

United States
Securities and Exchange Commission
Washington, D.C. 20549

Form 10-K

☒ **ANNUAL REPORT UNDER SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended **March 31, 2019**
or

☐ **TRANSITION REPORT UNDER SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the year ended from _____

Commission File Number 000-53662

IronClad Encryption Corporation

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

81-0409475

(IRS Employer Identification Number)

**One Riverway, 777 South Post Oak Lane, Suite 1700
Houston, Texas 77056**

(Address of principal executive offices, including zip code)

(888) 362 - 7972

(Issuer's telephone number, including area code)

Securities registered under Section 12(b) of the Exchange Act:

Title of Each Class	Trading Symbol(s)	Name of Each Exchange on Which Registered
Common Stock, Class A, \$0.001 par value	IRNC	OTC QB

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act Yes ☐ 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 ☐ 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 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

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

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

Large accelerated filer ☐
Non-accelerated filer ☒

Accelerated filer ☐
Smaller reporting company ☒
Emerging growth company ☐

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

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

As of September 30, 2018, the last business day of the most recently completed second fiscal quarter, the aggregate market value of the registrant's common stock held by non-affiliates of the registrant was \$12,930,788 based on the closing sale price on that date of \$0.62 as reported on the OTC QB. We had 303,415,017 shares of common stock outstanding on July 11, 2019.

DOCUMENTS INCORPORATED BY REFERENCE: See exhibit table, page 86

Table of Contents

Part I.....	1
Cautionary Statement on Forward Looking Information	1
Item 1. Business	1
Item 1A. Risk Factors	3
Item 1B. Unresolved Staff Comments	20
Item 2. Properties	20
Item 3. Legal Proceedings.....	20
Item 4. Mine Safety Disclosures	20
 Part II	 21
Item 5. Market for Registrant’s Common Equity, Related Shareholder Matters and Issuer Purchases of Equity Securities	21
Item 6. Selected Financial Data	22
Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations Reportable segments	22
Item 7A. Quantitative and Qualitative Disclosures about Market Risk	32
Item 8. Financial Statements and Supplementary Data.....	33
Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure	70
Item 9A. Controls and Procedures	70
Item 9B. Other Information.	70
 Part III.....	 71
Item 10. Directors, Executive Officers and Corporate Governance.....	71
Item 11. Executive Compensation.	75
Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.	84
Item 13. Certain Relationships and Related Transactions, and Director Independence.....	86
Item 14. Principal Accounting Fees and Services.....	86
 Part IV.....	 87
Item 15. Exhibits, Financial Statement Schedules	87
Signatures	90

Part I

Cautionary Statement on Forward Looking Information

This Report contains “forward-looking statements” within the meaning of Section 27 A of the Securities Act of 1933, as amended, and Section 21 E of the Securities Exchange Act of 1934, as amended. Forward-looking statements include statements concerning plans, objectives, goals, strategies, expectations, future events or performance and underlying assumptions and other statements which are other than statements of historical facts.

Such statements are subject to certain risks and uncertainties which could cause actual results to differ materially than those projected or anticipated. Actual results could differ materially from those projected in the forward-looking statements. Although the Company believes its assumptions underlying the forward-looking statements are reasonable, the Company cannot assure an investor that the forward-looking statements set out in this prospectus will prove to be accurate.

Such “forward-looking statements” can be identified by the use of forward-looking terminology such as “believes”, “expects”, “may”, “intends”, “estimates”, “forecast”, “projects”, “should” or “anticipates”, or the negative thereof, or other variations thereon or comparable terminology, or by discussion of strategy. No assurance can be given that the future results covered by the forward-looking statements will be achieved. The following matters constitute cautionary statements identifying important factors with respect to such forward-looking statements, including certain risks and uncertainties, which could cause actual results to vary materially from the future results covered in such forward-looking statements.

An investor should not rely on forward-looking statements as predictions of future events. The events and circumstances reflected in the forward-looking statements may not be achieved or occur. The Company is not under a duty to update any of these forward-looking statements after the date of this report or to conform these statements to actual results or revised expectations.

Throughout this report, references to “Company”, “IronClad,” “Butte”, “we,” “us,” and “our” refer to IronClad Encryption Corporation and its subsidiaries on a consolidated basis. The terms “Company”, “IronClad” and “Butte” all refer to the same corporate entity, but the use of the IronClad and Butte names are used to refer to different eras of the Company’s history. The historical eras generally coincide with the changes in business focus in the first weeks of 2017 from the Company’s historical mining activities (Butte) to its current encryption technology activities (IronClad).

Item 1. Business

Overview

IronClad is engaged in the business of developing and licensing the use of cyber software technology that encrypts data files and electronic communications. Through our patented Dynamic Synchronous Key Management and Perpetual Authentication technology, we seek to develop and license encryption technology that leads to improvements in cost, implementation, and deployment.

We strive to generate royalty revenue by securing license agreements with leading vendors through sales of ICE-enabled security applications, subscriptions, services and maintenance contracts, as well as sales of our ultra-secure BlackICE gateway and ICEmicro, IronClad’s proprietary technology and the world’s first context free and natively secure containers. Our suite of security applications will be marketed as stand-alone applications and modules that integrate within security management systems deployed within enterprises.

Corporate History

IronClad Encryption Corporation, now an encryption technology company but formerly known as Butte Highlands Mining Company (hereinafter “Butte” or the “Company”), was organized in May 1929 in Delaware as a mining company. Butte ceased operating as a mining company in 1942.

In 2009, Butte registered its shares under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), for the purpose of becoming a reporting company. The Company’s shares then became listed on the OTC BB, but in time the Company also listed its shares to trade on the OTC QB electronic market, one of the OTC Markets Group over-the-counter markets.

On January 6, 2017, Butte entered into a Share Exchange Agreement with owners of InterLok Key Management, Inc., a Texas corporation (“InterLok”), wherein it issued 56,655,891 shares of its Class A common stock in exchange for 100% of the outstanding shares of InterLok Key Management, Inc. Immediately following the share exchange, the new Board of Directors of the Company (the “Board of Directors”) changed the Company name to IronClad Encryption Corporation (“IronClad”) changed the stock symbol from BTHI to IRNC and changed the company’s state of incorporation from Delaware to Nevada. Later, on October 16, 2017, the Company redomiciled in Delaware from Nevada and adopted a certificate of incorporation (the “Certificate of Incorporation”) and bylaws (the “Bylaws”) as a Delaware corporation.

Liquidity

Since the inception of our business we have incurred significant operating losses. Through March 31, 2019, we have generated cumulative net losses of \$27,967,566. During the three month period ended March 31, 2018, IronClad formed a new wholly-owned subsidiary, Ironclad Pipeline IC, Inc. which generated a modest level of revenue through a moderately profitable service contract with a major energy company in the eastern United States to provide an array of services in support of an infrastructure project. In mid-July 2018 our customer notified the Company of its intent to exercise an option in its contract to end our services under the contract. Consequently, our services were discontinued effective July 28, 2018.

Our ability to become profitable on a consolidated basis depends on our ability to generate and sustain substantially higher revenue while maintaining reasonable expense levels. We continue to explore various alternatives to increase our revenues and unless we can successfully increase our revenues (in excess of the costs we incur to generate these revenues) and our profitability, we will need to raise additional capital through equity or debt financings.

Such capital may not be available, or, if it is available, may not be available on terms that are acceptable to us. If we are unable to raise sufficient additional capital on acceptable terms or achieve profitability in the near-term, we will likely have a cash shortage which would disrupt our operations, have a material adverse effect on our financial condition or business prospects and could result in us being unable to continue our operations.

Employees and Independent Contractors

As of July 3, 2019, we have 6 employees, all of whom are based in the United States. We also use independent contractors from time to time for specific projects and functions. No employees are represented by a union.

Available Information

We are currently subject to the reporting requirements of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). We file periodic reports, proxy materials and other information with the Securities and Exchange Commission (“SEC” or “Commission”). Required filings include an annual financial statement audited by an independent registered public accounting firm, selected by the company’s Audit Committee, and quarterly reports containing unaudited financial information.

Members of the public may read and copy any materials we file with the SEC at the SEC’s Public Reference Room at 100 F Street, NE, Washington, DC 20549. Members of the public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The Internet address of the Commission is www.sec.gov. That website contains reports, proxy and information statements and other information regarding issuers, like IronClad Encryption Corporation, that file electronically with the Commission. Visitors to the Commission’s website may access such information by searching the EDGAR database.

We will provide without charge to each person who receives a copy of this report, upon written or oral request, a copy of any information that is incorporated by reference in this report (not including exhibits to the information that is incorporated by reference unless the exhibits are themselves specifically incorporated by reference). Such request should be directed to: Mr. David G. Gullickson, Vice President, Treasurer and Chief Financial Officer at IronClad Encryption Corporation, One Riverway, 777 South Post Oak Lane, Suite 1700, Houston, Texas 77056, (888) 362-7972. Our website Internet address is www.IronCladEncryption.com.

Item 1A. Risk Factors

Risks Related to Our Business and Our Industry

We lack an operating history and through March 31, 2019 have had modest revenues and no profits. We anticipate continuing to sustain losses on a consolidated basis and as a result, we may have to suspend or cease operations.

The Company, formerly named Butte Highlands Mining Company, was incorporated on May 3, 1929 for the purpose of mining. On January 6, 2017, Butte completed an exchange of shares of Butte’s Class A common stock for 100% of the capital stock of InterLok and changed Butte’s business focus from mining to patented encryption technology. Except for the modest operations of its new subsidiary, IronClad Pipeline IC, Inc. (formed in February 2018), the Company and its other wholly-owned subsidiary, InterLok, have no recent profitable operating history upon which an evaluation of our future success or failure can be made.

Losses incurred through March 31, 2019 are a result of costs incurred from the issuance of stock, re-incorporation between states, legal and accounting costs, and interest expense related to convertible debt. We have had modest revenues and no profits, and have limited current prospects for future revenues. Our ability to achieve and maintain profitability and positive cash flow depend on:

- our ability to sell encrypted software licenses and related hardware and services,
- our ability to generate revenues and positive cash flows from the sale of encrypted software, services and hardware, and
- our ability to manage development and operating costs.

Based on current plans, we expect to incur operating losses and negative cash flows from consolidated operations in future periods. This will happen because the costs and expenses associated with the research and development of encryption applications are likely to exceed modest operating revenues in the near future. As a result, we may not generate sufficient revenues, profits or positive net cash flows in the future. Failure to generate significant revenues or positive cash flows from operating activities could cause us to suspend or cease operations.

Due to our lack of capital, we must limit our development activity and may not be able to properly develop and complete a software and hardware development program related to our patented technology which will materially affect our business prospects.

We have a history of losses, anticipate increasing our operating expenses in the future, and may not be able to generate, maintain, or increase cash flow. If we cannot maintain or increase our cash flow, we will not be profitable and our business, financial condition, and operating results will suffer.

For the year ended March 31, 2019 and March 31, 2018 we have incurred net losses of \$ 14,030,370 and \$11,271,452, respectively. As a result, we have an accumulated deficit of \$27,967,566 as of March 31, 2019. We anticipate that our operating expenses will increase substantially in the foreseeable future as we continue to enhance our product and service offerings, broaden our end-customer base, expand our sales channels, expand our operations, hire additional employees, and continue to develop our technology. These efforts may prove more expensive than we currently anticipate, and we may not succeed in establishing and increasing our revenues sufficiently, or at all, to offset these higher expenses.

If the data security market does not adopt our data security platform, our sales will not grow as quickly as anticipated, or at all, and our business, results of operations and financial condition would be harmed.

We are seeking to disrupt the data security market with our patented encryption technology. However, organizations that use legacy products and services for their data security needs may believe that these products and services sufficiently achieve their purpose. Organizations may also believe that our products and services only serve the needs of a portion of the data security market. Accordingly, organizations may continue allocating their information technology (“IT”) budgets for legacy products and services and may not adopt our data security platform.

If the market for data security solutions does not adopt our data security platform, if end-customers do not recognize the value of our platform compared to legacy products and services, or if we are otherwise unable to sell our products and services to organizations, then our revenue will not grow and it will have a material adverse effect on our operating results and financial condition.

Slow development of a market for our products is likely to materially and adversely affect our results of operations.

The demand for our products depends on, among other things, the introduction and widespread acceptance of our encryption software and hardware. There can be no assurance as to the rate of development or acceptance of our encryption software. Slow development of the demand for our products and services will adversely affect our operations.

If we fail to manage growth effectively, our business would be harmed.

Our operating structure has also been altered, and any changes or future growth will place significant demands on our management, employees, infrastructure and other resources. We will also need to continue to improve our financial and management controls and reporting systems and procedures. We may encounter delays or difficulties in implementing any of these systems. Additionally, to manage any future change, we will need to hire, train, integrate and retain a number of highly skilled and motivated employees. If we do not effectively hire, train, integrate and retain sufficient highly qualified personnel to support any future growth, and if we do not effectively manage the associated increases in expenses, our business, results of operations and financial condition would be harmed.

Furthermore, growth forecasts are subject to significant uncertainty and are based on assumptions and estimates, which may not prove to be accurate. Forecasts relating to our market opportunity and the expected growth in the data encryption market and other markets, including the forecasts or projections referenced in this prospectus, may prove to be inaccurate. Even if these markets experience the forecasted growth, we may not grow our business at similar rates, or at all. Our growth will be affected by many factors, including our success in implementing our business strategy, which is subject to many risks and uncertainties. Accordingly, the forecasts of our market opportunity and market growth included in this prospectus should not be taken as indicative of our future growth.

If we are unable to sell products, solutions and maintenance services to new customers, as well as renewals of our products, solutions and services to those customers, our future revenue and operating results will be harmed.

Our future success depends, in part, on our ability to increase sales of our solutions to new customers. This may require increasingly sophisticated and costly sales efforts and may not result in additional sales. The rate at which new customers purchase solutions depends on a number of factors, including those outside of our control, such as customers' perceived need for security and general economic conditions. If our efforts to sell our products and services to new customers are not successful, our business and operating results may suffer.

Furthermore, customers that purchase our platform have no contractual obligation to renew their subscriptions and support and maintenance services after the initial contract period, and given our limited operating history, we may not be able to accurately predict our renewal rates. Our customers' renewal rates may decline or fluctuate as a result of a number of factors, including the level of their satisfaction with our platform, our customer support, customer budgets and the pricing of our platform compared with the products and services offered by our competitors.

If our customers renew their subscriptions, they may renew for shorter contract lengths or on other terms that are less economically beneficial to us. We cannot assure you that our customers will renew their subscriptions, and if our customers do not renew their subscriptions or renew on less favorable terms, our revenue may grow more slowly than expected, if at all.

If we do not accurately predict, prepare for, and respond promptly to the rapidly evolving technological and market developments and changing end-customer needs in the network security market, our prospects will be harmed.

The data security market is characterized by rapidly changing technology, changing customer needs, evolving operating system standards and frequent introductions of new offerings. Additionally, many of our potential end-customers operate in markets characterized by rapidly changing technologies and business plans, which require them to add numerous network access points and adapt increasingly complex enterprise networks, incorporating a variety of hardware, software applications, operating systems, and networking protocols. As their technologies and business plans grow more complex, we expect these customers to face new and increasingly sophisticated methods of attack. We face significant challenges in ensuring that our platform effectively identifies and responds to these advanced and evolving attacks without disrupting our customers' network performance.

The process of developing this new technology is expensive, complex and uncertain. The success of new products and enhancements depends on several factors, including appropriate component costs, timely completion and introduction, differentiation of new products and enhancements from those of our competitors, and market acceptance. To build our competitive position, we must commit significant resources to developing new products or enhancements to our platform before knowing whether these investments will be cost-effective or achieve the intended results.

There can be no assurance that we will successfully identify product opportunities, develop and bring new products or enhancements to market in a timely manner, or achieve market acceptance of our platform, or that products and technologies developed by others will not render our platform obsolete or noncompetitive. If we expend significant resources on researching and developing products or enhancements to our platform and such products or enhancements are not successful, our business, financial position and results of operations may be adversely affected.

These risks are greater in the mobile IT market because software is deployed on phones and tablets that run on different operating systems such as iOS, Android and Windows Phone, and these multiple operating systems change frequently in response to consumer demand. As a result, we may need to release new software updates at a much greater pace than a traditional enterprise software company that supports only PCs. We may experience technical design, engineering, marketing and other difficulties that could delay or prevent the development, introduction or marketing of new solutions and enhancements. As a result, we may not be successful in introducing solutions in a timely or appropriately responsive manner, or at all. If we fail to address these changes successfully, our business and operating results could be materially harmed.

Our products may become quickly outdated.

The data security market for our products is characterized by rapidly changing technology. Accordingly, we believe that our future success depends on our ability to develop products that can meet market needs on a timely basis. Although the market expects rapid introduction of new products or product enhancements to respond to new threats, the development of these products is expensive and difficult to achieve. Furthermore, the timetable for commercial release and availability is uncertain as there can be long time periods between releases and availability of new products.

There can be no assurance that we will even be successful in developing and marketing, on a timely basis, such new products or enhancements, or that our new products or enhancements will adequately address the changing needs of the marketplace, or that we will be able to respond effectively to technological changes introduced by strategic partners or future competitors.

If we delay or fail to introduce new products, our results of operations and financial condition would be materially adversely affected. Even if we develop timely and successful products and services, there can be no assurance that others will not introduce technology or services that significantly diminish the value of ours or render them obsolete.

We may not gain broad market acceptance for newly developed encrypted software and hardware.

We plan to release new encrypted software and hardware in order to meet the market's rapidly evolving demands. The return on our investments in these development efforts may be lower, or may develop more slowly, than we expect. Further, these solutions may never gain broad market acceptance and may never prove to be profitable in the longer term. If we fail to achieve high levels of market acceptance for new data security solutions or if market acceptance is delayed, our business, operating results and financial performance could be materially, adversely affected.

Additionally, the Company is developing its proprietary software and intends to effect beta and other testing to ensure efficient launch and usability. However, the Company's software may experience or develop unanticipated "bugs" that would either delay its release or impede its use once released. Such delays or problems could impact the Company's ability to generate revenue or could negatively affect any contractual relationships with users of the software.

If our products do not interoperate with our end-customers' infrastructure, sales of our products and services could be negatively affected, which would harm our business.

Our products must interoperate with our end-customers' existing infrastructure, which could have different specifications, utilize multiple protocol standards, deploy products from multiple vendors, and contain multiple generations of products that have been added over time. As a result, when problems occur in a network, it may be difficult to identify the sources of these problems.

If we find errors in the existing software or defects in the hardware used in our customers' infrastructure or problematic network configurations or settings, we may have to modify our software or hardware so that our products will interoperate with our customers' infrastructure. In such cases, our products may be unable to provide significant performance improvements for applications deployed in our customers' infrastructure. These issues could cause longer installation times for our products and could cause order cancellations, either of which would adversely affect our business, results of operations and financial condition.

Changes in features and functionality by operating system providers and mobile device manufacturers could cause us to make short-term changes in engineering focus or product development or otherwise impair our product development efforts or strategy and harm our business.

IronClad's software platforms depend on interoperability with operating systems, such as those provided by Apple, Google and Microsoft, as well as other device manufacturers. Because mobile operating systems are released more frequently than legacy PC operating systems, and there is typically limited advance notice of changes in features and functionality of operating systems and mobile devices, we may be forced to divert resources from our product roadmap in order to accommodate these changes.

In addition, if we fail to enable IT departments to support operating system upgrades upon release, our business and reputation could suffer. This could disrupt our product roadmap and cause us to delay introduction of planned solutions, features and functionality, which could harm our business.

If functionality similar to that offered by our products is incorporated into existing network infrastructure products, organizations may decide against adding our appliances to their network, which would have an adverse effect on our business.

Large, well-established providers of encryption software and hardware offer, and may continue to introduce, data security features that compete with our products, either in stand-alone security products or as additional features in their network infrastructure products. The inclusion of, or the announcement of an intent to include, functionality perceived to be similar to that offered by our security solutions in networking products that are already generally accepted as necessary components of network architecture may have an adverse effect on our ability to market and sell our products. Furthermore, even if the functionality offered by network infrastructure providers is more limited than our products, a significant number of end-customers may elect to accept such limited functionality in lieu of adding appliances from an additional vendor such as us.

Many organizations have invested substantial personnel and financial resources to design and operate their networks and have established deep relationships with other providers of networking products, which may make them reluctant to add new components to their networks, particularly from other vendors such as us. In addition, an organization's existing vendors or new vendors with a broad product offering may be able to offer concessions that we are not able to match because we currently plan to offer only network security products and have fewer resources than many of our competitors. If organizations are reluctant to add additional network infrastructure from new vendors or otherwise decide to work with their existing vendors, our ability to increase our market share and improve our financial condition and operating results will be adversely affected.

Fluctuating economic conditions make it difficult to predict revenue for a particular period, and a shortfall in revenue may harm our operating results.

Our revenue will depend significantly on general economic conditions and the demand for products in the IT security market. Economic weakness, customer financial difficulties, and constrained spending on IT security may result in decreased revenue and earnings. Such factors could make it difficult to accurately forecast our sales and operating results and could negatively affect our ability to provide accurate forecasts to our contract manufacturers and manage our contract manufacturer relationships and other expenses. If we do not succeed in convincing customers that our platform should be an integral part of their overall approach to IT security and that a fixed portion of their annual IT budgets should be allocated to our platform, general reductions in IT spending by our customers are likely to have a disproportionate impact on our business, results of operations and financial condition.

General economic weakness may also lead to longer collection cycles for payments due from our customers, an increase in customer bad debt, restructuring initiatives and associated expenses, and lack of investment in our Company. Furthermore, weakness and uncertainty in worldwide credit markets may adversely impact the ability of our potential customers to adequately fund their expected capital expenditures, which could lead to delays or cancellations of planned purchases of our platform.

Our revenue may be variable and difficult to predict.

Due to the nature of our business, our revenue in any particular period will be derived from sales to customers with whom we began to engage during that same period and therefore our sales may be variable and difficult to predict. Given this unpredictability, we may be unable to accurately forecast our sales in any given period. A failure to accurately predict the level of demand for our solutions may adversely impact our future revenue and operating results, and we are unlikely to forecast such effects with any certainty in advance.

We may acquire or enter into other businesses which could require significant management attention, disrupt our business, dilute stockholder value, and adversely affect our operating results.

As part of our business strategy, we may enter into or make investments in complementary companies, products, or technologies. We are a small organization and our ability to acquire and integrate other companies, products or technologies in a successful manner is unproven. We may not be able to find suitable acquisition candidates, and we may not be able to complete such acquisitions on favorable terms, if at all. If we do complete acquisitions or enter into other business ventures, we may not ultimately strengthen our competitive position or achieve our goals.

We may not have adequate resources to properly integrate and manage these new businesses and any acquisitions we complete could be viewed negatively by our end-customers, investors, and securities analysts. In addition, if we are unsuccessful at integrating such acquisitions, or the technologies associated with such acquisitions, into our Company, the revenue and operating results of the combined company could be adversely affected.

Any integration process may require significant time and resources, and we may not be able to manage the process successfully. We may not successfully evaluate or utilize the acquired technology or personnel, or accurately forecast the financial impact of an acquisition transaction, including accounting charges. We may have to pay cash, incur debt or issue convertible equity securities to pay for any such acquisition, each of which could adversely affect our financial condition or the value of our Class A common stock. The sale of equity or issuance of debt to finance any such acquisitions could result in dilution to our stockholders. The incurrence of indebtedness would result in increased fixed obligations and could also include covenants or other restrictions that would impede our ability to manage our operations.

The Company's officers and directors control a significant majority, and will continue to control a majority, of the Company's Preferred and Class A common stock and, as a result, can exercise voting control over stockholder and corporate actions.

Our officers and directors control a majority (more than 80%) of the Company's outstanding voting shares of Preferred and Class A common stock through the recent issuance of Series A, Preferred voting shares to JD McGraw, the Company's Chairman and Chief Executive Officer. As such, they will be able to control most matters requiring approval by stockholders, including the election of directors and approval of significant corporate transactions. This concentration of ownership may also have the effect of delaying or preventing a change in control, which in turn could have a material adverse effect on the market price of the Company's Class A common stock or prevent stockholders from realizing a premium over the market price for their Shares.

The Exchange Act requires, among other things, that companies maintain effective disclosure controls and procedures and internal control over financial reporting. In order to maintain the requisite disclosure controls and procedures and internal control over financial reporting, significant resources and management oversight are required. As a result, management's attention may be diverted from other business concerns, which could have a material adverse effect on the development of the Company's business, financial condition and results of operations.

The Company has a small financial and accounting organization. Being a public company strains the Company's resources, diverts management's attention and affects its ability to attract and retain qualified officers and directors.

As a reporting company, the Company is already subject to the reporting requirements of the Exchange Act. However, the requirements of these laws and the rules and regulations promulgated thereunder entail significant accounting, legal and financial compliance costs which are potentially prohibitive to the Company as it develops its business plan, products and scope. These costs have made, and will continue to make, some activities more difficult, time consuming or costly and may place significant strain on its personnel, systems and resources.

Our failure to adequately protect personal information could have a material adverse effect on our business.

A wide variety of provincial, state, national, and international laws and regulations apply to the collection, use, retention, protection, disclosure, transfer, and other processing of personal data. These data protection and privacy-related laws and regulations are evolving and may result in ever-increasing regulatory and public scrutiny and escalating levels of enforcement and sanctions. Our failure to comply with applicable laws and regulations, or to protect such data, could result in enforcement action against us, including fines, imprisonment of Company officials and public censure, claims for damages by end-customers and other affected individuals, damage to our reputation and loss of goodwill, any of which could have a material adverse effect on our operations, financial performance, and business.

Evolving and changing definitions of personal data and personal information, within the European Union, the United States, and elsewhere, especially relating to classification of IP addresses, machine identification, location data, and other information, may limit or inhibit our ability to operate or expand our business, including limiting strategic partnerships that may involve the sharing of data. Even the perception of privacy concerns, whether or not valid, may harm our reputation and inhibit adoption of our products by potential end-customers.

If our security measures are breached or unauthorized access to customer data is otherwise obtained or our customers experience data losses, our brand, reputation and business could be harmed and we may incur significant liabilities.

Our customers will rely on our encryption solutions to secure and store their data, which may include financial records, credit card information, business information, customer information, health information, other personally identifiable information or other sensitive personal information. A breach of our encryption methods or other events that cause the loss or public disclosure of, or access by third parties to, our customers' stored files or data could have serious negative consequences for our business, including possible fines, penalties and damages, reduced demand for our solutions, an unwillingness of our customers to use our solutions, harm to our brand and reputation and time-consuming and expensive litigation.

The techniques used to obtain unauthorized access, disable or degrade service or sabotage systems change frequently, often are not recognized until launched against a target and may originate from less regulated or remote areas around the world. As a result, we may be unable to proactively prevent these techniques, implement adequate preventative or reactionary measures or enforce the laws and regulations that govern such activities. If our customers experience any data loss, or any data corruption or inaccuracies, whether caused by security breaches or otherwise, our brand, reputation and business could be harmed.

If an actual or perceived breach of network security occurs in our internal systems, our services may be perceived as not being secure and clients may curtail or stop using our solutions.

As a provider of data security solutions, we will be a high-profile target and our networks and solutions may have vulnerabilities that may be targeted by hackers and could be targeted by attacks specifically designed to disrupt our business and harm our reputation. We will not succeed unless the marketplace continues to be confident that we provide effective encryption protection. If a breach of network security occurs in our internal systems it could adversely affect the market's perception of our solutions. We may not be able to correct any security flaws or vulnerabilities promptly, or at all. In addition, such a security breach could impair our ability to operate our business. If this happens, our business and operating results could be adversely affected.

Additionally, the ability of our future solutions to operate effectively could be negatively impacted by many different elements unrelated to our solutions. For example, a user's experience may suffer from an incorrect setting in his or her mobile device, an issue relating to his or her employer's corporate network or an issue relating to the underlying mobile operating system, none of which we control. Even though technical problems experienced by users may not be caused by our solutions, users often perceive the underlying cause to be a result of poor performance of our solution. This perception, even if incorrect, could harm our business and reputation.

Because our solutions could be used to collect and store personal information of our customers' employees or customers, privacy concerns could result in additional cost and liability to us or inhibit sales of our solutions.

Personal privacy has become a significant issue in the United States and in other countries where we may offer our solutions. The regulatory framework for privacy issues worldwide is currently complex and evolving, and it is likely to remain uncertain for the foreseeable future. Many federal, state and foreign government bodies and agencies have adopted or are considering adopting laws and regulations regarding the collection, use and disclosure of personal information.

In the United States, these include rules and regulations promulgated under the authority of the Federal Trade Commission, the Health Insurance Portability and Accountability Act of 1996 and state breach notification laws. Internationally, virtually every jurisdiction in which we may eventually operate has established its own data security and privacy legal framework with which we or our customers must comply, including the Data Protection Directive established in the European Union, and the Federal Data Protection Act recently passed in Germany.

In addition to government regulation, privacy advocacy and industry groups may propose new and different self-regulatory standards that either legally or contractually apply to us. Because the interpretation and application of privacy and data protection laws are still uncertain, it is possible that these laws may be interpreted and applied in a manner that is in conflict with one another and is inconsistent with our encryption practices or the features of our solutions.

If so, in addition to the possibility of fines, lawsuits and other claims, we could be required to fundamentally change our business activities and practices or modify our encryption software and hardware, which could have an adverse effect on our business. Any inability to adequately address privacy concerns, even if unfounded, or comply with applicable privacy or data protection laws, regulations and policies, could result in additional cost and liability to us, damage our reputation, inhibit sales and harm our business.

Furthermore, the costs of compliance with, and other burdens imposed by, the laws, regulations, and policies that are applicable to the businesses of our customers may limit the use and adoption of, and reduce the overall demand for, our solutions. Privacy concerns, whether valid or not valid, may inhibit market adoption of our solutions particularly in certain industries and possibly, foreign countries.

Our use of open source software could impose limitations on our ability to commercialize our solutions.

Our solutions might contain software modules licensed for use from third-party authors under open source licenses. Use and distribution of open source software may entail greater risks than use of third-party commercial software, as open source licensors generally do not provide warranties or other contractual protections regarding infringement claims or the quality of the code. Some open source licenses might contain requirements that we make available source code for modifications or derivative works we create based upon the type of open source software we use.

If we combine our proprietary solutions with open source software in a certain manner, we could, under certain of the open source licenses, be required to release the source code of our proprietary solutions to the public or offer our solutions to users at no cost. This could allow our competitors to create similar solutions with lower development effort and time and ultimately could result in a loss of sales for us.

The terms of many open source licenses have not been interpreted by U.S. courts, and there is a risk that such licenses could be construed in a manner that could impose unanticipated conditions or restrictions on our ability to commercialize our solutions. In such event, we could be required to seek licenses from third parties in order to continue offering our solutions, to re-engineer our solutions or to discontinue the sale of our solutions in the event re-engineering cannot be accomplished on a timely basis, any of which could materially and adversely affect our business and operating results.

If we are unable to hire, retain, train, and motivate qualified personnel and senior management, our business could suffer.

Our future success depends, in part, on our ability to continue to attract and retain highly skilled personnel. The loss of the services of our senior management or any of our key personnel, the inability to attract or retain qualified personnel, or delays in hiring required personnel, particularly in engineering and sales and marketing, could significantly delay or prevent the achievement of our development and strategic objectives, and may adversely affect our business, financial condition and operating results.

In addition, many members of our management team only joined us in the last year as part of our investment in the expansion of our business. Our productivity and the quality of our solutions may be adversely affected if we do not integrate and train our new employees quickly and effectively. Furthermore, if we are not effective in retaining our key personnel, our business could be adversely impacted and our operating results and financial condition could be harmed.

Competition for highly skilled personnel is often intense. We may not be successful in attracting, integrating or retaining qualified personnel to fulfill our current or future needs. Also, to the extent we hire personnel from competitors, we may be subject to allegations that they have been improperly solicited, or that they have divulged proprietary or other confidential information, or that their former employers own their inventions or other work product.

The Company relies on key executives whose absence or loss could adversely affect the business. We are highly dependent on our management team and consultants, and any failure to retain the services of such parties could adversely affect our ability to effectively manage our operations or successfully execute our business plan.

Our business is dependent on retaining the services of a small number of key personnel of the appropriate caliber as the business develops. Our success is, and will continue to be to a significant extent, dependent upon the expertise and experience of the directors, senior management and certain key consultants, but the retention of their services cannot be guaranteed. The loss of key members of our management team or other highly qualified professionals would adversely affect our ability to effectively manage our overall operations or successfully execute current or future business strategies and could have a material adverse effect on our business, financial condition, results of operations and growth prospects.

Additionally, because our Chief Technology Officer has other outside business activities, he will only be devoting not more than 50% of his time or approximately twenty hours per week to our operations.

Costs incurred because the Company is a public company may affect the Company's profitability.

As a public company, the Company incurs significant legal, accounting, and other expenses, and the Company is subject to the rules and regulations of the Securities and Exchange Commission relating to public disclosure that generally involve a substantial expenditure of financial resources to prepare those disclosures. In addition, the Sarbanes-Oxley Act of 2002, as well as rules subsequently implemented by the SEC, requires changes in corporate governance practices of public companies.

The Company expects that full compliance with such rules and regulations will significantly increase the Company's legal and financial compliance costs and make some activities more time-consuming and costly, which may negatively affect the Company's financial results. To the extent the Company's earnings are reduced as a result of the financial impact of the Company's SEC reporting or compliance costs, the Company's ability to develop an active trading market for the Company's securities could be harmed.

In addition, as a public reporting company, we are subject to various laws, regulations and standards relating to corporate governance and public disclosure. Our management team needs to invest significant time and financial resources to comply with both existing and evolving standards for public companies, which will lead to significant general and administrative expenses and a diversion of management time and attention from revenue-generating activities to compliance activities. In addition, because public company directors and officers face increased liabilities, the individuals serving in these positions may be less willing to remain as directors or executive officers for the long-term, and we may experience difficulty in attracting qualified replacement directors and officers.

We also experience difficulties in obtaining director and officer liability insurance. As a result, we may need to expend a significantly larger amount than we previously spent on recruiting, compensating and insuring new directors and officers.

We currently have material weaknesses in internal control over financial reporting. If we fail to rectify these weaknesses and then maintain effective controls, we may be subject to litigation and/or costly remediation and the price of our common stock may be adversely affected.

Failure to establish the required controls or procedures, or any failure of those controls or procedures once established, could adversely impact our public disclosures regarding our business, financial condition or results of

operations. Our management and our auditors have identified a material weakness in our disclosure controls and procedures and in our internal control over financial reporting due to insufficient resources in the accounting and finance department. Due to these weaknesses, there is more than a remote likelihood that a material misstatement of the consolidated financial statements would not have been prevented or detected.

Should we or our auditors identify any other material weaknesses and/or significant deficiencies; those will need to be addressed as well. Any actual or perceived weaknesses or conditions that need to be addressed in our internal control over financial reporting, disclosure of management's assessment of our internal control over financial reporting or disclosure of our public accounting firm's attestation to or report on management's assessment of our internal control over financial reporting could adversely impact the price of our common stock and may lead to claims against us. See Item 9. a and b.

We may be unable to protect our intellectual property adequately, which could harm our business, financial condition and results of operations.

We believe that our intellectual property is an essential asset of our business. We rely on a combination of patent, copyright, trademark and trade secret laws, as well as confidentiality procedures and contractual provisions, to establish and protect our intellectual property rights in the United States and abroad. The filing of a patent application or trademark application does not guarantee the issuance of a corresponding patent or trademark. Thus, our efforts to secure intellectual property rights may not result in enforceable rights against third parties.

Any U.S. or other patents that we acquire may not be sufficiently broad to protect our proprietary technologies, and given the costs of obtaining patent protection, we may choose not to seek patent protection for certain of our proprietary technologies or in certain jurisdictions. Further, the enforceability of any U.S. or other patent we obtain would be limited by the term of said patent.

Variations in patent and trademark laws across different jurisdictions may also affect our ability to protect our proprietary technologies consistently across the globe. The efforts we have taken to protect our intellectual property may not be sufficient or effective, and our trademarks, copyrights and patents may be held invalid or unenforceable. We may not be effective in policing unauthorized use of our intellectual property, and even if we do detect violations, litigation may be necessary to enforce our intellectual property rights.

Any enforcement efforts we undertake, including litigation, could be time consuming and expensive, could divert management's attention and may result in a court determining that our intellectual property rights are unenforceable. If we are not successful in cost-effectively protecting our intellectual property rights, our business, financial condition and results of operations could be harmed.

Claims by others that we infringe their proprietary technology or other rights could harm our business.

Companies in the data encryption security industry own large numbers of patents, copyrights, trademarks, domain names, and trade secrets and frequently enter into litigation based on allegations of infringement, misappropriation, or other violations of intellectual property or other rights. Third parties may in the future assert claims of infringement of intellectual property rights against us. As the number of products and competitors in our market increases and overlaps occur, infringement claims may increase.

In addition, future litigation may involve patent holding companies or other adverse patent owners who have no relevant product revenue and against whom our own patents may therefore provide little or no deterrence or protection. In addition, we have not registered our trademarks in all of our geographic markets and failure to secure those registrations could adversely affect our ability to enforce and defend our trademark rights.

Any claim of infringement by a third party, even those without merit, could cause us to incur substantial costs defending against the claim, could distract our management from our business and could require us to cease use of such intellectual property. Furthermore, because of the substantial amount of discovery required in connection with intellectual property litigation, there is a risk that some of our confidential information could be

compromised by disclosure during this type of litigation. Although third parties may offer a license to their technology or other intellectual property, the terms of any offered license may not be acceptable to us and the failure to obtain a license or the costs associated with any license could cause our business, financial condition, and operating results to be materially and adversely affected.

In addition, some licenses may be non-exclusive, and therefore our competitors may have access to the same technology licensed to us. If a third party does not offer us a license to its technology or other intellectual property on reasonable terms, or at all, we could be enjoined from continued use of such intellectual property. As a result, we may be required to develop alternative, non-infringing technology, which could require significant time (during which we would be unable to continue to offer our affected products or services), effort, and expense and may ultimately not be successful.

Furthermore, a successful claimant could secure a judgment or we may agree to a settlement that prevents us from distributing certain products or performing certain services or that requires us to pay substantial damages, royalties or other fees. Any of these events could seriously harm our business, financial condition, and operating results.

We could be subject to additional tax liabilities.

We are subject to U.S. federal, state, local and sales taxes in the United States and may become subject to foreign income taxes, withholding taxes and transaction taxes in several foreign jurisdictions. Significant judgment is required in evaluating our tax positions and our worldwide provision for taxes. During the ordinary course of business, there are many activities and transactions for which the ultimate tax determination is uncertain. In addition, our tax obligations and effective tax rates could be adversely affected by changes in the relevant tax, accounting and other laws, regulations, principles and interpretations, including those relating to income tax nexus, by recognizing tax losses or lower than anticipated earnings in jurisdictions where we have lower statutory rates and higher than anticipated earnings in jurisdictions where we have higher statutory rates, by changes in foreign currency exchange rates, or by changes in the valuation of our deferred tax assets and liabilities.

We may be audited in various jurisdictions, and such jurisdictions may assess additional taxes, sales taxes and value-added taxes against us. Although we believe our tax estimates are reasonable, the final determination of any tax audits or litigation could be materially different from our historical tax provisions and accruals, which could have a material adverse effect on our operating results or cash flows in the period or periods for which a determination is made.

U.S. federal, state and local government sales are subject to a number of challenges and risks that may adversely impact our business.

Sales to U.S. federal, state, and local governmental agencies may in the future account for a significant portion of our revenue. Sales to such government entities are subject to the following risks:

- selling to governmental agencies can be highly competitive, expensive and time consuming, often requiring significant upfront time and expense without any assurance that such efforts will generate a sale;
- government certification requirements applicable to our products may change and, in doing so, restrict our ability to sell into the U.S. federal government sector until we have attained the revised certification;
- government demand and payment for our products and services may be affected by public sector budgetary cycles and funding authorizations, with funding reductions or delays adversely affecting public sector demand for our products and services;
- governments routinely investigate and audit government contractors' administrative processes, and any unfavorable audit could result in the government refusing to continue buying our platform, which would adversely affect our revenue and results of operations, or institute fines or civil or criminal liability if the audit uncovers improper or illegal activities; and

- governments may require certain products to be manufactured in the United States and other relatively high-cost manufacturing locations, and we may not manufacture all products in locations that meet these requirements, thus affecting our ability to sell these products profitably to governmental agencies.

Failure to comply with governmental laws and regulations could harm our business.

Our business is subject to regulation by various U.S. federal, state, local jurisdictions and may become subject to regulation by foreign governments in the future. In certain jurisdictions, these regulatory requirements may be more stringent than those in the United States. Noncompliance with applicable regulations or requirements could subject us to investigations, sanctions, mandatory product recalls, enforcement actions, disgorgement of profits, fines, damages, civil and criminal penalties, injunctions or other collateral consequences.

If any governmental sanctions are imposed, or if we do not prevail in any possible civil or criminal litigation, our business, results of operations, and financial condition could be materially adversely affected. In addition, responding to any action will likely result in a significant diversion of management's attention and resources and an increase in professional fees. Enforcement actions and sanctions could harm our business, results of operations and financial condition.

Our business is subject to the risks of earthquakes, fire, power outages, floods and other catastrophic events, and to interruption by man-made problems such as terrorism.

A significant natural disaster, such as an earthquake, a fire, a flood, or significant power outage could have a material adverse effect on our business, results of operations, and financial condition. In addition, natural disasters could affect our supply chain, manufacturing vendors, or logistics providers' ability to provide materials and perform services such as manufacturing products or assisting with shipments on a timely basis. In the event that our or our service providers' information technology systems or manufacturing or logistics abilities are hindered by any of the events discussed above, shipments could be delayed, resulting in missed financial targets, such as revenue and shipment targets, for a particular quarter.

In addition, acts of terrorism and other geo-political unrest could cause disruptions in our business or the business of our supply chain, manufacturers, logistics providers, partners, or customers or the economy as a whole. Any disruption in the business of our supply chain, manufacturers, logistics providers, partners or end-customers that impacts sales at the end of a fiscal quarter could have a significant adverse impact on our financial results. All of the aforementioned risks may be further increased if the disaster recovery plans for us and our suppliers prove to be inadequate. To the extent that any of the above should result in delays or cancellations of customer orders, or the delay in the manufacture, deployment or shipment of our products, our business, financial condition and results of operations would be adversely affected.

Risks Related to Our Class A Common Stock

You could lose the value of all of your investment.

An investment in our securities is speculative and involves a high degree of risk. Potential investors should be aware that the value of an investment in the Company may go down as well as up. In addition, there can be no certainty that the market value of an investment in the Company will fully reflect its underlying value. You could lose the value of your entire investment.

You may experience dilution of your ownership interests because of the future issuance of additional shares of our common or preferred stock or other securities that are convertible into or exercisable for our common or preferred stock.

In the future, we may issue our authorized but previously unissued equity securities, which would result in the dilution of the ownership interests of our present stockholders and the purchasers of our common stock offered hereby. The Company is authorized to issue an aggregate of 800,000,000 shares of common stock and

20,000,000 shares of preferred stock. We may issue additional shares of our common stock or other securities that are convertible into or exercisable for our common stock in connection with hiring or retaining employees, future acquisitions, future sales of our securities for capital raising purposes, or for other business purposes.

The future issuance of any such additional shares of our common stock may create downward pressure on the trading price of the common stock. We will need to raise additional capital in the near future to meet our working capital needs, and there can be no assurance that we will not be required to issue additional shares, warrants or other convertible securities in the future in conjunction with these capital raising efforts, including at a price (or exercise price) below the price you paid for your stock.

Future sales of our common stock or securities convertible or exchangeable for our common stock, or the perception that such sales might occur, may cause our stock price to decline and may dilute your voting power and your ownership interest in us.

If our existing stockholders or warrant or option holders sell, or indicate an intention to sell, substantial amounts of our common stock in the public market, the price of our common stock could decline. The perception in the market that these sales may occur could also cause the price of our common stock to decline.

There currently is a limited market for our Class A common stock and there can be no assurance that an active public market will ever develop. Failure to develop or maintain an active trading market could negatively affect the value of our common stock and make it difficult or impossible for you to sell your shares.

There is currently only a limited public market for shares of our common stock, and an active trading market may never develop. Our Class A common stock is quoted on the OTC QB market. The OTC QB market is a thinly traded market and lacks the liquidity of certain other public markets with which some investors may have more experience. We may not ever be able to satisfy the listing requirements for our Class A common stock to be listed on a national securities exchange, which is often a more widely-traded and liquid market.

Some, but not all, of the factors which may delay or prevent the listing of our Class A common stock on a more widely-traded and liquid market include the following: our stockholders' equity may be insufficient; the market value of our outstanding securities may be too low; our net income from operations may be too low; our Class A common stock may not be sufficiently widely held; we may not be able to secure market makers for our Class A common stock; and we may fail to meet the rules and requirements mandated by the several exchanges and markets to have our Class A common stock listed.

Should we fail to satisfy the initial listing standards of the national exchanges, or our Class A common stock is otherwise rejected for listing and remains listed on an OTC market or is suspended from the OTC QB market, the trading price of our Class A common stock could suffer and the trading market for our Class A common stock may be less liquid and our Class A common stock price may be subject to increased volatility.

The price of our Class A common stock historically has been volatile. This volatility may affect the price at which you could sell your Class A common stock, and the sale of substantial amounts of our Class A common stock could adversely affect the price of our Class A common stock.

During the two years presented, ending March 31, 2019 and 2018, the closing price for our Class A common stock has varied between a high of \$12.00 and a low of \$0.0057. This volatility may affect the price at which an investor could sell the Class A common stock, and the sale of substantial amounts of our Class A common stock could adversely affect the price of our Class A common stock. Our stock price is likely to continue to be volatile and subject to significant price and volume fluctuations in response to market and other factors; variations in our quarterly operating results from our expectations or those of securities analysts or investors; downward revisions in securities analysts' estimates; and announcement by us or our competitors of significant acquisitions, strategic partnerships, joint ventures or capital commitments.

Our Class A common stock is currently subject to the "penny stock" rules of the SEC and the trading market in the securities is limited, which makes transactions in the stock cumbersome and may reduce the value of an investment in the stock.

Rule 15c-9 under the Exchange Act establishes the definition of a "penny stock," for the purposes relevant to us, as any equity security that has a market price of less than \$5.00 per share or with an exercise price of less than \$5.00 per share, subject to certain exceptions. For any transaction involving a penny stock, unless exempt, the rules require: (a) that a broker or dealer approve a person's account for transactions in penny stocks; and (b) the broker or dealer receive from the investor a written agreement to the transaction, setting forth the identity and quantity of the penny stock to be purchased.

In order to approve a person's account for transactions in penny stocks, the broker or dealer must: (a) obtain financial information and investment experience objectives of the person and (b) make a reasonable determination that the transactions in penny stocks are suitable for that person and the person has sufficient knowledge and experience in financial matters to be capable of evaluating the risks of transactions in penny stocks.

The broker or dealer must also deliver, prior to any transaction in a penny stock, a disclosure schedule prescribed by the SEC relating to the penny stock market, which, in highlight form: (a) sets forth the basis on which the broker or dealer made the suitability determination; and (b) confirms that the broker or dealer received a signed, written agreement from the investor prior to the transaction. Generally, brokers may be less willing to execute transactions in securities subject to the "penny stock" rules. This may make it more difficult for investors to dispose of our Class A common stock and cause a decline in the market value of our Class A common stock.

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

Our stock may be traded infrequently and in low volumes, so you may be unable to sell your shares at or near the quoted bid prices if you need to sell your shares.

Until our Class A common stock is listed on a national securities exchange such as the NYSE American or the NASDAQ Stock Market, we expect our Class A common stock to remain eligible for quotation on the OTC QB market, or on another over-the-counter quotation system. In those venues, however, the shares of our Class A common stock may trade infrequently and in low volumes, meaning that the number of persons interested in purchasing our common shares at or near bid prices at any given time may be relatively small or non-existent.

An investor may find it difficult to obtain accurate quotations as to the market value of our Class A common stock or to sell his or her shares at or near bid prices or at all. In addition, if we fail to meet the criteria set forth in SEC regulations, various requirements would be imposed by law on broker-dealers who sell our securities to persons other than established customers and accredited investors. Consequently, such regulations may deter broker-dealers from recommending or selling our Class A common stock, which may further affect the liquidity of our Class A common stock. This would also make it more difficult for us to raise capital.

