE 9 - STOCKHOLDERS' EQUITY (DEFICIT)

Common Stock

As of September 30, 2020, and 2019, the Company had 27,505,196 and 40,792,510 shares of common stock outstanding, respectively, and were authorized to issue 681,000,000 shares of common stock at a par value of $0.01.

Treasury Stock

Management determines the fair value of stock issuances using the closing stock price on the grant date.

During the year ended September 30, 2020, the Company came to a settlement with First Fire and purchased back 149,557 shares and recorded such shares as Treasury Stock. First Fire received $150,000 in exchange for the 149,557 shares.

During the year ended September 30, 2020, the Company reached a settlement and as result received surrendered shares of 13,137,757 share and recorded such shares as Treasury Stock.

Common Stock Issued for Cash

During the year ended September 30, 2019, the Company refunded $40,000 for an oversubscription of common stock made by an investor related to the private placement of shares in fiscal year 2018. The refund was made in lieu of an issuance of shares.

Common Stock and Stock Options Issued to Directors and Officers

During the year ended September 30, 2019, the Company issued 9,346 vested shares of common stock with a fair value of $11,216 to an employee, which was recorded as stock-based compensation expenses in research and development expense in the statement of operations.

During the year ended September 30, 2019, the Company issued 1,100,000 shares of stock options to the Board of Directors and officers with a fair value of $862,000, of which $42,942 was recorded as stock-based compensation expenses in research and development and general administration expense. Options will vest over a three-year period ratably. Of the 1,100,000, 1,000,000 options have a strike price of $0.85 and the remaining 100,000 have a strike price of $0.75.

During 2020, 620,000 stock options were granted to employees. Also during 2020, 920,000 stock options were cancelled due to the termination of employment. As of September 30, 2020, 800,000 stock options are outstanding. None of the stock options are in the money and the unamortized amount of stock compensation as of September 30, 2020 is $383,453.

Year Ended September 30, 2019	
Balance on September 30, 2018	—
New Awards	1,100,000
Options Cancelled	—
Balance at September 30, 2019	1,100,000
Year Ended September 30, 2020	
Balance on September 30, 2019	1,100,000
New Awards	620,000
Options Cancelled	(920,000)
Balance at September 30, 2020	800,000

Common Stock Issued for Services

During the year ended September 30, 2019, the Company issued 20,000 shares of common stock with a fair value of $40,000 to Pycnocline, LLC for management consulting services, which was recorded in research and development expense.

Preferred Stock

As of September 30, 2020, and 2019, the Company had 1,000,000 and 1,000,000 shares of restricted preferred stock outstanding, respectively. Each share of preferred stock is convertible into the Company's common stock at a rate of one (1) preferred share to 1.5 common shares. Each share of preferred stock has 1.5 votes on all matters presented to be voted by the holders of common stock. The holders of preferred stock can only convert the shares if agreed to by the Board of Directors. If declared by the Board of Directors, holders of preferred stock are entitled to receive dividends prior and in preference to any declaration or payment of any dividend on the common stock of the Company. In the event of liquidation or dissolution of the Company, holders of preferred stock shall be paid out of the assets of the Company prior and in preference to any payment or distribution to holders of common stock of the Company.

Warrants

During the year ended September 30, 2018, the Company issued warrants to purchase 75,000 shares of common stock. These warrants were issued with an exercise price of $2.00 and a term of five years. No warrants were issues during fiscal years 2020 and 2019.

Additionally, in connection with shares sold through a PPM, the Company issued warrants to purchase 144,000 shares of common stock. These warrants were issued with an exercise price of $4.50 and a term of two years.

Lastly, in connection with shares sold through an additional PPM, the Company issued warrants to purchase 18,837,900 shares of common stock. These warrants were issued with an exercise price of $1.20 and a term of five years. The company issued warrants to purchase an additional 5,398,970 shares of common stock to its underwriters. These warrants were issued with an exercise price of $1.00 and a term of ten years.

Warrant activity for the years ended September 30, 2020 and 2019 is as follows:

	Number of Warrants	Weighted Average Exercise Price	Weighted Average Remaining Life
Outstanding at September 30, 2018	25,015,866	$ 1.27	5.83
Granted	—	—	—
Exercised	—	—	—
Canceled/Forfeited	(725,000)	4.50	—
Outstanding at September 30, 2019	24,290,866	1.14	4.84
Granted	—	—	—
Exercised	—	—	—
Canceled/Forfeited	(544,000)	2.11	—
Outstanding at September 30, 2020	23,746,866	$ 1.12	3.74

NOTE 10 - INCOME TAXES

The provision (benefit) for income taxes from continued operations for the years ended September 30, 2020 and 2019 consist of the following:

	September 30,	
	2020	2019
Current:		
Federal	$ —	$ —
State	—	—
	$ —	$ —
Deferred:		
Federal	$ (1,396,673)	$ (1,301,000)
State	—	—
	(239,000)	(1,301,000)
Valuation allowance	1,396,673	1,301,000
Provision (benefit) for income taxes, net	$ —	$ —

The difference between income tax expense computed by applying the federal statutory corporate tax rate and actual income tax expense is as follows:

	September 30,	
	2020	2019
Statutory federal income tax rate	21.0%	21.0%
Non-deductible stock-based compensation and other permanent differences	(0.1)	(0.07)
Change in statutory tax rate	(0.0)	(13.0)
Valuation allowance	(20.90)	(20.93)
Effective tax rate	0.0%	0.0%

Deferred income taxes result from temporary differences in the recognition of income and expenses for the financial reporting purposes and for tax purposes. The tax effect of these temporary differences representing deferred tax asset and liabilities result principally from the following:

	September 30,	
	2020	2019
Net operating loss carry forward	$ 6,126,911	$ 4,778,000
Deferred compensation	3,853,777	3,806,000
Valuation allowance	(9,980,688)	(8,584,000)
Deferred income tax asset	$ —	$ —

The Company has a net operating loss carry forward of $29.2 million available to offset future taxable income. Of which, $2.6 million will expire within the next five years, and the remaining $26.6 million will expire thereafter. For income tax reporting purposes, the Company's aggregate unused net operating losses were subject to the limitations of Section 382 of the Internal Revenue Code, as amended. The Company has adjusted the net operating losses incurred prior to 2015 to reflect only the losses not subject to limitation. The Company has provided for a valuation reserve against the net operating loss benefit, because in the opinion of management based upon the earning history of the Company; it is more likely than not that the benefits will not be realized. For income tax reporting purposes, Management has determined that net operating losses prior to February 5, 2015 are subject to an annual limitation of approximately $525,000.

For the years ended September 30, 2020 and 2019, the difference between the amounts of income tax expense or benefit that would result from applying the statutory rates to pretax income to the reported income tax expense of $0 is the result of the net operating loss carry forward and the related valuation allowance, as well as non-deductible stock-based compensation.