We are a smaller reporting company and we cannot be certain if the reduced disclosure requirements applicable to smaller reporting companies will make our Class A common stock less attractive to investors.

We qualify as a "smaller reporting company" (meaning that we are not an investment company, an asset-backed issuer, or a majority-owned subsidiary of a parent company that is not a smaller reporting company, and we have a public float of less than \$75 million as of the last business day of our most recently completed second fiscal quarter), which allows us to take advantage of a number of exemptions from SEC disclosure requirements in our periodic reports and proxy statements, including, among other things, simplified executive compensation disclosures, only being required to provide two (rather than three) years of audited financial statements, and not being required to comply with the requirements of Section 404 of the Sarbanes-Oxley Act that our independent registered public accounting firm provide an attestation report on the effectiveness of our internal control over financial reporting.

Decreased disclosures in our SEC filings due to our status as a "smaller reporting company" may make it harder for investors to analyze our results of operations and financial prospects and may cause some investors to find our Class A common stock less attractive because we rely on these exemptions, there may be a less active trading market for our Class A common stock, and our stock price may be more volatile.

Certain provisions of Delaware law and our charter documents may impede or discourage a takeover, which could adversely impact the market price of our shares.

As a Delaware corporation, we are governed by anti-takeover provisions of Section 203 of the Delaware General Corporation Law (the "DGCL") that prohibit certain publicly-traded Delaware corporations from engaging in a business combination with anyone who owns at least 15% of its common stock for a period of three years after the date of the transaction in which the person acquired the 15% ownership, unless the certificate of incorporation or by-laws of the corporation contain a provision expressly electing not to be governed by this anti-takeover statute, the merger or combination is approved in a prescribed manner, or the corporation does not have a class of voting stock that is listed on a national securities exchange or held by more than 2,000 stockholders of record.

We are currently not subject to these restrictions; however, our certificate of incorporation and by-laws do not contain a provision electing not to be governed by this statute, and once our common stock is listed on a national securities exchange or held by more than 2,000 stockholders of record, we will become subject to these restrictions, which may discourage a potential acquirer from making a tender offer for our common stock, which, under certain circumstances, could reduce the market price of our common stock.

Certain other provisions of Delaware law and of our certificate of incorporation and bylaws impose various impediments to the ability of a third party to acquire control of us, even if a change in control would be beneficial to our existing stockholders or could discourage a potential acquirer from making a tender offer for our common stock. In addition, these provisions may frustrate or prevent any attempt by our stockholders to replace or remove our current management by making it more difficult to replace or remove our Board of Directors.

These provisions include:

- no cumulative voting in the election of directors;
- the exclusive right of our board of directors to elect a director to fill a vacancy created by the expansion of the Board of Directors or the resignation, death or removal of a director;
- a requirement that special meetings of stockholders be called only by the chairperson of the board of directors, the chief executive officer or by the board of directors pursuant to a resolution adopted by a majority of the total number of directors,
- an advance notice requirement for stockholder proposals and nominations;

- the authority of our board of directors to issue preferred stock with such terms as our board of directors may determine; and
- elimination of personal liability for breaches of fiduciary duty as a director, to the extent permitted under the Delaware law.

These restrictions, under certain circumstances, could reduce the market price of our common stock.

Any failure to maintain effective internal control over our financial reporting could materially adversely affect us.

Section 404 of the Sarbanes-Oxley Act of 2002 requires us to include in our annual reports on Form 10-K an assessment by management of the effectiveness of our internal control over financial reporting. In addition, at such time, if any, as we are no longer a "smaller reporting company," our independent registered public accounting firm will have to attest to and report on management's assessment of the effectiveness of such internal control over financial reporting.

Based upon the last evaluation, our management concluded that our internal control over financial reporting was not effective as of such date to provide reasonable assurance to the Company's management and Board of Directors regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States. Our management identified a material weakness in our internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

If we fail to maintain effective internal control over financial reporting, we may be unable to prevent or detect fraud or provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements. This could result in a loss of investor confidence in the reliability of our financial statements, which in turn could negatively affect the price of our common stock.

In particular, we must perform system and process evaluation and testing of our internal control over financial reporting to allow management and (if required in future) our independent registered public accounting firm to report on the effectiveness of our internal control over financial reporting, as required by Section 404(b). Our compliance with Section 404(b) may require that we incur substantial accounting expense and expend significant management efforts.

We currently do not have an internal audit group. We may need to retain the services of additional accounting and financial staff or consultants with appropriate public company experience and technical accounting knowledge to satisfy the ongoing requirements of Section 404(b). We intend to review the effectiveness of our internal controls and procedures and make any changes management determines appropriate, including to achieve compliance with Section 404(b) by the date on which we are required to so comply.

We do not intend to pay dividends for the foreseeable future.

We have never declared or paid any dividends on our Class A common stock. We intend to retain any earnings to finance the operation and expansion of our business, and we do not anticipate paying any cash dividends in the future. As a result, you may only receive a return on your investment in our Class A common stock if the market price of our Class A common stock increases.

We may not be able to draw funds from the private equity line.

We cannot be assured that we will obtain sufficient funds from the private equity line with Tangiers to continue operations. The future market price and volume of trading of our Class A common stock limits the rate at which we can obtain money under the private equity line. Further, we may be unable to satisfy the conditions contained in the Investment Agreement, which would result in our inability to draw down money on a timely basis, or at all. If the price of our Class A common stock declines, or trading volume in our Class A common stock is low, we will be unable to obtain sufficient funds to meet our liquidity needs.

Private equity line draws may result in substantial dilution.

We will issue shares to Tangiers upon exercise of our put rights at a price equal to 80% of the lowest volume weighted average price, or if none, the lowest closing bid price, of our Class A common stock over the 5 trading days including and immediately after the date we deliver and Tangiers confirms receipt of notice of a drawdown request on the private equity line. Accordingly, the exercise of our put rights may result in substantial dilution to the interests of the other holders of our Class A common stock.

Depending on the price per share of our Class A common stock during the 36-month period of the Investment Agreement, we may need to register additional shares for resale to access the full amount of financing available. Registering additional shares could have a further dilutive effect on the value of our Class A common stock. If we are unable to register the additional shares of Class A common stock, we may experience delays in, or be unable to, access some of the \$5,000,000 available under the private equity line.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

Our executive and administrative offices are located at One Riverway, 777 South Post Oak Lane, Suite 1700, Houston, Texas 77056 where we rent office space pursuant to a month-to-month rental agreement.

Item 3. Legal Proceedings

None.

Item 4. Mine Safety Disclosures

Not Applicable.

Part II

Item 5. Market for Registrant's Common Equity, Related Shareholder Matters and Issuer Purchases of Equity Securities

Price Range of Common Stock

Shares of our common stock, for the periods presented below, were traded on the OTC QB. The following table sets forth the quarterly high and low sales prices per share for our common stock, as reported by the OTC QB exchange for the respective periods.

	High	Low
Fiscal 2019:		
Fourth Quarter	\$0.21	\$0.0069
Third Quarter	\$0.64	\$0.15
Second Quarter	\$0.70	\$0.05
First Quarter	\$1.85	\$0.45
Fiscal 2018:		
Fourth Quarter	\$7.00	\$1.35
Third Quarter	\$8.50	\$4.00
Second Quarter	\$12.00	\$3.15
First Quarter	\$3.79	\$1.37

On July 5, 2019, the last price for our common stock as reported by the OTC QB was \$0.0096 per share. There are approximately 1,714 stockholders of record of the common stock.

Dividends

We have not paid, and we do not currently intend to pay in the foreseeable future, cash dividends on our common stock. The current policy of our Board of Directors is to retain all earnings, if any, to provide funds for operation and expansion of our business. The declaration of dividends, if any, will be subject to the discretion of the Board of Directors, which may consider such factors as our results of operations, financial condition, capital needs and acquisition strategy, among others.

2017 Equity Incentive Plan

The Board of Directors adopted, and the Company's stockholders subsequently approved, the IronClad Encryption Corporation 2017 Equity Incentive Plan (the "Plan") effective as of January 6, 2017. The purpose of the Plan is to foster and promote the long-term financial success of the Company and thereby increase stockholder value. The Plan provides for the award of equity incentives to certain employees, directors, or officers of, or key advisers or consultants to, the Company and its subsidiaries who are responsible for or contribute to the management, growth or success of the Company or any of its subsidiaries. The maximum number of shares available for issuance under the Plan is thirty million (30,000,000) shares of Class A common stock.

On October 17, 2017, in connection with the change of the Company's jurisdiction of incorporation from the State of Nevada to the State of Delaware, the Board of Directors adopted the Amended and Restated IronClad Encryption Corporation 2017 Equity Incentive Plan (the "Amended Plan").

The following table sets forth information about the Amended Plan as of March 31, 2019.

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans:			
Approved by security holders	27,830,000	\$ 0.57	2,170,000
Not approved by security holders	307,500	2.04	—
Total	28,137,500	\$ 0.59	2,170,000

- (a) The number of outstanding options awarded above includes an option awarded to Mr. James D. McGraw to purchase 10,000,000 shares of Class A common stock at an exercise price of \$1.00 per share. The option is only exercisable under certain limited circumstances, one of which is that the market price of our Class A common stock reaches a price of \$15.00 per share.

Item 6. Selected Financial Data

	Year Ended March 31, 2019	Year Ended March 31, 2018
Revenue	\$ 780,211	\$ 229,475
Loss from operations	\$ (10,113,724)	\$ (10,268,875)
Net loss	\$ (14,030,370)	\$ (11,271,452)
Basic loss per common share	\$ (0.20)	\$ (0.17)
Weighted average shares outstanding	69,302,833	67,630,197
Cash and cash equivalents	\$ 277,575	\$ 448,061
Patents, net	\$ 367,786	\$ 170,976
Total assets	\$ 675,261	\$ 976,734
Notes payable	\$ 989,170	\$ 1,068,956
Less discounts	(542,451)	(364,762)
Notes payable, net	\$ 446,719	\$ 722,684
Derivatives liabilities	\$ 2,147,415	\$ 234,138
Stockholder's equity (deficit)	\$ (5,035,868)	\$ (2,018,934)

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

Reportable segments

Forward-Looking Statements

When used in this Report on Form 10-K and in future filings by us with the Securities and Exchange Commission, the words or phrases "will likely result," "management expects" or "we expect," "will continue," "is anticipated," "estimated" or similar expressions are intended to identify "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Readers are cautioned not to place undue reliance on any such forward-looking statements, each of which speaks only as of the date made.

Such statements are subject to certain risks and uncertainties that could cause actual results to differ materially from historical earnings and those presently anticipated or projected. The risks are included in “Item 1A: Risk Factors” above and this “Item 7: Management’s Discussion and Analysis of Financial Condition and Results of Operations” in this Report on Form 10-K. We have no obligation to publicly release the result of any revisions, which may be made to any forward-looking statements to reflect anticipated or unanticipated events or circumstances occurring after the date of such statements.

You should read the financial information set forth below in conjunction with our financial statements and notes thereto.

Overview

Our corporate mission is to bring freedom to execute electronic transmissions and store electronic data absent the intrusion of cyber-terrorism that causes destruction and loss by offering proprietary cybersecurity encryption that operates without performance degradation or significant band-width usage.

Our primary business model is to develop and license cyber software technology that encrypts data files and electronic communications. We seek to generate royalty revenue by securing license agreements with leading vendors through sales of ICE-enabled security applications, subscriptions, services and maintenance contracts, as well as sales of our ultra-secure BlackICE gateway and ICEmicro, IronClad’s proprietary technology and the world’s first context free and natively secure containers.

Operating Plan

Our operating plan within the next twelve months includes the following:

- Build on our existing support functions of infrastructure projects and operations through the deployment of our proprietary technology.
- Expand our licensing and deployment of our patented data protection solutions through strategic alliances.
- List our Class A common stock on a national securities exchange such as the NYSE American or the NASDAQ Stock Market.

Segments

We have only one reportable segment and that segment is focused on expanding our portfolio of patents and developing commercial applications for our patents and identifying and engaging customers needing the dynamic key encryption advantages that our software provides to improve the security of their businesses.

Review of Comparative Results and Liquidity; year ended March 31, 2019 compared to the year ended March 31, 2018.

Results of Operations

Based on the factors discussed below, the net loss attributable to common shareholders for the year ended March 31, 2019, increased by \$2,758,918 to a net loss of \$14,030,370 or \$0.20 per share in 2019 from a net loss of \$11,271,452, or \$0.17 per share in 2018.

Year ended March 31, 2019 compared to Year ended March 31, 2018

Net loss. For the year ended March 31, 2019, the Company had a net loss of \$14,030,370 compared to a net loss of \$11,271,452 for the year ended March 31, 2018. This represents an increased net loss of \$2,758,918 for the year ended March 31, 2019. The increase in net loss is attributable to an increase in services expense (though offset by revenue), officer and director fees and financing expenses which were offset by a decrease in investor relations and professional fees during the year ended March 31, 2019. Many of the costs incurred were non-cash and were recognized as compensation and financing expenses in connection with the issuance of IronClad common stock or stock options, warrants or derivative liabilities.

Product development costs. The \$1,670,298 of product development costs incurred during the year is primarily related to research and product development costs for cyber encryption software and prototype products being developed and tested.

Officer compensation. Compensation expenses for officers and directors fee expenses were low until they were increased on July 1, 2017. The rates of compensation for seven of the Company's initial employees were a uniform \$5,000 per person per month in the three months ended March 31, 2017 and were increased to amounts have averaged about \$15,000 per person in mid-2017. While the higher compensation rates do receive expense recognition, the deferred amounts in excess of \$5,000 per person per month are accrued and are to be paid at a later date based on the liquidity and financial strength of the Company. Until that time, individuals were generally paid \$5,000 per person per month until mid-October 2017.

Accrued amounts for deferred salary in excess of the monthly \$5,000 per person per month paid during the year ended March 31, 2019 total approximately \$788,769 and \$533,884 at March 31, 2018.

The uniform monthly compensation amounts that were being paid through much of 2017 were effectively suspended after the middle of October 2017 because of limited amounts of cash available to use for other operating costs of the company. The \$5,000 per person per month amounts that were suspended for half of October and all of November, December, January, February, and March (and continue to be suspended as of the date of the filing of this report) are nevertheless accrued and are to be paid at a later date based on the liquidity and financial strength of the Company.

Cumulative accrued amounts for suspended and deferred salaries for officers at March 31, 2019 were approximately \$1,592,186 and \$700,521 at March 31, 2018.

Stock options issued. Of the \$10,893,935 of operating expenses for the year ended March 31, 2019, \$8,348,240 relates to stock options and warrants issued. This total amount for options and warrants includes \$1,642,735 for product development expenses, \$1,993,242 for general and administrative, \$4,712,263 for officers and directors and \$10,265 for financing fees. Of the \$10,498,620 of operating expenses for the year ended March 31, 2018, \$5,337,248 relates to stock options and warrants issued. This total amount for options and warrants includes \$0 for product development expenses, \$959,214 for general and administrative, \$3,612,311 for officers and directors, \$478,086 for investor relations and \$287,629 for financing fees.

Stock grants issued. In addition to the \$8,348,240 of expenses recognized above for stock options and warrants for the year ended March 31, 2019, another \$13,509 of expenses was recognized for 177,000 stock grants issued (or shares held to be issued) at an issue price from \$1.15 to \$0.32. The general and administrative expenses were recognized as a result of issuing shares of Class A common stock valued to support the Company's activities.

In addition to the \$5,337,248 of expense recognized above for stock options and warrants for the year ended March 31, 2018, another \$818,442 of expense was recognized for 245,116 stock grants issued (or shares held to be issued) at an average issue price of \$3.27. \$212,248 of development expenses was recognized for shares of Class A common stock issued to consultants to support the Company's development activities and \$43,348 of general and administrative expenses were recognized as a result of issuing shares of Class A common stock valued

to support the Company's strategic business development activities. An additional \$517,500 of expenses was recognized for issuing shares of Class A common stock for investor relations services.

Private equity line of funding. On August 24, 2017, we entered into an Investment Agreement with Tangiers Global, LLC ("Tangiers") as the agreement's counterparty, for the potential future issuance and purchase of shares of our Class A common stock. The Investment Agreement establishes what is sometimes termed a "private equity line" of funding or an equity drawdown facility. This facility is discussed in more detail below in the section titled *Liquidity and Capital Resources*.

During the year ended March 31, 2018 IronClad issued 38,596 shares of stock for cash proceeds of \$64,596. An additional \$16,844 of financing expense was recognized to record the additional difference between the contractual sale price and the higher fair market value of the series of three transactions. During the year ended March 31, 2019, no such transactions occurred.

Associated convertible note. On August 24, 2017, in connection with the entry into the Investment Agreement, we also issued a 10% convertible note (the "Convertible Note") in an aggregate principal amount of \$330,000 with a 10% original issue discount. The initial consideration ("Initial Consideration") in the amount of \$165,000 was funded on August 24, 2017. The Company received net proceeds of \$150,000 (which represents the deduction of the 10% original issue discount for Tangiers' due diligence and legal fees). Tangiers may advance additional consideration (each, "Additional Consideration") to the Company in such amounts and at such dates as Tangiers may choose in its sole discretion.

On March 26, 2018 Tangiers converted \$10,000 of the initial consideration into 9,958 shares of Class A common stock. During the year ended March 31, 2019 Tangiers converted the remaining \$155,000 into 4,578,628 shares of Class A common stock.

Interest expenses and financing fees. Interest expenses and financing fee expenses increased to \$1,327,609 during the year ended March 31, 2019 as compared to \$354,197 for the year ended March 31, 2018. Most of the expense recognition relates to seventeen convertible notes payable, six were entered into during the fiscal year ended March 31, 2018, and eleven during the fiscal year ended March 31, 2019 three in the second quarter of 2019, two in the third quarter of 2019 and six in the fourth quarter of 2019.

The first six in 2018 are two 12% convertible notes in the principal amounts of \$88,000 (net proceeds were \$85,000 after deductions for transaction costs) and \$53,000 (net proceeds were \$50,000 after deductions for transaction costs), two 10% convertible notes related to the Investment Agreement in the principal amounts of \$100,000 and \$330,000 (of which only \$165,000 was initially drawn), respectively, and two 10% convertible notes, also related to the Investment Agreement, in the principal amount of \$82,500 (net proceeds of \$75,000) and \$82,500 (net proceeds of \$69,000), both of which were a second and third draw under the \$330,000 facility and subsequent to the \$165,000 draw referred to above.

Additionally, nine convertible notes were entered into during the period ended March 31, 2019: three 9% convertible notes in the principal amounts of \$157,500 (net proceeds of \$150,000), 157,500 (net proceeds of \$150,000) and \$135,000 (net proceeds of \$131,500); two 10% convertible notes in the principal amounts of \$107,000 (net proceeds of \$102,000) and \$107,000 (net proceeds of \$102,000) and four 12% convertible notes in the principal amounts of \$115,500 (net proceeds of \$105,000), \$57,750 (net proceeds of \$50,000), \$181,170 (net proceeds of \$150,346) and \$86,250 (net proceeds of \$78,750).

Two notes payable were entered into during the period ended March 31, 2018: one an 8.5% note in the principal amount of \$500,000 (net proceeds were \$490,000 after deductions for transaction costs) and another 6% note for \$28,088 to finance the company's annual insurance policy costs.

Summary information regarding interest expense for the year ended March 31, 2019 and 2018:

Years ended March 31	Regular Interest Expense	Original Issue Discount Amortization	Beneficial Conversion Feature Amortization	Derivative Liability Amortization	Total Expense 2019	Total Expense 2018
Note, 12%, convertible	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 80,888
Note, 10%, convertible	15,692	-	-	79,138	94,830	10,810
Note, 10%, convertible	20,620	-	-	155,000	175,620	182,078
Note, 10%, convertible	16,026	20,916	-	57,024	93,966	67,743
Note, 12%, convertible	3,009	2,302	-	57,990	63,301	2,463
Note, 08.5%	14,843	12,000	-	-	26,843	2,773
Note, 12%, convertible	2,492	2,585	-	42,862	47,939	972
Note, 06%	726	-	-	-	726	-
Note, 10%, convertible	20,606	12,491	63,841	20,064	117,002	6,788
Note, 10%, convertible	8,873	58,121	-	26,342	93,336	-
Note, 12%, convertible	8,470	14,000	-	101,500	123,970	-
Note, 09%, convertible	9,326	4,029	-	91,149	104,504	-
Note, 09%, convertible	9,326	12,575	-	142,500	168,362	-
Note, 10%, convertible	4,632	2,164	-	44,153	50,949	-
Note, 12%, convertible	9,421	17,613	-	85,912	112,946	-
Note, 10%, convertible	1,319	616	-	12,575	14,510	-
Note, 12%, convertible	854	955	-	6,164	7,973	-
Note, 09%, convertible	660	2,008	-	19,075	21,743	-
Note, 12%, convertible	86	92	-	615	793	-
Non Note Interest Expense	8,296	-	-	-	8,296	(319)
Totals	\$ 154,717	\$ 166,988	\$ 63,841	\$ 942,063	\$ 1,327,609	\$ 354,197

Interest expenses for the 12% convertible note payable 78,500. There was no interest expense related to the 12% convertible note payable during the year ended March 31, 2019. Interest expense of \$80,888 during the year ended March 31, 2018 for the 12% convertible note payable includes \$7,616 of expense recognition relating to the write off of accrued interest payable and the unamortized portions of the \$3,500 of lender's original discount costs. Another \$73,272 of expense recognition was related to the write-off of the unamortized original debt discount amount of \$77,388 related to the recording of the \$126,578 derivative liability at the stated conversion date of the note (December 23, 2017). The write-offs are a result of elections made by the lender to convert the loan into 50,322 shares of Class A common stock in January 2018.

The \$126,578 derivative liability originally recorded on the stated conversion date of the note (December 23, 2017) was reclassified to additional paid in capital.

Interest expenses for the 12% convertible note payable of \$88,000. There was \$63,301 of interest expense related to the 12% convertible note payable during the year ended March 31, 2019 (in addition to \$3,009 of regular interest at 12%), \$2,302 of expense recognition related to amortization of original issued debt discount and \$57,990 related to amortization of derivative liability. Interest expense of \$2,463 during the year ended March 31, 2018 for the 12% convertible note payable includes (in addition to \$1,765 of regular interest at 12%) , \$698 of expense recognition related to amortization of original debt discount.

Interest expenses for the 12% convertible note payable of \$53,000. There was \$47,939 of interest expense related to the 12% convertible note payable during the year ended March 31, 2019 (in addition to \$2,492 of regular interest at 12%), \$2,585 of expense recognition related to amortization of original issued debt discount and \$42,862 related to amortization of derivative liability. Interest expense of \$972 during the year ended March 31, 2018 for the 12% convertible note payable includes (in addition to \$558 of regular interest at 12%), \$415 of expense recognition related to amortization of original debt discount.

Interest expenses for the 10% commitment note of \$100,000. For the year ended March 31, 2019 regular interest expense at the 10% rate was \$15,692. For the year ended March 31, 2018 interest expense on the 10% Commitment Note for \$100,000 included not only regular interest at the stated 10% rate, but an additional accrued amount that effectively increased the yield because of the guaranteed minimum interest amount equal to 10% of the note amount during the seven-month period and due at the maturity date of the note. Total interest recognized on the Commitment Note for the period ended March 31, 2018 was \$10,810.

Interest expenses for the 10% convertible note payable of \$165,000. Interest expense recognized on the 10% Convertible Note borrowing of \$165,000 on August 24, 2017 totals \$175,620, consisting of \$20,620 of regular interest and \$155,000 of derivative liability for the year ended March 31, 2019. Interest expense recognized for the year ended March 31, 2018 totals \$182,078. That amount has three components. Within the total, \$16,500 of the expense relates to the guaranteed minimum interest amount (\$16,500 to be recognized over the seven-month life of the Convertible Note and due at maturity), another \$27,000 of the expense relates to the amortization of the \$27,000 lender's original issue discount and IronClad's transaction costs recognized on the Convertible Note. A third component for \$138,578 is an amortization of the \$138,000 cost recognized (but capped) as an offset (a debt discount) to the note based on the intrinsic value of the beneficial conversion feature related to the \$1.00 per share conversion price stated in the Convertible Note (on a date in 2017 when the closing price per share was \$3.50).

Interest expenses for the 10 % convertible note payable of \$82,500. Interest expense recognized on the 10% Convertible Note borrowing of \$82,500 on October 23, 2017 totals \$93,966 for the year ended March 31, 2019, consisting of \$16,026 of regular interest, \$20,916 of original issue discount amortization and \$57,024 of amortization of a derivative liability arising from a maturity date default. Interest expense recognized totals \$67,743 for the year ended March 31, 2018. That amount has three components. Within the total, \$6,158 of the expense relates to the guaranteed minimum interest amount (\$8,250 to be recognized over the seven-month life of the Convertible Note and due at maturity), another \$12,136 of the expense relates to the amortization of the \$16,500 lender's original issue discount and IronClad's transaction costs recognized on the Convertible Note.

A third component for \$49,449 is an amortization of the \$69,000 cost recognized (but capped) as an offset to the note based on the intrinsic value of the beneficial conversion feature related to the \$1.00 per share conversion price stated in the Convertible Note (on a date that the closing price per share was \$4.40).

Interest expenses for the 10 % convertible note payable of \$82,500. Interest expense recognized on the 10% Convertible Note borrowing of \$82,500 on March 15, 2018 totals \$117,002 for the year ended March 31, 2019. Within the total, \$20,606 of the expense relates to regular interest, another \$12,491 of the expense relates to the amortization of the \$13,500 lender's original issue discount and IronClad's transaction costs recognized on the Convertible Note, \$63,841 of amortization of the notes beneficial conversion feature and \$20,064 in amortization of a derivative liability arising from a maturity date default. Interest expense recognized for the year ended March 31, 2018 totals \$6,788. That amount has three components. Within the total, \$620 of the expense relates to the guaranteed minimum interest amount (\$8,250 to be recognized over the seven-month life of the Convertible Note and due at maturity), another \$1,009 of the expense relates to the amortization of the original issue discount and IronClad's transaction costs recognized on the Convertible Note, and \$5,159 of the expense relates to amortization of the notes beneficial conversion feature.

Interest expenses for the 10% convertible note payable of \$250,000. Interest expense recognized on the 10% Convertible Note borrowing of \$250,000 on June 26, 2018 totals \$93,336 for the year ended March 31, 2019. Within the total, \$8,873 of the expense relates to regular interest, another \$58,121 of the expense relates to the amortization of the \$15,000 lender's original issue discount and IronClad's transaction costs recognized on the Convertible Note, and \$26,342 in amortization of a derivative liability. There is no corresponding expense for the year ended March 31, 2018.

Interest expenses for the 9% convertible note payable of \$157,500. Interest expense recognized on the 9% Convertible Note borrowing of \$157,500 on July 19, 2018 totals \$168,362 for the year ended March 31, 2019. Within the total, \$8,766 of the expense relates to regular interest, another \$17,096 of the expense relates to the amortization of the \$15,000 lender's original issue discount and IronClad's transaction costs recognized on the

Convertible Note, and \$142,500 in amortization of a derivative liability. There is no corresponding expense for the year ended March 31, 2018.

Interest expenses for the 9% convertible note payable of \$135,000. Interest expense recognized on the 9% Convertible Note borrowing of \$135,000 on July 11, 2018 totals \$104,504 for the year ended March 31, 2019. Within the total, \$9,326 of the expense relates to regular interest, another \$4,029 of the expense relates to the amortization of the \$8,500 lender's original issue discount and IronClad's transaction costs recognized on the Convertible Note, and \$91,149 in amortization of a derivative liability. There is no corresponding expense for the year ended March 31, 2018.

Interest expenses for the 12% convertible note payable of \$115,500. Interest expense recognized on the 12% Convertible Note borrowing of \$115,500 on July 17, 2018 totals \$123,970 for the year ended March 31, 2019. Within the total, \$8,470 of the expense relates to regular interest, another \$14,000 of the expense relates to the amortization of the \$14,000 lender's original issue discount and IronClad's transaction costs recognized on the Convertible Note and \$101,500 in amortization of a derivative liability. There is no corresponding expense for the year ended March 31, 2018.

Interest expenses for the 10% convertible note payable of \$107,000. Interest expense recognized on the 10% Convertible Note borrowing of \$107,000 on October 24, 2018 totals \$50,949 for the year ended March 31, 2019. Within the total, \$4,632 of the expense relates to regular interest, another \$2,164 of the expense relates to the amortization of the \$5,000 lender's original issue discount and IronClad's transaction costs recognized on the Convertible Note, and \$44,153 in amortization of a derivative liability. There is no corresponding expense for the year ended March 31, 2018.

Interest expenses for the 12% convertible note payable of \$181,170. Interest expense recognized on the 12% Convertible Note borrowing of \$181,170 on October 26, 2018 totals \$112,946 for the year ended March 31, 2019. Within the total, \$9,421 of the expense relates to regular interest, another \$17,613 of the expense relates to the amortization of the \$30,824 lender's original issue discount and IronClad's transaction costs recognized on the Convertible Note, and \$85,912 in amortization of a derivative liability. There is no corresponding expense for the year ended March 31, 2018.

Interest expenses for the 12% convertible note payable of \$57,750. Interest expense recognized on the 12% Convertible Note borrowing of \$7,974 on February 14, 2019 totals \$7,973 for the year ended March 31, 2019. Within the total, \$854 of the expense relates to regular interest, another \$955 of the expense relates to the amortization of the \$7,750 lender's original issue discount and IronClad's transaction costs recognized on the Convertible Note, and \$6,164 in amortization of a derivative liability. There is no corresponding expense for the year ended March 31, 2018.

Interest expenses for the 10% convertible note payable of \$107,000. Interest expense recognized on the 10% Convertible Note borrowing of \$14,511 on February 14, 2019 totals \$14,510 for the year ended March 31, 2019. Within the total, \$1,319 of the expense relates to regular interest, another \$616 of the expense relates to the amortization of the \$5,000 lender's original issue discount and IronClad's transaction costs recognized on the Convertible Note, and \$12,575 in amortization of a derivative liability. There is no corresponding expense for the year ended March 31, 2018.

Interest expenses for the 9% convertible note payable of \$157,500. Interest expense recognized on the 9% Convertible Note borrowing of \$21,743 on March 14, 2019 totals \$21,743 for the year ended March 31, 2019. Within the total, \$660 of the expense relates to regular interest, another \$2,008 of the expense relates to the amortization of the \$15,000 lender's original issue discount and IronClad's transaction costs recognized on the Convertible Note, and \$19,075 in amortization of a derivative liability. There is no corresponding expense for the year ended March 31, 2018.

Interest expenses for the 12% convertible note payable of \$86,250. Interest expense recognized on the 12% Convertible Note borrowing of \$86,250 on March 28, 2019 totals \$793 for the year ended March 31, 2019.

Within the total, \$86 of the expense relates to regular interest, another \$92 of the expense relates to the amortization of the \$3,500 lender's original issue discount and IronClad's transaction costs recognized on the Convertible Note, and \$615 in amortization of a derivative liability. There is no corresponding expense for the year ended March 31, 2018.

Interest expenses for the 8.5% note payable. Interest expense recognized on the 8.5% Note borrowing on totals \$26,843 for the year ended March 31, 2019. Within the total, \$14,843 of the expense relates to regular interest, another \$12,000 of the expense relates to the amortization of the \$12,000 lender's original issue discount and IronClad's transaction costs recognized on the Note. Interest expense totaled \$2,773 for the year ended March 31, 2018.

Effective income tax rate. The effective tax rate for the years ended March 31, 2019 and 2018 was dramatically lower than in 2016 due to the Tax Cuts and Jobs Act. Because the Company only has cumulative losses to date and net deferred tax assets related the net operating losses we paid no taxes in 2019, 2018 and 2017. Because of the uncertainty of ever using the deferred tax assets those assets are fully reserved for. Consequently, the changes in the tax rate have had no net effect on our tax assets or net expense recognition. There was certainly no net effect on our cash flows. See Note 10, Income Taxes.

Recent Accounting Pronouncements. Recent accounting pronouncements which may affect the Company are described in Note 2 — Summary of Significant Accounting Policies, subsection "New Accounting Requirements and Disclosures" in the annual financial statements below.

Liquidity and Capital Resources

General

Years Ended March 31	2019	2018
Net cash used in operating activities	\$ (399,776)	\$ (1,476,889)
Net cash used in investing activities	(200,599)	(170,946)
Net cash used in financing activities	429,889	1,382,112
Increase (Decrease) in the cash and cash equivalents	(170,486)	(265,724)
Cash and cash equivalents at the beginning of the year	448,061	713,784
Cash and cash equivalents at the end of the year	<u>\$ 277,575</u>	<u>\$ 448,061</u>

The Company's working capital at March 31, 2019 was a deficit of \$5,403,654 compared to a working capital deficit of \$1,669,910 at March 31, 2018. The working capital deficit increase is primarily due to the funds raised by entering into the new notes payable described above and an increase in accrued liabilities for costs incurred in activities for research and product development, patent and trademark filings for our technologies, general operating activities.

As of the date of this filing the Company's cash balances, while approximately equal to the \$277,575 total at March 31, 2019, and, notwithstanding recent funding received from borrowing on the convertible notes and other loans subsequent to March 31, 2019, continue to be significantly less than the combined sum of its accounts payable and accrued liabilities.

As a result, absent additional cash inflows, we do not have adequate capital resources to continue to meet all of our current and future obligations as they may come due over the next quarter and next twelve months. We expect that we will still need additional cash inflows of at least about \$5,000,000 to continue to implement our business plans for the next twelve months. Being able to continue with our operations will depend on our obtaining additional resources by issuing either debt or equity securities. If we are not able to obtain additional capital resources, we may only be able to operate and maintain our periodic reporting obligations for the next few months.

No assurance can be given that any of these actions can be completed.

Net cash used in operating activities was \$399,776 during the year ended March 31, 2019 compared with \$1,476,889 during the year ended March 31, 2018. The uses of cash for operations are described above in the discussions of results of operations.

Cash flow used by investing activities was \$200,599 for the year ended March 31, 2019 and 170,946 for year ended March 31, 2018. The costs relate directly to new patent applications and related filing costs.

Cash flow from financing activities was \$429,889 for the year ended March 31, 2019, compared to \$1,382,112 for the year ended March 31, 2018. The single largest element of the cash sources for the year ended March 31, 2019 and 2018 relate to a series of convertible note placements and to the establishment of a working capital loan agreement.

As a net result of all cash flow activities, cash decreased by \$170,486 during the year ended March 31, 2019. The Company had cash of \$277,575 as of March 31, 2019. Cash at the beginning of the period at March 31, 2018 was \$448,061.

Private Equity Line Established: The Investment Agreement dated August 24, 2017

On August 24, 2017, we entered into an Investment Agreement with Tangiers Global, LLC (“Tangiers”) as the agreement’s counterparty, for the potential future issuance and purchase of shares of our Class A common stock. The Investment Agreement establishes what is sometimes termed a “private equity line” of funding or an equity drawdown facility. In general, the private equity line provides that Tangiers has committed to purchase, from time to time over a 36-month period, shares of our Class A common stock for cash consideration of up to an aggregate of \$5,000,000, subject to certain conditions and restrictions. In connection with the Investment Agreement, we entered into a Registration Rights Agreement with Tangiers.

Shares of Class A common stock issued to Tangiers under the Investment Agreement will be issued pursuant to an exemption from registration under the Securities Act of 1933, as amended. Pursuant to the Registration Rights Agreement, we have filed a registration statement covering the possible resale by Tangiers of the shares that we issue to Tangiers under the Investment Agreement. Through the prospectus Tangiers may offer to the public for resale shares of our Class A common stock that we issue to Tangiers pursuant to the Investment Agreement. The effectiveness of the registration statement was a condition precedent to our ability to sell shares of Class A common stock to Tangiers under the Investment Agreement.

For a period of 36 months from the first trading day following the effectiveness of the registration statement, we may, from time to time, at our discretion, and subject to certain conditions that we must satisfy, draw down funds under the Investment Agreement by selling shares of our Class A common stock to Tangiers. Each draw down request must be for at least \$5,000 and may, at our discretion, be up to the lesser of \$500,000 or a formula amount based on the average price and trading volume of our Class A common stock over a designated period preceding the draw down request.

The purchase price of these shares will be at a discount to the volume weighted average price or if none, the lowest closing bid price, of the Class A common stock during a designated pricing period following the draw down request. The formulas for determining the actual draw down amounts, the number of shares we issue to Tangiers and the purchase price per share paid by Tangiers are described in more detail in the agreement.

We are under no obligation to request a draw down for any period. If we request a draw down, at least 10 trading days must pass before we submit a subsequent draw down request. The aggregate total of all draws cannot exceed \$5,000,000 and no single draw can exceed \$500,000. In addition, the Investment Agreement does not permit us to make a draw down if the issuance of shares to Tangiers pursuant to the draw down would result in Tangiers and certain of its affiliates owning more than 9.99% of our outstanding Class A common stock on the date we exercise a draw down. Pursuant to the Registration Rights Agreement, we have registered 1,000,000 shares of Class A common stock for possible issuance and resale under the private equity line.

As consideration for its commitment to purchase shares of our Class A common stock pursuant to the Investment Agreement, we issued to Tangiers a 7-month 10% convertible promissory note (the “Commitment Note”) in the principal amount of \$100,000 (subsequently reduced automatically to \$82,500 after our S-1 became effective on December 18, 2017). The Commitment Note is convertible into shares of our Class A common stock at the fixed price of \$3.25 per share; provided, however, that at any time and from time to time after a default occurs solely due to the fact the Commitment Note is not retired on or before the maturity date, all or any part of the Commitment Note is convertible into shares of our Class A common stock of the Company at a per share equal to the lower of: (a) \$3.25 or (b) 65% of the average of the two lowest per share trading prices of the Class A common stock during the twenty consecutive trading days prior to the conversion date.

On August 24, 2017, in connection with the entry into the Investment Agreement, we also issued a 10% convertible note (the “Convertible Note”) in an aggregate principal amount of \$330,000 with a 10% original issue discount. The initial consideration (“Initial Consideration”) in the amount of \$165,000 was funded on August 24, 2017. The Company received net proceeds of \$150,000 (which represents the deduction of the 10% original issue discount for Tangiers’ due diligence and legal fees). Tangiers may pay additional consideration (each, “Additional Consideration”) to the Company in such amounts and at such dates as Tangiers may choose in its sole discretion.

The amount of principal due to Tangiers will be prorated based on the Initial Consideration and Additional Consideration actually paid (plus a minimum “guaranteed” interest amount and 10% original issue discount, both of which are prorated based on the Initial Consideration and Additional Consideration actually borrowed, as well as any other interest or fees) such that the Company is only required to repay the amount borrowed and the Company is not required to repay any unfunded portion of the Convertible Note.

The maturity date is seven months from the effective date of each payment of Consideration and is the date upon which the principal amount of the Convertible Note, as well as any unpaid interest and other fees, will be due and payable. The Convertible Note is convertible into shares of our Class A common stock at a fixed price of \$1.00 per share; provided, however, that at any time and from time to time after a default occurs solely due to the fact the Convertible Note is not retired on or before the maturity date, Tangiers shall have the right to convert all or any part of the unpaid and outstanding principal amount and the accrued and unpaid interest under the Convertible Note into shares of our Class A common stock at a price per share equal to the lower of: (a) \$1.00 or (b) 65% of the average of the two lowest per share trading prices of our Class A common stock during the twenty consecutive trading days prior to the conversion date.

In connection with the issuance of the Convertible Note, the Company also issued to Tangiers a common stock purchase warrant (the “Warrant”) to purchase up to 82,500 shares of our Class A common stock. The Warrant is exercisable at a price of \$3.00 per share.

The Investment Agreement does not prohibit the Company from conducting additional debt or equity financings, other than financings similar to the Investment Agreement and debt financings convertible into equity.

The maximum amount of \$5,000,000 is a negotiated amount and, to our experience, was a scale on par with other competitive discussions with other potential counterparties offering similar lines. While we are entitled to use any funds raised through the equity line as would be related to implementing our business plans—including repaying balances of any notes payable—it is not our intention to use any proceeds raised, particularly early on, to pay down any note obligations.

We began earning revenue from sales of our services in the last five weeks of the year ended March 31, 2018; however, since July 2018 we no longer had any earnings. Regardless, we expect to need several million dollars to continue implementing our plans. While the stated maximum amount under the equity line may appear to be sufficient for our purposes over the next several months the practical application of the equity line funding formulas which consider trading volumes and defined average prices of our common stock may “calculate out” in a way to limit the cumulative or individual amounts we might draw down over time.

While our daily trading volumes have increased considerably to millions of shares per day, our stock price has decreased significantly, causing any utilization of the equity facility to be highly dilutive. If IronClad's common stock price remains low, the Company may find it necessary to raise funds through additional and alternate sales of debt or equity securities. Acting on such alternatives is not precluded by the Investment Agreement or any note agreement of IronClad.

Critical Accounting Policies

In Note 2 to the audited financial statements for the year ended March 31, 2019 included in this report, the Company discussed those accounting policies that are considered to be significant in determining the results of operations and our financial position. We believe that the accounting principles used by us conform to accounting principles generally accepted in the United States of America.

The preparation of financial statements requires management to make significant estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses. By their nature, these judgments are subject to an inherent degree of uncertainty. On an on-going basis, we evaluate our estimates and base our estimates on historical experience and other facts and circumstances that are believed to be reasonable, and the results form the basis for making judgments about the carrying value of assets and liabilities. The actual results may differ from these estimates under different assumptions or conditions.

Off-Balance Sheet Arrangements

There are no off-balance sheet agreements or understandings, preliminary or otherwise, between the Company and its officers, directors, affiliates or lending institutions with respect to any loan agreements.

Changes In and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Share-Based Compensation

We follow ASC 718 which requires recognition in the financial statements of the cost of employee services received in exchange for an award of equity instruments over the period the employee is required to perform the services in exchange for the award (presumptively the vesting period). ASC 718 also requires measurement of the cost of employee services received in exchange for an award based on the award-date fair value of the award.

Item 7A. Quantitative and Qualitative Disclosures about Market Risk

All of our transactions are within the United States of America, our functional currency is the US dollar and consequently we have no exposure to risks associated with foreign currencies. We have unamortized and undiscounted convertible notes payable debt of approximately \$989,170 at March 31, 2019 (all of which have maturity dates within twelve months or less) and thus have limited exposure to interest rate risk. We do not believe our exposure to these or similar financial instrument market risks to be material.

Item 8. Financial Statements and Supplementary Data

IronClad Encryption Corporation and Subsidiaries
(Previously named Butte Highlands Mining Corporation)

Table of Contents

Report of Independent Registered Public Accounting Firm, Fruci & Associates II, PLLC	34
Consolidated Balance Sheets as of March 31, 2019 and March 31, 2018	35
Consolidated Statements of Operations for the fiscal years ended March 31, 2019 and March 31, 2018	36
Consolidated Statements of Shareholders' Equity for the fiscal years ended March 31, 2019 and March 31, 2018	37
Consolidated Statements of Cash Flows for the fiscal years ended March 31, 2019 and March 31, 2018	38
Notes to Consolidated Financial Statements	39



802 N Washington
Spokane, WA 99201

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of IronClad Encryption Corporation

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of IronClad Encryption Corporation ("the Company") as of March 31, 2019 and 2018, and the related consolidated statements of operations, stockholders' equity (deficit), and cash flows for each of the years in the two-year period ended March 31, 2019, 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 March 31, 2019 and 2018, and the results of its operations and its cash flows for each of the years in the two-year period ended March 31, 2019, in conformity with accounting principles generally accepted in the United States of America.

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 limited financial resources, an significant accumulated deficit, and a current working capital deficit. These factors raise substantial doubt about the Company's 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 audits, we are required to obtain an understanding of internal control over financial reporting, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

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

/s/ Fruci & Associates, II, PLLC

Fruci & Associates, II, PLLC

We have served as the Company's auditor since 2011.