The Company anticipates it will continue to record a valuation allowance against the losses of certain jurisdictions, primarily federal and state, until such time as it is able to determine it is "more-likely-than-not" the deferred tax asset will be realized. Such position is dependent on whether there will be sufficient future taxable income to realize such deferred tax assets. The Company's effective tax rate may vary from period to period based on changes in estimated taxable income or loss by jurisdiction, changes to the valuation allowance, changes to federal, state or foreign tax laws, future expansion into areas with varying country, state, and local income tax rates, deductibility of certain costs and expenses by jurisdiction.

The Company is current on all its federal income tax filings. An extension will be filed for the September 30, 2020 tax return.

On December 22, 2017, the Tax Cuts and Jobs Act ("Tax Act") was signed into law in the U.S. The Tax Act has resulted in significant changes to the U.S. corporate income tax system. These changes include a federal statutory rate reduction from 35% to 21%, the elimination or reduction of certain domestic deductions and credits, and limitations on the deductibility of interest expense and executive compensation. These changes were effective beginning in 2018.

NOTE 11 - SUBSEQUENT EVENTS

On October 16, 2020, David Chasteen, a director, was appointed the Chief Executive Officer of the Company.

On November 12, 2020, Milton Mattox, Cipherloc Chief Operating Officer, tendered his resignation which was accepted by the Chief Executive Officer. Mattox assisted in the transition to interim Chief Technology Officer Nick Hnatiw who was engaged as an independent contractor on November 18, 2020. Mattox's last day with the Company was December 15, 2020.

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

None.

ITEM 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in the reports we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's (the "SEC") rules and forms and that such information is accumulated and communicated to our Chief Executive Officer and Principal Financial Officer, as appropriate, to allow for timely decisions regarding required disclosure. In designing and evaluating the 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, and management is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Our disclosure controls and procedures have not been formally designed and evaluated to provide reasonable assurance that the controls and procedures would meet their objectives.

As required by SEC Rule 13a-15(b), our Chief Executive Officer and Principal Financial Officer need to carry out an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures as of the end of the period covered by this report. Based on the foregoing, our Chief Executive Officer and Principal Financial Officer concluded that our disclosure controls and procedures were not effective as of September 30, 2020, due to 1) no formal evaluation has been performed by us and 2) the existence of the material weaknesses in internal control over financial reporting described below (which we view as an integral part of our disclosure controls and procedures). Based on the performance of additional procedures designed to ensure the reliability of our financial reporting, we believe that the financial statements included in this Annual Report fairly present, in all material respects, our financial position, results of operations and cash flows as of the dates, and for the periods, presented, in conformity with U.S. GAAP.

Management's Report on Internal Control over Financial Reporting

Our Chief Executive Officer and the Principal Financial Officer are responsible for establishing and maintaining adequate internal control over financial reporting and for the assessment of the effectiveness of our internal control over financial reporting. Internal control over financial reporting (as defined in Rules 13a-15(f) and 15d(f) under the Exchange Act) is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external reporting purposes in accordance with U.S. GAAP. Internal control over financial reporting includes those policies and procedures that (a) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of assets, (b) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP, (c) provide reasonable assurance that receipts and expenditures are being made only in accordance with appropriate authorization of management and the Board of Directors, and (d) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of assets that could have a material effect on the financial statements.

In connection with the preparation of the Annual Report on Form 10-K for the year ended September 30, 2019, our Chief Executive Officer and Principal Financial Officer evaluated the effectiveness of our internal control over financial reporting as of September 30, 2019 and concluded that we had not implemented effective internal control over financial reporting during the reporting year.

Remediation Plan

Management executed a remediation plan to address the material weaknesses discussed above. These remediation efforts focused on:

- Enhancing monitoring and review controls over financial reporting and disclosures;
- Enhancing review and approval controls around transaction processing;
- Enhancing controls around proving the delivery of software; and
- Enhancing and maintaining written policies and procedures for accounting and financial reporting.

Subsequent to September 30, 2019, management designed and implemented review and approval controls around transaction processing, including written policies and procedures. In addition, management has continued to train key accounting staff to improve controls that will eliminate the material weaknesses discussed above, as well as improve the accounting and financial reporting process.

Management has also evaluated the effectiveness of its internal control over financial reporting in accordance with generally accepted accounting principles within the guidelines of the Committee of Sponsoring Organizations of the Treadway Commission framework (2013). Based on the results of this evaluation, management has determined that the Company's internal control over financial reporting was effective as of September 30, 2020.

Changes in Internal Control over Financial Reporting

During the year ended September 30, 2020, there were no changes in our internal control over financial reporting that have materially affected or are reasonably likely to materially affect our internal control over financial reporting, other than the remediation actions discussed above.

Inherent Limitations on Internal Controls

It should be noted that any system of controls, however well designed and operated, can provide only reasonable and not absolute assurance that the objectives of the control system are met. In addition, the design of any control system is based in part upon certain assumptions about the likelihood of certain events. Limitations inherent in any control system include the following:

- Judgments in decision-making can be faulty, and control and process breakdowns can occur because of simple errors or mistakes;
- Controls can be circumvented by individuals, acting alone or in collusion with others, or by management override;
- The design of any system of controls is based in part on certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions;
- Over time, controls may become inadequate because of changes in conditions or deterioration in the degree of compliance with associated policies or procedures; and
- The design of a control system must reflect the fact that resources are constrained, and the benefits of controls must be considered relative to their costs.

Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, have been detected.

ITEM 9B. OTHER INFORMATION

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS, AND CORPORATE GOVERNANCE

Directors and Executive Officers

Set forth below is information regarding the Company's current directors and executive officers. There are no family relationships between any of our directors or executive officers. The directors are elected annually by our stockholders. The executive officers serve at the pleasure of the Board of Directors.

Name	Age	Title
Tom Wilkinson	51	Chairman of the Board of Directors
Anthony Ambrose	59	Director
David Chasteen	43	Chief Executive Officer and Director
Sammy Davis DrPH	73	Director
Zeynep Young	50	Director
Ryan Polk	52	Chief Financial Officer
Milton Mattox	58	Chief Operating Officer
Nicholas Hnatiw	40	Interim Chief Technology Officer

The background and principal occupations of the directors and executive officers of the Company are as follows:

Board of Directors

Tom Wilkinson – Chairman of the Board of Directors

Mr. Wilkinson serves as the Company's Chairman of the Board of Directors. He is a licensed CPA in Texas and Colorado. From 2014 to October, 2015 he was the Chief Financial Officer of Amherst Holdings, LLC. Mr. Wilkinson joined Xplore Technologies Corp., a NASDAQ traded company, in 2015 where he served as the Chief Financial Officer until 2017 when he took on the position of Chief Executive Officer until the sale of the company to Zebra Technologies in August 2018. He presently owns and operates Wilkinson & Company, a financial and business consulting firm focused on emerging growth pre-IPO and public companies. Mr. Wilkinson has also been a member of the board of directors of Astrotech Corporation (NASDAQ: ASTC) since October 2018. He received his Bachelor of Business Administration and Master of Professional Accounting from the University of Texas in 1992. We believe Mr. Wilkinson is qualified to serve on our board of directors based on his financial experience.

Anthony Ambrose – Director

Mr. Ambrose serves a director of the Company. Mr. Ambrose has served as a director, President and Chief Executive Officer of Data I/O, the leading global provider of advanced data and security programming solutions, and a NASDAQ listed company (NASDAQ: DAIO). Prior to Data I/O, Mr. Ambrose was Owner and Principal of Cedar Mill Partners, LLC, a strategy consulting firm since 2011. From 2007 to 2011, he was Vice President and General Manager at RadiSys Corporation, a leading provider of embedded wireless infrastructure solutions, where he established the telecom platform business and grew it to over $125M in annual revenues. He was previously general manager and held several other progressively responsible positions at Intel Corporation, where he led development and marketing of standards-based communications platforms and grew the industry standard server business to over $1B in revenues. Mr. Ambrose has a Bachelor of Science degree in Engineering from Princeton University, and has completed the Stanford University Director Symposium. We believe Mr. Ambrose is qualified to serve on our board of directors based on his data security and industry experience.

David Chasteen – Chief Executive Officer and Director

Mr. Chasteen serves as a director of the Company. Since 2018, Mr. Chasteen has been the Chief Information Security Officer for the City and County of San Francisco Police Department. From 2015 to 2018, Mr. Chasteen was a Threat Intelligence Strategist for the City and County of San Francisco where he was responsible for managing city, state and federal intelligence relationships and managing cybersecurity operations for the City and County of San Francisco. From 2015 to 2016 Mr. Chasteen was the Western Regional Director for Iraq and Afghanistan Veterans of America. From 2006 to 2014 Mr. Chasteen worked for the Central Intelligence Agency as a Collection Management Officer, Specialized Skills Officer, and finally an Executive Officer, Covert Action Staff. Mr. Chasteen received a B.S. in Political Science from Ball State University in 2000. We believe Mr. Chasteen is qualified to serve on our board of directors based on his cybersecurity and industry experience.

Sammy Davis DrPH – Director

Dr. Davis serves as a director of the Company. Dr. Davis has over 20 years' experience in operations, finance, budgeting, financial reporting, revenue cycle management, inventory, payroll, accounts receivable and payable, and information systems in the healthcare industry. Since 2009 Dr. Davis has been a Senior Marketing Liaison with Physician Reliance Corporation. From 2005 to 2009, Dr. Davis was the Chief Executive officer of Renaissance Hospital in the Dallas/Fort Worth Area. From 2004 to 2005, Dr. Davis was the interim Chief Executive Officer of Transition Health Care LTAC in Corpus Christi, TX. Dr. Davis holds a Doctor of Public Health degree from the University of Texas. We believe Dr. Davis is qualified to serve on our board of directors based on his leadership experience.

Zeynep Young – Director

Ms. Young serves as a director of the Company. Since 2017, Ms. Young has been a Venture Partner with Next Coast Ventures, a venture capital firm focused on providing early-stage capital to high-growth startups. In 2017 Ms. Young served as interim chief executive officer of Milk & Honey, a wellness and beauty company with a portfolio of day spas, salons and products in the organic, luxury market. From 2009 to 2016, Ms. Young was the Founder and Chief Executive Officer of Double Line, Inc., a management consulting firm. Ms. Young received a B.A. in Economics and Sociology from Rice University in 1992 and an M.B.A. from Northwestern University – Kellogg School of Management in 1997. We believe Ms. Young is qualified to serve on our board of directors based on her business and leadership experience.

Executive Officers

Ryan Polk – Chief Financial Officer

Ryan Polk serves as the Company's Chief Financial Officer. Mr. Polk has served in leadership roles in both public and private companies after a brief time at accounting firm Ernst & Young. He is a part-time employee of Cipherloc and is engaged in providing CEO and CFO related services to other companies as an independent contractor. He is a graduate of Purdue University with two Bachelor of Science degrees from the Krannert School of Management. His career has focused on both the consumer products and technology industries.

Milton Mattox – Chief Operating Officer

Milton Mattox serves as the Company's Chief Operating Officer. Mr. Mattox is an experienced, senior technology executive with an extensive background in software engineering, application development, IT infrastructure, and offshore research and development team management. His accomplishments include transforming and accelerating technology development and delivery in alignment with worldwide business goals. His professional experience includes an executive vice president position at Lucent Technologies with executive-level experience at Intuit, Mitel, SHPS, Narus India, Signa, and CGI. Mr. Mattox holds a Doctorate in Organization and Leadership from the University of San Francisco, an MBA from City University of Seattle, and a Bachelor of Science in Electronic Engineering Technology from DeVry University.

Nicholas Hnatiw – Interim Chief Technology Officer

Nicholas Hnatiw serves as the Company's Chief Technology Officer. Mr. Hnatiw has more than 15 years of experience creating software technologies from network security to artificial intelligence. Mr. Hnatiw has led the design and development of a security risk assessment SaaS platform, run a security monitoring service with a custom-built next generation automation and SIEM system. Prior to the Company, Mr. Hnatiw served as the technical director for network operations supporting U.S. Cyber Command, U.S. Intelligence Agencies, and other Department of Defense research organizations from October 2010 to October 2014. From June 2015 to September 2019, Mr. Hnatiw was the Chief Executive Officer of Loki Labs, a cyber security firm. Mr. Hnatiw is also currently a consultant with Cuesta Partners (since January 2020); a partner and Chief Technology Officer of Sidechannel Security (since February 2020), and the Chief Technology Officer of RealCISO.io (since October 2020). Mr. Hnatiw earned a bachelor of science degree in computer engineering and computer science at the University of Massachusetts, Amherst.

Family Relationships and Other Arrangements

There are no family relationships among our directors and executive officers. Other than Mr. Chasteen's appointment as a chief executive officer in connection with his employment agreement, there are no arrangements or understandings between or among our executive officers and directors pursuant to which any director or executive officer was or is to be selected as a director or executive officer.

Board Leadership Structure and Role in Risk Oversight

Our Board has established an audit committee, a compensation committee, and a nominating and corporate governance committee, each of which operate pursuant to a charter adopted by our Board. Each committee has the composition and responsibilities described below. Our Board may establish other committees from time to time.

The following table identifies the current members of each of our committees:

Name	Executive Committee	Audit	Compensation	Corporate Governance/ Nominating
Tom Wilkinson	X*	X	X	X
Anthony Ambrose	X	X*	X	X*
David Chasteen	X			
Sammy Davis DrPH	X	X	X	X
Zeynep Young	X	X	X*	X

* Chairman of the committee

Director Independence

Our Board has determined that a majority of the Board consists of members who are currently "independent" as that term is defined under the rules of the Nasdaq Stock Market LLC. As our common stock is traded over the counter on the OTCQB, we are not required to comply with such requirements. Nevertheless, the Board considers Ms. Young, Dr. Davis, and Mr. Ambrose to be "independent" under such rules.