Spokane, Washington
July 16, 2019

IronClad Encryption Corporation and Subsidiaries
(Previously named Butte Highlands Mining Corporation)

Consolidated Balance Sheets

	March 31, 2019	March 31, 2018
Assets		
Current assets:		
Cash and cash equivalents	\$ 277,575	\$ 448,061
Accounts receivable	-	301,978
Prepaid expenses and deposits	29,900	55,719
Total current assets	307,475	805,758
Other assets		
Patents, net	367,786	170,976
Total other assets	367,786	170,976
Total assets	\$ 675,261	\$ 976,734
Liabilities and Stockholders' Equity (Deficit)		
Current liabilities:		
Accounts payable	\$ 604,149	\$ 612,367
Accounts payable, legal fees	382,885	362,598
Accounts payable, related parties	96,506	104,542
Accrued liabilities	237,660	219,057
Accrued liabilities, payroll	1,686,260	700,521
Accrued interest	109,534	39,761
Convertible note payable, 10%, net	82,500	3,362
Convertible note payable, 10%, net	45,500	61,585
Convertible note payable, 12%, net	-	85,698
Convertible note payable, 12%, net	4,000	50,415
Convertible note payable, 10%, net	82,500	6,168
Note payable, 06%	-	25,456
Convertible note payable, 09%, net	39,274	-
Convertible note payable, 09%, net	1,000	-
Convertible note payable, 10%, net	46,318	-
Convertible note payable, 12%, net	103,526	-
Convertible note payable, 10%, net	13,192	-
Convertible note payable, 12%, net	7,120	-
Convertible note payable, 09%, net	21,083	-
Convertible note payable, 10%, net	707	-
Convertible note payable derivative liabilities	2,147,415	234,138
Total current liabilities	5,711,129	2,505,668
Note payable, 8.5%	-	490,000
Total other liabilities	-	490,000
Commitments and contingencies	-	-
Total liabilities	5,711,129	2,995,668
Shareholders' equity:		
Preferred stock, \$0.001 par value; 20,000,000 shares authorized, 100 issued	-	-
Common stock, Class A, \$0.001 par value, 800,000,000 shares authorized; 140,168,393 and 66,446,701 shares issued and outstanding, respectively	140,168	66,457
Common stock, Class B, \$0.001 par value, 1,707,093 shares authorized; 1,538,872 shares issued and outstanding	1,539	1,539
Additional paid-in capital	22,783,591	11,514,917
Common shares of Class A stock to be issued	6,400	101,750
Accumulated deficit	(27,967,566)	(13,703,597)
Total shareholders' equity (deficit)	(5,035,868)	(2,018,934)
Total liabilities and shareholders' equity	\$ 675,261	\$ 976,734

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

IronClad Encryption Corporation and Subsidiaries (Previously named Butte Highlands Mining Corporation) Consolidated Statements of Operations		
	Years Ended March 31	
	2019	2018
Revenue	\$ 780,211	\$ 229,745
Operating expenses:		
Product development costs	1,670,298	1,892,595
Service expenses	604,733	194,422
General, administrative and other operating	2,528,688	2,365,482
Officer and director fees	5,616,582	4,309,945
Investor relations	251,181	1,280,547
Professional fees	218,664	455,599
Amortization	3,789	30
Total operating expenses	10,893,935	10,498,620
Loss from operations	(10,113,724)	(10,268,875)
Other income (expense):		
Interest income	2	30
Interest expense	(1,327,609)	(354,197)
Financing expenses	(666,945)	(212,247)
Early repayment penalty	(51,065)	(386,973)
Loss on issuance of convertible notes with derivatives	(298,537)	-
Loss on revaluations of derivatives	(1,569,018)	(49,190)
Total other income (expense)	(3,913,172)	(1,002,577)
Loss before income taxes	(14,026,896)	(11,271,452)
Income taxes		
Income tax benefit	-	-
Income tax expense	(3,474)	-
Total other income tax benefit (expense)	-	-
Net loss	\$ (14,030,370)	\$ (11,271,452)
Basic and diluted loss per common share	\$ (0.20)	\$ (0.17)
Weighted average shares outstanding, basic and diluted	69,302,833	67,630,197

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

IronClad Encryption Corporation and Subsidiaries
(Previously named Butte Highlands Mining Corporation)

Consolidated Statements of Stockholders' Equity

	Common Stock Class A Shares	Common Stock Class A Amount	Common Stock Class B Shares	Common Stock Class Amount	Paid-in Capital	Subscriptions Receivable or Shares to Issue	Accumulated Deficit	Total Stockholders' Equity (Deficit)
Balance, March 31, 2017	65,667,862	\$ 65,668	1,538,872	\$ 1,539	\$ 3,102,687	\$ (45,710)	\$ (2,432,144)	\$ 692,040
Stock issued for cash	278,929	289	-	-	127,214	-	-	127,503
Stock issued for debt conversions	60,280	50	-	-	78,450	-	-	78,500
Exercise of stock options	25,000	25	-	-	3,725	-	-	3,750
Stock issued for services	425,000	425	-	-	1,463,824	101,750	-	1,565,999
Stock options issued: development	-	-	-	-	967,910	-	-	967,910
Stock options issued: g&a	-	-	-	-	990,464	-	-	990,464
Stock options issued: officers, directors	-	-	-	-	3,612,311	-	-	3,612,311
Stock options issued: investor relations	-	-	-	-	478,086	-	-	478,086
Stock options issued: financing fees	-	-	-	-	287,629	-	-	287,629
Beneficial conversion	-	-	-	-	276,000	-	-	276,000
Subscriptions receivable	-	-	-	-	-	45,710	-	45,710
Retirement of derivative liability	-	-	-	-	126,578	-	-	126,578
Other	-	-	-	-	39	-	-	39
Net income for period	-	-	-	-	-	-	(11,271,453)	(11,271,453)
Balance, March 31, 2018	66,457,071	\$ 66,457	1,538,872	\$ 1,539	\$ 11,514,917	\$ 101,750	\$ (13,703,597)	\$ (2,018,934)
Stock issued for services, G&A	177,000	177	-	-	225,973	(95,350)	-	130,800
Stock issued for services, financing	100,000	100	-	-	4,500	-	-	4,600
Stock issued for debt conversions	65,819,552	65,821	-	-	615,604	-	-	681,425
Stock options issued: development	-	-	-	-	1,642,735	-	-	1,642,735
Stock options issued: G&A	-	-	-	-	1,993,242	-	-	1,993,242
Stock options issued: officers, directors	-	-	-	-	4,712,264	-	-	4,712,264
Stock option issued: convertible debt	-	-	-	-	53,386	-	-	53,386
Retirement of derivative	-	-	-	-	1,773,987	-	-	1,773,987
Cashless exercise of warrants	7,474,770	7,473	-	-	113,536	-	-	121,009
Exercise of options	140,000	140	-	-	20,860	-	-	21,000
Dividend treatment of convertible note warrants	-	-	-	-	112,587	-	(233,599)	(121,012)
Net income for period	-	-	-	-	-	-	(14,030,370)	(14,030,370)
Balance, March 31, 2019	140,168,393	\$ 140,168	1,538,872	\$ 1,539	\$ 22,783,591	\$ 6,400	\$ (27,967,566)	\$ (5,035,868)

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

IronClad Encryption Corporation and Subsidiaries
(Previously named Butte Highlands Mining Corporation)

Consolidated Statements of Cash Flows

	Year Ended March 31, 2019	Year Ended March 31, 2018
Cash flows from operating activities:		
Net loss:	\$ (14,030,370)	\$ (11,271,452)
Adjustments to reconcile net loss to net operating cash used:		
Amortization expense	3,789	30
Amortization of notes discount amounts	166,988	42,700
Amortization of loan discount costs, BCF	63,841	194,666
Amortization of loan discount costs, derivative liabilities	942,063	-
Financing fees	666,946	1,845
Loss on revaluations of derivatives	1,569,018	-
Loss on issuance of convertible notes with derivative liabilities	298,537	126,578
Common stock issued for services, product development	-	967,911
Common stock issued for services, general and administrative	13,509	425,000
Common stock issued for services, investor relations	-	517,500
Stock options issued for services, development	1,642,735	-
Stock options issued for services, general and administrative	1,993,242	959,214
Stock options issued for services, officers and directors	4,712,263	3,612,311
Stock options issued for services, investor relations	-	478,086
Stock options issued for services, financing fees	-	287,629
Changes in operating assets and liabilities:		
Decrease (increase) in accounts receivable	301,978	(301,978)
Decrease in prepaid expenses and deposits	25,819	318,373
Increase in accounts payable	96,324	1,213,726
Increase in accrued liabilities	1,004,344	917,577
Increase in accrued interest	129,198	33,395
Net cash used in operating activities	(399,776)	(1,476,889)
Cash flows from investing activities:		
Patent applications	(200,599)	(170,946)
Net cash used in investing activities	(200,599)	(170,946)
Cash flows from financing activities:		
Proceeds from options exercise, issuance of common stock, respectively	21,000	272,789
Proceeds from issuance of convertible notes payable, 10% and 12%, respectively	250,000	78,500
Less transaction costs	(15,000)	(3,500)
Repayment of convertible note payable, 10%	(150,000)	-
Proceeds from issuance of convertible notes payable, 12% and 10%, respectively	115,500	100,000
Less transaction costs	(14,000)	(17,500)
Proceeds from issuance of convertible notes payable, 09% and 10%, respectively	135,000	165,000
Less transaction costs	(8,500)	(12,000)
Proceeds from issuance of convertible notes payable, 09% and 10%, respectively	157,500	82,500
Less transaction costs	(15,000)	(13,500)
Proceeds from issuance of convertible notes payable, 10% and 12%, respectively	107,000	88,000
Less transaction costs	(5,000)	(3,000)
Repayment of convertible notes payable, 12%	(88,000)	-
Proceeds from issuance of convertible note payable, 8.5%, amended	100,000	500,000
Less transaction costs	(2,000)	(10,000)
Repayment of note payable, 8.5%, amended	(600,000)	-
Proceeds from issuance of convertible notes payable, 12%	181,170	53,000
Less transaction costs	(30,824)	(3,000)
Repayment of convertible notes payable, 12%	(53,000)	-
(Repayment) proceeds from note payable, 6.5%	(25,457)	25,457
Proceeds from issuance of convertible notes payable, 10%	107,000	82,500
Less transaction costs	(5,000)	(13,500)
Proceeds from issuance of convertible note payable, 12%	57,750	-
Less transaction costs	(7,750)	-
Proceeds from issuance of convertible note payable, 09%	157,500	-
Less transaction costs	(15,000)	-
Proceeds from issuance of convertible note payable, 10%	86,250	-
Less transaction costs, and other respectively	(11,250)	10,366
Net cash provided by financing activities	429,889	1,382,112
Increase (decrease) in cash and cash equivalents	(170,486)	(265,723)
Cash and cash equivalents at beginning of period	448,061	713,784
Cash and cash equivalents at end of period	\$ 277,575	\$ 448,061
Supplemental disclosures:		
Interest paid in cash	\$ 9,022	\$ -
Income taxes paid	\$ 1,810	\$ -
Common stock issued to retire convertible notes payable, interest and fees	\$ 681,425	\$ 93,266
Non-cash beneficial conversion rights & derivative liabilities related to convertible notes	\$ 1,359,498	\$ 297,979

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

IronClad Encryption Corporation and Subsidiaries
(Previously named Butte Highlands Mining Corporation)

Notes to Consolidated Financial Statements

Note 1. Organization, Recent History, and Description of Businesses-Present and Past

Description of Businesses: Present and Past

IronClad Encryption Corporation (formerly Butte Highlands Mining Corporation) is a company developing and licensing cyber software technology to secure data files (stored and at rest) and electronic communications (in motion from electronic transmission over the internet or through telephone systems). Data at rest and in motion are both safeguarded from unauthorized access through the use of dynamic encryption and perpetual authentication.

InterLok Key Management, Inc. (formerly InterLok Key Management, LLC) is the company that initially developed and maintained the patents and was formed in Texas on June 12, 2006 and incorporated ten years later on June 16, 2016.

On January 6, 2017 InterLok entered into a Share Exchange Agreement ("Share Exchange") with Butte Highlands Mining Company. Under the terms of the agreement, the shareholders of InterLok Key Management, Inc. exchanged all 56,655,891 outstanding shares of InterLok's common stock for 56,655,891 shares of Class A common stock of Butte Highlands Mining Company.

The Share Exchange was treated as a "reverse merger" with InterLok Key Management, Inc. which is deemed—for accounting recognition purposes—as the accounting acquirer and Butte Highlands Mining Company deemed the accounting acquiree under the acquisition method of accounting. The reverse merger is deemed a recapitalization and the consolidated financial statements represent the substantive continuation of the operations and thus the prior year financial statements of operations are the operating results of its subsidiary InterLok Key Management, Inc., while the capital structure (in terms of authorized preferred and common stock) of its parent Butte Highlands Mining Company remains intact.

Subsequently, the company was renamed IronClad Encryption Corporation to better identify with IronClad's products and services.

IronClad Encryption Corporation is a next-generation cyber defense company that secures digital assets and communications across a wide range of industries and technologies. IronClad Encryption-powered solutions use our patented Dynamic Encryption and Perpetual Authentication technologies to make all known key-based encryption technologies virtually impossible to compromise. Dynamic Encryption Technology eliminates vulnerabilities caused by exposure of any single encryption key by continuously changing encryption keys and keeping the keys synchronized in a fault-tolerant manner.

Perpetual Authentication Technology uses multiple virtual channels for encryption so that in the event one channel is compromised, the other channels maintain encryption integrity. Together, these technologies not only eliminate the single point of failure problem created by having keys exposed through brute force, side channel, or other types of attack, but do so with very low latency and system performance overhead. Developers, MSPs, MSSPs and IT organizations can now easily and effectively integrate ultra-secure authentication and encryption measures across essentially all mediums. This includes the latest processors and operating systems, legacy hardware and software, within or between networks, and on compartmentalized data or entire databases.

IronClad Encryption Corporation and Subsidiaries
(Previously named Butte Highlands Mining Corporation)
Notes to Consolidated Financial Statements.

History and Reverse Merger in January of 2017

The “Company” is the term used in these statements and notes to refer to the entity originally incorporated in the State of Delaware in 1929. The registered name of the Company until early in 2017 was Butte Highlands Mining Company (“Butte”).

Butte was formed to explore and mine primarily for gold in the Butte Highlands’ “Only Chance” mine, south of Butte, Montana. Butte ceased operating as a mining company in 1942. The Company was reorganized in October 1996 for the purpose of acquiring and developing additional mineral properties. At the time of the 1996 reorganization, stockholders representing approximately 76% of the outstanding capital stock could not be located. In order to obtain the quorum necessary for the special meetings of shareholders to authorize the reorganization, Butte obtained an order from the Superior Court of Spokane County, Washington appointing a trustee for the benefit of those stockholders who could not be located.

By May 17, 2007, eleven years after the reorganization and very limited results from its mining activities, the Company had disposed of all of its historical mineral properties or mining claims and eventually became a “shell company” under the rules of the Securities and Exchange Commission (“SEC”).

In 2009, Butte registered under the Securities Exchange Act of 1934, as amended, for the purpose of becoming a reporting company. The Company’s common stock then became listed on the OTCBB, but in time the Company also listed its common stock to trade on the OTC QB electronic market, one of the OTC Markets Group over-the-counter markets, where the Company’s common stock is listed.

Then, following ten years of being a shell company with only nominal activity and limited cash or other assets, the business focus of Butte changed early in 2017. Most notably the Company raised significant capital to implement its new business and financial plans to further develop the licensing and commercial use of its patented encryption software. The change caused Butte to lose its previous shell company status.

The Company also changed its state of incorporation to Nevada and its name to IronClad Encryption Corporation (“IronClad”) and changed the stock symbol from BTHI to IRNC to more appropriately reflect the fundamental change of its business to developing cyber encryption technology and away from its historical mining activities. On October 16, 2017, the Company redomiciled in Delaware from Nevada and adopted a certificate of incorporation and bylaws as a Delaware corporation. The terms “Company”, “IronClad” and “Butte” all refer to the same individual corporate entity, but the uses of the IronClad and Butte names are used to refer to different eras of the Company’s long history. The historical eras generally coincide with the changes in business focus before and after the first weeks of 2017.

The business changes are a result of a common stock exchange transaction, accounted for as a “reverse merger”, between Butte and the owners of InterLok Key Management, Inc. (“InterLok”; at the time an independent and privately-held Texas corporation) whereby InterLok became a wholly-owned subsidiary of Butte. Butte issued shares of its common stock in exchange for acquiring all of the common stock of InterLok. Through December 31, 2017, InterLok was the only subsidiary of the Company and InterLok’s patents and line of business now are the main basis of the business of the Company on a consolidated basis. During the year ended March 31, 2018, the Company incorporated a new wholly owned subsidiary IronClad Pipeline IC, Inc. (“Pipeline”).

IronClad Encryption Corporation and Subsidiaries
(Previously named Butte Highlands Mining Corporation)
Notes to Consolidated Financial Statements.

Principles of consolidation

The accompanying consolidated financial statements include the accounts of IronClad and its wholly-owned subsidiaries. All intercompany accounts and transactions have been eliminated in consolidation. The above consolidated financial statements have been prepared in accordance with generally accepted accounting principles.

Note 2. Summary of Significant Accounting Policies

This summary of significant accounting policies is presented to assist in understanding the Company's consolidated financial statements. The financial statements and notes are representations of the Company's management which is responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States and have been consistently applied in the preparation of the financial statements.

Going Concern

As shown in the accompanying financial statements, the Company has incurred cumulative operating losses since inception. As of March 31, 2019, the Company has limited financial resources with which to achieve its objectives and attain profitability and positive cash flows from operations. As shown in the accompanying balance sheets and statements of operations, the Company has an accumulated deficit of \$27,967,566. The Company's working capital deficit is \$5,403,654 (current assets minus current liabilities; current liabilities in this case being greater than current assets).

Achievement of the Company's objectives will depend on its ability to obtain additional financing, to generate revenue from current and planned business operations, and to effectively manage product and software development, operating and capital costs. The Company is in a development stage and has generated no operating revenue, profits or positive cash flows from operations.

The Company plans to fund its future operations by potential sales of its common stock or by issuing debt securities. However, there is no assurance that IronClad will be able to achieve these objectives, therefore substantial doubt about its ability to continue as a going concern exists. The financial statements do not include adjustments relating to the recoverability of recorded assets nor the implication of associated bankruptcy costs should IronClad be unable to continue as a going concern.

Revenue Recognition and Trade Accounts Receivable

The Company recognizes revenue in accordance with ASC 606 — *Revenue From Contracts With Customers*. We recognize revenue when we have identified a contract with a customer, identify the performance obligations in the contract, determine the transaction prices, when we allocate the transaction prices to the performance obligation in the contract and we recognize revenue when or as the Company satisfies the performance in the contract. Revenues for the years ended March 31, 2019 and 2018 were recognized as services were performed and invoiced to the customer based on the standard hourly rates agreed to in the terms of the contract.

IronClad Encryption Corporation and Subsidiaries
(Previously named Butte Highlands Mining Corporation)
Notes to Consolidated Financial Statements.

We record trade accounts receivable at net realizable value. This value includes an appropriate allowance for estimated uncollectible accounts, if any, to reflect any loss anticipated on the trade accounts receivable balances and charged to the provision for doubtful accounts.

Earnings (Losses) Per Share

Basic earnings per share are computed by dividing net income (loss) by the weighted-average number of common shares outstanding during the year. Fully-diluted earnings per share is computed by dividing net income (loss) by the sum of the weighted-average number of common shares outstanding and the additional common shares that would have been outstanding if potential common shares had been issued. Potential common shares are not included in the computation of fully diluted earnings per share if their effect is anti-dilutive.

Cash Equivalents

The Company considers cash, certificates of deposit, and debt instruments with a maturity of three months or less when purchased to be cash equivalents.

Fair Value Measures

The Company's financial instruments, as defined by the Financial Accounting Standards Board's Accounting Standards Codification ("ASC") 825-10-50 *Financial Instruments—Overall* (and subtopics), include cash, receivables, accounts payable and accrued liabilities. All instruments are accounted for on an historical cost basis, which, due to the short maturity of these financial instruments, approximates their fair values at March 31, 2019 and March 31, 2018.

The standards under ASC 820 *Fair Value Measurement* define fair value, establish a framework for measuring fair value in accordance with generally accepted accounting principles, and expand disclosures about fair value measurements. ASC 820 establishes a three-tier fair value hierarchy which prioritizes the inputs used in measuring fair value as follows:

- Level 1. Observable inputs such as quoted prices in active markets;
- Level 2. Inputs, other than the quoted prices in active markets, that are observable either directly or indirectly; and
- Level 3. Unobservable inputs in which there is little or no market data, which require the reporting entity to develop its own assumptions.

At March 31, 2019 and 2018 the Company did not have any assets measured at fair value other than cash and deposits. At March 31, 2019 and 2018 the Company had conversion features embedded in its convertible notes payable. The fair value measurement of those derivatives, using a Binomial valuation model, was \$2,147,415 at March 31, 2019 and \$234,138 at March 31, 2018 and is reported as derivative liability on the balance sheet.

Provision for Income Taxes

Income taxes are provided based upon the liability method of accounting pursuant to ASC 740-10-25 *Income Taxes – Recognition*. Under this approach, deferred income taxes are recorded to reflect the tax consequences in future years of differences between the tax basis amounts of assets and liabilities and their financial reporting amounts at each period-end. A valuation allowance is recorded against deferred tax asset amounts if

IronClad Encryption Corporation and Subsidiaries
(Previously named Butte Highlands Mining Corporation)

Notes to Consolidated Financial Statements.

management does not believe the Company has met the “more likely than not” standard imposed by ASC 740-10-25-5 to allow recognition of such an asset. See Note 10.

Capitalization of Patent and Trademark Costs

The Company capitalizes its legal, patent agent and related filing fees and costs associated with the patents it holds and is developing. The amounts are carried as an intangible asset in the financial statements. The costs of the patents or trademarks are amortized ratably (expensed) over the expected useful technological or economic life of the individual assets, which the Company has determined to be ten years. The legal life of a patent is typically about 20 years. See Note 3.

Reclassification of Prior Year Presentation

Certain prior year amounts have been reclassified to provide greater line item detail for consistency with the current period presentation. These reclassifications had no effect on the reported results of operations. This change in classification has no effect on previously reported cash flows in the Condensed Consolidated Statement of Cash Flows and had no effect on the previously reported Condensed Consolidated Statements of Operations for any period.

New Accounting Requirements and Disclosures

Accounting standards that have been issued or proposed by FASB that do not require adoption until a future date are not expected to have a material impact on the consolidated financial statements upon adoption. The Company does not discuss recent pronouncements that are not anticipated to have an impact on or are unrelated to its financial condition, results of operations, cash flows or disclosures.

FASB issued standard *ASU 2018-07 — Compensation—Stock Compensation (Topic 718): Improvements to Nonemployee Share-Based Payment Accounting* related to changes in stock compensation. IronClad has early adopted this new standard in the current period and recognition of expenses for outstanding options were re-evaluated for compliance and will be recognized on a straight line basis through final vesting of the respective options.

FASB issued standard *ASU 2017-11 — Earnings Per Share (Topic 260); Distinguishing Liabilities from Equity (Topic 480); Derivatives and Hedging (Topic 815): (Part I) Accounting for Certain Financial Instruments with Down Round Features, (Part II) Replacement of the Indefinite Deferral for Mandatorily Redeemable Financial Instruments of Certain Nonpublic Entities and Certain Mandatorily Redeemable Noncontrolling Interests with a Scope Exception*. IronClad has early adopted this new standard in the current period and recognition of warrants with down round features were re-evaluated for compliance and an increase in valuation of \$233,598 was recognized as a reduction in retained earnings.

FASB issued *ASU No. 2016-02, Leases*, which establishes a comprehensive new lease accounting model. The new standard: (a) clarifies the definition of a lease; (b) requires a dual approach to lease classification similar to current lease classifications; and, (c) causes lessees to recognize leases on the balance sheet as a lease liability with a corresponding right-of-use asset for leases with a lease-term of more than twelve months. The standard is effective for calendar years beginning after December 15, 2018; no material impact is expected from adoption of this standard.

IronClad Encryption Corporation and Subsidiaries
(Previously named Butte Highlands Mining Corporation)
Notes to Consolidated Financial Statements.

Use of Estimates

The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and expenses at the balance sheet date and for the period then ended. We believe our estimates and assumptions are reasonable; however, such estimates and assumptions are subject to a number of risks and uncertainties that may cause actual results to differ materially from such estimates. Significant estimates and assumptions underlying these financial statements include:

- estimates in the calculation of share-based compensation expense,
- estimates in the value of our warrants derivative liability,
- estimates made in our income tax calculations, and
- estimates in the assessment of possible litigation claims against the company.

We are subject to claims and liabilities that arise in the ordinary course of business. We accrue for losses when such losses are considered probable and the amounts can be reasonably estimated.

Note 3. Patents

Patents and trademarks are as follows:

	March 31, 2019	March 31, 2018
Patents and trademarks under development	\$ 217,744	\$ 170,946
Patents issued	153,801	398
Less accumulated amortization	(3,759)	(368)
	150,042	30
Patents, net	<u>\$ 367,786</u>	<u>\$ 170,976</u>

Amortization expense for intangible assets during the year ended March 31, 2019 and March 31, 2018 was \$3,759 and \$30, respectively. Costs at March 31, 2019 totaling \$367,786 are for \$217,744 for new patents and trademarks under development (but as yet not awarded) and for \$153,801 for new patents issued in December 2018 and January 2019. The patents and trademarks under development will not be amortized until formally issued. To the extent that a patent or trademark is not ultimately awarded the associated costs will be expensed accordingly at the time such an outcome is apparent.

IronClad filed fourteen patent applications during the years ended March 31, 2019 and March 31, 2018. These pending patents expand upon the initial scope of the original “seminal” patents and provide up to twenty additional years of enforceable intellectual property rights regarding authentication, validation, and encryption for all electronic transmissions associated devices. IronClad’s current and original patent portfolio included three issued and granted US patents. Each of the three original patents has expired and was written off at September 30, 2018.

IronClad Encryption Corporation and Subsidiaries
(Previously named Butte Highlands Mining Corporation)

Notes to Consolidated Financial Statements.

IronClad was recently granted seven patents from the United States Patent and Trademark Office (“USPTO”) from its fourteen recent patent filings, and the remaining seven now continue under routine, formal examination and review. Based on previous process and timing, IronClad expects to have the remaining seven patents granted during 2019. International patent protection has also been filed for all fourteen of these granted and pending patents.

Note 4. Concentration of Credit Risk

Financial instruments that potentially subject the Company to concentration of credit risk consist principally of cash deposits. Accounts at each institution are insured by the Federal Deposit Insurance Corporation (“FDIC”) up to \$250,000. At March 31, 2019 and March 31, 2018 the Company had \$0 and \$37,907 on deposit in excess of the FDIC insured limit, respectively.

The Company did have a nominal exposure to a concentration of credit risk: all of our revenue was from one customer. However, we viewed the risk was limited because of the financial strength and liquidity of the multi-billion dollar energy customer that has operated profitably for more than a century.

Note 5. Notes Payable

2017 Convertible Note 12%

On June 26, 2017 IronClad entered into a Securities Purchase Agreement to issue a 12% convertible note payable for an aggregate principal amount of \$78,500 with the intent of meeting certain conditions precedent to closing and funding on or before July 7, 2017. The closing conditions were met prior to that date and the convertible note payable was closed and funded on July 6, 2017. The Company received cash proceeds of \$75,000 net of transaction costs of \$3,500. The \$3,500 was recorded as a discount amount on the note payable and was amortized as interest expenses over the life of the note. \$3,500 was amortized during the year ended March 31, 2018; accrued interest payable at March 31, 2018 was zero.

The note matures on March 30, 2018 and interest costs accrue on the unpaid principal balance at 12% annually until March 30, 2018, and after that if not paid at maturity interest accrues annually at 22% until the principal amount and all interest accrued and unpaid are paid.

The holder of the note, at its sole election, could convert the note into shares of common stock of the Company at any time during the period beginning on the date which is one hundred and eighty days following the date of the note (dated June 26, 2017) and ending on the later of i) the maturity date, or ii) the date of payment of a default amount, if any.

The shares to be issued are a function of a variable conversion price which is 65% of a market price defined to be the lowest one day closing bid price for the Company’s common stock during the fifteen-day trading period ending on the last trading day prior to exercising the conversion right. The Company will keep available authorized shares reserved, initially 289,846 shares, but in any event authorized shares equal to six times the number of shares that would be issuable upon full conversion of the note from time to time.

The conversion feature of the note represented an embedded derivative. The derivative value at December 23, 2017 was determined using a Black-Scholes valuation model. Accounting recognition of \$126,578 for the fair value of the derivative liability, \$73,272 (net of \$4,116 of amortization) was recorded as a contra liability to the original \$78,500 recorded liability of the underlying convertible note, and a \$49,190 loss was recognized as a fair valuation adjustment to earnings.

IronClad Encryption Corporation and Subsidiaries
(Previously named Butte Highlands Mining Corporation)

Notes to Consolidated Financial Statements.

Between January 10, 2018 and January 28, 2018, the note holder exercised its rights under the conversion provisions and through operation of the five conversion elections was issued, in total, 50,322 shares of stock which effectively repaid the loan balance. \$73,272 was recorded as a gain on conversion during the year ended March 31, 2019

The dates, shares issued and principal amounts repaid at each conversion event are as follows:

Conversion Date	Principal Outstanding	Principal Reduction	Shares Issued	Exercise Price
12/31/2017	\$78,500			
1/10/2018	\$63,500	\$(15,000)	8,242	\$1.82
1/12/2018	\$43,500	\$(20,000)	10,989	\$1.82
1/18/2018	\$28,500	\$(15,000)	8,242	\$1.82
1/23/2018	\$13,500	\$(15,000)	9,819	\$1.53
1/25/2018	\$ —	\$(13,500)	13,030	\$1.40
		Total	50,322	

Commitment Note and Convertible Note

On August 24, 2017, IronClad entered into an Investment Agreement to establish an equity line of funding for the potential future issuance and purchase of IronClad's shares of Class A common stock. See Note 7.

As consideration for its commitment to purchase shares of IronClad's Class A common stock pursuant to the Investment Agreement, IronClad issued to the counterparty of the agreement a seven-month 10% convertible promissory note (the "Commitment Note") in the principal amount of \$100,000. The Commitment Note matured on March 24, 2018. The Commitment Note is convertible into shares of IronClad's Class A common stock at the fixed price of \$3.25 per share; provided, however, that at any time and from time to time after a default occurs solely due to the fact the Commitment Note is not retired on or before the maturity date, all or any part of the Commitment Note is convertible into shares of Class A common stock of the Company at a per share price equal to the lower of: (a) \$3.25 or (b) 65% of the average of the two lowest per share trading prices of the Class A common stock during the twenty consecutive trading days prior to the conversion date.

The Commitment Note is included as a financing fee expense at the date of the transaction. The Commitment Note was to finance the \$100,000 cost of the commitment fee to the counterparty of the Investment Agreement and is accordingly included in the financing fee expenses for the period ended September 30, 2017. The amount of the commitment fee could be reduced by \$35,000 or \$17,500 if a registration statement registering the shares that would be issued under the equity line becomes effective within 90 or 135 days, respectively, of August 24, 2017. The registration statement was declared effective on December 18, 2017 a period less than 135 days (but more than 90 days) after August 24, 2017. Consequently, the principal balance of the commitment fee was reduced by \$17,500 and \$100,000 of financing fee expenses originally recognized in the three-month period ended September 30, 2017 were adjusted to reflect a lower \$82,500 financing fee expense.

During the year ended March 31, 2019, \$15,692 of regular interest and \$79,138 of derivative liability was expensed. During the year ended March 31, 2018, \$10,810 of regular interest was expensed.

On August 24, 2017, in connection with the entry into the Investment Agreement, IronClad also issued a 10% convertible note (the "Convertible Note") in an aggregate principal amount of \$330,000 with a 10% original issue discount ("OID"). The initial consideration in the amount of \$165,000 was funded on August 24, 2017. The Company received net proceeds of \$150,000 (which represents the deduction of the 10% original issue

IronClad Encryption Corporation and Subsidiaries
(Previously named Butte Highlands Mining Corporation)
Notes to Consolidated Financial Statements.

discount for the note holder's due diligence and legal fees). The Company may make additional borrowings in such amounts and at such dates as the note holder may choose in its sole discretion. The balance of individual borrowings matures seven months from its funding date.

The Convertible Note also has an embedded beneficial conversion feature ("BCF") based on a stated conversion price of \$1.00 per share. The market price of a share of IronClad's common stock at the time of the first borrowing under the note was \$3.50 thus establishing an intrinsic value of \$2.50 on that date.

The Company received the first borrowing for \$165,000 under the Convertible Note on August 24, 2017 and net cash proceeds of \$150,000 were received after deducting for the original issue discount and lender transaction costs of \$15,000. An additional \$12,000 of costs was incurred by IronClad directly relating to the note. Both the \$15,000 and the \$12,000 are recorded as discount amounts on the \$165,000 note payable and are amortized as interest expenses over the life of the borrowing. The maturity date of this borrowing under the note is seven months from its funding date which is March 24, 2018.

Between March 26, 2018 and February 25, 2019, the note holder exercised its rights under the conversion provisions and through operation of seven conversion elections was issued, in total, 4,588,586 shares of stock which effectively repaid the loan balance. Additionally, between March 14, 2019 and March 28, 2019, the note holder elected to convert approximately \$37,698 of accrued interest into 7,683,614 shares of Class A common stock.

The dates, shares issued and principal amounts repaid at each conversion event are as follows:

Conversion Date	Principal Outstanding	Principal Reduction	Shares Issued	Exercise Price
12/31/2017	165,000			
3/26/2018	\$ 155,000	\$(10,000)	9,958	\$ 1.00425
06/01/18	\$ 135,000	\$(20,000)	32,219	\$ 0.62
07/17/2018	\$ 115,000	\$(20,000)	61,538	\$ 0.325
8/23/2018	\$ 105,000	\$(10,000)	73,260	\$ 0.1365
09/14/18	\$ 85,000	\$(20,000)	236,686	\$ 0.0845
02/06/19	\$ 45,000	\$(40,000)	2,051,282	\$ 0.0195
02/25/19	\$ -	\$(45,000)	2,123,643	\$ 0.02119
		Total	<u>4,588,586</u>	

The valuation of the BCF related to the \$165,000 borrowing on the Convertible Note and with an intrinsic value of \$2.50 per share (based on a \$3.50 closing price less the \$1.00 per share conversion price) is approximately \$424,407 using a Black-Scholes valuation model. That amount is recorded as a contra-note payable amount (similar to the recorded OID and transaction costs), but only for an amount not in excess of and thus capped by the otherwise undiscounted amount of the note payable. The amount of the beneficial conversion feature formally recorded is \$138,000 (\$165,000 net of \$27,000) and will be amortized as interest expense over the life of the loan.

On March 24, 2018 both the Commitment Note (\$100,000 contractually reduced to \$82,500 in 2017) and the first tranche of the 10% Convertible Note for \$165,000 (less the \$10,000 conversion in late March) reached their maturity dates and, except for a \$10,000 conversion by Tangiers on the Convertible Note, were not repaid in cash. Consequently both notes were in "maturity date default" and, pursuant to the terms of the loans, were convertible at the lesser of \$3.25 for the Commitment Note, and \$1.00 for \$165,000 note or 65% of the average lowest two trades for the prior 20 days, resulting in an initial recognition for derivative treatments for both notes.

IronClad Encryption Corporation and Subsidiaries
(Previously named Butte Highlands Mining Corporation)
Notes to Consolidated Financial Statements.

The valuation of the derivative liability related to the \$82,500 borrowing on the Convertible Note and with an intrinsic value of \$0.70 per share (based on a \$1.67 closing price less the \$0.97 per share present value of the conversion price) is approximately \$79,138 using a Black-Scholes valuation model. That amount is recorded as a new contra-note payable amount (similar to the recorded OID and transaction costs), but only for an amount not in excess of and thus capped by the otherwise undiscounted amount of the note payable. This results in a net liability value of \$3,362. The amount will be amortized as interest expense over an estimated “remaining” three month life of the already matured loan.

The valuation of the derivative liability related to the \$165,000 (reduced to \$155,000) borrowing on the Convertible Note and with an intrinsic value of \$0.70 per share (based on a \$1.67 closing price less the \$0.97 per share present value of the conversion price) is approximately \$158,276 using a Black-Scholes valuation model. That amount is recorded as a new contra-note payable amount (similar to the recorded OID and transaction costs), but only for an amount not in excess of and thus capped by the otherwise undiscounted amount of the note payable. Since the undiscounted (and unconverted) amount of the note is \$155,000 the derivative valuation is recorded as \$155,000. The amount will be amortized as interest expense over an estimated “remaining” three month life of the already matured loan.

During the year ended March 31, 2019, \$21,039 of regular interest and \$155,000 of derivative liability was expensed. During the year ended March 31, 2018, \$16,500 of regular interest, \$27,000 of original issue discount and \$138,578 of beneficial conversion was expensed.

On October 23, 2017, a second borrowing of \$82,500 under the Convertible Note for \$330,000 was closed and funded. The Company received net proceeds of \$75,000 after deducting for original issue discount and lender transaction costs of \$7,500. An additional \$6,000 of costs was incurred by IronClad relating to the Convertible Note. Both the \$7,500 and the \$6,000 were recorded as discount amounts on the \$82,500 note payable and amortized as interest expenses over the life of the borrowing. The maturity date of this borrowing under the Convertible Note was also defined to be seven months from its borrowing date which is May 24, 2018. The market price of a share of IronClad’s common stock at the time of funding was \$4.40 making the intrinsic value of the derivative \$3.40. The valuation of the BCF is estimated to be approximately \$289,000 and is capped at \$69,000, the otherwise undiscounted amount of the note payable.

Between March 14, 2019 and March 28, 2019, the holder of the note elected to convert \$37,000 of principal into 8,024,179 shares of Class A common stock.

The dates, shares issued and principal amounts repaid at each conversion event are as follows:

Conversion Date	Principal Outstanding	Principal Reduction	Shares Issued	Exercise Price
12/31/18	82,500			
3/14/2019	\$77,500	\$(5,000)	889,284	\$0.0056225
03/25/19	\$53,500	\$(24,000)	5,351,171	\$0.004485
03/27/19	\$49,500	\$(4,000)	891,862	\$0.004485
03/28/19	\$45,500	\$(4,000)	891,862	\$0.004485
		Total	<u>8,024,179</u>	

During the year ended March 31, 2019, \$16,026 of regular interest, \$20,916 of original issue discount, and \$57,024 of derivative liability was expensed. During the year ended March 31, 2018, \$6,158 of regular interest, \$12,136 of original issue discount and \$49,449 of derivative liability was expensed.

On March 15, 2018, a third and final borrowing of \$82,500 under the Convertible Note for \$330,000 was

IronClad Encryption Corporation and Subsidiaries
(Previously named Butte Highlands Mining Corporation)

Notes to Consolidated Financial Statements.

closed and funded. The Company received net proceeds of \$75,000 after deducting for original issue discount and lender transaction costs of \$7,500 and an additional \$6,000 of loan closing costs incurred by IronClad. The maturity date of this borrowing under the Convertible Note is also defined to be seven months from its borrowing date which is October 24, 2018. The market price of a share of IronClad's common stock at the time of funding was \$1.85 making the intrinsic value of the derivative \$0.85.

The valuation of the BCF related to the \$82,500 borrowing on the Convertible Note and with an intrinsic value of \$0.85 per share (based on a \$1.85 closing price less the \$1.00 per share conversion price) is approximately \$109,861 using a Black-Scholes valuation model. That amount is recorded as a contra-note payable amount (similar to the recorded OID and transaction costs), but only for an amount not in excess of and thus capped by the otherwise undiscounted amount of the note payable. The amount of the beneficial conversion feature formally recorded is \$69,000 (\$82,500 net of \$13,500) and will be amortized as interest expense over the life of the loan.

During the year ended March 31, 2019, \$20,606 of regular interest, \$12,491 of original issue discount, \$63,841 of beneficial conversion and \$20,064 of derivative liability was expensed. During the year ended March 31, 2018, \$620 of regular interest, \$1,009 of original issue discount and \$5,159 of beneficial conversion was expensed.

2018 Convertible Notes, 12%

On January 25, 2018 IronClad entered into a Securities Purchase Agreement to issue a new 12% convertible note payable for an aggregate principal amount of \$88,000. The Company received cash proceeds of \$85,000 net of transaction costs of \$3,000. The \$3,000 is recorded as a discount amount on the note payable and will be amortized as interest expenses over the life of the note. The general terms of the note, except for the principal amount borrowed, are identical to the initial 12% Convertible note entered into in 2017 and converted earlier in January 2018.

The note matures on October 30, 2018 and interest costs accrue on the unpaid principal balance at 12% annually until October 30, 2018, and after that if not paid at maturity interest accrues annually at 22% until the principal amount and all interest accrued and unpaid are paid.

The holder of the note, at its sole election, could convert the note into shares of common stock of the Company at any time during the period beginning on the date which is one hundred and eighty days following the date of the note (dated January 25, 2018) and ending on the later of i) the maturity date, or ii) the date of payment of a default amount, if any.

The shares to be issued are a function of a variable conversion price which is 65% of a market price defined to be the lowest one day closing bid price for the Company's common stock during the fifteen-day trading period ending on the last trading day prior to exercising the conversion right. The Company would keep available authorized shares reserved, initially 289,846 shares, but in any event authorized shares equal to six times the number of shares that would be issuable upon full conversion of the note from time to time.

During the year ended March 31, 2019, \$3,009 of regular interest, \$2,302 of original issue discount and \$57,990 of derivative liability was expensed. During the year ended March 31, 2018, \$1,765 of regular interest and \$698 of original issue discount was expensed.

The loan principal plus accrued interest, both totaling \$124,268, was repaid on July 14, 2018 and the note was fully retired.

IronClad Encryption Corporation and Subsidiaries
(Previously named Butte Highlands Mining Corporation)

Notes to Consolidated Financial Statements.

On February 27, 2018 IronClad entered into a Securities Purchase Agreement to issue a 12% convertible note payable for an aggregate principal amount of \$53,000. The Company received cash proceeds of \$50,000 net of transaction costs of \$3,000. The \$3,000 is recorded as a discount amount on the note payable and will be amortized as interest expenses over the life of the note. The general terms of the note, except for the principal amount borrowed, are identical to the initial 12% Convertible note entered into in 2017 and converted earlier in January 2018.

The note matures on November 03, 2018 and interest costs accrue on the unpaid principal balance at 12% annually until November 30, 2018, and after that if not paid at maturity interest accrues annually at 22% until the principal amount and all interest accrued and unpaid are paid.

The holder of the note, at its sole election, may convert the note into shares of common stock of the Company at any time during the period beginning on the date which is one hundred and eighty days following the date of the note (dated February 27, 2018) and ending on the later of i) the maturity date, or ii) the date of payment of a default amount, if any.

The shares to be issued are a function of a variable conversion price which is 65% of a market price defined to be the lowest one day closing bid price for the Company's common stock during the fifteen-day trading period ending on the last trading day prior to exercising the conversion right. The Company will keep available authorized shares reserved, initially 289,846 shares, but in any event authorized shares equal to six times the number of shares that would be issuable upon full conversion of the note from time to time.

The conversion feature of the note represents an embedded derivative. Once definitive pricing facts and circumstances are known later in the year regarding the market value of IronClad's common stock at that time, the cost of that derivative will be determined using a Black-Scholes valuation model. At the close of accounting periods subsequent to the initial valuation a redetermination of the derivative valuation will be made using an updated Black-Scholes valuation model. Any gain or loss in the liability value will be recognized as a fair valuation adjustment to earnings. The loan principal plus accrued interest, both totaling \$75,620, was repaid on August 21, 2018 and the note was fully retired.

During the year ended March 31, 2019, \$2,492 of regular interest, \$2,585 of original issue discount and \$42,862 of derivative liability was expensed. During the year ended March 31, 2018, \$558 of regular interest and \$415 of original issue discount was expensed.

Working Capital Loan for Services to New Customer by IronClad Pipeline IC, Inc.

On February 27, 2018, IronClad borrowed \$255,000 gross proceeds as an initial advance on a Credit Agreement (the "Agreement") with a lending party. The Agreement, agreed to by both parties on February 1, 2018, enabled the Company, at its sole election, to borrow up to an aggregate amount of \$500,000. The outstanding balance of any advances accrues interest at the annual rate of 8.5%. There is a transaction financing fee of 2% for any amount drawn under the facility. Proceeds received net of the transaction fee were \$250,000.

On March 21, 2018, IronClad borrowed additional \$245,000 gross proceeds as a second advance under the Agreement. Proceeds received net of the transaction fee were \$240,000.

During the period ended June 30, 2018, the Company repaid \$100,000 of the principal, and then redrew another \$100,000. On June 30, 2018 the Company repaid \$25,000.

During the period ended September 30, 2018, the Company repaid all of the outstanding principal balance of the loan, however the accrued interest remains outstanding the amount of \$17,816

IronClad Encryption Corporation and Subsidiaries
(Previously named Butte Highlands Mining Corporation)
Notes to Consolidated Financial Statements.

Interest is to be paid annually in cash on March 1, 2019 and 2020. Outstanding interest was not paid at March 1, 2019; the Company is negotiating with the lender to issue common stock in exchange for the accrued amount of interest owed. There is no penalty for any early principal repayments. The Company has pledged 500,000 of its common stock as collateral under the terms of the Agreement. In the event of default by the Company, the lender is entitled to receive one share of Company common stock for every one dollar in principle, interest, penalties, and fees that are owed and outstanding by the Company to Layer 3 Communications.

The Agreement is also supported by a personal \$500,000 guarantee from an officer of the Company. IronClad will pay a 5% guarantee fee of \$25,000; \$10,000 shortly after year end and the remaining \$15,000 at such time as the Board of Directors determines the Company has sufficient liquidity to pay the balance owed. The guarantee fee was reviewed and approved by the Compensation Committee of the Board which determined that the 5% fee was an appropriate market-based rate for guarantees of loans of this nature and comparable risk.

Terms of the Agreement specify the use of funds to be limited to only supporting the operations of its new service contract. The terms of the Agreement were amended, effective June 11, 2018, to also permit the use of funds for certain new patent application filings of IronClad.

2018 Financing Note

On March 16, 2018, IronClad purchased several lines of corporate insurance coverage for a set of annual premiums that totaled \$30,719. To pay for the coverage, IronClad paid \$2,631 down on the coverages and entered into a financing agreement to borrow the \$28,087 balance owed for the coverage. Interest on the loan is approximately 6% and the loan is repaid by eleven monthly principal and interest installment payments of \$2,631 each. The cost of the insurance is recorded as a prepaid asset and is being amortized monthly over the annual period of the coverages. During the period ended September 30, 2018 this note was repaid in full.

2019 New Loan Agreements including Convertible Notes

On June 26, 2018 IronClad entered into a Securities Purchase Agreement to issue a 10% convertible note payable for an aggregate principal amount of \$250,000. The Company received cash proceeds of \$235,000 net of transaction costs of \$15,000. The \$15,000 is recorded as a discount amount on the note payable and will be amortized as interest expenses over the life of the note. The general terms of the note, except for the principal amount borrowed, are identical to the initial 10% Convertible note entered into in 2017.

The note matures on December 26, 2018 and interest costs accrue on the unpaid principal balance at 10% annually until December 26, 2018, and after that if not paid at maturity interest accrues annually at 24% until the principal amount and all interest accrued and unpaid are paid.

The holder of the note, at its sole election, may convert the note into shares of common stock of the Company at any time on or following the date of the note and ending on the later of i) the maturity date, or ii) the date of payment of a default amount, if any.

The shares to be issued are a function of a fixed conversion price of \$1.00, or an alternate variable conversion price, triggered by events such as stock splits, stock dividends or rights offerings which is 70% of a market price defined to be the lowest five day closing bid price for the Company's common stock during the twenty-day trading period ending on the last trading day prior to exercising the conversion right. The Company will keep available authorized shares reserved, initially 3,081,854 shares, but in any event authorized shares equal to five times the number of shares that would be issuable upon full conversion of the note from time to time.

IronClad Encryption Corporation and Subsidiaries
(Previously named Butte Highlands Mining Corporation)
Notes to Consolidated Financial Statements.

The conversion feature of the note represents an embedded derivative. A derivative liability with an intrinsic value of \$0.03281 was \$189,211 using a binomial pricing model and was calculated as a discount to the note. That amount is recorded as a new contra-note payable amount (similar to OID and transactions costs and amounts discussed immediately below), but only for an amount not in excess of and thus capped by the otherwise undiscounted amount of the note payable. The amount of the derivative liability formally recorded is \$26,014 (\$250,000 net of \$223,986) and will be amortized as interest expense over the life of the loan. The remaining \$163,197 is expensed as financing fees.

As a commitment fee for the Note, the Company issued the holder 240,384 shares of common stock to be held in escrow until the Note is repaid. The holder will keep the shares, if the Note is not retired prior to its maturity date. The shares were valued at \$165,865 and were recorded as a discount on the note and amortized through repayment of the note on November 1, 2018. Upon repayment of the note the shares were returned and the \$165,865 expense was reversed

Included in the share purchase agreement was a common stock purchase warrant issued by the Company to the holder to purchase 62,500 shares of common stock at \$3.00 per share, exercisable for four years. The warrants were valued at \$43,121 using a Black Scholes option pricing model and were recorded as a discount on the note. The warrants included a down round feature in January 2019.

The warrant included a down round feature that would reduce the exercise price of the warrant, if the Company sold or granted any option to purchase, or sell or grant any right to reprice, or otherwise disposed of or issued common stock or securities entitling any person or entity to acquire shares of common stock (upon conversion, exercise or otherwise) at an effective price per share less than the then exercise price. On January 17, 2019, the down round feature was triggered and the exercise price was reduced to \$0.0195 and the number of warrants exercisable was increased to 9,615,385. As a result, the original valuation of \$43,121 was increased to \$164,132 and a reduction to retained earnings was recorded for the difference, similar to a dividend, in the amount of \$121,011.

During the year ended March 31, 2019, \$8,873 of regular interest, \$58,121 of original issue discount, and \$26,342 of derivative liability was expensed.

On October 11, 2018 the holder of the note converted \$100,000 of the principal into 3,076,923 shares of Class A capital stock. On November 1, 2018 the Company paid off the remaining \$150,000 of principal in cash.

On July 11, 2018 IronClad entered into a Securities Purchase Agreement (SPA) to issue a 9% convertible note payable for an aggregate principal amount of \$270,000 comprised of the first note ("First Note") being in the amount of \$135,000.00, and the remaining note in the amount of \$135,000.00, (a "Back End Note"). The Company received cash proceeds of \$126,500 from the First Note net of transaction costs of \$8,500. The \$8,500 is recorded as a discount amount on the note payable and will be amortized as interest expenses over the life of the note.

The First Note matures on July 11, 2019 and interest costs accrue on the unpaid principal balance at 9% annually until July 11, 2019, and after that if not paid at maturity interest accrues annually at 24% until the principal amount and all interest accrued and unpaid are paid.

The Back End Note carries the same terms as the First Note, except it may not be repaid, but only converted. The Company is under no obligation to accept the Back End Note, but may do so at its sole discretion, following 180 days from the date of the note (dated July 11, 2018). As part of the SPA, the Holder issued the Company a collateralized secured promissory note in the amount of \$131,500 that may be exchanged for cash against the Back End Note. On January 25, 2019, the holder of the note chose to cancel the Back End Note.

IronClad Encryption Corporation and Subsidiaries
(Previously named Butte Highlands Mining Corporation)
Notes to Consolidated Financial Statements.

The holder of the note, at its sole election, may convert the note into shares of common stock of the Company at any time during the period beginning on the date which is 180 days following the date of the note (dated July 11, 2018) and ending on the later of i) the maturity date, or ii) the date of payment of a default amount, if any.

The shares to be issued are a function of a fixed conversion price of \$1.00 per share for six months, and thereafter until maturity at a variable conversion price which is 65% of a market price defined to be the lowest trading price for the Company's common stock during the fifteen-day trading period ending on the last trading day prior to exercising the conversion right. The Company will keep available authorized shares reserved, initially 1,730,000 shares, but in any event the number of reserved shares at least equals 400% of the number of shares of Company common stock issuable upon conversion of the Note. During the year ended March 31, 2019 the holder of the note elected to convert \$61,425 of principal and accrued interest into common stock.