Audit Committee

Messrs. Ambrose, Wilkinson, Davis and Ms. Young serve on the Audit Committee, which is chaired by Mr. Ambrose.

The audit committee's responsibilities include:

- appointing, approving the compensation of, and assessing the independence of our independent registered public accounting firm;
- pre-approving auditing and permissible non-audit services, and the terms of such services, to be provided by our independent registered public accounting firm;

- reviewing the overall audit plan with our independent registered public accounting firm and members of management responsible for preparing our financial statements;
- reviewing and discussing with management and our independent registered public accounting firm our annual and quarterly financial statements and related disclosures as well as critical accounting policies and practices used by us;
- coordinating the oversight and reviewing the adequacy of our internal control over financial reporting;
- establishing policies and procedures for the receipt and retention of accounting-related complaints and concerns;
- recommending based upon the audit committee's review and discussions with management and our independent registered public accounting firm whether our audited financial statements will be included in our Annual Reports on Form 10-K;
- monitoring the integrity of our financial statements and our compliance with legal and regulatory requirements as they relate to our financial statements and accounting matters;
- preparing the audit committee report required by SEC rules to be included in our annual proxy statement;
- reviewing all related person transactions for potential conflict of interest situations and approving all such transactions; and
- reviewing quarterly earnings releases.

Compensation Committee

Messrs. Ambrose, Wilkinson, Davis and Ms. Young serve on the Compensation Committee, which is chaired by Ms. Young

The compensation committee's responsibilities include:

- annually reviewing and approving corporate goals and objectives relevant to the compensation of our chief executive officer;
- evaluating the performance of our chief executive officer considering such corporate goals and objectives and determining the compensation of our chief executive officer;
- reviewing and approving the compensation of our other executive officers;
- reviewing and establishing our overall management compensation, philosophy and policy;
- overseeing and administering our compensation and similar plans;
- evaluating and assessing potential and current compensation advisors in accordance with the independence standards identified in the applicable Nasdaq rules;
- retaining and approving the compensation of any compensation advisors;
- reviewing and making recommendations to our Board about our policies and procedures for the grant of equity-based awards;
- evaluating and making recommendations to the Board about director compensation;
- preparing the compensation committee report required by SEC rules, if and when required, to be included in our annual proxy statement; and
- reviewing and approving the retention or termination of any consulting firm or outside advisor to assist in the evaluation of compensation matters.

Corporate Governance/Nominating Committee

Messrs. Ambrose, Wilkinson, Davis and Ms. Young serve on the Corporate Governance/Nominating Committee, which is chaired by Mr. Ambrose.

The nominating and corporate governance committee's responsibilities include:

- developing and recommending to the Board criteria for board and committee membership;
- establishing procedures for identifying and evaluating board of director candidates, including nominees recommended by stockholders;
- reviewing the size and composition of the Board to ensure that it is composed of members containing the appropriate skills and expertise to advise us;
- identifying individuals qualified to become members of the Board;
- recommending to the Board the persons to be nominated for election as directors and to each of the board's committees;
- developing and recommending to the Board a code of business conduct and ethics and a set of corporate governance guidelines; and
- overseeing the evaluation of our Board and management.

Conflicts of Interest

Members of our management are associated with other firms involved in a range of business activities. Consequently, there are potential inherent conflicts of interest in their acting as officers and directors of our company. Although the directors are engaged in other business activities, we anticipate they will devote an important amount of time to our affairs.

Our officers and directors are now and may in the future become shareholders, officers or directors of other companies, which may be formed for the purpose of engaging in business activities similar to ours. Accordingly, additional direct conflicts of interest may arise in the future with respect to such individuals acting on behalf of us or other entities. Moreover, additional conflicts of interest may arise with respect to opportunities which come to the attention of such individuals in the performance of their duties or otherwise. Currently, we do not have a right of first refusal pertaining to opportunities that come to their attention and may relate to our business operations.

Our officers and directors are, so long as they are our officers or directors, subject to the restriction that all opportunities contemplated by our plan of operation which come to their attention, either in the performance of their duties or in any other manner, will be considered opportunities of, and be made available to us and the companies that they are affiliated with on an equal basis. A breach of this requirement will be a breach of the fiduciary duties of the officer or director. If we or the companies with which the officers and directors are affiliated both desires to take advantage of an opportunity, then said officers and directors would abstain from negotiating and voting upon the opportunity. However, all directors may still individually take advantage of opportunities if we should decline to do so. Except as set forth above, we have not adopted any other conflict of interest policy with respect to such transactions.

Code of Ethics

We have adopted a formal Code of Ethics applicable to all Board members, officers and employees. A copy of our Code of Ethics may be obtained without charge upon written request to Secretary, Cipherloc Corporation, 6836 Bee Cave Road, Bldg. 1, S#279, Austin, TX 78746.

ITEM 11. EXECUTIVE COMPENSATION

Summary Compensation Table

The following tables set forth certain information concerning all compensation paid, earned or accrued for service by (i) our Principal Executive Officer and Principal Financial Officer and (ii) all other executive officers who earned in excess of $100,000 in the fiscal years ended September 30, 2020 and 2019, and each of the other two most highly compensated executive officers of the Company who served in such capacity at the end of the fiscal year whose total salary and bonus exceeded $100,000 (collectively, the "Named Executive Officers"):

SUMMARY COMPENSATION TABLE

Name and Position	Year	Salary ($)	Bonus ($)	Stock Awards ($)	All Other Compensation ($) (1)	Change in Pension Value and Nonqualified Deferred Compensation Earnings ($)	Total ($)
Tom Wilkinson							
Chairman of the Board & Principal Financial							
Officer	2020	$ —	—	$ —	$ —	—	$ —
Executive Officer	2019	$ 25,000	—	$ 96,500	$ 10,000	—	$131,500
Andrew Borene							
Chairman &	2020	$ 94,500	$100,000	—	$ 175,000	—	$369,500
Chief Executive Officer(2)	2019	$ —	—	—	$ —	—	$ —
Ryan Polk,							
Chief Financial Officer(3)	2020	$ 49,760	—	—	$ —	—	$ 49,760
Gino Mauriello	2020	$ 72,917	—	—	$ 50,000	—	$122,917
Chief Financial	2019	$ 93,750	—	—	—	—	$ 93,750
Officer(4)							
Albert Carlson, PhD							
Director &	2020	$121,890	—	—	—	—	$121,890
Chief Scientific	2019	$200,833	—	$ 57,900	—	—	$258,733
Officer (6)							
Milton Mattox	2020	$222,865	$ 15,000	$ —	—	—	$237,865
Chief Operating	2019	$185,417	—	$ 19,300	—	—	$204,717
Officer(5)							

(1) All other compensation consists primarily of remunerations for legal settlements, severance, auto and health insurance costs.
(2) Mr. Andrew Borene was terminated as Chief Executive Officer on April 3, 2020.
(3) Mr. Polk was appointed as Chief Financial Officer on February 1, 2020.
(4) Mr. Mauriello was terminated as Chief Financial Officer on December 13, 2019.
(5) Mr. Mattox resigned from the Company on November 12, 2020.
(6) Mr. Carlson resigned from the Company on December 17, 2019

Compensation of Directors

We changed our compensation policy for directors include quarterly fees as well as stock options. Annual director compensation will be $60,000 for the Chairman of the Board and Lead Independent Director, $40,000 for directors with an additional $4,000 for additional committees. During the years ended September 30, 2020 and 2019, the company paid $170,000 and $40,000 in board fees, respectively. During July 2020, the board of directors temporarily deferred cash director payments.

Employment Contracts

Borene Employment Agreement

We entered into an Employment Agreement with Andrew Borene (the "Borene Employment Agreement"), our Chief Executive Officer, on November 25, 2019, pursuant to which he received a base annual salary of $350,000, payable in accordance with the Company's standard payroll schedule, and other customary benefits. Mr. Borene also received options to purchase up to 500,000 shares of the Company's common stock (the "Borene Options"). The Borene Options had an exercise price of $0.75 per share and were to vest as follows: 166,666 shares vest on November 26, 2020, 166,667 shares vest on November 26, 2021, and 166,667 shares vest on November 26, 2022. Additionally. Mr. Borene received a signing bonus in the amount of $150,000 which is payable in equal installments at the end of each of the first three months of his employment.

Mr. Andrew Borene was terminated on April 3, 2020. No future payments are expected under his former employment contract.

Carlson Employment Agreement

We previously entered into an employment agreement with Albert Carlson as our Chief Scientific Officer. Dr. Carlson resigned from his positions as Chief Scientific Officer and director on December 17, 2019. The agreement was for a term of one year, commencing on September 1, 2015 and initially expired on August 31, 2016 with three one-year extensions. The Agreement provided that, in addition to receiving paid vacation in accordance with the Company's policies as well as other customary benefits and provisions, Dr. Carlson received an annual base salary of $150,000. If, at any time during the term of the Agreement, Dr. Carlson was terminated "without cause," he was entitled to receive a cash payment equal to the aggregate compensation payable to him during the remaining term of the Agreement. During the year ended September 30, 2019, prior to his resignation, Dr. Carlson's annual base salary was increased to $300,000.

De La Garza Employment Agreement

The Company entered into an employment agreement with Michael De La Garza, its former Chief Executive Officer, on January 1, 2013. The employment agreement was initially set to expire on January 1, 2018 and automatically renews for another five years unless Mr. De La Garza was terminated in accordance with the provisions of the employment agreement. Mr. De La Garza was terminated on August 11, 2019. The employment agreement provided for:

i. A monthly salary of $20,833 per month subject to an annual increase of 10% per year and consistent with the Company policy applicable to other senior executives and officers and approval by the Board of Directors. During the year ended September 30, 2018, the base salary was $360,000.

ii. A cash bonus of 25% of his annual base salary each year if the Company reaches the following milestones:

    a. The Company posts annual gross revenues on a consolidated basis of at least $5,000,000;

    b. The Company's earnings before the deduction of income taxes and amortization expenses ("EBITA"), including cash extraordinary items but before officer's bonuses, on a consolidated basis for any year is at least $1,000,000;

iii. An automobile allowance of $1,500 per month.

iv. A medical insurance allowance of $1,500 per month.

v. In the event the executive's employment is terminated without cause, he will receive the entire contract remaining on the agreement.

Mr. De La Garza was terminated on August 11, 2019 for cause. No future payments are expected under his former employment contract.

All Claims with MDLG were settled. Please refer to Note 8 to our audited financial statements included in this Annual Report on Form 10-K.

2019 Stock Incentive Plan

Our Board adopted our 2019 Stock Incentive Plan on August 8, 2019. Our stockholders have not yet approved the adoption of the 2019 Stock Incentive Plan. Our 2019 Stock Incentive Plan is intended to align the interests of our stockholders and the recipients of awards under the 2019 Stock Incentive Plan, and to advance our interests by attracting and retaining directors, officers, employees and other service providers and motivating them to act in our long-term best interests. The material terms of the 2019 Stock Incentive Plan are as follows:

Plan term. The 2019 Stock Incentive Plan terminates on August 7, 2029 (the day before the tenth anniversary of the adoption of the plan), unless terminated earlier by our Board.

Eligible participants. All officers, directors, employees, consultants, agents and independent contractors, and persons expected to become officers, directors, employees, consultants, agents and independent contractors of our Company or any of our subsidiaries are eligible to receive awards under the 2019 Stock Incentive Plan. The compensation committee of our Board will determine the participants under the 2019 Stock Incentive Plan.

Shares authorized. 3,000,000 shares of common stock are available for awards granted under the 2019 Stock Incentive Plan, subject to adjustment for stock splits and other similar changes in capitalization. The number of available shares will be reduced by the aggregate number of shares that become subject to outstanding awards granted under the 2019 Stock Incentive Plan. To the extent that shares subject to an outstanding award granted under the 2019 Stock Incentive Plan are not issued or delivered by reason of the expiration, termination, cancellation or forfeiture of such award or by reason of the settlement of an award in cash, then those shares will again be available under the 2019 Stock Incentive Plan. In addition, any shares covered by an award that have been surrendered in connection with the payment of the award exercise or purchase price or in satisfaction of tax withholding obligations incident to the grant, exercise, vesting or settlement of an award will be deemed not to have been issued for purposes of determining the maximum number of shares which may be issued pursuant to all awards under the 2019 Stock Incentive Plan.

Award types. Awards include options (non-qualified and incentive stock options) and restricted stock.

Administration. The compensation committee will interpret and administer the 2019 Stock Incentive Plan. The compensation committee’s interpretation, construction and administration of the 2019 Stock Incentive Plan and all its determinations thereunder will be conclusive and binding on all persons.

The compensation committee shall have the authority to determine the participants in the 2019 Stock Incentive Plan, the form, amount and timing of any awards, the performance goals, if any, and all other terms and conditions pertaining to any award. The compensation committee may take any action such that (i) any outstanding options become exercisable in part or in full, (ii) all or any portion of a restriction period on any restricted stock will lapse, (iii) all or a portion of any performance period applicable to any performance-based award will lapse and (iv) any performance measures applicable to any outstanding award will be deemed satisfied at the target level or any other level. Subject to the terms of the 2019 Stock Incentive Plan relating to grants to our executive officers and directors, the compensation committee may delegate some or all of its powers and authority to the Chief Executive Officer or other executive officer as the compensation committee deems appropriate.

Stock options. The 2019 Stock Incentive Plan provides for the grant of stock options. Stock options may be either tax-qualified incentive stock options or non-qualified stock options. The compensation committee will determine the terms and conditions to the exercisability of each option.