The dates, shares issued and principal amounts repaid at each conversion event are as follows:

Conversion Date	Principal Outstanding	Principal Reduction	Shares Issued	Exercise Price
12/31/2018	135,000			
2/04/2019	\$120,000	\$(15,000)	808,303	\$0.0195
03/01/2019	\$111,500	\$(8,500)	921,451	\$0.00975
03/21/2019	\$99,000	\$(12,500)	2,876,192	\$0.004615
03/29/2019	\$77,000	\$(22,000)	5,218,503	\$0.004485

The valuation of the derivative liability related to the \$135,000 borrowing on the First Note and with an intrinsic value of \$0.54 per share is approximately \$248,386 using a binomial pricing model. That amount is recorded as a contra-note payable amount (similar to the recorded OID and transaction costs), but only for an amount not in excess of and thus capped by the otherwise undiscounted amount of the note payable. The amount of the derivative liability formally recorded is \$126,500 (\$135,000 net of \$8,500) and will be amortized as interest expense over the life of the loan. The remaining \$121,886 is expensed as financing fees.

During the year ended March 31, 2019, \$9,326 of regular interest, \$4,029 of original issue discount, and \$91,149 of derivative liability was expensed.

On July 17, 2018 (transaction documents were originally dated June 29, but amended for action taken on July 17), IronClad issued a 12% convertible note (the "Convertible Note") to a lender (the "Holder") in an aggregate principal amount of \$115,500. The Company received cash proceeds of \$101,500 net of transaction costs of \$14,000 that included \$3,500 for attorneys' fees. The note matures on July 18, 2019. Interest costs accrue on the unpaid principal balance at 12% annually until maturity, and after that if not paid, interest accrues annually at 18% until any unpaid principal amount and unpaid interest accrued are paid.

The Holder of the note, at its sole election, may convert the note into shares of common stock of the Company at any time during the period beginning on the date which is one hundred and eighty days following the date of the note (dated July 18, 2018) and ending on the later of i) the maturity date, or ii) the date of payment of a default amount, if any.

IronClad Encryption Corporation and Subsidiaries
(Previously named Butte Highlands Mining Corporation)

Notes to Consolidated Financial Statements.

The shares to be issued upon conversion are a function of a variable conversion price which is 65% of a market price defined to be the lowest one (1) trading price for the Company's common stock during the fifteen (15) day trading period ending on the last trading day prior to the conversion date. The Company will keep available authorized shares reserved, initially 1,500,000 shares. During the year ended March 31, 2019 the holder of the note elected to convert \$111,500 of principal and \$4,000 of financing fees into 11,628,751 shares of Class A common stock.

The dates, shares issued and principal amounts repaid at each conversion event are as follows:

Conversion Date	Principal Outstanding	Principal Reduction	Shares Issued	Exercise Price
12/31/2018	115,500			
01/22/2019	\$106,500	\$(9,000)	97,371	\$0.097565
02/4/2019	\$91,500	\$(15,000)	794,872	\$0.0195
02/12/2019	\$77,000	\$(14,500)	769,231	\$0.0195
02/20/2019	\$57,500	\$(19,500)	1,025,642	\$0.0195
02/28/2019	\$42,500	\$(15,000)	1,402,715	\$0.01105
03/11/2019	\$30,000	\$(12,500)	2,105,264	\$0.006175
03/14/2019	\$17,500	\$(12,500)	2,312,139	\$0.0056225
03/26/2019	\$4,000	\$(13,500)	3,121,517	\$0.004485

The valuation of the derivative liability related to the \$115,500 borrowing on the Convertible Note and with an intrinsic value of \$0.4751 per share is approximately \$187,624 using a binomial pricing model. That amount is recorded as a contra-note payable amount (similar to the recorded OID and transaction costs), but only for an amount not in excess of and thus capped by the otherwise undiscounted amount of the note payable. The amount of the derivative liability formally recorded is \$101,500 (\$115,500 net of \$14,000) and will be amortized as interest expense over the life of the loan. The remaining \$86,124 is expensed as financing fees.

During the year ended March 31, 2019, \$8,470 of regular interest, \$14,000 of original issue discount, and \$101,500 of derivative liability was expensed.

On July 19, 2018 IronClad entered into a Securities Purchase Agreement (SPA) to issue a 9% convertible note payable for an aggregate principal amount of \$315,000 comprised of the first note ("First Note") being in the amount of \$157,500.00, and the remaining note in the amount of \$157,500.00, (a "Back End Note"). The Company received cash proceeds of \$142,500 from the First Note net of transaction costs of \$15,000 that included \$7,500 for attorneys' fees.

The First Note matures on July 19, 2019 and interest costs accrue on the unpaid principal balance at 9% annually until July 19, 2019, and after that if not paid at maturity interest accrues annually at up to 24% until the principal amount and all interest accrued and unpaid are paid. The Back End Note carries the same terms as the First Note, except it may not be repaid in cash, but only converted. The Company accepted the Back End Note on March 19, 2019 As part of the SPA, the Holder issued the Company a collateralized secured promissory note in the amount of \$150,000 that was exchanged for cash against the Back End Note (discussed below).

The holder of the note, at its sole election, may convert the note into shares of common stock of the Company at any time during the period beginning on the date which is 180 days following the date of the note (dated July 19, 2018) and ending on the later of i) the maturity date, or ii) the date of payment of a default amount, if any. The shares to be issued are a function of a fixed conversion price of \$1.00 per share for six months, and thereafter until maturity at a variable conversion price which is 65% of a market price defined to be the lowest trading price for the Company's common stock during the fifteen-day trading period ending on the last trading day

IronClad Encryption Corporation and Subsidiaries
(Previously named Butte Highlands Mining Corporation)

Notes to Consolidated Financial Statements.

prior to exercising the conversion right. During the year ended March 31, 2019 the holder of the note elected to convert \$156,500 of principal into 18,788,564 shares of Class A common stock.

The dates, shares issued and principal amounts repaid at each conversion event are as follows:

Conversion Date	Principal Outstanding	Principal Reduction	Shares Issued	Exercise Price
12/31/2018	\$157,500			
01/24/2019	\$147,500	\$(10,000)	80,972	\$0.1235
02/04/2019	\$132,500	\$(15,000)	769,231	\$0.0195
02/07/2019	\$115,000	\$(17,500)	897,436	\$0.0195
02/20/2019	\$90,000	\$(25,000)	1,282,051	\$0.0195
02/27/2019	\$75,000	\$(15,000)	1,357,466	\$0.01105
03/07/2019	\$60,000	\$(15,000)	1,923,077	\$0.0078
03/13/2019	\$45,000	\$(15,000)	2,667,852	\$0.0056225
03/25/2019	\$35,000	\$(10,000)	2,229,654	\$0.04485
03/26/2019	\$20,937	\$(14,063)	3,135,563	\$0.004485
03/29/2019	\$1,000	\$(19,937)	4,445,262	\$0.004485

The valuation of the derivative liability related to the \$157,500 borrowing on the First Note and with an intrinsic value of \$0.5482 per share is approximately \$295,227 using a binomial pricing model. That amount is recorded as a contra-note payable amount (similar to the recorded OID and transaction costs), but only for an amount not in excess of and thus capped by the otherwise undiscounted amount of the note payable. The amount of the derivative liability formally recorded is \$142,500 (\$157,500 net of \$15,000) and will be amortized as interest expense over the life of the loan. The remaining \$152,727 is expensed as financing fees.

During the year ended March 31, 2019, \$8,766 of regular interest, \$17,096 of original issue discount, and \$142,500 of derivative liability was expensed on the First Note,

The Back End Note was accepted on March 14, 2019 and matures on July 19, 2019. Interest costs accrue on the unpaid principal balance at 9% annually until July 19, 2019, and after that if not paid at maturity interest accrues annually at up to 24% until the principal amount and all interest accrued and unpaid are paid. The Back End Note carries the same terms as the First Note, except it may not be repaid in cash, but only converted

The holder of the note, at its sole election, may convert the note into shares of common stock of the Company at any time during the period beginning on the date which is 180 days following the date of the note (dated March 14, 2019) and ending on the later of i) the maturity date, or ii) the date of payment of a default amount, if any. The shares to be issued are a function of a fixed conversion price of \$1.00 per share for six months, and thereafter until maturity at a variable conversion price which is 65% of a market price defined to be the lowest trading price for the Company's common stock during the fifteen-day trading period ending on the last trading day prior to exercising the conversion right.

The valuation of the derivative liability related to the \$157,500 borrowing on the Back End Note and with an intrinsic value of \$0.0096 per share is approximately \$352,448 using a binomial pricing model. That amount is recorded as a contra-note payable amount (similar to the recorded OID and transaction costs), but only for an amount not in excess of and thus capped by the otherwise undiscounted amount of the note payable. The amount of the derivative liability formally recorded is \$142,500 (\$157,500 net of \$15,000) and will be amortized as interest expense over the life of the loan. The remaining \$209,948 is expensed as financing fees.

IronClad Encryption Corporation and Subsidiaries
(Previously named Butte Highlands Mining Corporation)
Notes to Consolidated Financial Statements.

During the year ended March 31, 2019, \$660 of regular interest, \$2,008 of original issue discount, and \$19,075 of derivative liability was expensed on the Back End Note.

On October 24, 2018 IronClad entered into a Securities Purchase Agreement to issue a 10% convertible note payable for an aggregate principal amount of \$107,000. The Company received cash proceeds of \$102,000 net of transaction costs of \$5,000. The \$5,000 is recorded as a discount amount on the note payable and will be amortized as interest expenses over the life of the note. The note matures on July 19, 2019 and interest costs accrue on the unpaid principal balance at 10% annually until October 24, 2019, and after that if not paid at maturity interest accrues annually at up to 24% until the principal amount and all interest accrued and unpaid are paid.

The Holder of the note is entitled, at any time after cash payment, to convert all or any amount of the principal face amount of the Note then outstanding into shares of the Company's common stock. The shares to be issued upon conversion are a function of a variable conversion price which is 65% of a market price defined to be the lowest trading price for the Company's common stock during the fifteen day trading period ending on the last trading day prior to the conversion date. The Company will keep available authorized shares reserved, initially 2,993,000 shares.

The valuation of the derivative liability related to the \$107,000 borrowing with an intrinsic value of \$0.1759 per share is approximately \$131,617 using a binomial pricing model. That amount is recorded as a contra-note payable amount (similar to the recorded OID and transaction costs), but only for an amount not in excess of and thus capped by the otherwise undiscounted amount of the note payable. The amount of the derivative liability formally recorded is \$102,000 (\$107,000 net of \$5,000) and will be amortized as interest expense over the life of the loan. The remaining \$29,617 is expensed as financing fees.

During the year ended March 31, 2019, \$4,632 of regular interest, \$2,164 of original issue discount, and \$44,153 of derivative liability was expensed.

On October 26, 2018 IronClad entered into a Securities Purchase Agreement to issue a 12% convertible note payable for an aggregate principal amount of \$181,170. The Company received cash proceeds of \$150,346 net of transaction costs of \$30,824. The \$30,824 is recorded as a discount amount on the note payable and will be amortized as interest expenses over the life of the note. The note matures on July 26, 2019 and interest costs accrue on the unpaid principal balance at 12% annually until July 26, 2019, and after that if not paid at maturity interest accrues annually at up to 24% until the principal amount and all interest accrued and unpaid are paid.

The Holder shall have the right at any time following the 180th calendar day after the issue date (October 26, 2018), and ending on the later of i) the maturity date, or ii) the date of payment of a default amount, if any, to convert all or any amount of the principal face amount of the Note then outstanding into shares of the Company's common stock. The shares to be issued upon conversion are a function of a variable conversion price which is 65% of a market price defined to be the lowest trading price for the Company's common stock during the fifteen day trading period ending on the last trading day prior to the conversion date.

The Company will keep available authorized shares reserved, initially 6,500,000 shares. In connection with the issuance of the Note, the Company issued a common stock purchase warrant to the Holder to purchase up to 30,195 shares of the Company's common stock at an exercise price of \$3.00 per share with an exercise period of five years. The warrants were valued at \$10,265 using a Black Scholes option pricing model and were recorded as a financing expense.

The warrant included a down round feature that would reduce the exercise price of the warrant, if the Company sold or granted any option to purchase, or sell or grant any right to reprice, or otherwise disposed of or issued common stock or securities entitling any person or entity to acquire shares of common stock (upon

IronClad Encryption Corporation and Subsidiaries
(Previously named Butte Highlands Mining Corporation)

Notes to Consolidated Financial Statements.

conversion, exercise or otherwise) at an effective price per share less than the then exercise price. There were multiple events that triggered the down round provision, the cumulative effect reduced the exercise price to \$0.004485 and the number of warrants exercisable was increased to 20,197,324. As a result, the valuation of the warrants increased to \$123,067 and a reduction to retained earnings was recorded for the difference, similar to a dividend, in the amount of \$112,587.

The valuation of the derivative liability related to the \$181,170 borrowing with an intrinsic value of \$0.2674 per share is approximately \$220,204 using a binomial pricing model. That amount is recorded as a contra-note payable amount (similar to the recorded OID and transaction costs), but only for an amount not in excess of and thus capped by the otherwise undiscounted amount of the note payable. The amount of the derivative liability formally recorded is \$150,346 (\$181,170 net of \$30,824) and will be amortized as interest expense over the life of the loan. The remaining \$69,858 is expensed as financing fees.

During the year ended March 31, 2019, \$9,421 of regular interest, \$17,613 of original issue discount, and \$85,912 of derivative liability was expensed.

On February 14, 2019 IronClad entered into a Securities Purchase Agreement to issue a 12% convertible note payable for an aggregate principal amount of \$57,500. The Company received cash proceeds of \$52,500 net of transaction costs of \$7,750. The \$7,750 is recorded as a discount amount on the note payable and will be amortized as interest expenses over the life of the note.

The note matures on February 14, 2020. Interest costs accrue on the unpaid principal balance at 12% annually until maturity, and after that if not paid, interest accrues annually at 18% until any unpaid principal amount and unpaid interest accrued are paid.

The Holder of the note, at its sole election, may convert the note into shares of common stock of Company the six month anniversary of the note, the conversion price shall be equal to 65% of the lowest trading price for the fifteen prior trading days including the day upon which a notice of conversion is received.

The conversion feature of the note represents an embedded derivative. The valuation of the derivative liability related to the \$57,750 borrowing on the Convertible Note and with an intrinsic value of \$.039 per share is approximately \$115,500 using a binomial pricing model. That amount is recorded as a contra-note payable amount (similar to the recorded OID and transaction costs), but only for an amount not in excess of and thus capped by the otherwise undiscounted amount of the note payable. The amount of the derivative liability formally recorded is \$50,000 (\$57,750 net of \$7,750) and will be amortized as interest expense over the life of the loan. The remaining \$65,500 is expensed as financing fees.

On February 14, 2019 IronClad entered into a Securities Purchase Agreement to issue a 10% convertible note payable for an aggregate principal amount of \$107,000. The Company received cash proceeds of \$102,000 net of transaction costs of \$5,000. The \$5,000 is recorded as a discount amount on the note payable and will be amortized as interest expenses over the life of the note. The note matures on February 14, 2020 and interest costs accrue on the unpaid principal balance at 10% annually until February 14, 2020, and after that if not paid at maturity interest accrues annually at up to 24% until the principal amount and all interest accrued and unpaid are paid.

The Holder of the note is entitled, at any time after cash payment, to convert all or any amount of the principal face amount of the Note then outstanding into shares of the Company's common stock. The shares to be issued upon conversion are a function of a variable conversion price which is 65% of a market price defined to be the lowest trading price for the Company's common stock during the fifteen day trading period including the day upon which the notice of conversion is received conversion date. The Company will keep available authorized shares reserved, initially 11,551,000 shares.

IronClad Encryption Corporation and Subsidiaries
(Previously named Butte Highlands Mining Corporation)

Notes to Consolidated Financial Statements.

The valuation of the derivative liability related to the \$107,000 borrowing with an intrinsic value of \$0.03099 per share is approximately \$169,554 using a binomial pricing model. That amount is recorded as a contra-note payable amount (similar to the recorded OID and transaction costs), but only for an amount not in excess of and thus capped by the otherwise undiscounted amount of the note payable. The amount of the derivative liability formally recorded is \$102,000 (\$107,000 net of \$5,000) and will be amortized as interest expense over the life of the loan. The remaining \$67,554 is expensed as financing fees.

During the year ended March 31, 2019, \$1,319 of regular interest, \$616 of original issue discount, and \$12,575 of derivative liability was expensed.

On March 28, 2019 IronClad entered into a Securities Purchase Agreement (SPA) to issue a 12% convertible note payable for an aggregate principal amount of \$172,500 comprised of the first note ("First Note") being in the amount of \$86,250, and the remaining note in the amount of \$86,250 (a "Back End Note"). The Company received cash proceeds of \$75,000 from the First Note net of transaction costs of \$11,250 that included \$3,750 for attorneys' fees.

The First Note matures on March 28, 2020 and interest costs accrue on the unpaid principal balance at 12% annually until March 28, 2020, and after that if not paid at maturity interest accrues annually at up to 24% until the principal amount and all interest accrued and unpaid are paid. The Back End Note carries the same terms as the First Note, except it may not be repaid in cash, but only converted. As part of the SPA, the Holder issued the Company a collateralized secured promissory note in the amount of \$ 78,750 that may be exchanged for cash against the Back End Note.

The holder of the note, at its sole election, may convert the note into shares of common stock of the Company at any time during the period beginning on the date which is 180 days following the date of the note (dated March 28, 2019) and ending on the later of i) the maturity date, or ii) the date of payment of a default amount, if any. The shares to be issued are a function of a variable conversion price which is 65% of a market price defined to be the lowest trading price for the Company's common stock during the fifteen-day trading period ending on the last trading day prior to exercising the conversion right. The Company will keep available authorized shares reserved, initially 130,000,000 shares.

The valuation of the derivative liability related to the \$86,250 borrowing with an intrinsic value of \$0.009 per share is approximately \$112,500 using a binomial pricing model. That amount is recorded as a contra-note payable amount (similar to the recorded OID and transaction costs), but only for an amount not in excess of and thus capped by the otherwise undiscounted amount of the note payable. The amount of the derivative liability formally recorded is \$75,000 (\$86,250 net of \$11,250) and will be amortized as interest expense over the life of the loan. The remaining \$37,500 is expensed as financing fees.

During the year ended March 31, 2019, \$86 of regular interest, \$92 of original issue discount, and \$615 of derivative liability was expensed.

Note 6. Share Exchange Agreement

On January 6, 2017, the Company entered into a Share Exchange Agreement with InterLok Key Management, Inc. wherein Butte agreed to issue 56,655,891 restricted shares of Butte's common stock in exchange for 100% of the outstanding shares of InterLok Key Management, Inc. common stock. InterLok Key Management, Inc. is engaged in the business of developing and licensing its patented key-based encryption methods.

IronClad Encryption Corporation and Subsidiaries
(Previously named Butte Highlands Mining Corporation)
Notes to Consolidated Financial Statements.

On January 6, 2017, Butte completed its Share Exchange Agreement with the owners of InterLok and issued 56,655,891 restricted shares of Butte's common stock to 29 persons and entities in exchange for all of the outstanding shares of InterLok Key Management, Inc.'s common stock. Immediately following completion of the share exchange agreement, the Company's new board of directors elected, through a series of board resolutions and regulatory filings, to change the Company's name to IronClad Encryption Corporation from Butte, to move the Company to Nevada from Delaware, and to change its stock trading symbol to IRNC from BTHI.

The Share Exchange was treated as a reverse merger with InterLok Key Management, Inc. deemed, for accounting recognition purposes, the accounting acquirer and Butte Highlands Mining Company deemed the accounting acquiree under the acquisition method of accounting. The reverse merger is deemed a recapitalization and the unaudited pro forma consolidated financial statements of operations represent the substantive continuation of the operations and thus the financial statements of InterLok Key Management, Inc., while the capital structure (with respect to authorized, issued and outstanding shares of preferred and common stock) of Butte Highlands Mining Company—now using the name IronClad—remains intact.

Note 7. Common Stock

During the three-month period ended March 31, 2017, i) the Company issued 5,843,954 shares of its Class A common stock at \$0.15 per share for cash in the amount of \$876,597 (\$35,343 of which was only subscribed and still receivable at December 31, 2016), and ii) 75,000 shares at \$0.15 per share for investment banking services in the amount of \$11,250.

Additionally, i) the three convertible note holders elected to convert their \$210,000 of notes into 1,400,000 shares of Class A common stock at \$0.15 per share, and ii) 250,000 shares were issued pursuant to the Share Exchange Agreement at \$0.03 per share. Also, iii) subscriptions receivable that were outstanding at December 31, 2016 in the amount of \$81,481 were collected.

During the three-month period ended June 30, 2017, the Company issued i) 240,333 shares of Class A common stock at \$0.15 per share for cash in the amount of \$36,050 pursuant to a Section 4(a)2 private placement offering, ii) 25,000 shares at \$0.15 per share for the conversion of stock options (see Note 8), and iii) 75,000 shares at \$2.90 per share for investment banking services valued at \$217,500.

During the three-month period ended September 30, 2017, the Company issued i) 100,000 shares of Class A common stock at \$3.49 per share for consulting services in the amount of \$349,000 and ii) 37,500 shares at \$3.50 per share for investment banking services valued at \$131,250.

During the three-month period ended December 31, 2017, the Company issued 157,500 shares of Class A common stock at \$4.10 per share to seven parties for consulting services in the amount of \$660,750.

On August 24, 2017 IronClad entered into an Investment Agreement for the potential future issuance and purchase of shares of its Class A common stock to establish an equity line of funding to IronClad. The agreement enables IronClad to issue stock to the counterparty of the agreement in exchange for cash amounts under certain defined conditions for the purchase of IronClad's stock. In addition to the equity line, the agreement also included IronClad entering into the Commitment Note in the principal amount of \$100,000 to finance the commitment fee of the Investment Agreement and the Convertible Note to borrow up to \$330,000 (of which \$165,000 was borrowed on August 24, 2017 and a subsequent \$82,500 was borrowed on October 23, 2017). See Notes 5 and 14.

IronClad Encryption Corporation and Subsidiaries
(Previously named Butte Highlands Mining Corporation)

Notes to Consolidated Financial Statements.

On January 24, 2018 IronClad issued, under the terms of the Investment Agreement, 14,331 shares of its Class A stock in exchange for receipts totaling \$25,823 (\$1.80 per share) from the counterparty of the Investment Agreement. Similarly, on February 16, 2018 24,265 shares were issued in exchange for proceeds of \$38,824 (\$1.60 per share). On March 26, 2018 9,958 shares of Class A common stock were issued for the conversion of \$10,000 of the \$165,000 referred to above.

On January 23, 2018, the Company issued 10,000 shares of its Class A common stock at \$2.25 per share to two advisors for services in the amount of about \$22,500.

On March 13, 2018, the Company approved the issuance of 100,000 shares of its Class A common stock at \$1.85 per share to five parties for services in the amount of about \$185,000, at March 31, 2018, 55,000 shares were as yet unissued but were issued in the subsequent quarter.

During the period ended March 31, 2018, the Company approved for issue a total of 50,322 shares of Class A common stock, priced between \$1.40 and \$1.82, for the complete conversion of a convertible note, at March 31, 2018 13,030 were as yet unissued and are disclosed on the balance sheet as Shares to be Issued.

At the March 31, 2018 year end, there were 55,000 shares of Class A common stock that were recorded and reported as “to be issued”, those shares were issued during the three month period ended June 30, 2018.

During the three month period ended September 30, 2018, the Company approved for issuance 2,000 shares of Class A common stock priced at \$0.45 for services of \$900; 140,000 share of Class A common stock for the exercise of stock options priced at \$0.15 per share for cash in the amount of \$21,000; 61,538 shares of Class A common stock priced at \$0.325 for conversion of \$20,000 of convertible debt; 73,260 shares of Class A common stock priced at \$0.1365 for conversion of \$10,000 of convertible debt; 236,686 shares of Class A common stock priced at \$0.0845 for conversion of \$20,000 of convertible debt.

During the three month period ended December 31, 2018, the Company approved for issuance 50,000 shares of Class A common stock priced at \$0.2 for accounts payable of \$16,000; 1,210,654 shares of Class A common stock priced at \$0.0826 for conversion of \$100,000 of convertible debt.

During the three month period ended March 31, 2019, the Company approved for issuance:

- 80,972 shares of Class A common stock priced at \$0.1235 for conversion of \$10,000 of convertible debt;
- 97,371 shares of Class A common stock priced at \$0.0975659 for conversion of \$9,000 of convertible debt and \$500 of financing fees;
- 100,000 shares of Class A common stock at a price of \$0.0975659 for financing fees of \$4,600;
- 2,123,643 shares of Class A common stock at a price of \$0.2119 for conversion of \$45,000 of convertible debt;
- 8,398,048 shares of Class A common stock at a price of \$0.0195 for conversion of \$162,000 of convertible debt, \$1,500 of financing fees and \$762 of accrued interest;
- 7,474,770 shares of Class A common stock for a cashless exercise of stock options in the amount of \$43,121 and a loss on conversion of \$108,806;
- 2,760,181 shares of Class A common stock at a price of \$0.01105 for conversion of \$30,000 of convertible debt and \$500 in financing fees;
- 921,451 shares of Class A common stock at a price of \$0.00975 for conversion \$8,500 of convertible debt, and \$484 of financing fees;
- 1,923,077 shares of Class A common stock at a price of \$0.0078 for conversion of \$15,000 of convertible debt;

IronClad Encryption Corporation and Subsidiaries
(Previously named Butte Highlands Mining Corporation)

Notes to Consolidated Financial Statements.

- 2,105,264 shares of Class A common stock at a price of \$0.006175 for conversion of \$12,500 of convertible debt and \$500 of financing fees;
- 8,714,984 shares of Class A common stock at a price of \$0.0056225 for conversion of \$32,500 of convertible debt, \$500 of financing fees and \$16,000 of accrued interest;
- 2,876,192 shares of Class A common stock at a price of \$0.004615 for conversion of \$12,500 of convertible debt and \$774 of accrued interest;
- 34,204,012 shares of Class A common stock at a price of \$0.004485 for conversion of \$111,500 of convertible debt, \$500 of financing fees and \$41,405 of accrued interest. Additionally,
- 240,384 shares of Class A common stock valued at \$165,865 that had previously been issued as a discount on convertible debt was reversed.
- At the close of March 31, 2019 there were 20,000 shares valued at \$6,400 that were recorded and reported as “to be issued”.

Note 8. Share Based Compensation

Equity Incentive Plan

The Board of Directors adopted, and the Company’s stockholders subsequently approved, the IronClad Encryption Corporation 2017 Equity Incentive Plan (the “Plan”) effective as of January 6, 2017. The purpose of the Plan is to foster and promote the long-term financial success of the Company and thereby increase stockholder value. The Plan provides for the award of equity incentives to certain employees, directors, or officers of, or key advisers or consultants to, the Company and its subsidiaries who are responsible for or contribute to the management, growth or success of the Company or any of its subsidiaries.

The maximum number of shares available for issuance under the Plan is thirty million (30,000,000) shares of Class A common stock. On October 17, 2017, in connection with the change of the Company’s jurisdiction of incorporation from the State of Nevada to the State of Delaware, the Board of Directors adopted the Amended and Restated IronClad Encryption Corporation 2017 Equity Incentive Plan (the “Amended Plan”).

Additionally, from time to time, we issue non-compensatory warrants, such as warrants issued to investors.

Restricted Stock

The fair value of restricted stock awards classified as equity awards is based on the Company’s stock price as of the date of grant. Such awards do not grant any rights as a shareholder of the company until a certificate for the vested shares of common stock has been issued. During the year ended December 31, 2017, 287,500 shares were granted for services, none were forfeited (none were issued prior to 2017). Expenses of \$709,000 were recorded in connection with the stock issued as grants for services; \$349,000 for business development and \$360,000 for investor relations.

Other stock grants were awarded for services, but the underlying stock was issued as unrestricted stock because it was otherwise registered under our S-8 and effective on November 28, 2017 and our S-1 as amended and effective on December 19, 2017.

Note 9. Stock Options and Warrants

During the three-month period ended March 31, 2017, the Company awarded 1,045,000 stock options and warrants for services and conversions of convertible notes valued at \$1,305,565 and 9,000,000 stock options to officers of IronClad valued at \$622,045. Of the total 10,145,000 options and warrants awarded, 1,045,000

IronClad Encryption Corporation and Subsidiaries
(Previously named Butte Highlands Mining Corporation)

Notes to Consolidated Financial Statements.

vested immediately and received full expense recognition in the three-month period ended March 31, 2017. The remaining 9,883,470 options vest periodically over the subsequent three years and will be expensed on a straight line basis.

During the three-month period ended June 30, 2017, the Company awarded 2,945,000 stock options for services valued at \$4,657,850 (using the Black-Scholes option pricing model) and 500,000 stock options to an officer of IronClad valued at \$731,659 (using the Black-Scholes option pricing model). Of the total 3,445,000 options recorded as awarded during the period 85,000 vested immediately and received full expense recognition during the three-month period ended June 30, 2017. The remaining 3,360,000 options vest periodically over the next two to four years and will be expensed on a straight line basis.

During the three-month period ended September 30, 2017, the Company recorded the award of 372,500 stock options for services valued at \$261,991 (using the Black-Scholes option pricing model) and 82,500 stock warrants for financing fees valued at \$287,629 (using the Black-Scholes option pricing model). Of the total 455,000 options and warrants awarded during the period 155,000 vested immediately and received full expense recognition during the three-month period ended September 30, 2017. The remaining 300,000 options vest periodically over the next four years and will be expensed on a straight line basis.

During the three-month period ended December 31, 2017, the Company recorded the award of 37,500 stock options for services valued at \$161,921 (using the Black-Scholes option pricing model). All of the options vested immediately and received full expense recognition during the three-month period ended December 31, 2017.

During the three-month period ended March 31, 2018, the Company awarded 2,700,000 stock options for services valued at \$4,873,048 (using the Black-Scholes option pricing model) and 1,500,000 stock options to officers of IronClad valued at \$2,700,000 (using the Black-Scholes option pricing model). Of the total 4,200,000 options recorded as awarded during the period 50,000 vested immediately and received full expense recognition during the three-month period ended March 31, 2018. The remaining 4,150,000 options vest periodically over the next three to seven years and will be expensed on a straight line basis.

During the three-month period ended June 30, 2018 the Company awarded 122,500 stock options and warrants for services value at \$123,719. All options and warrants awarded vested in the period and received full expense recognition.

During the three-month period ended December 31, 2018 the Company awarded 700,195 stock options and warrants for services value at \$137,058. Of the 700,195 options and warrants awarded, 200,195 vested during the period and received full expense recognition, the remaining 500,000 options vest during subsequent quarters and will be expensed at that time.

During the three-month period ended March 31, 2019 the Company awarded 100,000 stock options and warrants for services valued at \$31,994. All options and warrants awarded vested in the period and received full expense recognition.

Of the \$292,771 in option expense for the year ended March 31, 2019 above, \$50,000 remains to be expensed as they vest.

IronClad Encryption Corporation and Subsidiaries
(Previously named Butte Highlands Mining Corporation)

Notes to Consolidated Financial Statements.

The fair value of stock options and warrants is estimated on the date of each award using the Black-Scholes option pricing model to value the stock option or warrant based on its terms and conditions. There was one exercise of 25,000 options during 2017. The tables below summarize the assumptions used to estimate the fair values of the options and warrants at March 31, 2019:

Number of Options*	Date Issued	Exercise Price	Risk-free Interest Rate	Volatility	Life of Options in Years	Vested Options*
75,000	01/16/17	\$0.75	1.54%	226.01%	3.00	75,000
6,000,000	01/20/17	\$0.15	1.54%	220.00%	3.00	3,000,000
3,000,000	01/20/17	\$0.15	1.54%	220.00%	4.00	2,000,000
‡350,000	01/31/17	\$0.15	1.19%	132.84%	1.93	‡350,000
‡100,000	02/01/17	\$0.15	1.22%	134.90%	2.00	‡100,000
†100,000	03/13/17	\$0.15	1.40%	144.84%	2.00	†100,000
20,000	03/21/17	\$0.15	1.54%	233.07%	3.00	20,000
5,000	04/30/17	\$0.75	1.45%	219.35%	3.00	5,000
1,700,000	05/05/17	\$1.47	1.71%	565.34%	4.00	850,000
1,000,000	05/05/17	\$1.47	1.32%	202.99%	2.00	1,000,000
80,000	05/31/17	\$0.75	1.44%	196.06%	3.00	80,000
‡660,000	06/12/17	\$2.50	1.64%	589.85%	4.00	230,000
5,000	06/30/17	\$3.49	1.55%	197.13%	3.00	5,000
300,000	07/26/17	\$3.16	1.63%	296.38%	4.00	150,000
5,000	07/31/17	\$3.50	1.51%	170.61%	3.00	5,000
37,500	08/25/17	\$2.50	1.62%	170.38%	3.00	37,500
25,000	08/31/17	\$3.75	1.44%	170.57%	3.00	25,000
37,500	10/26/17	\$4.50	1.76%	220.28%	3.00	37,500
25,000	01/25/18	\$2.70	2.20%	247.35%	3.00	25,000
25,000	03/02/18	\$1.80	2.52%	297.39%	3.84	25,000
400,000	03/02/18	\$1.80	2.71%	369.15%	5.84	134,000
‡3,400,000	03/02/18	\$1.80	2.79%	369.05%	6.84	1,601,000
350,000	03/02/18	\$1.80	2.79%	395.11%	7.84	116,667
20,000	04/02/18	\$1.69	2.55%	372.73%	4.75	20,000
20,000	05/01/18	\$1.20	2.82%	365.73%	4.67	20,000
20,000	06/06/18	\$1.14	2.81%	312.26%	4.57	20,000
270,000	10/11/18	\$0.32	2.97%	361.56%	2.97	270,000
500,000	12/19/18	\$0.15	2.62%	488.82%	6.4	166,667
18,530,000	Issued				Vested	10,468,334
†(25,000)	Exercised				Exercised	†(25,000)
‡(1,050,000)	Forfeited				Forfeited	‡(450,000)
17,455,000	Unexercised				Unexercised	9,993,334

IronClad Encryption Corporation and Subsidiaries
(Previously named Butte Highlands Mining Corporation)
Notes to Consolidated Financial Statements.

Number of Warrants	Date Issued	Exercise Price	Risk-free Interest Rate	Volatility	Life of Warrants in Years	Vested Warrants
‡†500,000	03/15/17	\$0.15	1.02%	114.94%	1.40	‡†500,000
82,500	08/24/17	\$3.50	1.63%	285.16%	4.00	82,500
†62,500	06/06/18	\$3.00	2.69%	311.00%	4.00	†62,500
30,195	10/26/2018	\$3.00	2.44	263.28%	5.00	30,195
675,195	Issued					675,195
†(193,559)	Exercised					†(193,559)
‡(368,941)	Forfeited					‡(368,941)
112,695	Outstanding					112,695
Options* and Warrants						
19,205,195	Issued				Vested	11,143,529
† (218,559)	Exercised				Exercised	† (218,559)
(1,418,941)	Forfeited				Forfeited	(818,941)
17,567,695	Outstanding				Unexercised	10,106,029

* The number of outstanding options above does not include an option awarded to the Company's President to purchase 10,000,000 shares of Class A common stock at an exercise price of \$1.00 per share. The option is only exercisable under certain limited circumstances, one of which is that the market price of the Class A common stock reaches a price of \$15.00 per share. Once vested, these additional options must be exercised within two years of vesting. The number of options and warrants including these 10,000,000 options totals 24,045,000.

† On April 11, 2017 an independent company advisor exercised options for 25,000 shares of Class A common stock for \$3,750 in cash.

† On August 14, 2018 a debt holder exercised warrants for 140,000 shares of Class A common stock for \$21,000 in cash.

† On March 1, 2019 a debt holder exercised warrants for 7,474,770 shares of Class A common stock on a cashless exercise that resulted in a trigger to a down round feature and the recognition of a reduction of retained earnings of \$121,011.

‡During the year ended March 31, 2019 1,410,000 options and warrants were forfeited, 810,000 as a result of expiration, 600,000 due to employee termination, and 8,941 due to other causes. Of the 1,410,000 options and warrants that were forfeited, 600,000 had not previously vested.

Note 10. Income Taxes

Federal Income taxes are not currently due since IronClad has had losses since inception.

Income taxes are provided based upon the liability method of accounting pursuant to ASC 740-10-25 *Income Taxes – Recognition*. Under this approach, deferred income taxes are recorded to reflect the tax consequences in future years of differences between the tax basis of assets and liabilities and their financial reporting amounts at each year-end. A valuation allowance is recorded against deferred tax assets if management does not believe the Company has met the “more likely than not” standard required by ASC 740-10-25-5.

Deferred income tax amounts reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax reporting purposes.

IronClad Encryption Corporation and Subsidiaries
(Previously named Butte Highlands Mining Corporation)

Notes to Consolidated Financial Statements.

Significant components of the deferred tax asset amounts at an anticipated tax rate of 21% for the period ended March 31, 2019 and March 31, 2018 are as follows:

	March 31, 2019	March 31, 2018
Net operating losses carryforwards	\$ 3,872,481	\$ 2,726,760
Deferred tax asset	813,221	572,619
Valuation allowance for deferred asset	(813,221)	(572,619)
Net deferred tax asset	\$ -	\$ -

At March 31, 2019, the Company has net operating loss carryforwards of approximately \$3,872,481 which will begin to expire in the year 2033. The increase in the allowance account amount (and also in the deferred tax asset amount) from March 31, 2018 to March 31, 2019 was \$240,602.

On December 22, 2017 H.R. 1, originally known as the Tax Cuts and Jobs Act, (the “Tax Act”) was enacted. Among the significant changes to the U.S. Internal Revenue Code, the Tax Act lowers the U.S. federal corporate income tax rate (“Federal Tax Rate”) from 35% to 21% effective January 1, 2018. The Company will compute its income tax expense for the December 31, 2017 fiscal year using a Federal Tax Rate of 21%.

In December 2017, the Securities and Exchange Commission staff issued Staff Accounting Bulletin No. 118, which addresses how a company recognizes provisional amounts when a company does not have the necessary information available, prepared or analyzed (including computations) in reasonable detail to complete its accounting for the effect of the changes in the Tax Act. The measurement period ends when a company has obtained, prepared and analyzed the information necessary to finalize its accounting, but cannot extend beyond one year.

IronClad is subject to federal level income taxes under the jurisdiction of the US, but is not subject to income taxes at any state level except for the State of Virginia. Tax periods that may still be subject to review by the Internal Revenue Service are the years 2016, 2017, and 2018. The Company has not identified any aggressive tax positions.

Note 11 – Related Party Transactions

At March 31, 2019 the Company owed approximately \$96,506 in accounts payable to management and related parties.

At March 31, 2018 the Company owed approximately \$104,542 in accounts payable to management and related parties.

IronClad Encryption Corporation and Subsidiaries
(Previously named Butte Highlands Mining Corporation)
Notes to Consolidated Financial Statements.

During the year ended March 31, 2018, IronClad entered into a loan agreement to borrow up to \$500,000 shares at 8.5% interest. The Company has borrowed the full amount of the loan. The Company has pledged 500,000 of its common stock as collateral under the terms of the Agreement. In the event of default by the Company, the lender is entitled to receive one share of Company common stock for every one dollar in principle, interest, penalties, and fees that are owed and outstanding by the Company to the lender.

The Agreement is also supported by a personal \$500,000 guarantee from the President of the Company. The Company will pay a 5% guarantee fee of \$25,000; \$10,000 shortly after year end and the remaining \$15,000 at such time as the Board of Directors determines the Company has sufficient liquidity to pay the balance owed. The guarantee fee was reviewed and approved by the Compensation Committee of the Board which determined that the 5% fee was an appropriate market-based rate for guarantees of loans of this nature and comparable risk.

See also Note 9 regarding stock option awards to management of the Company.

Note 12. General and Administrative Expenses

General and administrative expenses recognized for the year ended March 31, 2019 were \$2,528,688 of which \$1,993,242 were recognized as compensation expenses in connection with the issuance of stock options or warrants; an additional \$13,509 of expense was recognized as a result of issuing stock for consulting services (\$12,609 which were recorded as professional fees).

General and administrative expenses recognized for the year ended March 31, 2018 were \$2,365,482 of which \$959,214 were recognized as compensation expenses in connection with the issuance of stock options or warrants; an additional \$88,695 of expense was recognized as a result of issuing stock for consulting services.

Note 13. Accounts Receivable and Revenue

Customer Service: Information Center

During the year ended March 31, 2018, IronClad formed a new wholly-owned subsidiary, Ironclad Pipeline IC, Inc. which began generating a modest level of revenue through a moderately profitable service contract with a major energy company in the eastern United States. The services are to provide an array of services in support of an infrastructure project.

The \$0 and \$301,978 of receivables at March 31, 2019 and 2018 is for \$229,745 of services rendered and the balance is for reimbursable costs incurred, approved by the customer, billed (and paid promptly subsequent to March 31, 2018). Payment terms are for payment to be made within 30 days; the receivables were collected well within that period. There were no billings subsequent to July 31, 2018.

In mid-July 2018 our customer notified the Company of its intent to exercise an option in its contract to end our services under the contract. Consequently, our services were discontinued effective July 28, 2018. Revenue earned and invoiced through July 28, 2018 was \$200,975. The customer also elected to retain the services of the individuals previously employed by IronClad Pipeline IC, Inc. on a going forward basis. All invoiced amounts that were billed for services under the contract through the end-date of the contract were submitted, approved and paid promptly and in full by the customer. Nor further services will be provided to this customer and thus no further revenue will be earned from this customer in the foreseeable future.

IronClad Encryption Corporation and Subsidiaries
(Previously named Butte Highlands Mining Corporation)
Notes to Consolidated Financial Statements.

Note 14. Commitments and Contingencies

Subsequent to year end, complaints were filed against the Company by two contractors requesting disputed compensation. We are answering these claims, and will defend ourselves within our legal rights.

We lease office space on a month-to-month basis. The annual cost is less than \$17,000. We have no other leases or rental agreements.

Note 15. Subsequent Events

Convertible Notes

On April 12, 2019 IronClad entered into a Securities Purchase Agreement (SPA) to issue a 8% convertible note payable for an aggregate principal amount of \$86,400 comprised of the first note ("First Note") being in the amount of \$43,200, and the remaining note in the amount of \$43,200, (a "Back End Note"). The Company received cash proceeds of \$38,000 from the First Note net of transaction costs of \$5,200. The \$5,200 is recorded as a discount amount on the note payable and will be amortized as interest expenses over the life of the note.

The First Note matures on April 12, 2020 and interest costs accrue on the unpaid principal balance at 8% annually until February 14, 2020, and after that if not paid at maturity interest accrues annually at 24% until the principal amount and all interest accrued and unpaid are paid.

The Back End Note carries the same terms as the First Note, except it may not be repaid, but only converted. The Company is under no obligation to accept the Back End Note, but may do so at its sole discretion, following 180 days from the date of the note (dated April 12, 2019). As part of the SPA, the Holder issued the Company a collateralized secured promissory note in the amount of \$40,000 that may be exchanged for cash against the Back End Note.

The holder of the note, at its sole election, may convert the note into shares of common stock of the Company at any time during the period beginning on the date which is 180 days following the date of the note (dated July 11, 2018) and ending on the later of i) the maturity date, or ii) the date of payment of a default amount, if any.

The shares to be issued are a function of a fixed conversion price of \$0.50 per share for six months, and thereafter until maturity at a variable conversion price which is 65% of a market price defined to be the lowest trading price for the Company's common stock during the fifteen day trading period ending on the last trading day prior to the conversion date. The Company will keep available authorized shares reserved, initially 2,100,000 shares.

The conversion feature of the note represents an embedded derivative. The valuation of the derivative liability related to the \$43,200 borrowing with an intrinsic value of \$.0076 per share is approximately \$76,531 using a binomial pricing model. That amount is recorded as a contra-note payable amount (similar to the recorded OID and transaction costs), but only for an amount not in excess of and thus capped by the otherwise undiscounted amount of the note payable. The amount of the derivative liability formally recorded is \$38,000 (\$43,200 net of \$5,200) and will be amortized as interest expense over the life of the loan. The remaining \$38,531 is expensed as financing fees.

On April 23, 2019 IronClad entered into a Securities Purchase Agreement to issue a 12% convertible note payable for an aggregate principal amount of \$57,750. The Company received cash proceeds of \$50,000 net of

IronClad Encryption Corporation and Subsidiaries
(Previously named Butte Highlands Mining Corporation)

Notes to Consolidated Financial Statements.

transaction costs of \$7,750. The \$7,750 is recorded as a discount amount on the note payable and will be amortized as interest expenses over the life of the note.

The note matures on April 23, 2020. Interest costs accrue on the unpaid principal balance at 12% annually until maturity, and after that if not paid, interest accrues annually at 18% until any unpaid principal amount and unpaid interest accrued are paid.

The Holder of the note, at its sole election, may convert the note into shares of common stock of the Company after the six month anniversary of the note; the conversion price shall be equal to 65% of the lowest trading price for the fifteen prior trading days including the day upon which a notice of conversion is received.

The conversion feature of the note represents an embedded derivative. The valuation of the derivative liability related to the \$57,750 borrowing on the Convertible Note and with an intrinsic value of \$.025 per share is approximately \$317,308 using a binomial pricing model. That amount is recorded as a contra-note payable amount (similar to the recorded OID and transaction costs), but only for an amount not in excess of and thus capped by the otherwise undiscounted amount of the note payable. The amount of the derivative liability formally recorded is \$50,000 (\$57,750 net of \$7,750) and will be amortized as interest expense over the life of the loan. The remaining \$267,308 is expensed as financing fees.

On May 15, 2019 IronClad entered into a Securities Purchase Agreement to issue a 10% convertible note payable for an aggregate principal amount of \$150,000. The Company received cash proceeds of \$142,500 net of transaction costs of \$7,500. The \$7,500 is recorded as a discount amount on the note payable and will be amortized as interest expenses over the life of the note. The note matures on May 15, 2020 and interest costs accrue on the unpaid principal balance at 10% annually until May 15, 2020, and after that if not paid at maturity interest accrues annually at up to 24% until the principal amount and all interest accrued and unpaid are paid.

The Holder of the note is entitled, at any time after cash payment, to convert all or any amount of the principal face amount of the Note then outstanding into shares of the Company's common stock. The shares to be issued upon conversion are a function of a variable conversion price which is 65% of a market price defined to be the lowest trading price for the Company's common stock during the fifteen day trading period including the day upon which the notice of conversion is received conversion date. The Company will keep available authorized shares reserved, initially 61,538,000 shares.

The valuation of the derivative liability related to the \$150,000 borrowing with an intrinsic value of \$0.0152 per share is approximately \$407,871 using a binomial pricing model. That amount is recorded as a contra-note payable amount (similar to the transaction costs), but only for an amount not in excess of and thus capped by the otherwise undiscounted amount of the note payable. The amount of the derivative liability formally recorded is \$142,500 (\$150,000 net of \$7,500) and will be amortized as interest expense over the life of the loan. The remaining \$265,371 is expensed as financing fees.

Subsequent to year end 161,707,754 shares of Class A common stock were issued to repay \$432,842 of principal balances of convertible notes.

Preferred Stock, Series A

On April 12, 2019, the Board of Directors (the "Board") ratified the amendment of the Company's Certificate of Incorporation, effective as of April 3, 2019, upon filing a Certificate of Designation with the Secretary of State of Delaware, which sets forth the rights, preferences and privileges of the Series A Preferred Stock. The Board also approved the issuance of 100 shares of Series A Preferred Stock with a stated value of \$0.001 per share

IronClad Encryption Corporation and Subsidiaries
(Previously named Butte Highlands Mining Corporation)
Notes to Consolidated Financial Statements.

for no consideration to the Company's President pursuant to Rule 4(a)(2) under the Securities Act of 1933, as amended (the "Securities Act") and Rule 506 of Regulation D as promulgated by the SEC under the Securities Act.

Except as otherwise required by law or by the Certificate of Incorporation, or by the Certificate of Designation, the outstanding shares of Series A Preferred Stock shall vote together with the shares of Common Stock and other voting securities of the Company as a single class and, regardless of the number of shares of Series A Preferred Stock outstanding and as long as at least one of such shares of Series A Preferred Stock is outstanding, shall represent eighty percent (80%) of all votes entitled to be voted at any annual or special meeting of shareholders of the Company or action by written consent of shareholders. Each outstanding share of the Series A Preferred Stock shall represent its proportionate share of the 80% which is allocated to the outstanding shares of Series A Preferred Stock.