The period for the exercise of a non-qualified stock option will be determined by the compensation committee provided that no option may be exercised later than ten years after its date of grant. The exercise price of a non-qualified stock option will not be less than 100% of the fair market value of a share of our common stock on the date of grant.

Each incentive stock option will be exercisable for not more than 10 years after its date of grant, unless the optionee owns greater than 10% of the voting power of all shares of our capital stock, or a “ten percent holder,” in which case the option will be exercisable for not more than five years after its date of grant. The exercise price of an incentive stock option will not be less than the fair market value of a share of our common stock on its date of grant, unless the optionee is a ten percent holder, in which case the option exercise price will be the price required by the Internal Revenue Code of 1986, as amended, or the “Code,” currently 110% of fair market value.

Upon exercise, the option exercise price may be paid in cash, by the delivery of previously owned shares of our common stock, share withholding or through a cashless exercise arrangement, as permitted by the applicable award agreement. All of the terms relating to the exercise, cancellation or other disposition of an option upon a termination of employment, whether by reason of disability, retirement, death or any other reason, will be determined by the compensation committee.

The compensation committee, without stockholder approval, may (i) reduce the exercise price of any previously granted option, or (ii) cancel any previously granted option at a time when its exercise price exceeds the fair market value of the underlying shares, in exchange for another option, or other award or for cash.

Stock awards. The 2019 Stock Incentive Plan provides for the grant of stock awards. The compensation committee may grant a stock award as a restricted stock award and the compensation committee may determine that such award will be subject to the attainment of performance measures over an established performance period. All of the terms relating to the satisfaction of performance measures and the termination of a restriction period, or the forfeiture and cancellation of a stock award upon a termination of employment, whether by reason of disability, retirement, death or any other reason, will be determined by the compensation committee.

Unless otherwise set forth in a restricted stock award agreement, the holder of shares of restricted stock will have rights as our stockholder, including the right to vote and receive dividends with respect to the shares of restricted stock, except that distributions other than regular cash dividends and regular cash dividends with respect to shares of restricted stock subject to performance-based vesting conditions will be held by us and will be subject to the same restrictions as the restricted stock.

Performance goals. Under the 2019 Stock Incentive Plan, the vesting or payment of performance-based awards will be subject to the satisfaction of certain performance goals. The performance goals applicable to a particular award will be determined by the compensation committee at the time of grant. The performance goals may be one or more of the following corporate-wide or subsidiary, division, operating unit or individual measures, stated in either absolute terms or relative terms.

Individual Limits. With respect to non-employee directors, the maximum grant date fair value of shares that may be granted to an individual non-employee director during any fiscal year of the Company is $150,000. In connection with a non-employee director's commencement of service with the Company, the per person limit set forth in the previous sentence will be $150,000.

Amendment or termination of the 2019 Stock Incentive Plan. Our Board may amend or terminate the 2019 Stock Incentive Plan as it deems advisable, subject to any requirement of stockholder approval required by law, rule or regulation.

Change in control. In the event there is a change in control and/or the Company is a party to a merger or acquisition or reorganization or Change in Control event or similar transaction, outstanding awards shall be subject to the merger agreement or other applicable transaction agreement. Such agreement may provide, without limitation, that subject to the consummation of the applicable transaction, for the assumption (or substitution) of outstanding awards by the surviving corporation or its parent, for their continuation by the Company (if the Company is a surviving corporation), for accelerated vesting or for their cancellation with or without consideration, or for the mandatory exercise or conversion of awards into shares and/or cash whether by net exercise or otherwise, in all cases without the consent of a participant of the 2019 Stock Incentive Plan.

Additionally, in the event a change in control occurs and there is no assumption, substitution or continuation of awards, the compensation committee in its discretion may provide that all awards shall vest and become exercisable as of immediately before such change in control. The compensation committee may also in its discretion include in an award agreement a requirement that unless approval under Section 280G of the Code has been obtained, no acceleration of vesting shall occur with respect to an award to the extent that such acceleration would, after taking into account any other payments in the nature of compensation to which the participant would have a right to receive from the Company and any other person contingent upon the occurrence of such change in control, result in a "parachute payment" as defined under Code Section 280G.

Under the 2019 Stock Incentive Plan, a change of control will occur upon: (i) the consummation of an acquisition, a merger or consolidation of the Company with or into another entity or any other corporate reorganization, if more than 50% of the combined voting power of the continuing or surviving entity's securities outstanding immediately after such acquisition, merger, consolidation or other reorganization is owned by persons who in the aggregate owned less than 20% of the Company's combined voting power represented by the Company's outstanding securities immediately prior to such acquisition, merger, consolidation or other reorganization; (ii) A sale of more than fifty percent (50%) of the outstanding shares of each class of capital stock of the Company to a person, entity or group other than a person, entity or group affiliated with the Company, or (iii) he sale, transfer or other disposition of all or substantially all of the Company's assets to a person, entity or group other than a person, entity or group affiliated with the Company.

New plan benefits. The benefits that might be received by officers, employees and non-employee directors cannot be determined at this time. All officers, employees and non-employee directors are eligible for consideration to participate in the 2019 Stock Incentive Plan.

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

The following table sets forth certain information regarding beneficial ownership of our common stock as of January 9, 2021 by (i) each person (or group of affiliated persons) who is known by us to own more than five percent (5%) of the outstanding shares of our common stock, (ii) each director and executive officer, and (iii) all of our directors and executive officers as a group. As of January 9, 2021, there were 27,505,196 shares of our common stock issued and outstanding.

Except as otherwise indicated, the persons listed below have sole voting and investment power with respect to all shares of our common stock owned by them, except to the extent that power may be shared with a spouse.

Beneficial ownership is determined in accordance with SEC rules and generally includes voting or investment power with respect to securities. For purposes of this table, a person or group of persons is deemed to have "beneficial ownership" of any shares of common stock that such person currently owns or has the right to acquire within 60 days of the date of this prospectus. With respect to options and warrants, this would include options and warrants that are currently exercisable within 60 days. With respect to convertible securities, this would include securities that are currently convertible within 60 days.

Except as indicated in footnotes to this table, we believe that the stockholders named in this table have sole voting and investment power with respect to all shares of common stock shown to be beneficially owned by them, based on information provided to us by such stockholders. Unless otherwise indicated, the address for each director and executive officer listed is: c/o Cipherloc Corporation, 6836 Bee Cave Road, Bldg. 1, S#279, Austin, TX 78746.

Name and Address of Beneficial Owners	Amount	Percent Ownership
Tom Wilkinson	15,200	*%
Anthony Ambrose	—	—%
David Chasteen	—	—%
Sammy Davis, DrPH	10,000	*%
Zeynep Young	—	—%
Ryan Polk	—	—%
Milton Mattox	—	—%
Nicholas Hnatiw	—	—%
All Officers and Directors as a Group (9 persons)	**25,200**	**—%**
5% or greater		%
Manchester Management PR, LLC (1)	3,861,000	14.03%

* Less than 1%

(1) Solely based on the Company's review of public filings made with the SEC. Includes shares that are directly owned by Manchester Explorer, L.P. The shares are indirectly beneficially owned by Manchester Management PR, LLC and Manchester Management Company, LLC as a result of having investment discretion over certain advisory accounts they manage. Manchester Management PR, LLC, a Puerto Rico limited liability company, provides investment management services to private individuals and institutions. The reported securities may also be deemed to be indirectly beneficially owned by James E. Besser, as the Managing Member of Manchester Management PR, LLC and Manchester Management Company, LLC. The principal business address for Manchester Management PR, LLC is 53 Palmeras Street, Caribe Plaza Building, 6th Floor, San Juan, Puerto Rico, 00901

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

The following includes a summary of transactions during our fiscal years ended September 30, 2020 and September 30, 2019 to which we have been a party, including transactions in which the amount involved in the transaction exceeds the lesser of $120,000 or 1% of the average of our total assets at year-end for the last two completed fiscal years, and in which any of our directors, executive officers or, to our knowledge, beneficial owners of more than 5% of our capital stock or any member of the immediate family of any of the foregoing persons had or will have a direct or indirect material interest, other than equity and other compensation, termination, change in control and other arrangements, which are described elsewhere in this Annual Report on Form 10-K.

De La Garza Settlement

On August 28, 2020, we entered into a Settlement Agreement and Mutual General Release (the "Settlement") with Michael De La Garza, a former director of the Company. The Settlement related to certain actions, including (i) CipherLoc Corporation vs. Michael De La Garza, MSR, LLC, and James LaGanke, as Trustee of the Caramel Trust II, Civil Action No. 1:19-CV-01147-LY in the United States District Court for the Western District of Texas, Austin Division, (ii) CipherLoc Corporation vs. Michael De La Garza, Cause No. D-1-GN-19-005253 in the 53rd Judicial District Court of Travis County, Texas, and (iii) Michael De La Garza and CipherLoc, Inc. v. Tom Wilkinson, Anthony Ambrose, Manchester PR, LLC and Manchester Explorer, LP; Cause No. D-1-GN-19-004708 in the 53rd Judicial District Court of Travis County, Texas. Under the Settlement, all of the foregoing actions were dismissed with prejudice. Pursuant to the Settlement, Mr. De La Garza, agreed to, among other things, (i) resign as a director of the Company and confirmed that he had no disagreements with the Board of Directors, and (ii) return 13,137,757 shares of the Company's common stock, $0.01 par value per share (the "Forfeited Stock"), held by him to the Company's treasury. We agreed to pay Mr. De La Garza an aggregate sum of $400,000 (the "Settlement Amount"), payable as follows: (A) $300,000 on or before ten (10) business days after the last to occur (the "Settlement Date") of (i) the execution of the Settlement by Mr. De La Garza, (ii) actual receipt by the Company of the Forfeited Stock and consummation of the deliveries contemplated by the Settlement, and (iii) the receipt by the Company of a completed Internal Revenue Service Form W-9 from Mr. De La Garza; and (B) $25,000 on each of the four (4) succeeding quarterly anniversaries of the Settlement Date. Notwithstanding the foregoing, in the event that Mr. De La Garza is not in compliance with the Settlement on any such payment date, then no payment shall be due and we will have the right to pursue any and all remedies against De La Garza including, without limitation, seeking the return of all amounts paid. In exchange for the consideration described above, and subject to the terms and conditions set forth in the Settlement, the Company and Mr. De La Garza mutually agreed to grant each other a general release.

Other Payments

Skylar, Olivia and Robin De La Garza , the immediate family members of former CEO Michael De La Garza, earned $52,278, $47,176 and $53,000, respectively, in compensation for the year ended September 30, 2019. In August 2019, Robin and Skylar De La Garza were terminated as employees of the Company. The Company also paid $11,394 in educational costs of Skylar De La Garza and $6,200 in moving expenses of Olivia De La Garza. Michael De La Garza was the CEO and director of the Company during the period of time when these payments were made.

Review, Approval or Ratification of Transactions with Related Parties

Our Board of Directors reviews and approves transactions with directors, officers and holders of five percent or more of our voting securities and their affiliates, each a related party. The material facts as to a related party's relationship or interest in the transaction are disclosed to our Board of Directors prior to their consideration of such transaction. Further, when stockholders are entitled to vote on a transaction with a related party, the material facts of the related party's relationship or interest in the transaction are disclosed to the stockholders, who must approve the transaction in good faith. The Company does not have a related party transactions policy in place.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The aggregate fees billed to the Company by its principal accountants for each of the last two fiscal years were as follows:

		2020		2019
Audit fees	$	83,200	$	41,778
Tax fees	$	12,250	$	18,500
Total fees	$	95,450	$	60,278

Audit Fees. The aggregate fees billed by Briggs & Veselka Co. for the audit of the Company's annual financial statements were $83,200 for the year ended September 30, 2020. The aggregate fees billed by Briggs & Veselka Co. for the audit of the Company's annual financial statements were $5,000 for the fiscal year ended September 30, 2019. The aggregate fees billed by Armanino, LLP of the Company's interim financial statements were $36,778 for the year ended September 30, 2019.

Audit-Related Fees. The aggregate fees billed by Briggs & Veselka Co., for assurance and related services that are reasonably related to the performance of the audit or review of the Company's financial statements for the fiscal years ended September 30, 2020 and2019 that are not disclosed in the paragraph captioned "Audit Fees" above, were $0.00.

Tax Fees. The aggregate fee billed by The Wenmohs Group for professional services rendered for tax compliance, tax advice and tax planning for the fiscal year ended 2020 were $12,250. The aggregate fees billed by Eide Bailly LLP for professional services rendered for tax compliance, tax advice and tax planning for the fiscal years ended September 30, 2019 were $18,500.

All Other Fees. The aggregate fees billed by Briggs & Veselka Co. for products and services, other than the services described in the paragraphs "Audit Fees," "Audit-Related Fees," and "Tax Fees" above for the fiscal years ended September 30, 2020 and 2019 were $0.

The Board of Directors has received and reviewed the written disclosures and the letter from the Company's independent registered public accounting firm required by Independence Standards Board Standard No. 1 (Independence Discussions with Audit Committees) and has discussed with its auditors its independence from the Company. The Board of Directors has considered whether the provision of services other than audit services is compatible with maintaining auditor independence.

Based on the review and discussions referred to above, the Board of Directors approved the inclusion of the audited financial statements be included in the Company's Annual Report on Form 10-K for its 2020 fiscal year for filing with the SEC.