The shares of the Series A Preferred Stock are not convertible into Common Stock of the Company. The holder of the shares will not be entitled to receive any dividends.

Complaints by Suppliers

Subsequent to year end, two separate complaints were filed against the Company by two contractors requesting disputed compensation. We are answering these claims, and will defend ourselves within all our available legal rights. However, the Company and its counsel are unable to estimate or evaluate the likelihood of each outcome with any degree of certainty. See the Commitments and Contingencies footnote above.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

a) Evaluation of Disclosure Controls and Procedures

During the first quarter of 2017 the Company underwent a reverse merger with InterLok and experienced a complete change in board membership and executive officer leadership. As a result, it changed from a shell corporation to an active operational entity and is in the process of implementing more efficient and effective disclosure controls and procedures. This is an evolving process, and leadership continues to update and evaluate its policies, though an official evaluation of the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934 ("Exchange Act")) has not been completed as of March 31, 2017.

Disclosure controls and procedures are designed to ensure that information required to be disclosed in reports filed or submitted under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the SEC rules and forms and that such information is accumulated and communicated to management, including the Principal Executive Officer and the Principal Financial Officer, to allow timely decisions regarding required disclosures.

b) Changes in Internal Control over Financial Reporting

Since transitioning from a shell corporation to an active operating company, additional staff and constant policy and procedural assessments have continued to improve our internal control over financial reporting (as defined in Rule 13a-15(f) of the Exchange Act) during the period ended December 31, 2017. During the quarter ended September 30, 2017 a new director joined the board of directors as an independent director and assumed the role of Chairman of our newly constituted Audit Committee. Since we are a developing company these processes are continually evolving. Nevertheless, management has identified at least two material weaknesses in internal control over financial reporting.

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of the Company's annual or interim financial statements will not be prevented or detected on a timely basis.

The material weaknesses identified are:

- *Lack of appropriate Independent Oversight.* The board of directors has not provided an appropriate level of independent oversight of the Company's consolidated financial reporting and procedures for internal control over financial reporting. The independent directors do not provide oversight of the adequacy of financial reporting and internal control procedures.
- *Lack of sufficient staffing and full-time personnel; incomplete segregation of duties.* Without sufficient staffing it is not possible to ensure appropriate segregation of duties between incompatible functions, and, furthermore, formalized monitoring procedures have not been established or implemented.

As a result of these material weaknesses in internal control over financial reporting the Company's management has concluded that as of March 31, 2019 the Company's internal control over financial reporting was not effective based on the criteria in *Internal Control – Integrated Framework by COSO - 2013*.

Item 9B. Other Information.

None.

Part III

Item 10. Directors, Executive Officers and Corporate Governance.

Board of Directors

Past.

Ms. Doris Marie Prater, Ms. Susan Ann Robinson-Trudell, and Paul A. Hatfield resigned as Directors of the Company effective January 16, 2017, in connection with the Share Exchange Agreement between Butte Highlands Mining Company (“Butte”) and Ironclad dated January 6, 2017. Mr. Gregory B. Lipsker was an original IronClad board member and served from January 6, 2017 until his resignation on June 1, 2018.

Present.

The following table sets forth the name, age, and positions and offices held within IronClad by each of our Directors as of the date of this Amendment. There is no family relationship between or among any of the Directors and our Executive Officers. Board of Directors vacancies are filled by a majority vote of the Board of Directors. We have a Compensation Committee, a Nominating and Corporate Governance Committee (“CNCG Committee”) and an Audit Committee.

Name §	Position	Age
James D. McGraw	Director, Chairman, President and Chief Executive Officer	60
Jeff B. Barrett †	Director	62
John S. Reiland ‡	Director *	69
Mark A. Watson ‡	Director *	50

* Independent Director

† Mr. Barrett was re-elected to the board effective May 15, 2018. He previously served as a Board member from the time of the share exchange through September 11, 2017.

‡ Mr. Reiland was elected to the Board effective September 12, 2017; Mr. Watson effective February 28, 2018.

§ Mr. Gregory B. Lipsker served as a Board member until his resignation effective on June 1, 2018.

James D. McGraw. Mr. McGraw serves as a Director and Chairman of the Board (and Principal Executive Officer). Mr. McGraw joined the Board on January 16, 2017. Mr. McGraw oversees IronClad’s day-to-day operations, negotiating strategic partnerships and raising growth capital. Prior to IronClad, Mr. McGraw was co-founder of Nova Biosource Fuels, Inc. where he served as its President and as a Board Member. Mr. McGraw addressed venture capital and investment funding needs guiding the company to a successful public offering in 2006. In this role, Mr. McGraw proved himself to be an effective champion of stockholders’ interests.

In previous roles, Mr. McGraw provided investment banking services to over 150 companies including Adtec Digital, American Rice, Blockbuster Video, Chuck E. Cheese, Dryper, DataVan, International Recovery, Republic Industries and Swift Energy. Over his twenty-five-year career, he has held posts as founder, CEO and President in a wide range of business sectors, including oil and gas, and computer technology, and has experience in large-scale roll-ups. Mr. McGraw holds a Secret security clearance with the U.S. Government.

Jeff B. Barrett. Mr. Barrett was reelected to the Board effective May 15, 2018. Mr. Barrett joined the company on January 6, 2017, was elected and served as a Board member through September 11, 2017. At the time he joined the company he was also appointed as Vice President of Planning for IronClad. He is a co-founder of the Company. Prior to IronClad, Mr. Barrett founded and operated Foresight Security Systems, a high-end custom electronics sales and installation company. Over the 20 years he ran the company, he gained extensive experience in sales, marketing, management, research, strategic business analysis, and budgeting.

John S. Reiland. Mr. Reiland joined the Board of Ironclad on September 12, 2017 and is the Chairman of the Audit Committee as well as the CNCG Committee. Mr. Reiland brings a diverse forty-year business background which has included key management positions and principal roles in public and private companies. He has successfully navigated posts as Chief Executive Officer, Chief Financial Officer, and Chief Restructuring Officer in a variety of industries, primarily redirecting and strategically restructuring large-scale companies.

His leadership experience also includes religious nonprofits and technology companies. For the decade up to mid-2018 Mr. Reiland served on the corporate board of directors for Flotek Industries, Inc. which earned revenue of over \$175,000,000 in 2018. Flotek is listed with and its stock trades on the New York Stock Exchange. His Flotek board responsibilities included Chairman of the Audit Committee, and member of the Corporate Governance and Nominating Committee and of the Compensation Committee.

Mr. Reiland's outstanding leadership won for him a nomination for the Los Angeles Business Journal Chief Financial Officer of the Year award in 2009. He earned a B.B.A. in accounting from the University of Houston and he completed the Stanford Executive Program with the Stanford Graduate School of Business.

Mark A. Watson. Mr. Watson joined the Board on February 28, 2018. Mr. Watson brings twenty-six years of corporate and international leadership, and start-up and managerial experience as the internal founder of Accessories Operations and current Director of Device Sourcing of Fitbit, Inc. Fitbit is the world leader in health and fitness accessories.

He previously served as Client Team Director of PCH International, driving growth, delivery, manufacturing, and distribution of high quality, high-end consumer electronics, including Android devices and iPhones. Mr. Watson's management and development experience with Microsoft includes pioneering the evolution of the popular Xbox video gaming product as a founding member of Xbox Operations and Xbox Accessory Operations. He steered design of the sourcing processes and architected the IT vision for Xbox manufacturing.

Mr. Watson is a former Senior Consultant with Deloitte Consulting and began his career in Operations at Coca-Cola Enterprises, Inc. He attended Baylor University.

Gregory B. Lipsker. Mr. Lipsker resigned from the board effective June 1, 2018. He joined the Board of Ironclad on January 16, 2017 and had served as a member of the Audit Committee and the CNCG Committee. Prior to his election to the board in 2017 Mr. Lipsker's legal practice had been limited to serving as legal counsel to Butte Highlands Mining Company.

Executive Officers

James D. McGraw, 60, is the President and Chief Executive Officer and is also a Director and Chairman of the Company. Mr. McGraw has served as Chief Executive Officer since January 6, 2017. Information about his professional background is discussed in the section above regarding the Board of Directors.

Jeff B. Barrett, 62, joined the company on January 6, 2017 and serves as a Vice President for IronClad and is a member of Board of Directors. He is also a co-founder of the Company. Prior to IronClad, Mr. Barrett founded and operated Foresight Security Systems, a high-end custom electronics sales and installation company. Over the 20 years he ran the company, he gained extensive experience in sales, marketing, management, research, analyzing, and budgeting.

Daniel M. Lerner, 64, serves as IronClad's Chief Technology Officer and Vice President of Engineering. He is also a co-founder of the Company. He is responsible for all aspects of the Company's technical developments and strategy. Prior to IronClad, Mr. Lerner served as Chief Technology Officer for Teledrill Inc. and was responsible for all aspects of technology, including design, engineering, production and field testing. Mr.

Lerner has extensive experience as a developer of technological products, electronics, computer software, and network security services and is an adept leader of multi-disciplinary teams in the technology industry.

He has architected data acquisition and signal processing systems and patented, designed and implemented ultra-high security data encryption. Mr. Lerner's previous experience as Senior Applications Engineer for Teradyne included electronic design, system program administration and sales assistance. He received a B.S.E.E. and M.S.E.E. from La Salle University.

Len E. Walker, 48, joined the Company on January 6, 2017 and serves as IronClad's Vice President, Secretary and General Counsel. He has also specialized in drafting government contracts and coordinating financial and legal agreements. He completed his twenty-year career in the United States Marine Corps as a Major and the Executive Officer and Chief-of-Staff of a USMC combat helicopter squadron, second in command of a 200-person organization with nine aircraft and equipment valued at over \$100,000,000. As the Squadron Security Manager, he was responsible for maintaining and safeguarding all classified material and equipment, as well as initiating and revoking security clearances.

As an officer and pilot in command, he flew over 3,000 hours and served five combat tours in Afghanistan and Iraq. He was awarded the Meritorious Service Medal and Air Medal with 10 Strike Flights. Mr. Walker earned a B.B.A. degree from Baylor University, and a Juris Doctor degree from South Texas College of Law. He continues to hold a Top-Secret security clearance with the U.S. Government.

David G. Gullickson, 68, joined the Company on April 17, 2017 and serves as IronClad's Vice President of Finance, Treasurer and Chief Financial Officer (and, for SEC reporting purposes, Principal Financial and Accounting Officer). He has over twenty-five years of experience as a corporate executive officer, Chief Financial Officer or Chief Accounting Officer (and corporate Secretary) of several SEC-registered companies on each of the major U.S. (and a Canadian) exchanges and markets, as well as for companies owned by private-equity companies that planned or implemented initial and secondary public offerings.

He has held positions most recently as Vice President, Treasurer, and Principal Financial and Accounting Officer of Hyperdynamics Corporation (OTC QX "HDYN"), Chief Financial Officer of the Southern Ute Indian Tribe (a domestic sovereign nation with over \$4,000,000,000 in assets and \$300,000,000 of Tribe issued bonds that are "AAA" rated by Fitch and Moody's), CFO of Greenfields Petroleum Corporation (TSX Venture: "GNF") operating offshore, Caspian Sea oil and gas properties in Baku, Afghanistan, and similar companies. He holds two degrees from the University of Texas in Austin: a B.A. degree in Economics, and a Master of Professional Accounting degree. Mr. Gullickson is a Certified Public Accountant.

Board Committees

As of the date hereof, the Board of Directors has established two standing committees: The Compensation, Nominating and Corporate Governance Committee, and the Audit Committee.

Committee Assignments

The table below reflects the composition of the committees of the Board of Directors.

Name of Director	Compensation, and Corporate Governance and Nominating Committees	Audit Committee
John S. Reiland	Chairman	Chairman
Mark A. Watson	Member	Member
Jeff B. Barrett		
James D. McGraw *		

* Chairman of the Board.

Audit Committee

The Audit Committee of the Company reviews the adequacy of systems and procedures for preparing the financial statements and the suitability of internal financial controls. The Audit Committee also reviews and approves the scope and performance of the Company's independent registered public accounting firm. Mr. Reiland and Mr. Watson are the members of the Audit Committee. All committee members are independent directors. The Audit Committee has a written charter, which the Audit Committee reviews periodically to assess its adequacy that was adopted in October 2017. The Audit Committee charter is available at the Company's website at www.IroncladEncryption.com. During the year ended March 31, 2018, the Audit Committee met two times.

The Board has determined that Mr. John S. Reiland, the Chairman of the Audit Committee, is an audit committee financial expert within the meaning of SEC regulations.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Exchange Act requires our executive officers and directors, and persons who own more than 10% of our common stock, to file reports regarding ownership of, and transactions in, our securities with the SEC and to provide us with copies of those filings. Based solely on our review of the copies of such forms received by us, or written representations from certain reporting persons, we believe that during the year ended March 31, 2019 and March 31, 2018, no person who at any time during the fiscal year was a director, officer, or beneficial owner of more than ten percent of any class of equity securities of the Company failed to file on a timely basis, reports required by Section 16(a) of the Exchange Act.

Code of Ethics

We have adopted a Code of Business Conduct and Ethics that applies to our Principal Executive Officer, Principal Financial Officer, Principal Accounting Officer or Controller, or persons performing similar functions and our directors and officers. We will provide without charge a copy of our Code of Business Conduct and Ethics upon request. Such request should be directed in writing to our Corporate Secretary, Len Walker, IronClad Encryption Corporation, One Riverway, 777 South Post Oak Lane, Suite 1700, Houston, Texas 77056. Our Code of Business Conduct and Ethics is available on our website at www.IroncladEncryption.com.

We may change our Code of Ethics periodically; any updated versions will be posted to our website.

Item 11. Executive Compensation.

Compensation Overview, Objectives, and Elements

We are an early-stage, small company that is focused on bringing innovative secure technology to the public. We have accomplished this with a small team of management and technical individuals with significant industry experience. We have designed our compensation program to attract and retain these highly experienced individuals, who have competing opportunities at more established companies, as well as to motivate and reward these individuals for the successful execution of our business plan.

The CNCG Committee of the Board of Directors reviews the performance of our executives and develops and makes recommendations to the Board of Directors with respect to executive compensation policies. The CNCG Committee is empowered by the Board of Directors to establish and administer our executive compensation programs.

Because of the uniqueness of our business and operations, the CNCG Committee has concluded that we do not have a single group of peer or comparison companies for purposes of traditional benchmarking and percentile targeting and, as such, the CNCG Committee does not use traditional benchmarking or percentile targeting against a stated peer group in setting compensation. Rather than looking to a single peer or comparison group of companies, our compensation practice concerning our executives is to review compensation on a position-by-position basis and determine the particular skill set required to be successful at the Company for the particular position in question.

The skill set necessarily varies among positions but may include: executive management experience; technical expertise; security experience; Secret or Top-Secret security clearance; experience growing and maturing a company; relevant financial and commercial experience; and relevant compliance and legal experience. As a result, the CNCG Committee's determinations in setting compensation are often qualitative and subjective, depending on the executive's position.

The details of the processes and procedures for the consideration and determination of executive compensation are described below.

What are the objectives of our executive officer compensation program?

The objectives of the CNCG Committee in determining executive compensation are to (1) attract and retain key individuals, and (2) provide strong financial incentives, at reasonable cost to the stockholders, for senior management to enhance the value of the stockholders' investment.

What is our executive officer compensation program designed to reward?

Our compensation program is designed to reward individuals for the achievement of our business goals and to foster continuity of management by encouraging key individuals to maintain long-term careers with IronClad.

What are the elements of our executive officer compensation program and why do we provide each element?

The elements of compensation that the CNCG Committee uses to accomplish these objectives include: (1) base salaries and (2) long term incentives in the form of stock and stock options. From time to time, we also provide perquisites to certain executives and health insurance to all employees. The elements of compensation that we offer help us to attract and retain our officers. The specific purpose of each element of compensation is outlined below.

Base Salaries

We provide fixed annual base salaries as consideration for each executive's performance of his or her job duties. Salaries are set based on level of responsibility, skills, knowledge, experience, and contribution to IronClad's business.

Long-term Incentives

We can provide long-term incentives in the form of stock and stock options. Our practice has been to provide stock options as our preferred form of long-term incentives. Long-term incentives are a component of variable compensation because the amount of income ultimately earned is dependent upon and varies with our common stock price over the term of the option. The stock option awards tie a portion of executive compensation to the stock price and accordingly our financial and operating results. We do not use a formula to determine stock and stock option awards to executives. Stock option awards are not designed to be tied to yearly results. We view stock option awards as a means to encourage equity ownership by executives and thus to generally align the interests of the executives with the stockholders.

Our 2017 Plan authorizes the CNCG Committee to award stock options, restricted stock, and stock registered under a Form S-8 registration statement to officers and other key employees. The CNCG Committee implements this authority by awarding stock options designed to align the interests of all senior executives to those of stockholders. This is accomplished by awarding stock options, which rise in value based upon the market price rise of IronClad's common stock, on a systematic basis.

We report the estimated fair value of our stock option awards, as determined for accounting purposes in accordance with ASC 718, using the Black-Scholes option pricing model in the Summary Compensation Table and the Outstanding Equity Awards at 2017 Fiscal Year End Table. The amount reflected for accounting purposes does not reflect whether the executive has or will realize a financial benefit from the awards. Because stock option awards are made at a price equal to or above the market price on the date of award, stock options have no intrinsic value at the time of award. We believe the potential appreciation of the option awards over the stock price provides motivation to executives.

Perquisites

Perquisites are determined on a case-by-case basis by the CNCG Committee. During the year ended March 31, 2019 and year ended March 31, 2018, no executive officer received any perquisites.

How do we determine the amount for each element of executive officer compensation?

Our policy is to provide compensation packages that are competitively reasonable and appropriate for our business needs. We consider such factors as competitive compensation packages as negotiated with our officers; evaluations of the President and Chief Executive Officer and other executive officers; achievement of performance goals and milestones as additional motivation for certain executives; officers' ability to work in relationships that foster teamwork among our executive officers; officers' individual skills and expertise; and labor market conditions. We did not engage a third-party compensation consultant during the year ended March 31, 2019 or March 31, 2018.

During the year ended March 31, 2019 and 2018, total executive compensation consisted of base salary and option awards. Generally, the option awards for executives are negotiated in the executive's contract, with an exercise price based on the market price on the award date. Special option awards are also issued to executives and employees on a case-by-case basis during the year for significant achievement. Because of the simplicity of the compensation package, there is very little interaction between decisions about the individual elements of compensation.

Administration of Executive Compensation

The CNCG Committee reviews and approves corporate goals and objectives relevant to compensation of the NEOs, evaluates the NEOs' performance, and sets their compensation. In determining compensation policies and procedures, the CNCG Committee considers the results of stockholder advisory votes on executive compensation and how the votes have affected executive compensation decision and policies.

Chief Executive Officer involvement in compensation decisions

The Chief Executive Officer makes recommendations to the CNCG Committee concerning the employment packages of all subordinate officers. Neither the Chief Executive Officer nor any other Company officer or employee attends periodic executive sessions of the CNCG Committee.

How compensation or amounts realizable from prior compensation are considered

The amount of past compensation generally does not affect current year considerations because long term incentives are awarded for each individual's fiscal year job performance. As part of its ongoing review process, the Committee regularly evaluates our compensation programs to ensure they meet changing business needs and support alignment with stockholders' interests.

Tax considerations

Our compensation plans are designed generally to ensure full tax deductibility of compensation paid under the plans.

This includes compliance with Section 162(m) of the Internal Revenue Code, which limits our tax deduction for an executive's compensation to \$1,000,000 unless certain conditions are met. For the fiscal years ended March 31, 2019 and March 31, 2018, the full amount of all compensation provided to all executives was tax deductible to the Company.

Timing, award date, and exercise price for stock option awards

Our policy is to award stock options upon hiring of the employee and on a case by case basis throughout the year. Stock option exercise prices are the closing price on the date of grant. We foresee making certain awards based on the completion of performance criteria.

Analysis of variations in individual NEOs compensation

Each NEO's compensation is detailed in the Compensation Tables below. For those NEOs who have employment agreements, each such agreement is described under the caption "Agreements with Executives and Officers."

Employment Agreements

More fully described below in "Agreements with Current Executives and Officers".

Described below are the details of the processes and procedures for the consideration and determination of executive compensation for fiscal year ended March 31, 2019, the transition period ended March 31, 2018, and fiscal year 2017.

Salaries

On August 17, 2017, the Board of Directors approved the annual base salaries for the Chief Executive Officer and all Named Executive Officers:

Mr. McGraw: \$104,400. Effective January 6, 2017, Mr. McGraw received a monthly salary of \$5,000. Mr. McGraw agreed to receive \$5,000 and to defer \$3,700 per month commencing July 1, 2017 until the Board of Directors or the CNCG Committee determines when the Company is financially able to pay the full monthly amounts. Eventually, and only once the Board determines that the Company has sufficient resources and liquidity, Mr. McGraw's annualized base salary will be adjusted to \$500,000.

Mr. Barrett: \$150,000. Effective January 6, 2017, Mr. Barrett received a monthly salary of \$5,000, and Mr. Barrett agreed to a deferral of \$7,500 per month commencing July 1, 2017 until the Board of Directors or the CNCG Committee determines when the Company is financially able to pay the full monthly amount of Mr. Barrett's annualized base salary of \$150,000.

Mr. Lerner: \$200,000. Effective January 6, 2017, Mr. Lerner received a monthly salary of \$5,000, and Mr. Lerner agreed to a deferral of \$11,667 per month commencing July 1, 2017 and commencing on September 1, 2017 will be paid \$12,000 per month and will defer receipt of \$4,667 per month until the Board of Directors or the CNCG Committee determines when the Company is financially able to pay the full monthly amount of Mr. Lerner's annualized base salary of \$200,000.

Mr. Walker: \$200,000. Effective January 6, 2017, Mr. Walker received a monthly salary of \$5,000, and Mr. Walker agreed to a deferral of \$11,667 per month commencing July 1, 2017 until the Board of Directors or the CNCG Committee determines when the Company is financially able to pay the full monthly amount of Mr. Walker's annualized base salary of \$200,000.

Mr. Gullickson: \$225,000. Effective May 1, 2017, Mr. Gullickson received a monthly salary of \$5,000, and Mr. Gullickson agreed to a deferral of \$13,750 per month commencing July 1, 2017 until the Board of Directors or the CNCG Committee determines when the Company is financially able to pay the full monthly amount of Mr. Gullickson's annualized base salary of \$225,000.

Subsequently, on October 15, 2017, payment of all salaries for all IronClad officers and employees were suspended indefinitely until such time as the company is financially able to resume the payments. The salary liability and expense amounts continue to be accrued, however, even though the payments are being suspended and deferred.

Long-Term Incentive Stock Option Awards

On August 17, 2017, the Compensation, CNCG Committee approved stock option awards to the NEOs effective January 6, 2017. Those details are discussed the table below.

Compensation Table

The following table shows salaries, bonuses, incentive awards, retirement benefits and other compensation relating to year ended March 31, 2019, March 31, 2018 for our Principal Executive Officer (“PEO”), Principal Financial Officer (“PFO”) and other executive officers. Columns for some compensation categories for which there was no compensation have been omitted.

Summary Compensation Table

Name and Principal Position	Year	Salary (\$)	Bonus (\$)	Stock Award Granted (\$)(1)	Option Awards Granted (\$)(1)	All Other Compensation (\$)	Total (\$)
James D. McGraw	2019	\$ 15,250	—	—	—	\$ 17,924	\$ 33,174
President, PEO	2018	\$ 35,000	—	—	\$ 320,328	\$ 15,018	\$ 370,346
David G. Gullickson	2019	\$ 34,750	—	—	\$ 75,000	\$ 23,891	\$ 133,641
Vice President, PFO	2018	\$ 48,750	—	—	\$ 900,000	\$ 13,438	\$ 962,188
Len E. Walker	2019	\$ 31,800	—	—	—	—	\$ 31,800
Vice President, Secretary	2018	\$ 35,000	—	—	\$1,800,000	—	\$ 1,835,000
Daniel M. Lerner	2019	\$ 6,000	—	—	—	\$ 17,924	\$ 23,924
Vice President, CTO	2018	\$ 44,000	—	—	\$ 324,590	\$ 15,018	\$ 383,608
Jeff B. Barrett	2019	\$ 26,500	—	—	—	\$ 26,887	\$ 53,387
Vice President	2018	\$ 3,5000	—	—	\$80,027	\$ 22,528	\$ 137,555

(1) Reflects the award date fair value, computed using the Black-Scholes option pricing model for options awarded in fiscal years 2018, 2017 and 2016. For a description of the assumptions used for purposes of determining award date fair value, see *Note 9. Stock Options and Warrants* to the Financial Statements included in this report.

Equity Awards

The following table shows stock awards made to the named executives in fiscal year 2019 and their outstanding equity awards as of March 31, 2019.

Outstanding Equity Awards at March 31, 2019 Fiscal Year End

Name	Option Awards					Market Value of Shares of Stock Underlying Options That Have Not Vested (\$) [†]
	Number of Securities Underlying Unexercised Options Exercisable (#)	Number of Securities Underlying Unexercised Options Un-Exercisable (#)	Options Exercise Price (\$/Share)	Options Expiration Date	Number of Shares of Stock Underlying Options That Have Not Vested (#)	
James D. McGraw, PEO	—	10,000,000	\$ 1.00	*	10,000,000	\$ 110,000
		4,000,000	\$ 0.15	1/05/2024	2,000,000	\$ 22,000
David G. Gullickson, PFO	—	500,000	\$ 1.47	1/05/2024	250,000	\$ 2,750
		500,000	\$ 1.80	12/31/2024	333,000	\$ 3,663
		500,000	\$ 0.15	12/31/2024	166,667	\$ 1,834
Len E. Walker	—	1,000,000	\$ 0.15	1/05/2024	500,000	\$ 5,500
		1,000,000	\$ 1.80	12/31/2024	333,000	\$ 3,663
Daniel M. Lerner	---	3,000,000	\$ 0.15	1/05/2023	1,000,000	\$ 11,000
Jeff B. Barrett	---	1,000,000	\$ 0.15	1/05/2024	500,000	\$ 5,500

* These outstanding options are options awarded to the Company's President to purchase 10,000,000 shares of Class A common stock at an exercise price of \$1.00 per share. The option is only exercisable under certain limited circumstances, one of which is that the market price of the Class A common stock reaches a price of \$15.00 per share. Once vested (which occurs also at the time the stock price reaches \$15.00 per share), these additional options must be exercised within two years of vesting.

† The price at which the last stock sale occurred for the period ended March 31, 2019 was \$0.011 per share.

Options vesting schedule for all awards above: one quarter of the shares vest per year beginning January 5, 2018, continuing in 2019, 2020, and 2021. This schedule does not apply to Mr. McGraw's option to purchase 10,000,000 shares.

Agreements with Current Executives and Officers

Employment Agreements

The Company has entered into employment agreements with certain executive officers of the Company, as described below.

Employment Agreement of James D. McGraw

On August 17, 2017, we entered into an employment agreement with Mr. McGraw (the "McGraw Employment Agreement") effective January 6, 2017, pursuant to which we agreed to pay Mr. McGraw a monthly payment of salary of \$5,000 for a temporary period, and Mr. McGraw agreed to a deferral of an additional \$3,700 per month commencing July 1, 2017 and continuing until the Board of Directors or the CNCG Committee determines when the Company is financially able to pay the full monthly amount of Mr. McGraw's intended annualized base salary of \$500,000.

Cumulative accrued and unpaid salary compensation at March 31, 2019 was \$149,450.

The Board of Directors or CNCG Committee will also determine the timing and amount of payment to Mr. McGraw of all deferred salary amounts. Mr. McGraw is also eligible to participate in any annual incentive plan established by the Company. Eventually, and only once the Board determines that the Company has sufficient resources and liquidity, Mr. McGraw's annualized base salary will be adjusted to \$500,000.

In addition, we agreed to award Mr. McGraw an option to purchase 4,000,000 shares of our Class A common stock at an exercise price of \$0.15 per share, with one quarter of the shares underlying the option to be vested on January 5, 2018 and the remaining shares to be vested equally over three years on each anniversary of January 5 for three consecutive years.

We also agreed to award Mr. McGraw an option to purchase 10,000,000 shares of our Class A common stock at an exercise price of \$1.00 per share, which shall vest and become exercisable once the fair market value of the Company's Class A common stock equals or exceeds \$15.00 per share. Once vested, these additional options must be exercised within two years of vesting. These options were awarded under our Amended and Restated IronClad Encryption Corporation 2017 Equity Incentive Plan when the plan was approved by our stockholders. The McGraw Employment Agreement expires on January 31, 2021, with automatic renewal for successive one-year terms, unless terminated in writing by either party at least 90 days prior to the expiration.

Mr. McGraw is also eligible to participate in other standard benefits plans offered to similarly situated employees by us from time to time, including group health, vision and dental insurance and our 401(k) program. Upon a termination of Mr. McGraw's employment without Cause by the Company or by Mr. McGraw for Good Reason in connection with a Material Event or Change of Control of the Company (each as defined in the McGraw Employment Agreement), Mr. McGraw will receive certain severance benefits, including severance payments equal to his base salary then in effect as of the date of termination for a period of twelve months, a pro rata portion of any annual incentive award for the year during which such termination occurs and immediate vesting of all outstanding stock options with a right to exercise for two years.

Employment Agreement of Jeff B. Barrett

On August 17, 2017, we entered into an employment agreement with Mr. Barrett (the "Barrett Employment Agreement") effective January 6, 2017, pursuant to which we agreed to pay Mr. Barrett a monthly salary of \$5,000, and Mr. Barrett agreed to a deferral of an additional \$7,500.00 per month commencing July 1, 2017 until the Board of Directors or the CNCG Committee determines when the Company is financially able to pay the full monthly amount of Mr. Barrett's annualized base salary of \$150,000. The Board of Directors or CNCG Committee will also determine the timing and amount of payment to Mr. Barrett of all deferred salary amounts. Mr. Barrett is also eligible to participate in any annual incentive plan established by the Company. Cumulative accrued and unpaid salary compensation at March 31, 2019 was \$218,000.

In addition, we agreed to award Mr. Barrett an option to purchase 1,000,000 shares of our Class A common stock at an exercise price of \$0.15 per share, with one quarter of the shares underlying the option to be vested on January 5, 2018 and the remaining shares to be vested equally over three years on each anniversary of January 5 for three consecutive years. These options were awarded under our Amended and Restated IronClad Encryption Corporation 2017 Equity Incentive Plan when the plan was approved by our stockholders. The Barrett Employment Agreement expires on January 31, 2021, with automatic renewal for successive one-year terms, unless terminated in writing by either party at least 90 days prior to the expiration.

Mr. Barrett is also eligible to participate in other standard benefits plans offered to similarly situated employees by us from time to time, including group health, vision and dental insurance and our 401(k) program. Upon a termination of Mr. Barrett's employment without Cause by the Company or by Mr. Barrett for Good Reason in connection with a Material Event or Change of Control of the Company (each as defined in the Barrett Employment Agreement), Mr. Barrett will receive certain severance benefits, including severance payments equal to his base salary then in effect as of the date of termination for a period of twelve months, a pro rata portion of any annual incentive award for the year during which such termination occurs and immediate vesting of all outstanding stock options with a right to exercise for two years.

Employment Agreement of Daniel M. Lerner

On August 17, 2017, we entered into an employment agreement with Mr. Lerner (the “Lerner Employment Agreement”) effective January 6, 2017, pursuant to which we agreed to pay Mr. Lerner a monthly salary of \$5,000, and Mr. Lerner agreed to a deferral of an additional \$11,667.00 per month commencing July 1, 2017 until the Board of Directors or the CNCG Committee determines when the Company is financially able to pay the full monthly amount of Mr. Lerner’s annualized base salary of \$200,000. The Board of Directors or CNCG Committee will also determine the timing and amount of payment to Mr. Lerner of all deferred salary amounts. Mr. Lerner is also eligible to participate in any annual incentive plan established by the Company. Cumulative accrued and unpaid salary compensation at March 31, 2019 was \$313,002.

In addition, we agreed to award Mr. Lerner an option to purchase 3,000,000 shares of our Class A common stock at an exercise price of \$0.15 per share, with one quarter of the shares underlying the option to be vested on January 5, 2018 and the remaining shares to be vested equally over three years on each anniversary of January 5 for three consecutive years. These options were awarded under our Amended and Restated IronClad Encryption Corporation 2017 Equity Incentive Plan when the plan was approved by our stockholders. The Lerner Employment Agreement expires on January 31, 2021, with automatic renewal for successive one-year terms, unless terminated in writing by either party at least 90 days prior to the expiration.

Mr. Lerner is also eligible to participate in other standard benefits plans offered to similarly situated employees by us from time to time, including group health, vision and dental insurance and our 401(k) program. Upon a termination of Mr. Lerner’s employment without Cause by the Company or by Mr. Lerner for Good Reason in connection with a Material Event or Change of Control of the Company (each as defined in the Lerner Employment Agreement), Mr. Lerner will receive certain severance benefits, including severance payments equal to his base salary then in effect as of the date of termination for a period of twelve months, a pro rata portion of any annual incentive award for the year during which such termination occurs and immediate vesting of all outstanding stock options with a right to exercise for two years.

Employment Agreement of Len E. Walker

On August 17, 2017, we entered into an employment agreement with Mr. Walker (the “Walker Employment Agreement”) effective January 6, 2017, pursuant to which we agreed to pay Mr. Walker a monthly salary of \$5,000, and Mr. Walker agreed to a deferral of an additional \$11,667.00 per month commencing July 1, 2017 until the Board of Directors or the CNCG Committee determines when the Company is financially able to pay the full monthly amount of Mr. Walker’s annualized base salary of \$200,000. The Board of Directors or CNCG Committee will also determine the timing and amount of payment to Mr. Walker of all deferred salary amounts. Mr. Walker is also eligible to participate in any annual incentive plan established by the Company. Cumulative accrued and unpaid salary compensation at March 31, 2019 was \$298,201.

In addition, we agreed to award Mr. Walker an option to purchase 1,000,000 shares of our Class A common stock at an exercise price of \$0.15 per share, with one quarter of the shares underlying the option to be vested on January 5, 2018 and the remaining shares to be vested equally over three years on each anniversary of January 5 for three consecutive years. These options were awarded under our Amended and Restated IronClad Encryption Corporation 2017 Equity Incentive Plan when the plan was approved by our stockholders. The Walker Employment Agreement expires on January 31, 2021, with automatic renewal for successive one-year terms, unless terminated in writing by either party at least 90 days prior to the expiration.

Mr. Walker is also eligible to participate in other standard benefits plans offered to similarly situated employees by us from time to time, including group health, vision and dental insurance and our 401(k) program. Upon a termination of Mr. Walker's employment without Cause by the Company or by Mr. Walker for Good Reason in connection with a Material Event or Change of Control of the Company (each as defined in the Walker Employment Agreement), Mr. Walker will receive certain severance benefits, including severance payments equal to his base salary then in effect as of the date of termination for a period of twelve months, a pro rata portion of any annual incentive award for the year during which such termination occurs and immediate vesting of all outstanding stock options with a right to exercise for two years.

Employment Agreement of David G. Gullickson

On August 17, 2017, we entered into an employment agreement with Mr. Gullickson (the "Gullickson Employment Agreement") effective May 1, 2017, pursuant to which we agreed to pay Mr. Gullickson a monthly salary of \$5,000, and Mr. Gullickson agreed to a deferral of an additional \$13,750 per month commencing July 1, 2017 until the Board of Directors or the CNCG Committee determines when the Company is financially able to pay the full monthly amount of Mr. Gullickson's annualized base salary of \$225,000. The Board of Directors or CNCG Committee will also determine the timing and amount of payment to Mr. Gullickson of all deferred salary amounts. Mr. Gullickson is also eligible to participate in any annual incentive plan established by the Company. Cumulative accrued and unpaid salary compensation at March 31, 2019 was \$344,000.

In addition, we agreed to award Mr. Gullickson an option to purchase 500,000 shares of our Class A common stock at an exercise price of \$1.47 per share, with one quarter of the shares underlying the option to be vested on January 5, 2018 and the remaining shares to be vested equally over three years on each anniversary of January 5 for three consecutive years. These options were awarded under our Amended and Restated IronClad Encryption Corporation 2017 Equity Incentive Plan when the plan was approved by our stockholders. The Gullickson Employment Agreement expires on January 31, 2021, with automatic renewal for successive one-year terms, unless terminated in writing by either party at least 90 days prior to the expiration.

Mr. Gullickson is also eligible to participate in other standard benefits plans offered to similarly situated employees by us from time to time, including group health, vision and dental insurance and our 401(k) program. Upon a termination of Mr. Gullickson's employment without Cause by the Company or by Mr. Gullickson for Good Reason in connection with a Material Event or Change of Control of the Company (each as defined in the Gullickson Employment Agreement), Mr. Gullickson will receive certain severance benefits, including severance payments equal to his base salary then in effect as of the date of termination for a period of twelve months, a pro rata portion of any annual incentive award for the year during which such termination occurs and immediate vesting of all outstanding stock options with a right to exercise for two years.

Director Compensation for Period Ended March 31, 2019

The following table sets forth compensation amounts for our Independent Directors for the years ended March 31, 2019 and 2018.

Director Compensation

Name	Fees Earned or Paid in Cash (\$)	Stock Grants (\$)	Option Awards (\$)	All Other Compensation (\$)	Total (\$)
John S. Reiland ⁽¹⁾	—	—	—	—	—
Mark A. Watson ^{(1) (3)}	—	—	—	—	—
Jeff B. Barrett ^{(1) (4)}	—	—	—	—	—

(1) During the two years ended March 31, 2019 no Director received compensation for his services.

(2) Mr. Lipsker resigned effective June 1, 2018. He was an original board member, but did not receive any compensation for serving on the board. Mr. Lipsker received 250,000 shares during the share exchange agreement that occurred on January 6, 2017, and purchased 70,000 shares during the company's private placement memorandum offering in early 2017.

(3) On February 28, 2018, Mr. Watson was elected to the Board of Directors. Mr. Watson previously acquired 2,000,000 shares of Class A Common Stock through the share exchange agreement that occurred on January 6, 2017. Mr. Watson has received no compensation for serving as a board member.

(4) On May 15, 2018, Mr. Barrett was elected to the Board of Directors. Mr. Barrett previously acquired 15,900,000 shares of Class A Common Stock through the share exchange agreement that occurred on January 6, 2017. Mr. Barrett has received no compensation for serving as a board member.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

2017 Equity Incentive Plan

The Board of Directors adopted, and the Company's stockholders subsequently approved, the IronClad Encryption Corporation 2017 Equity Incentive Plan (the "Plan") effective as of January 6, 2017. The purpose of the Plan is to foster and promote the long-term financial success of the Company and thereby increase stockholder value. The Plan provides for the award of equity incentives to certain employees, directors, or officers of, or key advisers or consultants to, the Company and its subsidiaries who are responsible for or contribute to the management, growth or success of the Company or any of its subsidiaries.

The maximum number of shares available for issuance under the Plan is thirty million (30,000,000) shares of Class A common stock. On October 17, 2017, in connection with the change of the Company's jurisdiction of incorporation from the State of Nevada to the State of Delaware, the Board of Directors adopted the Amended and Restated IronClad Encryption Corporation 2017 Equity Incentive Plan (the "Amended Plan").

The following table sets forth information about the Amended Plan as of June 15, 2018.

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders	27,830,000	\$0.54	2,170,000
Equity compensation plans not approved by security holders	307,500	\$2.04	—
Total	28,137,500	\$0.68	3,000,000

The following table sets forth certain information as of July 12, 2019 with respect to the beneficial ownership of shares of common stock by (a) each person known to us that owns beneficially more than 5% of the outstanding shares of common stock, (b) each of our directors, (c) each of our executive officers, and (d) all of our executive officers and directors as a group.

Owners of more than 5% of Shares, Directors and Executive Officers:	Number of Shares of Common Stock Beneficially Owned	Percent of Class
Director: John S. Reiland	50,000 ⁽¹⁾	*%
Director: Mark A. Watson	1,950,000 ⁽²⁾	*%
Director and President: James D. McGraw	39,837,091 ⁽³⁾	20.6%
Director and Vice President: Jeff B. Barrett	16,900,000 ⁽⁴⁾	10.7%
Vice President: Daniel M. Lerner	7,929,000 ⁽⁵⁾	5.3%
Vice President: Len E. Walker	2,150,000 ⁽⁶⁾	1.5%
Vice President: David G. Gullickson	1,025,000 ⁽⁷⁾	0.7%
Executives Officers and Directors as a Group	† 45,841,091	† 32.3%

* Less than 1% of class.

† Shares in total for the group on this line exclude any shares related to the hypothetical exercise of any options outstanding; total shares of common stock issued and outstanding at March 31, 2018 were 141,707,264 (shares of Class A: 140,168,392, and Class B: 1,538,872).

- (1) This amount includes: 50,000 shares of Class A Common Stock and options to purchase 0 shares of common stock.
- (2) This amount includes: 1,950,000 shares of Class A Common Stock and options to purchase 0 shares of common stock.
- (3) This amount includes: 22,837,091 shares of Class A Common Stock and options to purchase 4,000,000 and then 10,000,000 shares of common stock.
- (4) This amount includes: 15,900,000 shares of Class A Common Stock and options to purchase 1,000,000 shares of common stock.
- (5) This amount includes: 4,929,000 shares of Class A Common Stock and options to purchase 3,000,000 shares of common stock.
- (6) This amount includes: 150,000 shares of Class A Common Stock and options to purchase 2,000,000 shares of common stock.
- (7) This amount includes: 25,000 shares of Class A Common Stock and options to purchase 1,000,000 shares of common stock.

Item 13. Certain Relationships and Related Transactions, and Director Independence.

Certain Transactions, Corporate Governance

Related Persons Transactions

Stock Purchase Agreement between Historical and New Owners and Officers. In an agreement dated June 20, 2016 and related to eventually setting up the reverse merger transaction governed by the Share Exchange Agreement (entered into and closed later on January 6, 2017), Mr. Paul A. Hatfield, at the time an officer and shareholder of Butte, entered into a Stock Purchase Agreement with Mr. James D. McGraw, of Houston, Texas and now the President and Chief Executive Officer of IronClad. Mr. McGraw at the time was instrumental in negotiating the definitive letter of intent to enter into the Share Exchange Agreement.

Pursuant to the terms of the Stock Purchase Agreement, Mr. McGraw or his assigns were granted the right to purchase from Mr. Hatfield a maximum of 500,000 shares of Butte that were personally owned by Mr. Hatfield at a price of \$0.15 per share. The Stock Purchase Agreement is effective for twenty-four months starting at the closing of the Share Exchange Agreement transaction that was contemplated by the letter of intent.

The twenty-four month period expired on June 20, 2018; none of the contractual purchase rights under the agreement were ever exercised.

Director Independence

Our common stock is listed on the OTC QB. We use SEC Rule 10A-3 in determining whether a director is independent in the capacity of director and in the capacity as a member of a Board committee. In determining director independence, we have not relied on any exemptions from any rule's definition of independence.

We currently have four directors, two of whom are Independent Directors. The Board has determined that the following Directors are independent under SEC Rule 10A-3 because they have no relationship with the Company (other than being a Director and stockholder of the Company): John S. Reiland and Mark A. Watson.

Item 14. Principal Accounting Fees and Services

Audit, Audit-related and Other Fees

Aggregate fees for professional services rendered to the Company by Fruci & Associates II, PLLC for the years ended March 31, 2019 and 2018 were as follows:

	Years Ended	
	March 31,	March 31
Item	2019	2018
Audit and audit related fees	\$ 55,583	\$ 54,750
Tax fees	3,080	2,800
Total	\$ 58,663	\$ 57,550

Audit Committee Pre-Approval

Our Audit Committee Charter provides that the Audit Committee has the sole authority to appoint or to retain the independent auditor and to oversee the auditor's work on the annual audit and quarterly reviews. The Audit Committee must approve any proposed discharge of the auditor by a majority vote. The Audit Committee shall also pre-approve any non-audit services that the independent auditor may perform.

Part IV

Item 15. Exhibits, Financial Statement Schedules

(A)

Exhibit Number	Description
2.1	Share Exchange Agreement between Butte Highlands Mining Company and InterLok Key Management, Inc., dated January 6, 2017 (incorporated by reference from Exhibit 10.1 of the Company's current report on Form 8-K (No. 000-53662) filed January 6, 2017)
3.1	Certificate of Incorporation of IronClad Encryption Corporation, dated October 16, 2017 (incorporated by reference from Exhibit 3.4 of the Company's current report on Form 8-K (No. 000-53662) filed October 17, 2017).
3.2	Bylaws of IronClad Encryption Corporation, dated October 16, 2017 (incorporated by reference from Exhibit 3.5 of the Company's current report on Form 8-K (No. 000-53662) filed October 17, 2017).
3.3	Certificate of Amendment of Certificate of Incorporation of IronClad Encryption Corporation, dated February 12, 2019 (incorporated by reference from Exhibit 3.3 of the Company's quarterly report on Form 10-Q (No. 000-53662) filed February 19, 2019).
3.4*	Certificate of Amendment of Certificate of Incorporation of IronClad Encryption Corporation, dated March 19, 2019.
3.5	Certificate of Designation of the Series A Preferred Stock, dated April 3, 2019 (incorporated by reference from Exhibit 3.1 of the Company's current report on Form 8-K (No. 000-53662) filed April 16, 2019).
4.1	Form of Common Stock Certificate (Class A) of IronClad Encryption Corporation (incorporated by reference from Exhibit 4.1 of Amendment No. 2 to the Company's registration statement on Form S-1 (No. 333-220995) filed November 28, 2017).
4.2	Common Stock Purchase Warrant by and between IronClad Encryption Corporation and Tangiers Global, LLC dated August 24, 2017 (incorporated by reference from Exhibit 4.2 of the Company's registration statement on Form S-1 (No. 333-220995) filed October 17, 2017).
4.3	Registration Rights Agreement by and between IronClad Encryption Corporation and Tangiers Global, LLC dated August 24, 2017 (incorporated by reference from Exhibit 4.3 of the Company's registration statement on Form S-1 (No. 333-220995) filed October 17, 2017).
10.1	Investment Agreement by and between IronClad Encryption Corporation and Tangiers Global, LLC dated August 24, 2017 (incorporated by reference from Exhibit 10.12 of the Company's registration statement on Form S-1 (No. 333-220995) filed October 17, 2017).
10.2	Convertible Promissory Note by and between IronClad Encryption Corporation and Tangiers Global, LLC dated August 24, 2017 (incorporated by reference from Exhibit 10.13 of the Company's registration statement on Form S-1 (No. 333-220995) filed October 17, 2017).
10.3	Convertible Promissory Note by and between IronClad Encryption Corporation and Tangiers Global, LLC dated August 24, 2017 (incorporated by reference from Exhibit 10.14 of the Company's registration statement on Form S-1 (No. 333-220995) filed October 17, 2017).
10.4	Securities Purchase Agreement by and between IronClad Encryption Corporation and Power Up Lending Group, Ltd. dated January 25, 2018. (incorporated by reference from Exhibit 10.04 of the Company's annual report on Form 10-K (No. 000-53662) filed April 17, 2018).
10.5	Convertible Promissory Note pursuant to Securities Purchase Agreement by and between IronClad Encryption Corporation and Power Up Lending Group, Ltd. dated January 25, 2018. (incorporated by reference from Exhibit 10.05 of the Company's annual report on Form 10-K (No. 000-53662) filed April 17, 2018).
10.6	Credit Agreement between IronClad Encryption Corporation and Layer 3 Communications dated February 1, 2018. (incorporated by reference from Exhibit 10.06 of the Company's annual report on Form 10-K (No. 000-53662) filed April 17, 2018).
10.7	Securities Purchase Agreement by and between IronClad Encryption Corporation and Power Up Lending Group, Ltd. dated February 27, 2018. (incorporated by reference from Exhibit 10.07 of the Company's annual report on Form 10-K (No. 000-53662) filed April 17, 2018).
10.8	Convertible Promissory Note pursuant to Securities Purchase Agreement by and between IronClad Encryption Corporation and Power Up Lending Group, Ltd. dated February 27, 2018. (incorporated by reference from Exhibit 10.08 of the Company's annual report on Form 10-K (No. 000-53662) filed April 17, 2018).
10.9	Securities Purchase Agreement by and between IronClad Encryption Corporation and Labrys Fund, LP dated June 26, 2018 (incorporated by reference from Exhibit 10.09 of the Company's annual report on Form 10-KT (No. 000-53662) filed July 16, 2018).
10.10	Convertible Promissory Note pursuant to Securities Purchase Agreement by and between IronClad Encryption Corporation and Labrys Fund, LP dated June 26, 2018 (incorporated by reference from Exhibit 10.10 of the Company's annual report on Form 10-KT (No. 000-53662) filed July 16, 2018).
10.11	Securities Purchase Agreement by and between IronClad Encryption Corporation and GS Capital Partners, LLC dated July 11, 2018 (incorporated by reference from Exhibit 10.11 of the Company's annual report on Form 10-KT (No. 000-53662) filed July 16, 2018).
10.12	Convertible Promissory Note "First Note" pursuant to Securities Purchase Agreement by and between IronClad Encryption Corporation and GS Capital Partners, LLC dated July 11, 2018 (incorporated by reference from Exhibit 10.12 of the Company's annual report on Form 10-KT (No. 000-53662) filed July 16, 2018).