The Board of Directors pre-approved all fees described above.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

3.1	Articles of Incorporation (incorporated by reference to the Company's Form 10-SB filed on January 3, 2000).
3.2	Amendment to the Articles of Incorporation (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed on March 23, 2015).
3.3	Amended and Restated Bylaws of Cipherloc Corporation (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K, filed on August 30, 2019).
4.1	Description of the Registrant's Securities Registered Pursuant to Section 12 of the Securities Exchange Act of 1934
10.1	Employment Agreement of Michael De La Garza (incorporated by reference to the Company's Exhibit 10.12 to the Company's Form 10-K filed on October 10, 2013).
10.2	Employment Agreement of Dr. Albert Carlson (incorporated by reference to Exhibit 10.15 to the Company's Current Report on Form 8-K filed on September 4, 2015).
10.3	2019 Stock Incentive Plan, Effective as of August 8, 2019 (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on August 12, 2019.
14.1	Code of Ethics for Directors, Officers and Employees of Cipherloc and its Affiliates, dated August 8, 2019 (filed as Exhibit 14.1 to a Current Report on Form 8-K, filed on August 12, 2019)
31.1	Certification of Principal Executive Officer Pursuant to the Securities Exchange Act of 1934, Rules 13a-14 and 15d-14, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Principal Financial Officer Pursuant to the Securities Exchange Act of 1934, Rules 13a-14 and 15d-14, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

SIGNATURES

In accordance with Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, there unto duly authorized.

Cipherloc Corporation

Date: December 28, 2020

By: /s/ David Chasteen
David Chasteen
Chief Executive Officer, Director

Date: December 28, 2020

By: /s/ Ryan Polk
Ryan Polk
Principal Financial Officer

In accordance with the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Company and in the capacities and on the dates indicated.

Date: December 28, 2020

By: /s/ David Chasteen
David Chasteen
Chief Executive Officer, Director

Date: December 28, 2020

By: /s/ Tom Wilkinson
Tom Wilkinson
Chairman of the Board of Directors

Date: December 28, 2020

By: /s/ Anthony Ambrose
Anthony Ambrose
Director

Date: December 28, 2020

By: /s/ Sammy Davis
Sammy Davis
Director

Date: December 28, 2020

By: /s/ Zeynep Young
Zeynep Young
Director

EXHIBIT 4.1

DESCRIPTION OF THE REGISTRANT'S SECURITIES
REGISTERED PURSUANT TO SECTION 12 OF THE
SECURITIES EXCHANGE ACT OF 1934

As of September 30, 2020, Cipherloc Corp. (the "Company") had one class of security registered under Section 12 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"): its common stock, par value $0.01 per share ("Common Stock").

Description of Common Stock

The following description of our Common Stock is a summary and does not purport to be complete. It is subject to and qualified in its entirety by reference to our Articles of Incorporation, as amended (the "Articles of Incorporation"), and our Amended and Restated Bylaws (the "Bylaws"), each of which are incorporated by reference as an exhibit to the Annual Report on Form 10-K of which this Exhibit 4.1 is a part. We encourage you to read our Articles of Incorporation, Bylaws, and the applicable provisions of the Texas Business Organizations Code for additional information.

Authorized Capital Shares

Our authorized capital shares consist of 681,000,000 shares of Common Stock, $0.01 par value per share, and 10,000,000 shares of preferred stock, $0.01 par value per share ("Preferred Stock"). As of September 30, 2020, there were 27,505,196 shares of Common Stock issued and outstanding. There were 1,000,000 shares of Series A Preferred Stock issued or outstanding as of September 30, 2020.

Voting Rights

Holders of Common Stock are entitled to one vote per share on all matters voted on by the stockholders, including the election of directors. Our Articles of Incorporation and Bylaws do not provide for cumulative voting in the election of directors.

Dividend Rights

Holders of the Company's Common Stock are entitled to receive dividends, if any, as may be declared from time to time by the Board of Directors in its discretion out of funds legally available for the payment of dividends.

Liquidation Rights

In the event of our liquidation, the holders of our Common Stock will be entitled to share ratably in any distribution of our assets after payment of all debts and other liabilities and the preferences payable to holders of shares of Preferred Stock then outstanding, if any.

Applicable Anti-Takeover Law

Set forth below is a summary of provisions in our Articles of Incorporation and the Bylaws that could have the effect of delaying or preventing a change in control of the Company. The following description is only a summary and it is qualified by refence our Articles of Incorporation, Bylaws and relevant provisions of the Nevada Revised Statutes.

Blank Check Preferred Stock

Our Articles of Incorporation authorize the issuance of 10,0000,000 undesignated shares of Preferred Stock and permits our board of directors to issue Preferred Stock with rights or preferences that could impede the success of any attempt to change control of the Company. For example, our board of directors, without stockholder approval, may create or issue Preferred Stock with conversion rights that could adversely affect the voting power of the holders of our Common Stock as well as rights to such Preferred Stock, in connection with implementing a stockholder rights plan. This provision may be deemed to have a potential anti-takeover effect, because the issuance of such Preferred Stock may delay or prevent a change of control of the Company. Furthermore, shares of Preferred Stock, if any are issued, may have other rights, including economic rights, senior to Common Stock, and, as a result, the issuance thereof could depress the market price of our Common Stock.

No Cumulative Voting

Our Articles of Incorporation and the Bylaws do not provide holders of our Common Stock cumulative voting rights in the election of directors. The absence of cumulative voting could have the effect of preventing stockholders holding a minority of our shares of Common Stock from obtaining representation on our Board of Directors. The absence of cumulative voting might also, under certain circumstances, render more difficult or discourage a merger, tender offer or proxy contest favored by a majority of our stockholders, the assumption of control by a holder of a large block of our stock or the removal of incumbent management.

Listing

The Common Stock is traded on OTCQB Venture Market under the trading symbol "CLOK".

Transfer Agent

The Company's transfer agent Pacific Stock Transfer Company, Las Vegas, Nevada.

EXHIBIT 31.1

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

I, David Chasteen, certify that:

1. I have reviewed this Annual Report on Form 10-K of Cipherloc Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of 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 control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: December 28, 2020

By: */s/ David Chasteen*
David Chasteen
Principal Executive Officer

EXHIBIT 31.2

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

I, Ryan Polk, certify that:

1. I have reviewed this Annual Report on Form 10-K of Cipherloc Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of 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 control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: December 28, 2020

By: */s/ Ryan Polk*
Ryan Polk
Principal Financial Officer

EXHIBIT 32.1

CERTIFICATIONS OF PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, David Chasteen, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Annual Report on Form 10-K of Cipherloc Corporation for the year ended September 30, 2020 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in such report fairly presents, in all material respects, the financial condition and results of operations of Cipherloc Corporation.

Dated: December 28, 2020

By: */s/ David Chasteen*
David Chasteen
Principal Executive Officer

EXHIBIT 32.2

CERTIFICATIONS OF PRINCIPAL FINANCIAL OFFICER
PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, Ryan Polk, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Annual Report on Form 10-K of Cipherloc Corporation for the year ended September 30, 2020 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in such report fairly presents, in all material respects, the financial condition and results of operations of Cipherloc Corporation.

Dated: December 28, 2020

By: */s/ Ryan Polk*
Ryan Polk
Principal Financial Officer