[Table of Contents](#)

10.13	Convertible Promissory Note “Back End Note” pursuant to Securities Purchase Agreement by and between IronClad Encryption Corporation and GS Capital Partners, LLC July 11, 2018 (incorporated by reference from Exhibit 10.13 of the Company’s annual report on Form 10-KT (No. 000-53662 filed July 16, 2018.))
10.14	Collateralized Secured Promissory Note pursuant to Securities Purchase Agreement by and between GS Capital Partners, LLC and IronClad Encryption Corporation dated July 11, 2018 (incorporated by reference from Exhibit 10.14 of the Company’s annual report on Form 10-KT (No. 000-53662 filed July 16, 2018.))
10.15	Securities Purchase Agreement by and between IronClad Encryption Corporation and Morningview Financial, LLC dated June 29, 2018 (incorporated by reference from Exhibit 10.15 of the Company’s quarterly report on Form 10-Q (No. 000-53662 filed August 20, 2018.))
10.16	Convertible Promissory Note pursuant to Securities Purchase Agreement by and between IronClad Encryption Corporation and Morningview Financial, LLC dated June 29, 2018 (incorporated by reference from Exhibit 10.16 of the Company’s quarterly report on Form 10-Q (No. 000-53662 filed August 20, 2018.))
10.17	Amendment #1 to Convertible Promissory Note and related Securities Purchase Agreement by and between IronClad Encryption Corporation and Morningview Financial, LLC both dated July 17, 2018 (incorporated by reference from Exhibit 10.17 of the Company’s quarterly report on Form 10-Q (No. 000-53662 filed August 20, 2018.))
10.18	Convertible Promissory Note “First Note” pursuant to Securities Purchase Agreement by and between IronClad Encryption Corporation and Adar Bays, LLC dated July 19, 2018 (incorporated by reference from Exhibit 10.18 of the Company’s quarterly report on Form 10-Q (No. 000-53662 filed August 20, 2018.))
10.19	Convertible Promissory Note “Back End Note” pursuant to Securities Purchase Agreement by and between IronClad Encryption Corporation and Adar Bays, LLC July 19, 2018 (incorporated by reference from Exhibit 10.19 of the Company’s quarterly report on Form 10-Q (No. 000-53662 filed August 20, 2018.))
10.20	Collateralized Secured Promissory Note pursuant to Securities Purchase Agreement by and between Adar Bays, LLC and IronClad Encryption Corporation dated July 19, 2018 (incorporated by reference from Exhibit 10.20 of the Company’s quarterly report on Form 10-Q (No. 000-53662 filed August 20, 2018.))
10.21	Securities Purchase Agreement by and between IronClad Encryption Corporation and One44 Capital, LLC dated October 24, 2018 (incorporated by reference from Exhibit 10.21 of the Company’s quarterly report on Form 10-Q (No. 000-53662 filed November 26, 2018.))
10.22	Convertible Promissory Note pursuant to Securities Purchase Agreement by and between IronClad Encryption Corporation and One44 Capital, LLC dated October 24, 2018 (incorporated by reference from Exhibit 10.22 of the Company’s quarterly report on Form 10-Q (No. 000-53662 filed November 26, 2018.))
10.23	Securities Purchase Agreement by and between IronClad Encryption Corporation and Auctus Fund, LLC dated October 26, 2018 (incorporated by reference from Exhibit 10.23 of the Company’s quarterly report on Form 10-Q (No. 000-53662 filed November 26, 2018.))
10.24	Convertible Promissory Note pursuant to Securities Purchase Agreement by and between IronClad Encryption Corporation and Auctus Fund, LLC dated October 26, 2018 (incorporated by reference from Exhibit 10.24 of the Company’s quarterly report on Form 10-Q (No. 000-53662 filed November 26, 2018.))
10.25	Securities Purchase Agreement by and between IronClad Encryption Corporation and One44 Capital, LLC dated February 14, 2019 (incorporated by reference from Exhibit 10.25 of the Company’s quarterly report on Form 10-Q (No. 000-53662 filed February 19, 2019.))
10.26	Convertible Promissory Note pursuant to Securities Purchase Agreement by and between IronClad Encryption Corporation and One44 Capital, LLC dated February 14, 2019 (incorporated by reference from Exhibit 10.26 of the Company’s quarterly report on Form 10-Q (No. 000-53662 filed February 19, 2019.))
10.27*	Securities Purchase Agreement by and between IronClad Encryption Corporation and Morningview Financial, LLC dated February 14, 2019.
10.28*	Convertible Promissory Note pursuant to Securities Purchase Agreement by and between IronClad Encryption Corporation and Morningview Financial, LLC dated February 14, 2019.
10.29*	Securities Purchase Agreement by and between IronClad Encryption Corporation and GW Holdings Group, LLC dated March 28, 2019.
10.30*	Convertible Promissory Note “First Note” pursuant to Securities Purchase Agreement by and between IronClad Encryption Corporation and GW Holdings Group, LLC dated March 28, 2019.
10.31*	Convertible Promissory Note “Back End Note” pursuant to Securities Purchase Agreement by and between IronClad Encryption Corporation and GW Holdings Group, LLC dated March 28, 2019.
10.32*	Collateralized Secured Promissory Note pursuant to Securities Purchase Agreement by and between GW Holdings Group, LLC and IronClad Encryption Corporation dated March 28, 2019.
10.33*	Securities Purchase Agreement by and between IronClad Encryption Corporation and LG Capital Funding, LLC dated April 12, 2019.
10.34*	Convertible Promissory Note “First Note” pursuant to Securities Purchase Agreement by and between IronClad Encryption Corporation and LG Capital Funding, LLC dated April 12, 2019.
10.35*	Convertible Promissory Note “Back End Note” pursuant to Securities Purchase Agreement by and between IronClad Encryption Corporation and LG Capital Funding, LLC dated April 12, 2019.

[Table of Contents](#)

10.36*	Collateralized Secured Promissory Note pursuant to Securities Purchase Agreement by and between LG Capital Funding, LLC and IronClad Encryption Corporation dated April 12, 2019.
10.37*	Securities Purchase Agreement by and between IronClad Encryption Corporation and Morningview Financial, LLC dated April 23, 2019.
10.38*	Convertible Promissory Note pursuant to Securities Purchase Agreement by and between IronClad Encryption Corporation and Morningview Financial, LLC dated April 23, 2019.
10.39*	Securities Purchase Agreement by and between IronClad Encryption Corporation and Odyssey Capital Funding, LLC dated May 15, 2019.
10.40*	Convertible Promissory Note pursuant to Securities Purchase Agreement by and between IronClad Encryption Corporation and Odyssey Capital Funding, LLC dated May 15, 2019.
10.41**	Amended and Restated IronClad Encryption Corporation 2017 Equity Incentive Plan (incorporated by reference from Exhibit 10.01 of the Company's current report on Form 8-K (No. 000-53662) filed October 17, 2017)
10.42**	Employment Agreement by and between IronClad Encryption Corporation and Jeff B. Barrett effective as of January 6, 2017 (incorporated by reference from Exhibit 10.05 of the Company's quarterly report on Form 10-Q (No. 000-53662) filed August 21, 2017).
10.43**	Employment Agreement by and between IronClad Encryption Corporation and Daniel M. Lerner effective as of January 6, 2017 (incorporated by reference from Exhibit 10.06 of the Company's quarterly report on Form 10-Q (No. 000-53662) filed August 21, 2017).
10.44**	Employment Agreement by and between IronClad Encryption Corporation and James D. McGraw effective as of January 6, 2017 (incorporated by reference from Exhibit 10.07 of the Company's quarterly report on Form 10-Q (No. 000-53662) filed August 21, 2017).
10.45**	Employment Agreement by and between IronClad Encryption Corporation and Len E. Walker effective as of January 6, 2017 (incorporated by reference from Exhibit 10.08 of the Company's quarterly report on Form 10-Q (No. 000-53662) filed August 21, 2017).
10.46**	Employment Agreement by and between IronClad Encryption Corporation and David G. Gullickson effective as of May 1, 2017 (incorporated by reference from Exhibit 10.09 of the Company's quarterly report on Form 10-Q (No. 000-53662) filed August 21, 2017).
10.47**	Employment Agreement by and between IronClad Encryption Corporation and Monty R. Points effective as of May 1, 2017 (incorporated by reference from Exhibit 10.10 of the Company's quarterly report on Form 10-Q (No. 000-53662) filed August 21, 2017).
10.48**	Employment Agreement by and between IronClad Encryption Corporation and Randall W. Rice effective as of June 1, 2017 (incorporated by reference from Exhibit 10.11 of the Company's quarterly report on Form 10-Q (No. 000-53662) filed August 21, 2017).
21	Subsidiaries of the Registrant
23	Consent of Independent Registered Public Accounting Firm
31.1 *	Certification of Principal Executive Officer of IronClad Encryption Corporation required by Rule 13a-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2 *	Certification of Principal Financial Officer of IronClad Encryption Corporation required by Rule 13a-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1 ***	Certification of Principal Executive Officer of IronClad Encryption Corporation pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and Section 1350 of Chapter 63 of Title 18 of the United States Code (18 U.S.C. 1350)
32.2 ***	Certification of Principal Financial Officer of IronClad Encryption Corporation pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and Section 1350 of Chapter 63 of Title 18 of the United States Code (18 U.S.C. 1350)
101.INS*	XBRL Instance Document
101.SCH*	XBRL Taxonomy Extension Schema Document
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	XBRL Taxonomy Extension Definitions Linkbase Document
101.LAB*	XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase Document.

* Filed herewith.

** Denotes a management contract or compensatory plan or arrangement.

*** Furnished herewith.

(B) FINANCIAL STATEMENT SCHEDULES

The financial statement schedules required by this item are set forth in the notes to our financial statements set forth in Item 8.

Signatures

Pursuant to the requirements of 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, thereunto duly authorized.

IronClad Encryption Corporation

July 16, 2019

/s/ JAMES D. MCGRAW

James D. McGraw

*President, Director, and
Principal Executive Officer*

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

July 16, 2019

/s/ JAMES D. MCGRAW

James D. McGraw

Director and Principal Executive Officer

July 16, 2019

/s/ JEFF B. BARRETT

Jeff B. Barrett

Director

July 16, 2019

/s/ JOHN S. REILAND

John S. Reiland

Director

July 16, 2019

/s/ MARK A. WATSON

Mark A. Watson

Director

July 16, 2019

/s/ DAVID G. GULLICKSON

David G. Gullickson

*Vice President, Treasurer, and
Principal Financial and Accounting Officer*

Exhibit Index

Exhibit Number	Description
2.1	Share Exchange Agreement between Butte Highlands Mining Company and InterLok Key Management, Inc., dated January 6, 2017 (incorporated by reference from Exhibit 10.1 of the Company's current report on Form 8-K (No. 000-53662) filed January 6, 2017)
3.1	Certificate of Incorporation of IronClad Encryption Corporation, dated October 16, 2017 (incorporated by reference from Exhibit 3.4 of the Company's current report on Form 8-K (No. 000-53662) filed October 17, 2017).
3.2	Bylaws of IronClad Encryption Corporation, dated October 16, 2017 (incorporated by reference from Exhibit 3.5 of the Company's current report on Form 8-K (No. 000-53662) filed October 17, 2017).
3.3	Certificate of Amendment of Certificate of Incorporation of IronClad Encryption Corporation, dated February 12, 2019 (incorporated by reference from Exhibit 3.3 of the Company's quarterly report on Form 10-Q (No. 000-53662) filed February 19, 2019).
3.4*	Certificate of Amendment of Certificate of Incorporation of IronClad Encryption Corporation, dated March 19, 2019.
3.5	Certificate of Designation of the Series A Preferred Stock, dated April 3, 2019 (incorporated by reference from Exhibit 3.1 of the Company's current report on Form 8-K (No. 000-53662) filed April 16, 2019).
4.1	Form of Common Stock Certificate (Class A) of IronClad Encryption Corporation (incorporated by reference from Exhibit 4.1 of Amendment No. 2 to the Company's registration statement on Form S-1 (No. 333-220995) filed November 28, 2017).
4.2	Common Stock Purchase Warrant by and between IronClad Encryption Corporation and Tangiers Global, LLC dated August 24, 2017 (incorporated by reference from Exhibit 4.2 of the Company's registration statement on Form S-1 (No. 333-220995) filed October 17, 2017).
4.3	Registration Rights Agreement by and between IronClad Encryption Corporation and Tangiers Global, LLC dated August 24, 2017 (incorporated by reference from Exhibit 4.3 of the Company's registration statement on Form S-1 (No. 333-220995) filed October 17, 2017).
10.1	Investment Agreement by and between IronClad Encryption Corporation and Tangiers Global, LLC dated August 24, 2017 (incorporated by reference from Exhibit 10.12 of the Company's registration statement on Form S-1 (No. 333-220995) filed October 17, 2017).
10.2	Convertible Promissory Note by and between IronClad Encryption Corporation and Tangiers Global, LLC dated August 24, 2017 (incorporated by reference from Exhibit 10.13 of the Company's registration statement on Form S-1 (No. 333-220995) filed October 17, 2017).
10.3	Convertible Promissory Note by and between IronClad Encryption Corporation and Tangiers Global, LLC dated August 24, 2017 (incorporated by reference from Exhibit 10.14 of the Company's registration statement on Form S-1 (No. 333-220995) filed October 17, 2017).
10.4	Securities Purchase Agreement by and between IronClad Encryption Corporation and Power Up Lending Group, Ltd. dated January 25, 2018. (incorporated by reference from Exhibit 10.04 of the Company's annual report on Form 10-K (No. 000-53662) filed April 17, 2018).
10.5	Convertible Promissory Note pursuant to Securities Purchase Agreement by and between IronClad Encryption Corporation and Power Up Lending Group, Ltd. dated January 25, 2018. (incorporated by reference from Exhibit 10.05 of the Company's annual report on Form 10-K (No. 000-53662) filed April 17, 2018).
10.6	Credit Agreement between IronClad Encryption Corporation and Layer 3 Communications dated February 1, 2018. (incorporated by reference from Exhibit 10.06 of the Company's annual report on Form 10-K (No. 000-53662) filed April 17, 2018).
10.7	Securities Purchase Agreement by and between IronClad Encryption Corporation and Power Up Lending Group, Ltd. dated February 27, 2018. (incorporated by reference from Exhibit 10.07 of the Company's annual report on Form 10-K (No. 000-53662) filed April 17, 2018).
10.8	Convertible Promissory Note pursuant to Securities Purchase Agreement by and between IronClad Encryption Corporation and Power Up Lending Group, Ltd. dated February 27, 2018. (incorporated by reference from Exhibit 10.08 of the Company's annual report on Form 10-K (No. 000-53662) filed April 17, 2018).
10.9	Securities Purchase Agreement by and between IronClad Encryption Corporation and Labrys Fund, LP dated June 26, 2018 (incorporated by reference from Exhibit 10.09 of the Company's annual report on Form 10-KT (No. 000-53662) filed July 16, 2018.)
10.10	Convertible Promissory Note pursuant to Securities Purchase Agreement by and between IronClad Encryption Corporation and Labrys Fund, LP dated June 26, 2018 (incorporated by reference from Exhibit 10.10 of the Company's annual report on Form 10-KT (No. 000-53662) filed July 16, 2018.)
10.11	Securities Purchase Agreement by and between IronClad Encryption Corporation and GS Capital Partners, LLC dated July 11, 2018 (incorporated by reference from Exhibit 10.11 of the Company's annual report on Form 10-KT (No. 000-53662) filed July 16, 2018.)
10.12	Convertible Promissory Note "First Note" pursuant to Securities Purchase Agreement by and between IronClad Encryption Corporation and GS Capital Partners, LLC dated July 11, 2018 (incorporated by reference from Exhibit 10.12 of the Company's annual report on Form 10-KT (No. 000-53662) filed July 16, 2018.)
10.13	Convertible Promissory Note "Back End Note" pursuant to Securities Purchase Agreement by and between IronClad Encryption Corporation and GS Capital Partners, LLC July 11, 2018 (incorporated by reference from Exhibit 10.13 of the Company's annual report on Form 10-KT (No. 000-53662) filed July 16, 2018.)

Table of Contents

10.14	<u>Collateralized Secured Promissory Note pursuant to Securities Purchase Agreement by and between GS Capital Partners, LLC and IronClad Encryption Corporation dated July 11, 2018</u> (incorporated by reference from Exhibit 10.14 of the Company's annual report on Form 10-KT (No. 000-53662 filed July 16, 2018).)
10.15	<u>Securities Purchase Agreement by and between IronClad Encryption Corporation and Morningview Financial, LLC dated June 29, 2018</u> (incorporated by reference from Exhibit 10.15 of the Company's quarterly report on Form 10-Q (No. 000-53662 filed August 20, 2018).)
10.16	<u>Convertible Promissory Note pursuant to Securities Purchase Agreement by and between IronClad Encryption Corporation and Morningview Financial, LLC dated June 29, 2018</u> (incorporated by reference from Exhibit 10.16 of the Company's quarterly report on Form 10-Q (No. 000-53662 filed August 20, 2018).)
10.17	<u>Amendment #1 to Convertible Promissory Note and related Securities Purchase Agreement by and between IronClad Encryption Corporation and Morningview Financial, LLC both dated July 17, 2018</u> (incorporated by reference from Exhibit 10.17 of the Company's quarterly report on Form 10-Q (No. 000-53662 filed August 20, 2018).)
10.18	<u>Convertible Promissory Note "First Note" pursuant to Securities Purchase Agreement by and between IronClad Encryption Corporation and Adar Bays, LLC dated July 19, 2018</u> (incorporated by reference from Exhibit 10.18 of the Company's quarterly report on Form 10-Q (No. 000-53662 filed August 20, 2018).)
10.19	<u>Convertible Promissory Note "Back End Note" pursuant to Securities Purchase Agreement by and between IronClad Encryption Corporation and Adar Bays, LLC dated July 19, 2018</u> (incorporated by reference from Exhibit 10.19 of the Company's quarterly report on Form 10-Q (No. 000-53662 filed August 20, 2018).)
10.20	<u>Collateralized Secured Promissory Note pursuant to Securities Purchase Agreement by and between Adar Bays, LLC and IronClad Encryption Corporation dated July 19, 2018</u> (incorporated by reference from Exhibit 10.20 of the Company's quarterly report on Form 10-Q (No. 000-53662 filed August 20, 2018).)
10.21	<u>Securities Purchase Agreement by and between IronClad Encryption Corporation and One44 Capital, LLC dated October 24, 2018</u> (incorporated by reference from Exhibit 10.21 of the Company's quarterly report on Form 10-Q (No. 000-53662 filed November 26, 2018).)
10.22	<u>Convertible Promissory Note pursuant to Securities Purchase Agreement by and between IronClad Encryption Corporation and One44 Capital, LLC dated October 24, 2018</u> (incorporated by reference from Exhibit 10.22 of the Company's quarterly report on Form 10-Q (No. 000-53662 filed November 26, 2018).)
10.23	<u>Securities Purchase Agreement by and between IronClad Encryption Corporation and Auctus Fund, LLC dated October 26, 2018</u> (incorporated by reference from Exhibit 10.23 of the Company's quarterly report on Form 10-Q (No. 000-53662 filed November 26, 2018).)
10.24	<u>Convertible Promissory Note pursuant to Securities Purchase Agreement by and between IronClad Encryption Corporation and Auctus Fund, LLC dated October 26, 2018</u> (incorporated by reference from Exhibit 10.24 of the Company's quarterly report on Form 10-Q (No. 000-53662 filed November 26, 2018).)
10.25	<u>Securities Purchase Agreement by and between IronClad Encryption Corporation and One44 Capital, LLC dated February 14, 2019</u> (incorporated by reference from Exhibit 10.25 of the Company's quarterly report on Form 10-Q (No. 000-53662 filed February 19, 2019).)
10.26	<u>Convertible Promissory Note pursuant to Securities Purchase Agreement by and between IronClad Encryption Corporation and One44 Capital, LLC dated February 14, 2019</u> (incorporated by reference from Exhibit 10.26 of the Company's quarterly report on Form 10-Q (No. 000-53662 filed February 19, 2019).)
10.27*	<u>Securities Purchase Agreement by and between IronClad Encryption Corporation and Morningview Financial, LLC dated February 14, 2019.</u>
10.28*	<u>Convertible Promissory Note pursuant to Securities Purchase Agreement by and between IronClad Encryption Corporation and Morningview Financial, LLC dated February 14, 2019.</u>
10.29*	<u>Securities Purchase Agreement by and between IronClad Encryption Corporation and GW Holdings Group, LLC dated March 28, 2019.</u>
10.30*	<u>Convertible Promissory Note "First Note" pursuant to Securities Purchase Agreement by and between IronClad Encryption Corporation and GW Holdings Group, LLC dated March 28, 2019.</u>
10.31*	<u>Convertible Promissory Note "Back End Note" pursuant to Securities Purchase Agreement by and between IronClad Encryption Corporation and GW Holdings Group, LLC dated March 28, 2019.</u>
10.32*	<u>Collateralized Secured Promissory Note pursuant to Securities Purchase Agreement by and between GW Holdings Group, LLC and IronClad Encryption Corporation dated March 28, 2019.</u>
10.33*	<u>Securities Purchase Agreement by and between IronClad Encryption Corporation and LG Capital Funding, LLC dated April 12, 2019.</u>
10.34*	<u>Convertible Promissory Note "First Note" pursuant to Securities Purchase Agreement by and between IronClad Encryption Corporation and LG Capital Funding, LLC dated April 12, 2019.</u>
10.35*	<u>Convertible Promissory Note "Back End Note" pursuant to Securities Purchase Agreement by and between IronClad Encryption Corporation and LG Capital Funding, LLC dated April 12, 2019.</u>
10.36*	<u>Collateralized Secured Promissory Note pursuant to Securities Purchase Agreement by and between LG Capital Funding, LLC and IronClad Encryption Corporation dated April 12, 2019.</u>
10.37*	<u>Securities Purchase Agreement by and between IronClad Encryption Corporation and Morningview Financial, LLC dated April 23, 2019.</u>

[Table of Contents](#)

10.38*	Convertible Promissory Note pursuant to Securities Purchase Agreement by and between IronClad Encryption Corporation and Morningview Financial, LLC dated April 23, 2019.
10.39*	Securities Purchase Agreement by and between IronClad Encryption Corporation and Odyssey Capital Funding, LLC dated May 15, 2019.
10.40*	Convertible Promissory Note pursuant to Securities Purchase Agreement by and between IronClad Encryption Corporation and Odyssey Capital Funding, LLC dated May 15, 2019.
10.41**	Amended and Restated IronClad Encryption Corporation 2017 Equity Incentive Plan (incorporated by reference from Exhibit 10.01 of the Company's current report on Form 8-K (No. 000-53662) filed October 17, 2017)
10.42**	Employment Agreement by and between IronClad Encryption Corporation and Jeff B. Barrett effective as of January 6, 2017 (incorporated by reference from Exhibit 10.05 of the Company's quarterly report on Form 10-Q (No. 000-53662) filed August 21, 2017).
10.43**	Employment Agreement by and between IronClad Encryption Corporation and Daniel M. Lerner effective as of January 6, 2017 (incorporated by reference from Exhibit 10.06 of the Company's quarterly report on Form 10-Q (No. 000-53662) filed August 21, 2017).
10.44**	Employment Agreement by and between IronClad Encryption Corporation and James D. McGraw effective as of January 6, 2017 (incorporated by reference from Exhibit 10.07 of the Company's quarterly report on Form 10-Q (No. 000-53662) filed August 21, 2017).
10.45**	Employment Agreement by and between IronClad Encryption Corporation and Len E. Walker effective as of January 6, 2017 (incorporated by reference from Exhibit 10.08 of the Company's quarterly report on Form 10-Q (No. 000-53662) filed August 21, 2017).
10.46**	Employment Agreement by and between IronClad Encryption Corporation and David G. Gullickson effective as of May 1, 2017 (incorporated by reference from Exhibit 10.09 of the Company's quarterly report on Form 10-Q (No. 000-53662) filed August 21, 2017).
10.47**	Employment Agreement by and between IronClad Encryption Corporation and Monty R. Points effective as of May 1, 2017 (incorporated by reference from Exhibit 10.10 of the Company's quarterly report on Form 10-Q (No. 000-53662) filed August 21, 2017).
10.48**	Employment Agreement by and between IronClad Encryption Corporation and Randall W. Rice effective as of June 1, 2017 (incorporated by reference from Exhibit 10.11 of the Company's quarterly report on Form 10-Q (No. 000-53662) filed August 21, 2017).
21	Subsidiaries of the Registrant
23	Consent of Independent Registered Public Accounting Firm
31.1 *	Certification of Principal Executive Officer of IronClad Encryption Corporation required by Rule 13a-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2 *	Certification of Principal Financial Officer of IronClad Encryption Corporation required by Rule 13a-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1 ***	Certification of Principal Executive Officer of IronClad Encryption Corporation pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and Section 1350 of Chapter 63 of Title 18 of the United States Code (18 U.S.C. 1350)
32.2 ***	Certification of Principal Financial Officer of IronClad Encryption Corporation pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and Section 1350 of Chapter 63 of Title 18 of the United States Code (18 U.S.C. 1350)
101.INS*	XBRL Instance Document
101.SCH*	XBRL Taxonomy Extension Schema Document
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	XBRL Taxonomy Extension Definitions Linkbase Document
101.LAB*	XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase Document.

* Filed herewith.

** Denotes a management contract or compensatory plan or arrangement.

*** Furnished herewith.

Exhibit 3.4

**CERTIFICATE OF AMENDMENT
OF
CERTIFICATE OF INCORPORATION
OF
IRONCLAD ENCRYPTION CORPORATION**

Pursuant to Section 242 of the General
Corporation Law of the State of Delaware

IronClad Encryption Corporation, a corporation organized and existing under the laws of the State of Delaware (the "Corporation"), hereby certifies as follows:

FIRST: Section 1 of Article VI of the Certificate of Incorporation of the Corporation is hereby amended and restated in its entirety to read as follows:

"Section 1 **Aggregate Number of Shares.** The total number of shares which the Corporation shall have authority to issue is 821,707,093, having a par value of \$0.001 per share, of which (a) 20,000,000 shares shall be Preferred Stock, (b) 800,000,000 shares shall be Class A Common Stock, and (c) 1,707,093 shares shall be Class B Common Stock."

SECOND: The amendment to the Certificate of Incorporation effected hereby has been proposed by the Board of Directors of the Corporation and adopted by the requisite vote of the stockholders of the Corporation in the manner prescribed by Section 242 of the General Corporation Law of the State of Delaware.

IN WITNESS WHEREOF, the Corporation has caused this certificate to be signed by its duly authorized officer this 19th day of March, 2019.

IRONCLAD ENCRYPTION CORPORATION

By: /s/ Len E. Walker
Name: Len E. Walker
Title: Secretary and General Counsel

SECURITIES PURCHASE AGREEMENT

This **SECURITIES PURCHASE AGREEMENT** (the “Agreement”), dated as of February 14, 2019, by and between **IRONCLAD ENCRYPTION CORPORATION**, a Delaware corporation, with headquarters located at One Riverway, 777 South Post Oak Lane, Suite 1700, Houston, TX 77056 (the “Company”), and **MORNINGVIEW FINANCIAL, LLC**, a Wyoming limited liability company, with its address at 401 Park Ave. South, 10th Floor, New York, NY 10016 (the “Buyer”).

WHEREAS:

A. The Company and the Buyer are executing and delivering this Agreement in reliance upon the exemption from securities registration afforded by the rules and regulations as promulgated by the United States Securities and Exchange Commission (the “SEC”) under the Securities Act of 1933, as amended (the “1933 Act”);

B. Buyer desires to purchase and the Company desires to issue and sell, upon the terms and conditions set forth in this Agreement, the 12% convertible note of the Company, in the form attached hereto as Exhibit A, in the aggregate principal amount of US\$57,750.00 (together with any note(s) issued in replacement thereof or as a dividend thereon or otherwise with respect thereto in accordance with the terms thereof, the “Note”), convertible into shares of common stock of the Company (the “Common Stock”), upon the terms and subject to the limitations and conditions set forth in such Note; and

C. The Buyer wishes to purchase, upon the terms and conditions stated in this Agreement, such principal amount of Note as is set forth immediately below its name on the signature pages hereto.

NOW THEREFORE, the Company and the Buyer severally (and not jointly) hereby agree as follows:

1. PURCHASE AND SALE OF NOTE.

a. Purchase of Note. On the Closing Date (as defined below), the Company shall issue and sell to the Buyer and the Buyer agrees to purchase from the Company such principal amount of Note as is set forth immediately below the Buyer’s name on the signature pages hereto, subject to the express terms of the Note.

b. Form of Payment. On or around the Closing Date (as defined below), the Buyer shall pay the purchase price for Note, which is equal to \$52,500.00 (the “Purchase Price”) by wire transfer of immediately available funds, in accordance with the Company’s written wiring instructions, against delivery of the Note, and (i) the Company shall deliver such duly executed Note on behalf of the Company, to the Buyer.

c. Closing Date. Subject to the satisfaction (or written waiver) of the conditions thereto set forth in Section 6 and Section 7 below, the date and time of the issuance and sale of the Note pursuant to this Agreement (the “Closing Date”) shall be 5:00 P.M., Eastern Standard Time on or about February 14, 2019, or such other mutually agreed upon time. The closing of the transactions contemplated by this Agreement (the “Closing”) shall occur on the Closing Date at such location as may be agreed to by the parties.

2. **REPRESENTATIONS AND WARRANTIES OF THE BUYER**. The Buyer represents and warrants to the Company that:

a. Investment Purpose. As of the date hereof, the Buyer is purchasing the Note and the shares of Common Stock issuable upon conversion of or otherwise pursuant to the Note (including, without limitation, such additional shares of Common Stock, if any, as are issuable (i) on account of interest on the Note or (ii) as a result of the events described in Sections 1.3 and 1.4(g) of the Note, such shares of Common Stock being collectively referred to herein as the “Conversion Shares” and, collectively with the Note, the “Securities”) for

its own account and not with a present view towards the public sale or distribution thereof, except pursuant to sales registered or exempted from registration under the 1933 Act; provided, however, that by making the representations herein, the Buyer does not agree to hold any of the Securities for any minimum or other specific term and reserves the right to dispose of the Securities at any time in accordance with or pursuant to a registration statement or an exemption under the 1933 Act.

b. Reliance on Exemptions. The Buyer understands that the Securities are being offered and sold to it in reliance upon specific exemptions from the registration requirements of United States federal and state securities laws and that the Company is relying upon the truth and accuracy of, and the Buyer's compliance with, the representations, warranties, agreements, acknowledgments and understandings of the Buyer set forth herein in order to determine the availability of such exemptions and the eligibility of the Buyer to acquire the Securities. The Buyer is an "accredited investor" as that term is defined in Rule 501(a) of Regulation D (an "Accredited Investor").

c. Information. The Buyer and its advisors, if any, have been, and for so long as the Note remain outstanding will continue to be, furnished with all materials relating to the business, finances and operations of the Company and materials relating to the offer and sale of the Securities which have been requested by the Buyer or its advisors. The Buyer and its advisors, if any, have been, and for so long as the Note remain outstanding will continue to be, afforded the opportunity to ask questions of the Company. Notwithstanding the foregoing, the Company has not disclosed to the Buyer any material nonpublic information and will not disclose such information unless such information is disclosed to the public prior to or promptly following such disclosure to the Buyer. Neither such inquiries nor any other due diligence investigation conducted by Buyer or any of its advisors or representatives shall modify, amend or affect Buyer's right to rely on the Company's representations and warranties contained in Section 3 below. The Buyer understands that its investment in the Securities involves a significant degree of risk. The Buyer is not aware of any facts that may constitute a breach of any of the Company's representations and warranties made herein.

d. Governmental Review. The Buyer understands that no United States federal or state agency or any other government or governmental agency has passed upon or made any recommendation or endorsement of the Securities.

e. Transfer or Re-sale. The Buyer understands that (i) the sale or re-sale of the Securities has not been and is not being registered under the 1933 Act or any applicable state securities laws, and the Securities may not be transferred unless (a) the Securities are sold pursuant to an effective registration statement under the 1933 Act, (b) the Buyer shall have delivered to the Company, at the cost of the Buyer, an opinion of counsel that shall be in form, substance and scope customary for opinions of counsel in comparable transactions to the effect that the Securities to be sold or transferred may be sold or transferred pursuant to an exemption from such registration, which opinion shall be accepted by the Company, (c) the Securities are sold or transferred to an "affiliate" (as defined in Rule 144 promulgated under the 1933 Act (or a successor rule) ("Rule 144")) of the Buyer who agrees to sell or otherwise transfer the Securities only in accordance with this Section 2(f) and who is an Accredited Investor, (d) the Securities are sold pursuant to Rule 144, or (e) the Securities are sold pursuant to Regulation S under the 1933 Act (or a successor rule) ("Regulation S"), and the Buyer shall have delivered to the Company, at the cost of the Buyer, an opinion of counsel that shall be in form, substance and scope customary for opinions of counsel in corporate transactions, which opinion shall be accepted by the Company; (ii) any sale of such Securities made in reliance on Rule 144 may be made only in accordance with the terms of said Rule and further, if said Rule is not applicable, any re-sale of such Securities under circumstances in which the seller (or the person through whom the sale is made) may be deemed to be an underwriter (as that term is defined in the 1933 Act) may require compliance with some other exemption under the 1933 Act or the rules and regulations of the SEC thereunder; and (iii) neither the Company nor any other person is under any obligation to register such Securities under the 1933 Act or any state securities laws or to comply with the terms and conditions of any exemption thereunder (in each case). Notwithstanding the foregoing or anything else contained herein to the contrary, the Securities may be pledged as collateral in connection with a bona fide margin account or other lending arrangement.

f. Legends. The Buyer understands that the Note and, until such time as the Conversion Shares have been registered under the 1933 Act may be sold pursuant to Rule 144 or Regulation S without any restriction as to the number of securities as of a particular date that can then be immediately sold, the Conversion Shares may bear a restrictive legend in substantially the following form (and a stop-transfer order may be placed against transfer of the certificates for such Securities):

“NEITHER THE ISSUANCE AND SALE OF THE SECURITIES REPRESENTED BY THIS CERTIFICATE NOR THE SECURITIES INTO WHICH THESE SECURITIES ARE EXERCISABLE HAVE BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR APPLICABLE STATE SECURITIES LAWS. THE SECURITIES MAY NOT BE OFFERED FOR SALE, SOLD, TRANSFERRED OR ASSIGNED (I) IN THE ABSENCE OF (A) AN EFFECTIVE REGISTRATION STATEMENT FOR THE SECURITIES UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR (B) AN OPINION OF COUNSEL (WHICH COUNSEL SHALL BE SELECTED BY THE HOLDER), IN A GENERALLY ACCEPTABLE FORM, THAT REGISTRATION IS NOT REQUIRED UNDER SAID ACT OR (II) UNLESS SOLD PURSUANT TO RULE 144 OR RULE 144A UNDER SAID ACT. NOTWITHSTANDING THE FOREGOING, THE SECURITIES MAY BE PLEDGED IN CONNECTION WITH A BONA FIDE MARGIN ACCOUNT OR OTHER LOAN OR FINANCING ARRANGEMENT SECURED BY THE SECURITIES.”

The legend set forth above shall be removed and the Company shall issue a certificate without such legend to the holder of any Security upon which it is stamped, if, unless otherwise required by applicable state securities laws, (a) such Security is registered for sale under an effective registration statement filed under the 1933 Act or otherwise may be sold pursuant to Rule 144 or Regulation S without any restriction as to the number of securities as of a particular date that can then be immediately sold, or (b) such holder provides the Company with an opinion of counsel, in form, substance and scope customary for opinions of counsel in comparable transactions, to the effect that a public sale or transfer of such Security may be made without registration under the 1933 Act, which opinion shall be accepted by the Company so that the sale or transfer is effected. The Buyer agrees to sell all Securities, including those represented by a certificate(s) from which the legend has been removed, in compliance with applicable prospectus delivery requirements, if any. In the event that the Company does not accept the opinion of counsel provided by the Buyer with respect to the transfer of Securities pursuant to an exemption from registration, such as Rule 144 or Regulation S, at the Deadline, it will be considered an Event of Default pursuant to Section 3.2 of the Note.

g. Authorization; Enforcement. This Agreement has been duly and validly authorized. This Agreement has been duly executed and delivered on behalf of the Buyer, and this Agreement constitutes a valid and binding agreement of the Buyer enforceable in accordance with its terms.

h. Residency. The Buyer is a resident of the jurisdiction set forth immediately below the Buyer's name on the signature pages hereto.

3. REPRESENTATIONS AND WARRANTIES OF THE COMPANY. The Company represents and warrants to the Buyer that:

a. Organization and Qualification. The Company and each of its Subsidiaries (as defined below), if any, is a corporation duly organized, validly existing and in good standing under the laws of the jurisdiction in which it is incorporated, with full power and authority (corporate and other) to own, lease, use and operate its properties and to carry on its business as and where now owned, leased, used, operated and conducted. Schedule 3(a) sets forth a list of all of the Subsidiaries of the Company and the jurisdiction in which each is incorporated. The Company and each of its Subsidiaries is duly qualified as a foreign corporation to do business and is in

good standing in every jurisdiction in which its ownership or use of property or the nature of the business conducted by it makes such qualification necessary except where the failure to be so qualified or in good standing would not have a Material Adverse Effect. “Material Adverse Effect” means any material adverse effect on the business, operations, assets, financial condition or prospects of the Company or its Subsidiaries, if any, taken as a whole, or on the transactions contemplated hereby or by the agreements or instruments to be entered into in connection herewith. “Subsidiaries” means any corporation or other organization, whether incorporated or unincorporated, in which the Company owns, directly or indirectly, any equity or other ownership interest.

b. Authorization; Enforcement. (i) The Company has all requisite corporate power and authority to enter into and perform this Agreement, the Note and to consummate the transactions contemplated hereby and thereby and to issue the Securities, in accordance with the terms hereof and thereof, (ii) the execution and delivery of this Agreement, the Note by the Company and the consummation by it of the transactions contemplated hereby and thereby (including without limitation, the issuance of the Note and the issuance and reservation for issuance of the Conversion Shares issuable upon conversion or exercise thereof) have been duly authorized by the Company’s Board of Directors and no further consent or authorization of the Company, its Board of Directors, or its shareholders is required, (iii) this Agreement has been duly executed and delivered by the Company by its authorized representative, and such authorized representative is the true and official representative with authority to sign this Agreement and the other documents executed in connection herewith and bind the Company accordingly, and (iv) this Agreement constitutes, and upon execution and delivery by the Company of the Note, each of such instruments will constitute, a legal, valid and binding obligation of the Company enforceable against the Company in accordance with its terms.

c. Capitalization. Except as disclosed in the SEC Documents, no shares are reserved for issuance pursuant to the Company’s stock option plans, no shares are reserved for issuance pursuant to securities (other than the Note) exercisable for, or convertible into or exchangeable for shares of Common Stock and sufficient shares are reserved for issuance upon conversion of the Note (as required by the Note and transfer agent share reserve letter). All of such outstanding shares of capital stock are, or upon issuance will be, duly authorized, validly issued, fully paid and non-assessable. No shares of capital stock of the Company are subject to preemptive rights or any other similar rights of the shareholders of the Company or any liens or encumbrances imposed through the actions or failure to act of the Company. Except as disclosed in the SEC Documents, as of the effective date of this Agreement, (i) there are no outstanding options, warrants, scrip, rights to subscribe for, puts, calls, rights of first refusal, agreements, understandings, claims or other commitments or rights of any character whatsoever relating to, or securities or rights convertible into or exchangeable for any shares of capital stock of the Company or any of its Subsidiaries, or arrangements by which the Company or any of its Subsidiaries is or may become bound to issue additional shares of capital stock of the Company or any of its Subsidiaries, (ii) there are no agreements or arrangements under which the Company or any of its Subsidiaries is obligated to register the sale of any of its or their securities under the 1933 Act and (iii) there are no anti-dilution or price adjustment provisions contained in any security issued by the Company (or in any agreement providing rights to security holders) that will be triggered by the issuance of the Note or the Conversion Shares. The Company has filed in its SEC Documents true and correct copies of the Company’s Certificate of Incorporation as in effect on the date hereof (“Certificate of Incorporation”), the Company’s By-laws, as in effect on the date hereof (the “By-laws”), and the terms of all securities convertible into or exercisable for Common Stock of the Company and the material rights of the holders thereof in respect thereto. The Company shall provide the Buyer with a written update of this representation signed by the Company’s Chief Executive on behalf of the Company as of the Closing Date.

d. Issuance of Shares. The Conversion Shares are duly authorized and reserved for issuance and, upon conversion of the Note in accordance with its respective terms, will be validly issued, fully paid and non-assessable, and free from all taxes, liens, claims and encumbrances with respect to the issue thereof and shall not be subject to preemptive rights or other similar rights of shareholders of the Company and will not impose personal liability upon the holder thereof.

e. Acknowledgment of Dilution. The Company understands and acknowledges the potentially dilutive effect to the Common Stock upon the issuance of the Conversion Shares upon conversion of the Note. The Company further acknowledges that its obligation to issue Conversion Shares upon conversion of the Note in accordance with this Agreement, the Note is absolute and unconditional regardless of the dilutive effect that such issuance may have on the ownership interests of other shareholders of the Company.

f. No Conflicts. The execution, delivery and performance of this Agreement, the Note by the Company and the consummation by the Company of the transactions contemplated hereby and thereby (including, without limitation, the issuance and reservation for issuance of the Conversion Shares) will not (i) conflict with or result in a violation of any provision of the Certificate of Incorporation or By-laws, or (ii) violate or conflict with, or result in a breach of any provision of, or constitute a default (or an event which with notice or lapse of time or both could become a default) under, or give to others any rights of termination, amendment, acceleration or cancellation of, any agreement, indenture, patent, patent license or instrument to which the Company or any of its Subsidiaries is a party, or (iii) result in a violation of any law, rule, regulation, order, judgment or decree (including federal and state securities laws and regulations and regulations of any self-regulatory organizations to which the Company or its securities are subject) applicable to the Company or any of its Subsidiaries or by which any property or asset of the Company or any of its Subsidiaries is bound or affected (except for such conflicts, defaults, terminations, amendments, accelerations, cancellations and violations as would not, individually or in the aggregate, have a Material Adverse Effect). Neither the Company nor any of its Subsidiaries is in violation of its Certificate of Incorporation, By-laws or other organizational documents and neither the Company nor any of its Subsidiaries is in default (and no event has occurred which with notice or lapse of time or both could put the Company or any of its Subsidiaries in default) under, and neither the Company nor any of its Subsidiaries has taken any action or failed to take any action that would give to others any rights of termination, amendment, acceleration or cancellation of, any agreement, indenture or instrument to which the Company or any of its Subsidiaries is a party or by which any property or assets of the Company or any of its Subsidiaries is bound or affected, except for possible defaults as would not, individually or in the aggregate, have a Material Adverse Effect. The businesses of the Company and its Subsidiaries, if any, are not being conducted, and shall not be conducted so long as the Buyer owns any of the Securities, in violation of any law, ordinance or regulation of any governmental entity. Except as specifically contemplated by this Agreement and as required under the 1933 Act and any applicable state securities laws, the Company is not required to obtain any consent, authorization or order of, or make any filing or registration with, any court, governmental agency, regulatory agency, self-regulatory organization or stock market or any third party in order for it to execute, deliver or perform any of its obligations under this Agreement, the Note in accordance with the terms hereof or thereof or to issue and sell the Note in accordance with the terms hereof and to issue the Conversion Shares upon conversion of the Note. All consents, authorizations, orders, filings and registrations which the Company is required to obtain pursuant to the preceding sentence have been obtained or effected on or prior to the date hereof. The Company is not in violation of the listing requirements of the Over-the-Counter Bulletin Board (the "OTCBB"), the OTCQB or any similar quotation system, and does not reasonably anticipate that the Common Stock will be delisted by the OTCBB, the OTCQB or any similar quotation system, in the foreseeable future. The Company and its Subsidiaries are unaware of any facts or circumstances which might give rise to any of the foregoing.

g. SEC Documents; Financial Statements. The Company has timely filed all reports, schedules, forms, statements and other documents required to be filed by it with the SEC pursuant to the reporting requirements of the Securities Exchange Act of 1934, as amended (the "1934 Act") (all of the foregoing filed prior to the date hereof and all exhibits included therein and financial statements and schedules thereto and documents (other than exhibits to such documents) incorporated by reference therein, being hereinafter referred to herein as the "SEC Documents"). The Company has delivered to the Buyer true and complete copies of the SEC Documents, except for such exhibits and incorporated documents. As of their respective dates, the SEC Documents complied in all material respects with the requirements of the 1934 Act and the rules and regulations of the SEC promulgated thereunder applicable to the SEC Documents, and none of the SEC Documents, at the time they were filed with the SEC, contained any untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary in order to make the statements therein, in light of the

circumstances under which they were made, not misleading. None of the statements made in any such SEC Documents is, or has been, required to be amended or updated under applicable law (except for such statements as have been amended or updated in subsequent filings prior the date hereof). As of their respective dates, the financial statements of the Company included in the SEC Documents complied as to form in all material respects with applicable accounting requirements and the published rules and regulations of the SEC with respect thereto. Such financial statements have been prepared in accordance with United States generally accepted accounting principles, consistently applied, during the periods involved and fairly present in all material respects the consolidated financial position of the Company and its consolidated Subsidiaries as of the dates thereof and the consolidated results of their operations and cash flows for the periods then ended (subject, in the case of unaudited statements, to normal year-end audit adjustments). Except as set forth in the financial statements of the Company included in the SEC Documents, the Company has no liabilities, contingent or otherwise, other than (i) liabilities incurred in the ordinary course of business, and (ii) obligations under contracts and commitments incurred in the ordinary course of business and not required under generally accepted accounting principles to be reflected in such financial statements, which, individually or in the aggregate, are not material to the financial condition or operating results of the Company. The Company is subject to the reporting requirements of the 1934 Act. For the avoidance of doubt, filing of the documents required in this Section 3(g) via the SEC's Electronic Data Gathering, Analysis, and Retrieval system ("EDGAR") shall satisfy all delivery requirements of this Section 3(g).

h. Absence of Certain Changes. There have been no material adverse change and no material adverse development in the assets, liabilities, business, properties, operations, financial condition, results of operations, prospects or 1934 Act reporting status of the Company or any of its Subsidiaries.

i. Absence of Litigation. There is no action, suit, claim, proceeding, inquiry or investigation before or by any court, public board, government agency, self-regulatory organization or body pending or, to the knowledge of the Company or any of its Subsidiaries, threatened against or affecting the Company or any of its Subsidiaries, or their officers or directors in their capacity as such, that could have a Material Adverse Effect. Schedule 3(i) contains a complete list and summary description of any pending or, to the knowledge of the Company, threatened proceeding against or affecting the Company or any of its Subsidiaries, without regard to whether it would have a Material Adverse Effect. The Company and its Subsidiaries are unaware of any facts or circumstances which might give rise to any of the foregoing.

j. Patents, Copyrights, etc. The Company and each of its Subsidiaries owns or possesses the requisite licenses or rights to use all patents, patent applications, patent rights, inventions, know-how, trade secrets, trademarks, trademark applications, service marks, service names, trade names and copyrights ("Intellectual Property") necessary to enable it to conduct its business as now operated (and, as presently contemplated to be operated in the future); Except as disclosed in the SEC Documents, there is no claim or action by any person pertaining to, or proceeding pending, or to the Company's knowledge threatened, which challenges the right of the Company or of a Subsidiary with respect to any Intellectual Property necessary to enable it to conduct its business as now operated (and, as presently contemplated to be operated in the future); to the best of the Company's knowledge, the Company's or its Subsidiaries' current and intended products, services and processes do not infringe on any Intellectual Property or other rights held by any person; and the Company is unaware of any facts or circumstances which might give rise to any of the foregoing. The Company and each of its Subsidiaries have taken reasonable security measures to protect the secrecy, confidentiality and value of their Intellectual Property.

k. No Materially Adverse Contracts, Etc. Neither the Company nor any of its Subsidiaries is subject to any charter, corporate or other legal restriction, or any judgment, decree, order, rule or regulation which in the judgment of the Company's officers has or is expected in the future to have a Material Adverse Effect. Neither the Company nor any of its Subsidiaries is a party to any contract or agreement which in the judgment of the Company's officers has or is expected to have a Material Adverse Effect.

l. Tax Status. The Company and each of its Subsidiaries has made or filed all federal, state and foreign income and all other tax returns, reports and declarations required by any jurisdiction to which it is

subject (unless and only to the extent that the Company and each of its Subsidiaries has set aside on its books provisions reasonably adequate for the payment of all unpaid and unreported taxes) and has paid all taxes and other governmental assessments and charges that are material in amount, shown or determined to be due on such returns, reports and declarations, except those being contested in good faith and has set aside on its books provisions reasonably adequate for the payment of all taxes for periods subsequent to the periods to which such returns, reports or declarations apply. There are no unpaid taxes in any material amount claimed to be due by the taxing authority of any jurisdiction, and the officers of the Company know of no basis for any such claim. The Company has not executed a waiver with respect to the statute of limitations relating to the assessment or collection of any foreign, federal, state or local tax. None of the Company's tax returns is presently being audited by any taxing authority.

m. Certain Transactions. Except for arm's length transactions pursuant to which the Company or any of its Subsidiaries makes payments in the ordinary course of business upon terms no less favorable than the Company or any of its Subsidiaries could obtain from third parties and other than the grant of stock options disclosed on Schedule 3(c), none of the officers, directors, or employees of the Company is presently a party to any transaction with the Company or any of its Subsidiaries (other than for services as employees, officers and directors), including any contract, agreement or other arrangement providing for the furnishing of services to or by, providing for rental of real or personal property to or from, or otherwise requiring payments to or from any officer, director or such employee or, to the knowledge of the Company, any corporation, partnership, trust or other entity in which any officer, director, or any such employee has a substantial interest or is an officer, director, trustee or partner.

n. Disclosure. All information relating to or concerning the Company or any of its Subsidiaries set forth in this Agreement and provided to the Buyer pursuant to Section 2(d) hereof and otherwise in connection with the transactions contemplated hereby is true and correct in all material respects and the Company has not omitted to state any material fact necessary in order to make the statements made herein or therein, in light of the circumstances under which they were made, not misleading. No event or circumstance has occurred or exists with respect to the Company or any of its Subsidiaries or its or their business, properties, prospects, operations or financial conditions, which, under applicable law, rule or regulation, requires public disclosure or announcement by the Company but which has not been so publicly announced or disclosed (assuming for this purpose that the Company's reports filed under the 1934 Act are being incorporated into an effective registration statement filed by the Company under the 1933 Act).

o. Acknowledgment Regarding Buyer's Purchase of Securities. The Company acknowledges and agrees that the Buyer is acting solely in the capacity of arm's length purchasers with respect to this Agreement and the transactions contemplated hereby. The Company further acknowledges that the Buyer is not acting as a financial advisor or fiduciary of the Company (or in any similar capacity) with respect to this Agreement and the transactions contemplated hereby and any statement made by the Buyer or any of its respective representatives or agents in connection with this Agreement and the transactions contemplated hereby is not advice or a recommendation and is merely incidental to the Buyer's purchase of the Securities. The Company further represents to the Buyer that the Company's decision to enter into this Agreement has been based solely on the independent evaluation of the Company and its representatives.

p. No Integrated Offering. Neither the Company, nor any of its affiliates, nor any person acting on its or their behalf, has directly or indirectly made any offers or sales in any security or solicited any offers to buy any security under circumstances that would require registration under the 1933 Act of the issuance of the Securities to the Buyer. The issuance of the Securities to the Buyer will not be integrated with any other issuance of the Company's securities (past, current or future) for purposes of any shareholder approval provisions applicable to the Company or its securities.

q. No Brokers. The Company has taken no action which would give rise to any claim by any person for brokerage commissions, transaction fees or similar payments relating to this Agreement or the transactions contemplated hereby.

r. Permits; Compliance. The Company and each of its Subsidiaries is in possession of all franchises, grants, authorizations, licenses, permits, easements, variances, exemptions, consents, certificates, approvals and orders necessary to own, lease and operate its properties and to carry on its business as it is now being conducted (collectively, the “Company Permits”), and there is no action pending or, to the knowledge of the Company, threatened regarding suspension or cancellation of any of the Company Permits. Neither the Company nor any of its Subsidiaries is in conflict with, or in default or violation of, any of the Company Permits, except for any such conflicts, defaults or violations which, individually or in the aggregate, would not reasonably be expected to have a Material Adverse Effect. Neither the Company nor any of its Subsidiaries has received any notification with respect to possible conflicts, defaults or violations of applicable laws, except for notices relating to possible conflicts, defaults or violations, which conflicts, defaults or violations would not have a Material Adverse Effect.

s. Environmental Matters.

(i) There are, to the Company’s knowledge, with respect to the Company or any of its Subsidiaries or any predecessor of the Company, no past or present violations of Environmental Laws (as defined below), releases of any material into the environment, actions, activities, circumstances, conditions, events, incidents, or contractual obligations which may give rise to any common law environmental liability or any liability under the Comprehensive Environmental Response, Compensation and Liability Act of 1980 or similar federal, state, local or foreign laws and neither the Company nor any of its Subsidiaries has received any notice with respect to any of the foregoing, nor is any action pending or, to the Company’s knowledge, threatened in connection with any of the foregoing. The term “Environmental Laws” means all federal, state, local or foreign laws relating to pollution or protection of human health or the environment (including, without limitation, ambient air, surface water, groundwater, land surface or subsurface strata), including, without limitation, laws relating to emissions, discharges, releases or threatened releases of chemicals, pollutants, contaminants, or toxic or hazardous substances or wastes (collectively, “Hazardous Materials”) into the environment, or otherwise relating to the manufacture, processing, distribution, use, treatment, storage, disposal, transport or handling of Hazardous Materials, as well as all authorizations, codes, decrees, demands or demand letters, injunctions, judgments, licenses, notices or notice letters, orders, permits, plans or regulations issued, entered, promulgated or approved thereunder.

(ii) Other than those that are or were stored, used or disposed of in compliance with applicable law, no Hazardous Materials are contained on or about any real property currently owned, leased or used by the Company or any of its Subsidiaries, and no Hazardous Materials were released on or about any real property previously owned, leased or used by the Company or any of its Subsidiaries during the period the property was owned, leased or used by the Company or any of its Subsidiaries, except in the normal course of the Company’s or any of its Subsidiaries’ business.

(iii) There are no underground storage tanks on or under any real property owned, leased or used by the Company or any of its Subsidiaries that are not in compliance with applicable law.

t. Title to Property. Except as disclosed in the SEC Documents the Company and its Subsidiaries have good and marketable title in fee simple to all real property and good and marketable title to all personal property owned by them which is material to the business of the Company and its Subsidiaries, in each case free and clear of all liens, encumbrances and defects or such as would not have a Material Adverse Effect. Any real property and facilities held under lease by the Company and its Subsidiaries are held by them under valid, subsisting and enforceable leases with such exceptions as would not have a Material Adverse Effect.

u. Internal Accounting Controls. Except as disclosed in the SEC Documents the Company and each of its Subsidiaries maintain a system of internal accounting controls sufficient, in the judgment of the Company’s board of directors, to provide reasonable assurance that (i) transactions are executed in accordance with management’s general or specific authorizations, (ii) transactions are recorded as necessary to permit preparation of financial statements in conformity with generally accepted accounting principles and to maintain asset accountability, (iii) access to assets is permitted only in accordance with management’s general or specific

authorization and (iv) the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences.

v. Foreign Corrupt Practices. Neither the Company, nor any of its Subsidiaries, nor any director, officer, agent, employee or other person acting on behalf of the Company or any Subsidiary has, in the course of his actions for, or on behalf of, the Company, used any corporate funds for any unlawful contribution, gift, entertainment or other unlawful expenses relating to political activity; made any direct or indirect unlawful payment to any foreign or domestic government official or employee from corporate funds; violated or is in violation of any provision of the U.S. Foreign Corrupt Practices Act of 1977, as amended, or made any bribe, rebate, payoff, influence payment, kickback or other unlawful payment to any foreign or domestic government official or employee.

w. Solvency. The Company (after giving effect to the transactions contemplated by this Agreement) is solvent (i.e., its assets have a fair market value in excess of the amount required to pay its probable liabilities on its existing debts as they become absolute and matured) and currently the Company has no information that would lead it to reasonably conclude that the Company would not, after giving effect to the transaction contemplated by this Agreement, have the ability to, nor does it intend to take any action that would impair its ability to, pay its debts from time to time incurred in connection therewith as such debts mature. The Company did not receive a qualified opinion from its auditors with respect to its most recent fiscal year end and, after giving effect to the transactions contemplated by this Agreement, does not anticipate or know of any basis upon which its auditors might issue a qualified opinion in respect of its current fiscal year. For the avoidance of doubt any disclosure of the Borrower's ability to continue as a "going concern" shall not, by itself, be a violation of this Section 3(w).

x. No Investment Company. The Company is not, and upon the issuance and sale of the Securities as contemplated by this Agreement will not be an "investment company" required to be registered under the Investment Company Act of 1940 (an "Investment Company"). The Company is not controlled by an Investment Company.

y. Insurance. Upon written request the Company will provide to the Buyer true and correct copies of all policies relating to directors' and officers' liability coverage, errors and omissions coverage, and commercial general liability coverage, if any.

z. Bad Actor. No officer or director of the Company would be disqualified under Rule 506(d) of the Securities Act as amended on the basis of being a "bad actor" as that term is established in the September 19, 2013 Small Entity Compliance Guide published by the Securities and Exchange Commission.

aa. Breach of Representations and Warranties by the Company. If the Company breaches any of the representations or warranties set forth in this Section 3, and in addition to any other remedies available to the Buyer pursuant to this Agreement, it will be considered an Event of default under Section 3.4 of the Note.

4. COVENANTS.

a. Best Efforts. The parties shall use their commercially reasonable best efforts to satisfy timely each of the conditions described in Section 6 and 7 of this Agreement.

b. Use of Proceeds. The Company shall use the proceeds from the sale of the Note for working capital and other general corporate purposes and shall not, directly or indirectly, use such proceeds for any loan to or investment in any other corporation, partnership, enterprise or other person (except in connection with its currently existing direct or indirect Subsidiaries).

c. Financial Information. The Company agrees to send or make available the following reports to the Buyer until the Buyer transfers, assigns, or sells all of the Securities: (i) within ten (10) days after the filing with the SEC, a copy of its Annual Report on Form 10-K its Quarterly Reports on Form 10-Q and any Current

Reports on Form 8-K; (ii) within one (1) day after release, copies of all press releases issued by the Company or any of its Subsidiaries; and (iii) contemporaneously with the making available or giving to the shareholders of the Company, copies of any notices or other information the Company makes available or gives to such shareholders. For the avoidance of doubt, filing the documents required in (i) above via EDGAR or releasing any documents set forth in (ii) above via a recognized wire service shall satisfy the delivery requirements of this Section 4(f).

d. Listing. The Company shall promptly secure the listing of the Conversion Shares upon each national securities exchange or automated quotation system, if any, upon which shares of Common Stock are then listed (subject to official notice of issuance) and, so long as the Buyer owns any of the Securities, shall maintain, so long as any other shares of Common Stock shall be so listed, such listing of all Conversion Shares from time to time issuable upon conversion of the Note. The Company will obtain and, so long as the Buyer owns any of the Securities, maintain the listing and trading of its Common Stock on the OTCBB, OTCQB, OTC Pink or any equivalent replacement exchange, the Nasdaq National Market (“Nasdaq”), the Nasdaq SmallCap Market (“Nasdaq SmallCap”), the New York Stock Exchange (“NYSE”), or the NYSE MKT and will comply in all respects with the Company’s reporting, filing and other obligations under the bylaws or rules of the Financial Industry Regulatory Authority (“FINRA”) and such exchanges, as applicable. The Company shall promptly provide to the Buyer copies of any material notices it receives from the OTCBB, OTCQB and any other exchanges or quotation systems on which the Common Stock is then listed regarding the continued eligibility of the Common Stock for listing on such exchanges and quotation systems.

e. Corporate Existence. So long as the Buyer beneficially owns any Note, the Company shall maintain its corporate existence and shall not sell all or substantially all of the Company’s assets, except in the event of a merger or consolidation or sale of all or substantially all of the Company’s assets, where the surviving or successor entity in such transaction (i) assumes the Company’s obligations hereunder and under the agreements and instruments entered into in connection herewith and (ii) is a publicly traded corporation whose Common Stock is listed for trading on the OTCBB, OTCQB, OTC Pink, Nasdaq, NasdaqSmallCap, NYSE or AMEX.

f. No Integration. The Company shall not make any offers or sales of any security (other than the Securities) under circumstances that would require registration of the Securities being offered or sold hereunder under the 1933 Act or cause the offering of the Securities to be integrated with any other offering of securities by the Company for the purpose of any stockholder approval provision applicable to the Company or its securities.

g. Failure to Comply with the 1934 Act. So long as the Buyer beneficially owns the Note, the Company shall comply with the reporting requirements of the 1934 Act; and the Company shall continue to be subject to the reporting requirements of the 1934 Act.

h. Trading Activities. Neither the Buyer nor its affiliates has an open short position (or other hedging or similar transactions) in the common stock of the Company and the Buyer agree that it shall not, and that it will cause its affiliates not to, engage in any short sales of or hedging transactions with respect to the common stock of the Company.

i. Breach of Covenants. If the Company breaches any of the covenants set forth in this Section 4, and in addition to any other remedies available to the Buyer pursuant to this Agreement, it will be considered an event of default under Section 3.3 of the Note.

5. Transfer Agent Instructions. Prior to registration of the Conversion Shares under the 1933 Act or the date on which the Conversion Shares may be sold pursuant to Rule 144 without any restriction as to the number of Securities as of a particular date that can then be immediately sold, all such certificates shall bear the restrictive legend specified in Section 2(g) of this Agreement. The Company warrants that: (i) no stop transfer instructions to give effect to Section 2(f) hereof (in the case of the Conversion Shares, prior to registration of the Conversion Shares under the 1933 Act or the date on which the Conversion Shares may be sold pursuant to Rule

144 without any restriction as to the number of Securities as of a particular date that can then be immediately sold), will be given by the Company to its transfer agent and that the Securities shall otherwise be freely transferable on the books and records of the Company as and to the extent provided in this Agreement and the Note; (ii) it will not direct its transfer agent not to transfer or delay, impair, and/or hinder its transfer agent in transferring (or issuing) (electronically or in certificated form) any certificate for Conversion Shares to be issued to the Buyer upon conversion of or otherwise pursuant to the Note as and when required by the Note and this Agreement; and (iii) it will not fail to remove (or directs its transfer agent not to remove or impairs, delays, and/or hinders its transfer agent from removing) any restrictive legend (or to withdraw any stop transfer instructions in respect thereof) on any certificate for any Conversion Shares issued to the Buyer upon conversion of or otherwise pursuant to the Note as and when required by the Note and this Agreement. Nothing in this Section shall affect in any way the Buyer's obligations and agreement set forth in Section 2(g) hereof to comply with all applicable prospectus delivery requirements, if any, upon re-sale of the Securities. If the Buyer provides the Company, at the cost of the Buyer, with (i) an opinion of counsel in form, substance and scope customary for opinions in comparable transactions, to the effect that a public sale or transfer of such Securities may be made without registration under the 1933 Act and such sale or transfer is effected or (ii) the Buyer provides reasonable assurances that the Securities can be sold pursuant to Rule 144, the Company shall permit the transfer, and, in the case of the Conversion Shares, promptly instruct its transfer agent to issue one or more certificates, free from restrictive legend, in such name and in such denominations as specified by the Buyer. The Company acknowledges that a breach by it of its obligations hereunder will cause irreparable harm to the Buyer, by vitiating the intent and purpose of the transactions contemplated hereby. Accordingly, the Company acknowledges that the remedy at law for a breach of its obligations under this Section may be inadequate and agrees, in the event of a breach or threatened breach by the Company of the provisions of this Section, that the Buyer shall be entitled, in addition to all other available remedies, to an injunction restraining any breach and requiring immediate transfer, without the necessity of showing economic loss and without any bond or other security being required.

6. CONDITIONS PRECEDENT TO THE COMPANY'S OBLIGATIONS TO SELL. The obligation of the Company hereunder to issue and sell the Note to the Buyer at the Closing is subject to the satisfaction, at or before the Closing Date of each of the following conditions thereto, provided that these conditions are for the Company's sole benefit and may be waived by the Company at any time in its sole discretion:

- a. The Buyer shall have executed this Agreement and delivered the same to the Company.
- b. The Buyer shall have delivered the Purchase Price in accordance with Section 1(b) above.
- c. The representations and warranties of the Buyer shall be true and correct in all material respects as of the date when made and as of the Closing Date as though made at that time (except for representations and warranties that speak as of a specific date), and the Buyer shall have performed, satisfied and complied in all material respects with the covenants, agreements and conditions required by this Agreement to be performed, satisfied or complied with by the Buyer at or prior to the Closing Date.
- d. No litigation, statute, rule, regulation, executive order, decree, ruling or injunction shall have been enacted, entered, promulgated or endorsed by or in any court or governmental authority of competent jurisdiction or any self-regulatory organization having authority over the matters contemplated hereby which prohibits the consummation of any of the transactions contemplated by this Agreement.

7. CONDITIONS PRECEDENT TO THE BUYER'S OBLIGATION TO PURCHASE. The obligation of the Buyer hereunder to purchase the Note at the Closing is subject to the satisfaction, at or before the Closing Date of each of the following conditions, provided that these conditions are for the Buyer's sole benefit and may be waived by the Buyer at any time in its sole discretion:

- a. The Company shall have executed this Agreement and delivered the same to the Buyer.
- b. The Company shall have delivered to the Buyer duly executed Note (in such denominations as

the Buyer shall request) in accordance with Section 1(b) above.

c. The representations and warranties of the Company shall be true and correct in all material respects as of the date when made and as of the Closing Date as though made at such time (except for representations and warranties that speak as of a specific date) and the Company shall have performed, satisfied and complied in all material respects with the covenants, agreements and conditions required by this Agreement to be performed, satisfied or complied with by the Company at or prior to the Closing Date. The Buyer shall have received a certificate or certificates, executed by the chief executive officer of the Company, dated as of the Closing Date, to the foregoing effect and as to such other matters as may be reasonably requested by the Buyer including, but not limited to certificates with respect to the Company's Certificate of Incorporation, By-laws and Board of Directors' resolutions relating to the transactions contemplated hereby.

d. No litigation, statute, rule, regulation, executive order, decree, ruling or injunction shall have been enacted, entered, promulgated or endorsed by or in any court or governmental authority of competent jurisdiction or any self-regulatory organization having authority over the matters contemplated hereby which prohibits the consummation of any of the transactions contemplated by this Agreement.

e. No event shall have occurred which could reasonably be expected to have a Material Adverse Effect on the Company including but not limited to a change in the 1934 Act reporting status of the Company or the failure of the Company to be timely in its 1934 Act reporting obligations.

f. The Conversion Shares shall have been authorized for quotation on the OTCBB, OTCQB or any similar quotation system and trading in the Common Stock on the OTCBB, OTCQB or any similar quotation system shall not have been suspended by the SEC or the OTCBB, OTCQB or any similar quotation system.

g. The Buyer shall have received an officer's certificate described in Section 3(c) above, dated as of the Closing Date.

8. GOVERNING LAW; MISCELLANEOUS.

a. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Nevada without regard to principles of conflicts of laws. Any action brought by either party against the other concerning the transactions contemplated by this Agreement shall be brought only in the state courts or in the federal courts located in New York, NY. The parties to this Agreement hereby irrevocably waive any objection to jurisdiction and venue of any action instituted hereunder and shall not assert any defense based on lack of jurisdiction or venue or based upon *forum non conveniens*. The Company and Buyer waive trial by jury. The prevailing party shall be entitled to recover from the other party its reasonable attorney's fees and costs. In the event that any provision of this Agreement or any other agreement delivered in connection herewith is invalid or unenforceable under any applicable statute or rule of law, then such provision shall be deemed inoperative to the extent that it may conflict therewith and shall be deemed modified to conform with such statute or rule of law. Any such provision which may prove invalid or unenforceable under any law shall not affect the validity or enforceability of any other provision of any agreement. Each party hereby irrevocably waives personal service of process and consents to process being served in any suit, action or proceeding in connection with this Agreement or any other Transaction Document by mailing a copy thereof via registered or certified mail or overnight delivery (with evidence of delivery) to such party at the address in effect for notices to it under this Agreement and agrees that such service shall constitute good and sufficient service of process and notice thereof. Nothing contained herein shall be deemed to limit in any way any right to serve process in any other manner permitted by law.

b. Counterparts; Signatures by Facsimile. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original but all of which shall constitute one and the same agreement and shall become effective when counterparts have been signed by each party and delivered to the

other party. This Agreement, once executed by a party, may be delivered to the other party hereto by facsimile transmission of a copy of this Agreement bearing the signature of the party so delivering this Agreement.

c. Headings. The headings of this Agreement are for convenience of reference only and shall not form part of, or affect the interpretation of, this Agreement.

d. Severability. In the event that any provision of this Agreement is invalid or unenforceable under any applicable statute or rule of law, then such provision shall be deemed inoperative to the extent that it may conflict therewith and shall be deemed modified to conform with such statute or rule of law. Any provision hereof which may prove invalid or unenforceable under any law shall not affect the validity or enforceability of any other provision hereof.

e. Entire Agreement; Amendments. This Agreement and the instruments referenced herein contain the entire understanding of the parties with respect to the matters covered herein and therein and, except as specifically set forth herein or therein, neither the Company nor the Buyer makes any representation, warranty, covenant or undertaking with respect to such matters. No provision of this Agreement may be waived or amended other than by an instrument in writing signed by the majority in interest of the Buyer.

f. Notices. All notices, demands, requests, consents, approvals, and other communications required or permitted hereunder shall be in writing and, unless otherwise specified herein, shall be (i) personally served, (ii) deposited in the mail, registered or certified, return receipt requested, postage prepaid, (iii) delivered by reputable air courier service with charges prepaid, or (iv) transmitted by hand delivery, telegram, facsimile, or electronic mail, addressed as set forth below or to such other address as such party shall have specified most recently by written notice. Any notice or other communication required or permitted to be given hereunder shall be deemed effective (a) upon hand delivery or delivery by facsimile or electronic mail, at the address or number designated below (if delivered on a business day during normal business hours where such notice is to be received), or the first business day following such delivery (if delivered other than on a business day during normal business hours where such notice is to be received) or (b) on the second business day following the date of mailing by express courier service, fully prepaid, addressed to such address, or upon actual receipt of such mailing, whichever shall first occur. The addresses for such communications shall be:

If to the Company, to:

IRONCLAD ENCRYPTION CORPORATION

One Riverway, 777 South Post Oak Lane, Suite 1700

Houston, TX 77056

e-mail: Len.walker@ironcladencryption.com

If to the Holder, to:

MORNINGVIEW FINANCIAL, LLC

401 Park Ave. South, 10th Floor New York, NY 10016

e-mail: max@morningviewfn.com

Each party shall provide notice to the other party of any change in address.

g. Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the parties and their successors and assigns. Neither the Company nor the Buyer shall assign this Agreement or any rights or obligations hereunder without the prior written consent of the other. Notwithstanding the foregoing, subject to Section 2(f), the Buyer may assign its rights hereunder to any person that purchases Securities in a private transaction from the Buyer or to any of its "affiliates," as that term is defined under the 1934 Act, without the consent of the Company.

h. Third Party Beneficiaries. This Agreement is intended for the benefit of the parties hereto and

their respective permitted successors and assigns, and is not for the benefit of, nor may any provision hereof be enforced by, any other person.

i. Survival. The representations and warranties of the Company and the agreements and covenants set forth in this Agreement shall survive the closing hereunder. The Company agrees to indemnify and hold harmless the Buyer and all their officers, directors, employees and agents for loss or damage arising as a result of or related to any breach by the Company of any of its representations, warranties and covenants set forth in this Agreement or any of its covenants and obligations under this Agreement, including advancement of expenses as they are incurred.

j. Further Assurances. Each party shall do and perform, or cause to be done and performed, all such further acts and things, and shall execute and deliver all such other agreements, certificates, instruments and documents, as the other party may reasonably request in order to carry out the intent and accomplish the purposes of this Agreement and the consummation of the transactions contemplated hereby.

k. No Strict Construction. The language used in this Agreement will be deemed to be the language chosen by the parties to express their mutual intent, and no rules of strict construction will be applied against any party.

l. Remedies.

(i) The Company acknowledges that a breach by it of its obligations hereunder will cause irreparable harm to the Buyer by vitiating the intent and purpose of the transaction contemplated hereby. Accordingly, the Company acknowledges that the remedy at law for a breach of its obligations under this Agreement will be inadequate and agrees, in the event of a breach or threatened breach by the Company of the provisions of this Agreement, that the Buyer shall be entitled, in addition to all other available remedies at law or in equity, and in addition to the penalties assessable herein, to an injunction or injunctions restraining, preventing or curing any breach of this Agreement and to enforce specifically the terms and provisions hereof, without the necessity of showing economic loss and without any bond or other security being required.

m. Publicity. The Company, and the Buyer shall have the right to review a reasonable period of time before issuance of any press releases, SEC, OTCQB (or other applicable trading market), or FINRA filings, or any other public statements with respect to the transactions contemplated hereby; provided, however, that the Company shall be entitled, without the prior approval of the Buyer, to make any press release or SEC, OTCQB (or other applicable trading market) or FINRA filings with respect to such transactions as is required by applicable law and regulations (although the Buyer shall be consulted by the Company in connection with any such press release prior to its release and shall be provided with a copy thereof).

[- signature page follows -]

IN WITNESS WHEREOF, the undersigned Buyer and the Company have caused this Agreement to be duly executed as of the date first above written.

IRONCLAD ENCRYPTION CORPORATION

By: /s/ James McGraw
Name: James McGraw
Title: Chief Executive Officer

MORNINGVIEW FINANCIAL, LLC

By: /s/ Max Riccio
Name: Max Riccio
Title: Authorized Signatory

AGGREGATE SUBSCRIPTION AMOUNT:

Aggregate Principal Amount of Note: US\$57,750.00

Aggregate Purchase Price: US\$52,500.00*

*The \$52,500.00 purchase price shall be paid within a reasonable amount of time after the full execution of the Note and all related transaction documentation.

NEITHER THE ISSUANCE NOR SALE OF THE SECURITIES REPRESENTED BY THIS CERTIFICATE NOR THE SECURITIES INTO WHICH THESE SECURITIES ARE CONVERTIBLE HAVE BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR APPLICABLE STATE SECURITIES LAWS. THE SECURITIES MAY NOT BE OFFERED FOR SALE, SOLD, TRANSFERRED OR ASSIGNED (I) IN THE ABSENCE OF (A) AN EFFECTIVE REGISTRATION STATEMENT FOR THE SECURITIES UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR (B) AN OPINION OF COUNSEL (WHICH COUNSEL SHALL BE SELECTED BY THE HOLDER), IN A GENERALLY ACCEPTABLE FORM, THAT REGISTRATION IS NOT REQUIRED UNDER SAID ACT OR (II) UNLESS SOLD PURSUANT TO RULE 144 OR RULE 144A UNDER SAID ACT. NOTWITHSTANDING THE FOREGOING, THE SECURITIES MAY BE PLEDGED IN CONNECTION WITH A BONA FIDE MARGIN ACCOUNT OR OTHER LOAN OR FINANCING ARRANGEMENT SECURED BY THE SECURITIES.

Principal Amount: \$57,750.00

Issue Date: February 14, 2019

Purchase Price: \$52,500.00

Original Issue Discount: \$5,250.00

CONVERTIBLE PROMISSORY NOTE

FOR VALUE RECEIVED, IRONCLAD ENCRYPTION CORPORATION, a Delaware corporation (hereinafter called the “Borrower”), hereby promises to pay to the order of **MORNINGVIEW FINANCIAL, LLC**, a Wyoming limited liability company, or registered assigns (the “Holder”) the principal sum of \$57,750.00 (the “Principal Amount”), together with interest at the rate of twelve percent (12%) per annum, at maturity or upon acceleration or otherwise, as set forth herein (the “Note”). The consideration to the Borrower for this Note is \$52,500.00 (the “Consideration”). At the closing, the outstanding principal amount under this Note shall be \$57,750.00, consisting of the Consideration plus the OID (as defined herein). The maturity date shall be twelve (12) months from the Issue Date (the “Maturity Date”), and is the date upon which the principal sum, as well as any accrued and unpaid interest and other fees shall be due and payable. This Note may not be prepaid in whole or in part except as otherwise explicitly set forth herein. Any amount of principal or interest on this Note, which is not paid by the Maturity Date, shall bear interest at the rate of the lesser of (i) eighteen percent (18%) per annum and (ii) the maximum amount permitted by applicable law from the due date thereof until the same is paid (“Default Interest”). Interest shall commence accruing on the date that the Note is fully paid and shall be computed on the basis of a 365-day year and the actual number of days elapsed. All payments due hereunder (to the extent not converted into the Borrower’s common stock (the “Common Stock”) in accordance with the terms hereof) shall be made in lawful money of the United States of America. All payments shall be made at such address as the Holder shall hereafter give to the Borrower by written notice made in accordance with the provisions of this Note. Whenever any amount expressed to be due by the terms of this Note is due on any day which is not a business day, the same shall instead be due on the next succeeding day which is a business day and, in the case of any interest payment date which is not the date on which this Note is paid in full, the extension of the due date thereof shall not be taken into account for purposes of determining the amount of interest due on such date. As used in this Note, the term “business day” shall mean any day other than a Saturday, Sunday or a day on which commercial banks in the city of New York, New York are authorized or required by law or executive order to remain closed.

This Note carries an original issue discount of \$5,250.00 (the “OID”), to cover the Holder’s accounting fees, due diligence fees, monitoring, and/or other transactional costs incurred in connection with the purchase and sale of the Note, which is included in the principal balance of this Note. Thus, the purchase price of this Note shall be \$52,500.00, computed as follows: the Principal Amount minus the OID.

This Note is free from all taxes, liens, claims and encumbrances with respect to the issue thereof and shall not be subject to preemptive rights or other similar rights of shareholders of the Borrower and will not impose personal liability upon the holder thereof.

The following additional terms shall also apply to this Note:

ARTICLE I. CONVERSION RIGHTS

1.1 Conversion Right. The Holder shall have the right at any time on or after the Issue Date to convert all or any part of the outstanding and unpaid principal amount and accrued and unpaid interest of this Note into fully paid and non-assessable shares of Common Stock, as such Common Stock exists on the Issue Date, or any shares of capital stock or other securities of the Borrower into which such Common Stock shall hereafter be changed or reclassified at the conversion price (the “Conversion Price”) determined as provided herein (a “Conversion”); provided, however, that in no event shall the Holder be entitled to convert any portion of this Note in excess of that portion of this Note upon conversion of which the sum of (1) the number of shares of Common Stock beneficially owned by the Holder and its affiliates (other than shares of Common Stock which may be deemed beneficially owned through the ownership of the unconverted portion of the Notes or the unexercised or unconverted portion of any other security of the Borrower subject to a limitation on conversion or exercise analogous to the limitations contained herein) and (2) the number of shares of Common Stock issuable upon the conversion of the portion of this Note with respect to which the determination of this proviso is being made, would result in beneficial ownership by the Holder and its affiliates of more than 4.99% of the outstanding shares of Common Stock. For purposes of the proviso to the immediately preceding sentence, beneficial ownership shall be determined in accordance with Section 13(d) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), and Regulations 13D-G thereunder, except as otherwise provided in clause (1) of such proviso, provided, further, however, that the limitations on conversion may be waived (up to a maximum of 9.99%) by the Holder upon, at the election of the Holder, not less than 61 days’ prior notice to the Borrower, and the provisions of the conversion limitation shall continue to apply until such 61st day (or such later date, as determined by the Holder, as may be specified in such notice of waiver). The number of shares of Common Stock to be issued upon each conversion of this Note shall be determined by dividing the Conversion Amount (as defined below) by the applicable Conversion Price then in effect on the date specified in the notice of conversion, in the form attached hereto as Exhibit A (the “Notice of Conversion”), delivered to the Borrower by the Holder in accordance with Section 1.4 below; provided that the Notice of Conversion is submitted by facsimile or e-mail (or by other means resulting in, or reasonably expected to result in, notice) to the Borrower before 6:00 p.m., New York, New York time on such conversion date (the “Conversion Date”). The term “Conversion Amount” means, with respect to any conversion of this Note, the sum of (1) the principal amount of this Note to be converted in such conversion plus (2) at the Holder’s option, accrued and unpaid interest, if any, on such principal amount at the interest rates provided in this Note to the Conversion Date, plus (3) at the Holder’s option, Default Interest, if any, on the amounts referred to in the immediately preceding clauses (1) and/or (2) plus (4) at the Holder’s option, any amounts owed to the Holder pursuant to Sections 1.3 and 1.4(g) hereof.

1.2 Conversion Price.

(a) Calculation of Conversion Price. The Conversion Price shall equal the Variable Conversion Price (as defined herein) (subject, in each case, to equitable adjustments for stock splits, stock dividends or rights offerings by the Borrower relating to the Borrower's securities or the securities of any subsidiary of the Borrower, combinations, recapitalization, reclassifications, extraordinary distributions and similar events)(also subject to adjustment as further described herein). The "Variable Conversion Price" shall mean 65% multiplied by the Market Price (as defined herein) (representing a discount rate of 35%). "Market Price" means the lowest one (1) Trading Price (as defined below) for the Common Stock during the fifteen (15) Trading Day period ending on the last complete Trading Day prior to the Conversion Date. "Trading Price" means, for any security as of any date, the lowest traded price on the Over-the-Counter Pink Marketplace, OTCQB, or applicable trading market (the "Trading Market") as reported by a reliable reporting service ("Reporting Service") designated by the Holder (i.e. www.Nasdaq.com) or, if the Trading Market is not the principal trading market for such security, on the principal securities exchange or trading market where such security is listed or traded or, if the lowest intraday trading price of such security is not available in any of the foregoing manners, the lowest intraday price of any market makers for such security that are quoted on the OTC Markets. If the Trading Prices cannot be calculated for such security on such date in the manner provided above, the Trading Prices shall be the fair market value as mutually determined by the Borrower and the holders of a majority in interest of the Notes being converted for which the calculation of the Trading Prices are required in order to determine the Conversion Price of such Notes. "Trading Day" shall mean any day on which the Common Stock is tradable for any period on the Trading Market, or on the principal securities exchange or other securities market on which the Common Stock is then being traded. If at any time while this Note is outstanding, an Event of Default (as defined herein) occurs, then an additional discount of 15% shall be factored into the Variable Conversion Price until this Note is no longer outstanding (resulting in a discount rate of 50% assuming no other adjustments are triggered hereunder). If at any time while this Note is outstanding, the Borrower's Common Stock are not deliverable via DWAC, an additional 10% discount shall be factored into the Variable Conversion Price until this Note is no longer outstanding (resulting in a discount rate of 45% assuming no other adjustments are triggered hereunder).

Each time, while this Note is outstanding, the Borrower enters into a Section 3(a)(9) transaction (including but not limited to the issuance of new promissory notes or of a replacement promissory note), or Section 3(a)(10) transaction, in which any 3rd party has the right to convert monies owed to that 3rd party (or receive shares pursuant to a settlement or otherwise) at a discount to market greater than the Variable Conversion Price in effect at that time (prior to all other applicable adjustments in the Note), then the Variable Conversion Price shall be automatically adjusted to such greater discount percentage (prior to all applicable adjustments in this Note) until this Note is no longer outstanding. Each time, while this Note is outstanding, the Borrower enters into a Section 3(a)(9) transaction (including but not limited to the issuance of new promissory notes or of a replacement promissory note), or Section 3(a)(10) transaction, in which any 3rd party has a look back period greater than the look back period in effect under the Note at that time, then the Holder's look back period shall automatically be adjusted to such greater number of days until this Note is no longer outstanding. The adjustments in this paragraph, with respect to Section 3(a)(9) transactions, shall not take effect unless the holder of the note with more favorable terms is eligible to convert. The Borrower shall give written notice to the Holder, with the adjusted Variable Conversion Price and/or adjusted look back period (each adjustment that is applicable due to the triggering event), within one (1) business day of an event that requires any adjustment described in the two immediately preceding sentences.

Holder shall be entitled to deduct \$500.00 from the conversion amount in each Notice of Conversion to cover Holder's deposit fees associated with each Notice of Conversion. All expenses incurred by Holder with respect to the Borrower's transfer agent, for the issuance of the Common Stock into which this Note is convertible into, shall immediately and automatically be added to the balance of the Note at such time as the expenses are incurred by Holder.

If at any time the Conversion Price as determined hereunder for any conversion would be less than the par value of the Common Stock, then at the sole discretion of the Holder, the Conversion Price hereunder may equal such par value for such conversion and the Conversion Amount for such conversion may be increased to include Additional Principal, where "Additional Principal" means such additional amount to be added to the Conversion Amount to the extent necessary to cause the number of conversion shares issuable upon such conversion to equal the same number of conversion shares as would have been issued had the Conversion Price not been adjusted by the Holder to the par value price.

1.3 Authorized Shares. The Borrower covenants that during the period the conversion right exists, the Borrower will reserve from its authorized and unissued Common Stock a sufficient number of shares, free from preemptive rights, to provide for the issuance of Common Stock upon the full conversion of this Note. The Borrower is required at all times to have authorized and reserved five (5) times the number of shares that is actually issuable upon full conversion of the Note (based on the Conversion Price of the Notes in effect from time to time)(the "Reserved Amount"). The Reserved Amount shall be increased from time to time in accordance with the Borrower's obligations hereunder. The Borrower represents that upon issuance, such shares will be duly and validly issued, fully paid and non-assessable. In addition, if the Borrower shall issue any securities or make any change to its capital structure which would change the number of shares of Common Stock into which the Notes shall be convertible at the then current Conversion Price, the Borrower shall at the same time make proper provision so that thereafter there shall be a sufficient number of shares of Common Stock authorized and reserved, free from preemptive rights, for conversion of the outstanding Notes. The Borrower (i) acknowledges that it has irrevocably instructed its transfer agent to issue certificates for the Common Stock issuable upon conversion of this Note, and (ii) agrees that its issuance of this Note shall constitute full authority to its officers and agents who are charged with the duty of executing stock certificates to execute and issue the necessary certificates for shares of Common Stock in accordance with the terms and conditions of this Note.

If, at any time the Borrower does not maintain the Reserved Amount it will be considered an Event of Default under Section 3.2 of the Note.

1.4 Method of Conversion.

(a) Mechanics of Conversion. Subject to Section 1.1, this Note may be converted by the Holder in whole or in part, at any time on or after the Issue Date, by (A) submitting to the Borrower a Notice of Conversion (by facsimile, e-mail or other reasonable means of communication dispatched on the Conversion Date prior to 6:00 p.m., New York, New York time) and (B) subject to Section 1.4(b), surrendering this Note at the principal office of the Borrower.

(b) Surrender of Note Upon Conversion. Notwithstanding anything to the contrary set forth herein, upon conversion of this Note in accordance with the terms hereof, the Holder shall not be required to physically surrender this Note to the Borrower unless the entire unpaid principal amount of this Note is so converted. The Holder and the Borrower shall maintain records showing the principal amount so converted and the dates of such conversions or shall use such other method, reasonably satisfactory to the Holder and the Borrower, so as not to require physical surrender of this Note upon each such conversion. In the event of any dispute or discrepancy, such records of the Borrower shall, *prima facie*, be controlling and determinative in the absence of manifest error. Notwithstanding the foregoing, if any portion of this Note is converted as aforesaid, the Holder may not transfer this Note unless the Holder first physically surrenders this Note to the Borrower, whereupon the Borrower will forthwith issue and deliver upon the order of the Holder a new Note of like tenor,

registered as the Holder (upon payment by the Holder of any applicable transfer taxes) may request, representing in the aggregate the remaining unpaid principal amount of this Note. The Holder and any assignee, by acceptance of this Note, acknowledge and agree that, by reason of the provisions of this paragraph, following conversion of a portion of this Note, the unpaid and unconverted principal amount of this Note represented by this Note may be less than the amount stated on the face hereof.

(c) Payment of Taxes. The Borrower shall not be required to pay any tax which may be payable in respect of any transfer involved in the issue and delivery of shares of Common Stock or other securities or property on conversion of this Note in a name other than that of the Holder (or in street name), and the Borrower shall not be required to issue or deliver any such shares or other securities or property unless and until the person or persons (other than the Holder or the custodian in whose street name such shares are to be held for the Holder's account) requesting the issuance thereof shall have paid to the Borrower the amount of any such tax or shall have established to the satisfaction of the Borrower that such tax has been paid.

(d) Delivery of Common Stock Upon Conversion. Upon receipt by the Borrower from the Holder of a facsimile transmission or e-mail (or other reasonable means of communication) of a Notice of Conversion meeting the requirements for conversion as provided in this Section 1.4, the Borrower shall issue and deliver or cause to be issued and delivered to or upon the order of the Holder certificates for the Common Stock issuable upon such conversion within two (2) business days after such receipt (the "Deadline") (and, solely in the case of conversion of the entire unpaid principal amount hereof, surrender of this Note) in accordance with the terms hereof.

(e) Obligation of Borrower to Deliver Common Stock. Upon receipt by the Borrower of a Notice of Conversion, the Holder shall be deemed to be the holder of record of the Common Stock issuable upon such conversion, the outstanding principal amount and the amount of accrued and unpaid interest on this Note shall be reduced to reflect such conversion, and, unless the Borrower defaults on its obligations under this Article I, all rights with respect to the portion of this Note being so converted shall forthwith terminate except the right to receive the Common Stock or other securities, cash or other assets, as herein provided, on such conversion. If the Holder shall have given a Notice of Conversion as provided herein, the Borrower's obligation to issue and deliver the certificates for Common Stock shall be absolute and unconditional, irrespective of the absence of any action by the Holder to enforce the same, any waiver or consent with respect to any provision thereof, the recovery of any judgment against any person or any action to enforce the same, any failure or delay in the enforcement of any other obligation of the Borrower to the holder of record, or any setoff, counterclaim, recoupment, limitation or termination, or any breach or alleged breach by the Holder of any obligation to the Borrower, and irrespective of any other circumstance which might otherwise limit such obligation of the Borrower to the Holder in connection with such conversion. The Conversion Date specified in the Notice of Conversion shall be the Conversion Date so long as the Notice of Conversion is received by the Borrower before 6:00 p.m., New York, New York time, on such date.

(f) Delivery of Common Stock by Electronic Transfer. In lieu of delivering physical certificates representing the Common Stock issuable upon conversion, provided the Borrower is participating in the Depository Trust Company ("DTC") Fast Automated Securities Transfer ("FAST") program, upon request of the Holder and its compliance with the provisions contained in Section 1.1 and in this Section 1.4, the Borrower shall use its best efforts to cause its transfer agent to electronically transmit the Common Stock issuable upon conversion to the Holder by crediting the account of Holder's Prime Broker with DTC through its Deposit Withdrawal Agent Commission ("DWAC") system.

(g) Failure to Deliver Common Stock Prior to Deadline. Without in any way limiting the Holder's right to pursue other remedies, including actual damages and/or equitable relief, the parties agree that if delivery of the Common Stock issuable upon conversion of this Note is not delivered by the Deadline (other than a failure due to the circumstances described in Section 1.3 above, which failure shall be governed by such Section) the Borrower shall pay to the Holder \$2,000 per day in cash, for each day beyond the Deadline that the Borrower fails to deliver such Common Stock. Such cash amount shall be paid to Holder by the fifth day of the month following the month in which it has accrued or, at the option of the Holder (by written notice to the

Borrower by the first day of the month following the month in which it has accrued), shall be added to the principal amount of this Note, in which event interest shall accrue thereon in accordance with the terms of this Note and such additional principal amount shall be convertible into Common Stock in accordance with the terms of this Note. The Borrower agrees that the right to convert is a valuable right to the Holder. The damages resulting from a failure, attempt to frustrate, interference with such conversion right are difficult if not impossible to qualify. Accordingly the parties acknowledge that the liquidated damages provision contained in this Section 1.4(g) are justified.

1.5 Concerning the Shares. The shares of Common Stock issuable upon conversion of this Note may not be sold or transferred unless (i) such shares are sold pursuant to an effective registration statement under the Act or (ii) the Borrower or its transfer agent shall have been furnished with an opinion of counsel (which opinion shall be in form, substance and scope customary for opinions of counsel in comparable transactions) to the effect that the shares to be sold or transferred may be sold or transferred pursuant to an exemption from such registration or (iii) such shares are sold or transferred pursuant to Rule 144 under the Act (or a successor rule) (“Rule 144”) or (iv) such shares are transferred to an “affiliate” (as defined in Rule 144) of the Borrower who agrees to sell or otherwise transfer the shares only in accordance with this Section 1.5 and who is an Accredited Investor. Except as otherwise provided (and subject to the removal provisions set forth below), until such time as the shares of Common Stock issuable upon conversion of this Note have been registered under the Act or otherwise may be sold pursuant to Rule 144 without any restriction as to the number of securities as of a particular date that can then be immediately sold, each certificate for shares of Common Stock issuable upon conversion of this Note that has not been so included in an effective registration statement or that has not been sold pursuant to an effective registration statement or an exemption that permits removal of the legend, shall bear a legend substantially in the following form, as appropriate:

“NEITHER THE ISSUANCE AND SALE OF THE SECURITIES REPRESENTED BY THIS CERTIFICATE NOR THE SECURITIES INTO WHICH THESE SECURITIES ARE EXERCISABLE HAVE BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR APPLICABLE STATE SECURITIES LAWS. THE SECURITIES MAY NOT BE OFFERED FOR SALE, SOLD, TRANSFERRED OR ASSIGNED (I) IN THE ABSENCE OF (A) AN EFFECTIVE REGISTRATION STATEMENT FOR THE SECURITIES UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR (B) AN OPINION OF COUNSEL (WHICH COUNSEL SHALL BE SELECTED BY THE HOLDER), IN A GENERALLY ACCEPTABLE FORM, THAT REGISTRATION IS NOT REQUIRED UNDER SAID ACT OR (II) UNLESS SOLD PURSUANT TO RULE 144 OR RULE 144A UNDER SAID ACT. NOTWITHSTANDING THE FOREGOING, THE SECURITIES MAY BE PLEDGED IN CONNECTION WITH A BONA FIDE MARGIN ACCOUNT OR OTHER LOAN OR FINANCING ARRANGEMENT SECURED BY THE SECURITIES.”

The legend set forth above shall be removed and the Borrower shall issue to the Holder a new certificate therefore free of any transfer legend if (i) the Borrower or its transfer agent shall have received an opinion of counsel, in form, substance and scope customary for opinions of counsel in comparable transactions, to the effect that a public sale or transfer of such Common Stock may be made without registration under the Act, which opinion shall be accepted by the Borrower so that the sale or transfer is effected or (ii) in the case of the Common Stock issuable upon conversion of this Note, such security is registered for sale by the Holder under an effective registration statement filed under the Act or otherwise may be sold pursuant to Rule 144 without any restriction as to the number of securities as of a particular date that can then be immediately sold. In the event that the Borrower does not accept the opinion of counsel provided by the Holder with respect to the transfer of Securities pursuant to an exemption from registration, such as Rule 144 or Regulation S, at the Deadline, it will be considered an Event of Default pursuant to Section 3.2 of the Note.

1.6 [Intentionally Omitted].

1.7 Status as Shareholder. Upon submission of a Notice of Conversion by a Holder, (i) the shares covered thereby (other than the shares, if any, which cannot be issued because their issuance would exceed such Holder's allocated portion of the Reserved Amount or Maximum Share Amount) shall be deemed converted into shares of Common Stock and (ii) the Holder's rights as a Holder of such converted portion of this Note shall cease and terminate, excepting only the right to receive certificates for such shares of Common Stock and to any remedies provided herein or otherwise available at law or in equity to such Holder because of a failure by the Borrower to comply with the terms of this Note. Notwithstanding the foregoing, if a Holder has not received certificates for all shares of Common Stock prior to the tenth (10th) business day after the expiration of the Deadline with respect to a conversion of any portion of this Note for any reason, then (unless the Holder otherwise elects to retain its status as a holder of Common Stock by so notifying the Borrower) the Holder shall regain the rights of a Holder of this Note with respect to such unconverted portions of this Note and the Borrower shall, as soon as practicable, return such unconverted Note to the Holder or, if the Note has not been surrendered, adjust its records to reflect that such portion of this Note has not been converted. In all cases, the Holder shall retain all of its rights and remedies (including, without limitation, (i) the right to receive Conversion Default Payments pursuant to Section 1.3 to the extent required thereby for such Conversion Default and any subsequent Conversion Default and (ii) the right to have the Conversion Price with respect to subsequent conversions determined in accordance with Section 1.3) for the Borrower's failure to convert this Note.

ARTICLE II. CERTAIN COVENANTS

2.1 Distributions on Capital Stock. So long as the Borrower shall have any obligation under this Note, the Borrower shall not without the Holder's written consent (a) pay, declare or set apart for such payment, any dividend or other distribution (whether in cash, property or other securities) on shares of capital stock other than dividends on shares of Common Stock solely in the form of additional shares of Common Stock or (b) directly or indirectly or through any subsidiary make any other payment or distribution in respect of its capital stock except for distributions pursuant to any shareholders' rights plan which is approved by a majority of the Borrower's disinterested directors.

2.2 Restriction on Stock Repurchases. So long as the Borrower shall have any obligation under this Note, the Borrower shall not without the Holder's written consent redeem, repurchase or otherwise acquire (whether for cash or in exchange for property or other securities or otherwise) in any one transaction or series of related transactions any shares of capital stock of the Borrower or any warrants, rights or options to purchase or acquire any such shares.

ARTICLE III. EVENTS OF DEFAULT

If any of the following events of default (each, an "Event of Default") shall occur:

3.1 Failure to Pay Principal or Interest. The Borrower fails to pay the principal hereof or interest thereon when due on this Note, whether at maturity, upon acceleration or otherwise, and such breach continues for a period of five (5) days.

3.2 Conversion and the Shares. The Borrower fails to reserve a sufficient amount of shares of common stock as required under the terms of this Note (including Section 1.3 of this Note), fails to issue shares of Common Stock to the Holder (or announces or threatens in writing that it will not honor its obligation to do so) upon exercise by the Holder of the conversion rights of the Holder in accordance with the terms of this Note, fails to transfer or cause its transfer agent to transfer (issue) (electronically or in certificated form) shares of Common Stock issued to the Holder upon conversion of or otherwise pursuant to this Note as and when required by this Note, the Borrower directs its transfer agent not to transfer or delays, impairs, and/or hinders its transfer agent in transferring (or issuing) (electronically or in certificated form) shares of Common Stock to be issued to the Holder upon conversion of or otherwise pursuant to this Note as and when required by this Note, or fails to

remove (or directs its transfer agent not to remove or impairs, delays, and/or hinders its transfer agent from removing) any restrictive legend (or to withdraw any stop transfer instructions in respect thereof) on any shares of Common Stock issued to the Holder upon conversion of or otherwise pursuant to this Note as and when required by this Note (or makes any written announcement, statement or threat that it does not intend to honor the obligations described in this paragraph) and any such failure shall continue uncured (or any written announcement, statement or threat not to honor its obligations shall not be rescinded in writing) for two (2) business days after the Holder shall have delivered a Notice of Conversion. It is an obligation of the Borrower to remain current in its obligations to its transfer agent. It shall be an event of default of this Note, if a conversion of this Note is delayed, hindered or frustrated due to a balance owed by the Borrower to its transfer agent.

3.3 Breach of Covenants. The Borrower breaches any material covenant or other material term or condition contained in this Note and any collateral documents and such breach continues for a period of ten (10) days after written notice thereof to the Borrower from the Holder.

3.4 Breach of Representations and Warranties. Any representation or warranty of the Borrower made herein or in any agreement, statement or certificate given in writing pursuant hereto or in connection herewith, shall be false or misleading in any material respect when made and the breach of which has (or with the passage of time will have) a material adverse effect on the rights of the Holder with respect to this Note.

3.5 Receiver or Trustee. The Borrower or any subsidiary of the Borrower shall make an assignment for the benefit of creditors, or apply for or consent to the appointment of a receiver or trustee for it or for a substantial part of its property or business, or such a receiver or trustee shall otherwise be appointed.

3.6 Judgments. Any money judgment, writ or similar process shall be entered or filed against the Borrower or any subsidiary of the Borrower or any of its property or other assets for more than \$50,000, and shall remain unvacated, unbonded or unstayed for a period of twenty (20) days unless otherwise consented to by the Holder, which consent will not be unreasonably withheld.

3.7 Bankruptcy. Bankruptcy, insolvency, reorganization or liquidation proceedings or other proceedings, voluntary or involuntary, for relief under any bankruptcy law or any law for the relief of debtors shall be instituted by or against the Borrower or any subsidiary of the Borrower.

3.8 Delisting of Common Stock. The Borrower shall fail to maintain the listing or quotation of the Common Stock on the Trading Market or an equivalent replacement exchange, the Nasdaq Global Market, the Nasdaq Capital Market, the New York Stock Exchange, or the NYSE MKT.

3.9 Failure to Comply with the Exchange Act. The Borrower shall fail to comply with the reporting requirements of the Exchange Act (including but not limited to becoming delinquent in its filings), and/or the Borrower shall cease to be subject to the reporting requirements of the Exchange Act.

3.10 Liquidation. Any dissolution, liquidation, or winding up of Borrower or any substantial portion of its business.

3.11 Cessation of Operations. Any cessation of operations by Borrower or Borrower admits it is otherwise generally unable to pay its debts as such debts become due, provided, however, that any disclosure of the Borrower's ability to continue as a "going concern" shall not be an admission that the Borrower cannot pay its debts as they become due.

3.12 Financial Statement Restatement. The Borrower replaces its auditor, or any restatement of any financial statements filed by the Borrower with the SEC for any date or period from two years prior to the Issue Date of this Note and until this Note is no longer outstanding, if the result of such restatement would, by comparison to the unrestated financial statement, have constituted a material adverse effect on the rights of the Holder with respect to this Note.

3.13 Replacement of Transfer Agent. In the event that the Borrower replaces its transfer agent, and the Borrower fails to provide prior to the effective date of such replacement, a fully executed Irrevocable Transfer Agent Instructions (including but not limited to the provision to irrevocably reserve shares of Common Stock in the Reserved Amount) signed by the successor transfer agent to Borrower and the Borrower.

3.14 Cross-Default. Notwithstanding anything to the contrary contained in this Note or the other related or companion documents, a breach or default by the Borrower of any covenant or other term or condition contained in any of the other financial instrument, including but not limited to all convertible promissory notes, currently issued, or hereafter issued, by the Borrower, to the Holder or any other 3rd party (the “Other Agreements”), after the passage of all applicable notice and cure or grace periods, shall, at the option of the Holder, be considered a default under this Note, in which event the Holder shall be entitled to apply all rights and remedies of the Holder under the terms of this Note by reason of a default under said Other Agreement or hereunder.

3.15 Inside Information. Any attempt by the Borrower or its officers, directors, and/or affiliates to transmit, convey, disclose, or any actual transmittal, conveyance, or disclosure by the Borrower or its officers, directors, and/or affiliates of, material non-public information concerning the Borrower, to the Holder or its successors and assigns, which is not immediately cured by Borrower’s filing of a Form 8-K pursuant to Regulation FD on that same date.

3.16 No bid. At any time while this Note is outstanding, the lowest Trading Prices on the Trading Market or other applicable principal trading market for the Common Stock is equal to or less than \$0.0001.

3.17 Failure to Repay Upon Qualified Offering. The Borrower fails to repay the Note, in its entirety, pursuant to the terms of the Note, with funds received from its next completed offering (with the understanding that all related issuances of an offering shall be aggregated for purposes of the calculation hereunder) of \$500,000.00 or more (consummated on or after the Issue Date).

3.18 Unavailability of Rule 144. If, at any time on or after the date which is six (6) months after the Issue Date, the Holder is unable to (i) obtain a standard “144 legal opinion letter” from an attorney reasonably acceptable to the Holder, the Holder’s brokerage firm (and respective clearing firm), and the Borrower’s transfer agent in order to facilitate the Holder’s conversion of any portion of the Note into free trading shares of the Borrower’s Common Stock pursuant to Rule 144, and (ii) thereupon deposit such shares into the Holder’s brokerage account.

Upon the occurrence of any Event of Default specified in Sections 3.1, 3.2, 3.3, 3.4, 3.5, 3.6, 3.7, 3.8, 3.9, 3.10, 3.11, 3.12, 3.13, 3.14, 3.15, 3.16, 3.17, and/or 3.18, exercisable through the delivery of written notice to the Borrower by such Holders (the “Default Notice”), the Note shall become immediately due and payable and the Borrower shall pay to the Holder, in full satisfaction of its obligations hereunder, an amount equal to 150% (EXCEPT THAT 150% SHALL BE REPLACED WITH 200% WITH RESPECT TO A DEFAULT UNDER SECTION 3.2 AND/OR 3.18) multiplied by the then outstanding entire balance of the Note (including principal and accrued and unpaid interest) plus Default Interest, if any, plus any amounts owed to the Holder pursuant to Sections 1.4(g) hereof (collectively, in the aggregate of all of the above, the “Default Amount”), and all other amounts payable hereunder shall immediately become due and payable, all without demand, presentment or notice, all of which hereby are expressly waived, together with all costs, including, without limitation, legal fees and expenses, of collection, and the Holder shall be entitled to exercise all other rights and remedies available at law or in equity.

The Holder shall have the right at any time to require the Borrower to issue the number of shares of Common Stock of the Borrower equal to the Default Amount divided by the Conversion Price then in effect, subject to issuance in tranches due to the beneficial ownership limitations contained in this Note.

ARTICLE IV. MISCELLANEOUS

4.1 Failure or Indulgence Not Waiver. No failure or delay on the part of the Holder in the exercise of any power, right or privilege hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such power, right or privilege preclude other or further exercise thereof or of any other right, power or privileges. All rights and remedies existing hereunder are cumulative to, and not exclusive of, any rights or remedies otherwise available.

4.2 Notices. All notices, demands, requests, consents, approvals, and other communications required or permitted hereunder shall be in writing and, unless otherwise specified herein, shall be (i) personally served, (ii) deposited in the mail, registered or certified, return receipt requested, postage prepaid, (iii) delivered by reputable air courier service with charges prepaid, or (iv) transmitted by hand delivery, telegram, facsimile, or electronic mail addressed as set forth below or to such other address as such party shall have specified most recently by written notice. Any notice or other communication required or permitted to be given hereunder shall be deemed effective (a) upon hand delivery, upon electronic mail delivery, or delivery by facsimile, with accurate confirmation generated by the transmitting facsimile machine, at the address or number designated below (if delivered on a business day during normal business hours where such notice is to be received), or the first business day following such delivery (if delivered other than on a business day during normal business hours where such notice is to be received) or (b) on the second business day following the date of mailing by express courier service, fully prepaid, addressed to such address, or upon actual receipt of such mailing, whichever shall first occur. The addresses for such communications shall be:

If to the Borrower, to:

IRONCLAD ENCRYPTION CORPORATION
One Riverway, 777 South Post Oak Lane, Suite 1700
Houston, TX 77056
e-mail: Len.walker@ironcladencryption.com

If to the Holder:

MORNINGVIEW FINANCIAL, LLC
401 Park Ave. South, 10th Floor New York, NY 10016
e-mail: max@morningviewfn.com

4.3 Amendments. This Note and any provision hereof may only be amended by an instrument in writing signed by the Borrower and the Holder. The term "Note" and all reference thereto, as used throughout this instrument, shall mean this instrument as originally executed, or if later amended or supplemented, then as so amended or supplemented.

4.4 Assignability. This Note shall be binding upon the Borrower and its successors and assigns, and shall inure to be the benefit of the Holder and its successors and assigns. Neither the Borrower nor the Holder shall assign this Note or any rights or obligations hereunder without the prior written consent of the other. Notwithstanding the foregoing, the Holder may assign its rights hereunder to any "accredited investor" (as defined in Rule 501(a) of the 1933 Act) in a private transaction from the Holder or to any of its "affiliates", as that term is defined under the 1934 Act, without the consent of the Borrower. Notwithstanding anything in this Note to the contrary, this Note may be pledged as collateral in connection with a bona fide margin account or other lending arrangement. The Holder and any assignee, by acceptance of this Note, acknowledge and agree that following conversion of a portion of this Note, the unpaid and unconverted principal amount of this Note represented by this Note may be less than the amount stated on the face hereof.

4.5 Cost of Collection. If default is made in the payment of this Note, the Borrower shall pay the Holder hereof costs of collection, including reasonable attorneys' fees.

4.6 Governing Law. This Note shall be governed by and construed in accordance with the laws of the State of Nevada without regard to principles of conflicts of laws. Any action brought by either party against the other concerning the transactions contemplated by this Note shall be brought only in the state and/or federal courts of New York, NY. The parties to this Note hereby irrevocably waive any objection to jurisdiction and venue of any action instituted hereunder and shall not assert any defense based on lack of jurisdiction or venue or based upon *forum non conveniens*. The Borrower and Holder waive trial by jury. The prevailing party shall be entitled to recover from the other party its reasonable attorney's fees and costs. In the event that any provision of this Note or any other agreement delivered in connection herewith is invalid or unenforceable under any applicable statute or rule of law, then such provision shall be deemed inoperative to the extent that it may conflict therewith and shall be deemed modified to conform with such statute or rule of law. Any such provision which may prove invalid or unenforceable under any law shall not affect the validity or enforceability of any other provision of any agreement. Each party hereby irrevocably waives personal service of process and consents to process being served in any suit, action or proceeding in connection with this Agreement or any other Transaction Document by mailing a copy thereof via registered or certified mail or overnight delivery (with evidence of delivery) to such party at the address in effect for notices to it under this Agreement and agrees that such service shall constitute good and sufficient service of process and notice thereof. Nothing contained herein shall be deemed to limit in any way any right to serve process in any other manner permitted by law.

4.7 Certain Amounts. Whenever pursuant to this Note the Borrower is required to pay an amount in excess of the outstanding principal amount (or the portion thereof required to be paid at that time) plus accrued and unpaid interest plus Default Interest on such interest, the Borrower and the Holder agree that the actual damages to the Holder from the receipt of cash payment on this Note may be difficult to determine and the amount to be so paid by the Borrower represents stipulated damages and not a penalty and is intended to compensate the Holder in part for loss of the opportunity to convert this Note and to earn a return from the sale of shares of Common Stock acquired upon conversion of this Note at a price in excess of the price paid for such shares pursuant to this Note. The Borrower and the Holder hereby agree that such amount of stipulated damages is not plainly disproportionate to the possible loss to the Holder from the receipt of a cash payment without the opportunity to convert this Note into shares of Common Stock.

4.8 Remedies. The Borrower acknowledges that a breach by it of its obligations hereunder will cause irreparable harm to the Holder, by vitiating the intent and purpose of the transaction contemplated hereby. Accordingly, the Borrower acknowledges that the remedy at law for a breach of its obligations under this Note will be inadequate and agrees, in the event of a breach or threatened breach by the Borrower of the provisions of this Note, that the Holder shall be entitled, in addition to all other available remedies at law or in equity, and in addition to the penalties assessable herein, to an injunction or injunctions restraining, preventing or curing any breach of this Note and to enforce specifically the terms and provisions thereof, without the necessity of showing economic loss and without any bond or other security being required.

4.9 Prepayment. Notwithstanding anything to the contrary contained in this Note, the Borrower may prepay any portion of this Note, during the initial 30 calendar day period after the Issue Date, by making a payment to the Holder of an amount in cash equal to 110% multiplied by the total amount being prepaid under the Note. Notwithstanding anything to the contrary contained in this Note, the Borrower may prepay any portion of this Note, beginning on the 31st calendar day after the Issue Date, and ending on the 60th calendar day after the Issue Date, by making a payment to the Holder of an amount in cash equal to 115% multiplied by the total amount being prepaid under the Note. Notwithstanding anything to the contrary contained in this Note, the Borrower may prepay any portion of this Note, beginning on the 61st calendar day after the Issue Date, and ending on the 90th calendar day after the Issue Date, by making a payment to the Holder of an amount in cash equal to 120% multiplied by the total amount being prepaid under the Note. Notwithstanding anything to the contrary contained in this Note, the Borrower may prepay any portion of this Note, beginning on the 91st calendar day after the Issue Date, and ending on the 120th calendar day after the Issue Date, by making a payment to the Holder of an amount in cash equal to 125% multiplied by the total amount being prepaid under the Note. Notwithstanding anything to the contrary contained in this Note, the Borrower may prepay any

portion of this Note, beginning on the 121st calendar day after the Issue Date, and ending on the 150th calendar day after the Issue Date, by making a payment to the Holder of an amount in cash equal to 130% multiplied by the total amount being prepaid under the Note. Notwithstanding anything to the contrary contained in this Note, the Borrower may prepay any portion of this Note, beginning on the 151st calendar day after the Issue Date, and ending on the 180th calendar day after the Issue Date, by making a payment to the Holder of an amount in cash equal to 135% multiplied by the total amount being prepaid under the Note. The Borrower may not prepay this Note after the 180th day after the issuance of this Note.

4.10 Usury. To the extent it may lawfully do so, the Borrower hereby agrees not to insist upon or plead or in any manner whatsoever claim, and will resist any and all efforts to be compelled to take the benefit or advantage of, usury laws wherever enacted, now or at any time hereafter in force, in connection with any action or proceeding that may be brought by the Holder in order to enforce any right or remedy under this Note. Notwithstanding any provision to the contrary contained in this Note, it is expressly agreed and provided that the total liability of the Borrower under this Note for payments which under the applicable law are in the nature of interest shall not exceed the maximum lawful rate authorized under the law applicable to this Note (the “Maximum Rate”), and, without limiting the foregoing, in no event shall any rate of interest or default interest, or both of them, when aggregated with any other sums which under the law applicable to this Note in the nature of interest that the Borrower may be obligated to pay under this Note exceed such Maximum Rate. It is agreed that if the maximum contract rate of interest allowed by the law applicable to this Note is increased or decreased by statute or any official governmental action subsequent to the Issue Date, the new maximum contract rate of interest allowed by law will be the Maximum Rate applicable to this Note from the effective date thereof forward, unless such application is precluded by applicable law. If under any circumstances whatsoever, interest in excess of the Maximum Rate is paid by the Borrower to the Holder with respect to indebtedness evidenced by this the Note, such excess shall be applied by the Holder to the unpaid principal balance of any such indebtedness or be refunded to the Borrower, the manner of handling such excess to be at the Holder’s election.

4.11 Section 3(a)(10) Transactions. If at any time while this Note is outstanding, the Borrower enters into a transaction structured in accordance with, based upon, or related or pursuant to, in whole or in part, Section 3(a)(10) of the Securities Act (a “3(a)(10) Transaction”), then a liquidated damages charge of 25% of the outstanding principal balance of this Note at that time, will be assessed and will become immediately due and payable to the Holder, either in the form of cash payment or as an addition to the balance of the Note, as determined by mutual agreement of the Borrower and Holder.

4.12 Reverse Split Penalty. If at any time while this Note is outstanding, the Borrower effectuates a reverse split with respect to the Common Stock, then a liquidated damages charge of 25% of the outstanding principal balance of this Note at that time, will be assessed and will become immediately due and payable to the Holder, either in the form of cash payment or as an addition to the balance of the Note, as determined by mutual agreement of the Borrower and Holder.

4.13 Right of First Refusal. If at any time while this Note is outstanding, the Borrower has a bona fide offer of capital or financing from any 3rd party, that the Borrower intends to act upon, then the Borrower must first offer such opportunity to the Holder to provide such capital or financing to the Borrower on the same terms as each respective 3rd party’s terms. Should the Holder be unwilling or unable to provide such capital or financing to the Borrower within 10 trading days from Holder’s receipt of written notice of the offer (the “Offer Notice”) from the Borrower, then the Borrower may obtain such capital or financing from that respective 3rd party upon the exact same terms and conditions offered by the Borrower to the Holder, which transaction must be completed within 30 days after the date of the Offer Notice. If the Borrower does not receive the capital or financing from the respective 3rd party within 30 days after the date of the respective Offer Notice, then the Borrower must again offer the capital or financing opportunity to the Holder as described above, and the process detailed above shall be repeated. The Offer Notice must be sent via electronic mail to max@morningviewfn.com. In addition, the Holder shall have the right, at any time until the Note is satisfied in its entirety, and upon written notice to the Borrower, to purchase an additional convertible promissory note from the Borrower, with the exact same terms and conditions as provided in this Note (with the understanding that the

Borrower shall execute the form of this Note and all related transaction documents with updated dates within three (3) business days after the Holder exercises such right).

4.14 Terms of Future Financings. So long as this Note is outstanding, upon any issuance by the Borrower or any of its subsidiaries of any security with any term more favorable to the holder of such security or with a term in favor of the holder of such security that was not similarly provided to the Holder in this Note, then the Borrower shall notify the Holder of such additional or more favorable term and such term, at Holder's option, shall become a part of the transaction documents with the Holder. The types of terms contained in another security that may be more favorable to the holder of such security include, but are not limited to, terms addressing conversion discounts, prepayment rate, conversion lookback periods, interest rates, original issue discounts, stock sale price, private placement price per share, and warrant coverage. With respect to securities issued prior to the Issue Date, this Section 4.14 shall only apply if the holder of the respective security is eligible to convert or exercise its rights thereunder at any time after the Issue Date.

4.15 Piggyback Registration Rights. The Borrower shall include on the next registration statement the Borrower files with SEC (or on the subsequent registration statement if such registration statement is withdrawn) all shares issuable upon conversion of this Note. Failure to do so will result in liquidated damages of 25% of the outstanding principal balance of this Note, but not less than Fifteen Thousand and No/100 United States Dollars (\$15,000), being immediately due and payable to the Holder at its election in the form of cash payment or addition to the balance of this Note.

[signature page to follow]

IN WITNESS WHEREOF, Borrower has caused this Note to be signed in its name by its duly authorized officer this February 14, 2019.

IRONCLAD ENCRYPTION CORPORATION

/s/ James McGraw

By: _____

Name: James McGraw

Title: Chief Executive Officer

EXHIBIT A -- NOTICE OF CONVERSION

The undersigned hereby elects to convert \$ _____ principal amount of the Note (defined below) into that number of shares of Common Stock to be issued pursuant to the conversion of the Note ("Common Stock") as set forth below, of IRONCLAD ENCRYPTION CORPORATION, a Delaware corporation (the "Borrower") according to the conditions of the convertible note of the Borrower dated as of February 14, 2019 (the "Note"), as of the date written below. No fee will be charged to the Holder for any conversion, except for transfer taxes, if any.

Box Checked as to applicable instructions:

- ☐ The Borrower shall electronically transmit the Common Stock issuable pursuant to this Notice of Conversion to the account of the undersigned or its nominee with DTC through its Deposit Withdrawal Agent Commission system ("DWAC Transfer").

Name of DTC Prime

Broker: Account Number:

- ☐ The undersigned hereby requests that the Borrower issue a certificate or certificates for the number of shares of Common Stock set forth below (which numbers are based on the Holder's calculation attached hereto) in the name(s) specified immediately below or, if additional space is necessary, on an attachment hereto:

Date of Conversion:

Applicable Conversion Price:

Number of Shares of Common Stock to be Issued

Pursuant to Conversion of the Notes:

Amount of Principal Balance Due remaining

Under the Note after this conversion:

\$ _____

MORNINGVIEW FINANCIAL, LLC

By: _____

Name: _____

Title: _____

Date: _____

SECURITIES PURCHASE AGREEMENT

This **SECURITIES PURCHASE AGREEMENT** (the "Agreement"), dated as of March 28, 2019, by and between Ironclad Encryption Corporation, a Delaware corporation, with headquarters located at One Riverway, 777 South Post Oak Lane, Houston, TX 77056 (the "Company"), and GW Holdings Group, LLC, a New York limited liability company with its executive offices located at 137 Montague Street, Suite 291, Brooklyn, NY 11201 (the "Buyer").

WHEREAS:

A. The Company and the Buyer are executing and delivering this Agreement in reliance upon the exemption from securities registration afforded by the rules and regulations as promulgated by the United States Securities and Exchange Commission (the "SEC") under the Securities Act of 1933, as amended (the "1933 Act");

B. Buyer desires to purchase and the Company desires to issue and sell, upon the terms and conditions set forth in this Agreement two 12% convertible promissory notes of the Company, in the form attached hereto as Exhibit A and B in the aggregate principal amount of \$172,500.00 (each in the amount of \$86,250.00 plus interest and penalties if any become due and payable on March 28, 2020, (together with any note(s) issued in replacement thereof or as a dividend thereon or otherwise with respect thereto in accordance with the terms thereof, collectively the "Notes"), convertible into shares of common stock, \$0.001 par value per share, of the Company (the "Common Stock"), upon the terms and subject to the limitations and conditions set forth in such Note.

C. The Buyer wishes to purchase, upon the terms and conditions stated in this Agreement, such principal amount of Note as is set forth immediately below its name on the signature pages hereto; and

NOW THEREFORE, the Company and the Buyer severally (and not jointly) hereby agree as follows:

1. Purchase and Sale of Note.

a. Purchase of Note. On the Closing Date (as defined below), the Company shall issue and sell to the Buyer and the Buyer agrees to purchase from the Company such principal amount of the Note as is set forth immediately below the Buyer's name on the signature pages hereto.

b. Form of Payment. On the Closing Date (as defined below), the (A) Buyer shall pay the purchase price for the Note to be issued and sold to it at the Closing (as defined below) (the "Purchase Price") by wire transfer of immediately available funds to the Company, in accordance with the Company's written wiring instructions, against delivery of the Note in the principal amount equal to the Purchase Price as is set forth immediately below the Buyer's name on the signature pages hereto and (B) the Company shall deliver such duly executed Note on behalf of the Company, to the Buyer, against delivery of such Purchase Price and Buyer Note.

c. Closing Date. The date and time of the first issuance and sale of the Note pursuant to this Agreement (the "Closing Date") shall be on or about March 28, 2019, or such other mutually agreed upon time.

2. Buyer's Representations and Warranties. The Buyer represents and warrants to the Company that:

a. Investment Purpose. As of the date hereof, the Buyer is purchasing the Note and the shares of Common Stock issuable upon conversion of or otherwise pursuant to the Note, such shares of Common Stock being collectively referred to herein as the "Conversion Shares" and, collectively with the Note, the "Securities") for its own account and not with a present view towards the public sale or distribution thereof, except pursuant to sales registered or exempted from registration under the 1933 Act; provided, however, that by making the representations herein, the Buyer does not agree to hold any of the Securities for any minimum or other specific term and reserves the right to dispose of the Securities at any time in accordance with or pursuant to a registration statement or an exemption under the 1933 Act.

b. Accredited Investor Status. The Buyer is an "accredited investor" as that term is defined in Rule 501(a) of Regulation D (an "Accredited Investor").

c. Reliance on Exemptions. The Buyer understands that the Securities are being offered and sold to it in reliance upon specific exemptions from the registration requirements of United States federal and state securities laws and that the Company is relying upon the truth and accuracy of, and the Buyer's compliance with, the representations, warranties, agreements, acknowledgments and understandings of the Buyer set forth herein in order to determine the availability of such exemptions and the eligibility of the Buyer to acquire the Securities.

d. Information. The Buyer and its advisors, if any, have been, and for so long as the Note remain outstanding will continue to be, furnished with all materials relating to the business, finances and operations of the Company and materials relating to the offer and sale of the Securities which have been requested by the Buyer or its advisors. The Buyer and its advisors, if any, have been, and for so long as the Note remain outstanding will continue to be, afforded the opportunity to ask questions of the Company. Notwithstanding the foregoing, the Company has not disclosed to the Buyer any material nonpublic information and will not disclose such information unless such information is disclosed to the public prior to or promptly following such disclosure to the Buyer. Neither such inquiries nor any other due diligence investigation conducted by Buyer or any of its advisors or representatives shall modify, amend or affect Buyer's right to rely on the Company's representations and warranties contained in Section 3 below. The Buyer understands that its investment in the Securities involves a significant degree of risk. The Buyer is not aware of any facts that may constitute a breach of any of the Company's representations and warranties made herein.

e. Governmental Review. The Buyer understands that no United States federal or state agency or any other government or governmental agency has passed upon or made any recommendation or endorsement of the Securities.

f. Transfer or Re-sale. The Buyer understands that (i) the sale or re-sale of the Securities has not been and is not being registered under the 1933 Act or any applicable state securities laws, and the Securities may not be transferred unless (a) the Securities are sold pursuant to an effective registration statement under the 1933 Act, (b) the Buyer shall have delivered to the Company, at the cost of the Buyer, an opinion of counsel that shall be in form, substance and scope customary for opinions of counsel in comparable transactions to the effect that the Securities to be sold or transferred may be sold or transferred pursuant to an exemption from such registration, which opinion shall be accepted by the Company, (c) the Securities are sold or transferred to an "affiliate" (as defined in Rule 144 promulgated under the 1933 Act (or a successor rule) ("Rule 144")) of the Buyer who agrees to sell or otherwise transfer the

Securities only in accordance with this Section 2(f) and who is an Accredited Investor, (d) the Securities are sold pursuant to Rule 144, or (e) the Securities are sold pursuant to Regulation S under the 1933 Act (or a successor rule) ("Regulation S"), and the Buyer shall have delivered to the Company, at the cost of the Buyer, an opinion of counsel that shall be in form, substance and scope customary for opinions of counsel in corporate transactions, which opinion shall be accepted by the Company; (ii) any sale of such Securities made in reliance on Rule 144 may be made only in accordance with the terms of said Rule and further, if said Rule is not applicable, any re-sale of such Securities under circumstances in which the seller (or the person through whom the sale is made) may be deemed to be an underwriter (as that term is defined in the 1933 Act) may require compliance with some other exemption under the 1933 Act or the rules and regulations of the SEC thereunder; and (iii) neither the Company nor any other person is under any obligation to register such Securities under the 1933 Act or any state securities laws or to comply with the terms and conditions of any exemption thereunder (in each case). Notwithstanding the foregoing or anything else contained herein to the contrary, the Securities may be pledged as collateral in connection with a bona fide margin account or other lending arrangement.

g. Legends. The Buyer understands that the Note and, until such time as the Conversion Shares have been registered under the 1933 Act may be sold pursuant to Rule 144 or Regulation S without any restriction as to the number of securities as of a particular date that can then be immediately sold, the Conversion Shares may bear a restrictive legend in substantially the following form (and a stop-transfer order may be placed against transfer of the certificates for such Securities):

"NEITHER THE ISSUANCE AND SALE OF THE SECURITIES REPRESENTED BY THIS CERTIFICATE NOR THE SECURITIES INTO WHICH THESE SECURITIES ARE EXERCISABLE HAVE BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR APPLICABLE STATE SECURITIES LAWS. THE SECURITIES MAY NOT BE OFFERED FOR SALE, SOLD, TRANSFERRED OR ASSIGNED (I) IN THE ABSENCE OF (A) AN EFFECTIVE REGISTRATION STATEMENT FOR THE SECURITIES UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR (B) AN OPINION OF COUNSEL (WHICH COUNSEL SHALL BE SELECTED BY THE HOLDER), IN A GENERALLY ACCEPTABLE FORM, THAT REGISTRATION IS NOT REQUIRED UNDER SAID ACT OR (II) UNLESS SOLD PURSUANT TO RULE 144 OR RULE 144A UNDER SAID ACT. NOTWITHSTANDING THE FOREGOING, THE SECURITIES MAY BE PLEDGED IN CONNECTION WITH A BONA FIDE MARGIN ACCOUNT OR OTHER LOAN OR FINANCING ARRANGEMENT SECURED BY THE SECURITIES."

The legend set forth above shall be removed and the Company shall issue a certificate without such legend to the holder of any Security upon which it is stamped, if, unless otherwise required by applicable state securities laws, (a) such Security is registered for sale under an effective registration statement filed under the 1933 Act or otherwise may be sold pursuant to Rule 144 or Regulation S without any restriction as to the number of securities as of a particular date that can then be immediately sold, or (b) such holder provides the Company with an opinion of counsel, in form, substance and scope customary for opinions of counsel in comparable transactions, to the effect that a public sale or transfer of such Security may be made without registration under the 1933 Act, which opinion shall be accepted by the Company so that the sale or transfer is effected. The Buyer agrees to sell all Securities, including those represented by a certificate(s) from which the legend has been removed, in compliance with applicable prospectus delivery requirements, if any. In the event that the Company does not accept the opinion of counsel provided by the Buyer with respect to the transfer of Securities pursuant to an exemption from registration, such as Rule 144 or Regulation S, which is consistent with applicable law, within 3 business days, it will be considered an Event of Default under the Note.

h. Authorization; Enforcement. This Agreement has been duly and validly authorized. This Agreement has been duly executed and delivered on behalf of the Buyer, and this Agreement constitutes

a valid and binding agreement of the Buyer enforceable in accordance with its terms.

i. Residency. The Buyer is a resident of the jurisdiction set forth immediately below the Buyer's name on the signature pages hereto.

j. No Short Sales. Buyer, its successors and assigns, agree that, so long as the Note remains outstanding, the Buyer shall not enter into or effect "short sales" of the Common Stock or hedging transaction which establishes a short position with respect to the Common Stock of the Company. The Company acknowledges and agrees that, upon delivery of a Conversion Notice by the Buyer, the Buyer immediately owns the shares of Common Stock described in the Conversion Notice and any sale of those shares issuable under such Conversion Notice would not be considered short sales.

3. Representations and Warranties of the Company. The Company represents and warrants to the Buyer that:

a. Organization and Qualification. The Company and each of its subsidiaries, if any, is a corporation duly organized, validly existing and in good standing under the laws of the jurisdiction in which it is incorporated, with full power and authority (corporate and other) to own, lease, use and operate its properties and to carry on its business as and where now owned, leased, used, operated and conducted.

b. Authorization; Enforcement. (i) The Company has all requisite corporate power and authority to enter into and perform this Agreement, the Note and to consummate the transactions contemplated hereby and thereby and to issue the Securities, in accordance with the terms hereof and thereof, (ii) the execution and delivery of this Agreement and the Note by the Company and the consummation by it of the transactions contemplated hereby and thereby (including without limitation, the issuance of the Note and the issuance and reservation for issuance of the Conversion Shares issuable upon conversion or exercise thereof) have been duly authorized by the Company's Board of Directors and no further consent or authorization of the Company, its Board of Directors, or its shareholders is required, (iii) this Agreement has been duly executed and delivered by the Company by its authorized representative, and such authorized representative is the true and official representative with authority to sign this Agreement and the other documents executed in connection herewith and bind the Company accordingly, and (iv) this Agreement constitutes, and upon execution and delivery by the Company of the Note, each of such instruments will constitute, a legal, valid and binding obligation of the Company enforceable against the Company in accordance with its terms.

c. Issuance of Shares. The Conversion Shares are duly authorized and reserved for issuance and, upon conversion of the Note in accordance with its respective terms, will be validly issued, fully paid and non-assessable, and free from all taxes, liens, claims and encumbrances with respect to the issue thereof and shall not be subject to preemptive rights or other similar rights of shareholders of the Company and will not impose personal liability upon the holder thereof.

d. Acknowledgment of Dilution. The Company understands and acknowledges the potentially dilutive effect to the Common Stock upon the issuance of the Conversion Shares upon conversion of the Note. The Company further acknowledges that its obligation to issue Conversion Shares upon conversion of the Note in accordance with this Agreement, the Note is absolute and unconditional regardless of the dilutive effect that such issuance may have on the ownership interests of other shareholders of the Company.

e. No Conflicts. The execution, delivery and performance of this Agreement, the Note by the Company and the consummation by the Company of the transactions contemplated hereby and thereby (including, without limitation, the issuance and reservation for issuance of the Conversion Shares) will not (i)

conflict with or result in a violation of any provision of the Certificate of Incorporation or By-laws, or (ii) violate or conflict with, or result in a breach of any provision of, or constitute a default (or an event which with notice or lapse of time or both could become a default) under, or give to others any rights of termination, amendment, acceleration or cancellation of, any agreement, indenture, patent, patent license or instrument to which the Company or any of its subsidiaries is a party, or (iii) result in a violation of any law, rule, regulation, order, judgment or decree (including federal and state securities laws and regulations and regulations of any self-regulatory organizations to which the Company or its securities are subject) applicable to the Company or any of its subsidiaries or by which any property or asset of the Company or any of its subsidiaries is bound or affected (except for such conflicts, defaults, terminations, amendments, accelerations, cancellations and violations as would not, individually or in the aggregate, have a material adverse effect). All consents, authorizations, orders, filings and registrations which the Company is required to obtain pursuant to the preceding sentence have been obtained or effected on or prior to the date hereof. The Company is not in violation of the listing requirements of the Over-the-Counter Quotations Bureau (the "OTCQB") and does not reasonably anticipate that the Common Stock will be delisted by the OTCQB in the foreseeable future, nor are the Company's securities "chilled" by FINRA. The Company and its subsidiaries are unaware of any facts or circumstances, which might give rise to any of the foregoing.

f. Absence of Litigation. Except as disclosed in the Company's public filings, there is no action, suit, claim, proceeding, inquiry or investigation before or by any court, public board, government agency, self-regulatory organization or body pending or, to the knowledge of the Company or any of its subsidiaries, threatened against or affecting the Company or any of its subsidiaries, or their officers or directors in their capacity as such, that could have a material adverse effect. Schedule 3(f) contains a complete list and summary description of any pending or, to the knowledge of the Company, threatened proceeding against or affecting the Company or any of its subsidiaries, without regard to whether it would have a material adverse effect. The Company and its subsidiaries are unaware of any facts or circumstances, which might give rise to any of the foregoing.

g. Acknowledgment Regarding Buyer's Purchase of Securities. The Company acknowledges and agrees that the Buyer is acting solely in the capacity of arm's length purchasers with respect to this Agreement and the transactions contemplated hereby. The Company further acknowledges that the Buyer is not acting as a financial advisor or fiduciary of the Company (or in any similar capacity) with respect to this Agreement and the transactions contemplated hereby and any statement made by the Buyer or any of its respective representatives or agents in connection with this Agreement and the transactions contemplated hereby is not advice or a recommendation and is merely incidental to the Buyer's purchase of the Securities. The Company further represents to the Buyer that the Company's decision to enter into this Agreement has been based solely on the independent evaluation of the Company and its representatives.

h. No Integrated Offering. Neither the Company, nor any of its affiliates, nor any person acting on its or their behalf, has directly or indirectly made any offers or sales in any security or solicited any offers to buy any security under circumstances that would require registration under the 1933 Act of the issuance of the Securities to the Buyer. The issuance of the Securities to the Buyer will not be integrated with any other issuance of the Company's securities (past, current or future) for purposes of any shareholder approval provisions applicable to the Company or its securities.

i. Title to Property. The Company and its subsidiaries have good and marketable title in fee simple to all real property and good and marketable title to all personal property owned by them which is material to the business of the Company and its subsidiaries, in each case free and clear of all liens, encumbrances and defects except such as are described in Schedule 3(i) or in the Company's public filings or such as would not have a material adverse effect. Any real property and facilities held under lease by the

Company and its subsidiaries are held by them under valid, subsisting and enforceable leases with such exceptions as would not have a material adverse effect.

j. Bad Actor. No officer or director of the Company would be disqualified under Rule 506(d) of the Securities Act as amended on the basis of being a "bad actor" as that term is established in the September 19, 2013 Small Entity Compliance Guide published by the Securities and Exchange Commission.

k. Breach of Representations and Warranties by the Company. If the Company breaches any of the representations or warranties set forth in this Section 3 in any material respect, and in addition to any other remedies available to the Buyer pursuant to this Agreement, it will be considered an Event of default under the Note.

4. COVENANTS.

a. Expenses. At the Closing, the Company shall reimburse Buyer for expenses incurred by them in connection with the negotiation, preparation, execution, delivery and performance of this Agreement and the other agreements to be executed in connection herewith ("Documents"), including, without limitation, reasonable attorneys' and consultants' fees and expenses, transfer agent fees, fees for stock quotation services, fees relating to any amendments or modifications of the Documents or any consents or waivers of provisions in the Documents, fees for the preparation of opinions of counsel, escrow fees, and costs of restructuring the transactions contemplated by the Documents. When possible, the Company must pay these fees directly, otherwise the Company must make immediate payment for reimbursement to the Buyer for all fees and expenses immediately upon written notice by the Buyer or the submission of an invoice by the Buyer. The Company's obligation with respect to this transaction to reimburse Buyer's expenses shall be \$3,750 in legal fees, which shall be deducted from the Note when funded.

b. Listing. The Company shall promptly secure the listing of the Conversion Shares upon each national securities exchange or automated quotation system, if any, upon which shares of Common Stock are then listed (subject to official notice of issuance) and, so long as the Buyer owns any of the Securities, shall maintain, so long as any other shares of Common Stock shall be so listed, such listing of all Conversion Shares from time to time issuable upon conversion of the Note. The Company will obtain and, so long as the Buyer owns any of the Securities, maintain the listing and trading of its Common Stock on the OTCQB, OTC Pink, or any equivalent replacement exchange, the Nasdaq National Market ("Nasdaq"), the Nasdaq SmallCap Market ("Nasdaq SmallCap"), the New York Stock Exchange ("NYSE"), or the American Stock Exchange ("AMEX") and will comply in all respects with the Company's reporting, filing and other obligations under the bylaws or rules of the Financial Industry Regulatory Authority ("FINRA") and such exchanges, as applicable. The Company shall promptly provide to the Buyer copies of any notices it receives from the OTCQB, OTC Pink, and any other exchanges or quotation systems on which the Common Stock is then listed regarding the continued eligibility of the Common Stock for listing on such exchanges and quotation systems.

c. Corporate Existence. So long as the Buyer beneficially owns any Note, the Company shall maintain its corporate existence and shall not sell all or substantially all of the Company's assets, except in the event of a merger or consolidation or sale of all or substantially all of the Company's assets, where the surviving or successor entity in such transaction (i) assumes the Company's obligations hereunder and under the agreements and instruments entered into in connection herewith and (ii) is a publicly traded corporation whose Common Stock is listed for trading on the OTC Pink, OTCQB, Nasdaq, Nasdaq SmallCap, NYSE or AMEX.

d. No Integration. The Company shall not make any offers or sales of any security (other than the Securities) under circumstances that would require registration of the Securities being offered or sold hereunder under the 1933 Act or cause the offering of the Securities to be integrated with any other offering of securities by the Company for the purpose of any stockholder approval provision applicable to the Company or its securities.

e. Registration Rights. The Borrower will use best efforts to include on the next registration statement the Borrower files with SEC (or on the subsequent registration statement if such registration statement is withdrawn) all shares issuable upon conversion of the Note(s) represented by this Agreement. The Borrower has NO obligation to register any shares issuable upon conversion of the Note(s).

f. Breach of Covenants. If the Company breaches any of the covenants set forth in this Section 4 in any material respect and such breach remains uncured for a period of five (5) business days following receipt of written notice thereof, and in addition to any other remedies available to the Buyer pursuant to this Agreement, it will be considered an event of default under the Note.

5. Governing Law; Miscellaneous.

a. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of New York without regard to principles of conflicts of laws. Any action brought by either party against the other concerning the transactions contemplated by this Agreement shall be brought only in the state courts of New York or in the federal courts located in the state and county of New York. The parties to this Agreement hereby irrevocably waive any objection to jurisdiction and venue of any action instituted hereunder and shall not assert any defense based on lack of jurisdiction or venue or based upon *forum non conveniens*. The Company and Buyer waive trial by jury. The prevailing party shall be entitled to recover from the other party its reasonable attorney's fees and costs. In the event that any provision of this Agreement or any other agreement delivered in connection herewith is invalid or unenforceable under any applicable statute or rule of law, then such provision shall be deemed inoperative to the extent that it may conflict therewith and shall be deemed modified to conform with such statute or rule of law. Any such provision, which may prove invalid or unenforceable under any law, shall not affect the validity or enforceability of any other provision of any agreement. Each party hereby irrevocably waives personal service of process and consents to process being served in any suit, action or proceeding in connection with this Agreement or any other Transaction Document by mailing a copy thereof via registered or certified mail or overnight delivery (with evidence of delivery) to such party at the address in effect for notices to it under this Agreement and agrees that such service shall constitute good and sufficient service of process and notice thereof. Nothing contained herein shall be deemed to limit in any way any right to serve process in any other manner permitted by law.

b. Counterparts; Signatures by Facsimile or PDF. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original but all of which shall constitute one and the same agreement and shall become effective when counterparts have been signed by each party and delivered to the other party. This Agreement, once executed by a party, may be delivered to the other party hereto by facsimile or PDF transmission of a copy of this Agreement bearing the signature of the party so delivering this Agreement.

c. Headings. The headings of this Agreement are for convenience of reference only and shall not form part of, or affect the interpretation of, this Agreement.

d. Severability. In the event that any provision of this Agreement is invalid or unenforceable under any applicable statute or rule of law, then such provision shall be deemed inoperative to the extent that it may conflict therewith and shall be deemed modified to conform with such statute or rule of law. Any provision hereof which may prove invalid or unenforceable under any law shall not affect the validity or enforceability of any other provision hereof.

e. Entire Agreement; Amendments. This Agreement and the instruments referenced herein contain the entire understanding of the parties with respect to the matters covered herein and therein and, except as specifically set forth herein or therein, neither the Company nor the Buyer makes any representation, warranty, covenant or undertaking with respect to such matters. No provision of this Agreement may be waived or amended other than by an instrument in writing signed by the Company and the majority in interest of the Buyer.

f. Notices. All notices, demands, requests, consents, approvals, and other communications required or permitted hereunder shall be in writing and, unless otherwise specified herein, shall be (i) personally served, (ii) deposited in the mail, registered or certified, return receipt requested, postage prepaid, (iii) delivered by reputable air courier service with charges prepaid, or (iv) transmitted by hand delivery, telegram, or facsimile, addressed as set forth below or to such other address as such party shall have specified most recently by written notice. Any notice or other communication required or permitted to be given hereunder shall be deemed effective (a) upon hand delivery or delivery by facsimile, with accurate confirmation generated by the transmitting facsimile machine, at the address or number designated below (if delivered on a business day during normal business hours where such notice is to be received), or the first business day following such delivery (if delivered other than on a business day during normal business hours where such notice is to be received) or (b) on the second business day following the date of mailing by express courier service, fully prepaid, addressed to such address, or upon actual receipt of such mailing, whichever shall first occur. The addresses for such communications shall be:

If to the Company, to:

Ironclad Encryption Corporation
One Riverway
777 Post Oak Lane
Houston TX, 77056
Attn: James McGraw, CEO

If to the Buyer:

GW Holdings Group, LLC
137 Montague Street, Suite 291
Brooklyn, NY 11201
Attn: Manager

Each party shall provide notice to the other party of any change in address.

g. Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the parties and their successors and assigns. Neither the Company nor the Buyer shall assign this

Agreement or any rights or obligations hereunder without the prior written consent of the other. Notwithstanding the foregoing, the Buyer may assign its rights hereunder to any person that purchases Securities in a private transaction from the Buyer or to any of its "affiliates," as that term is defined under the 1934 Act, without the consent of the Company.

h. Third Party Beneficiaries. This Agreement is intended for the benefit of the parties hereto and their respective permitted successors and assigns, and is not for the benefit of, nor may any provision hereof be enforced by, any other person.

i. Survival. The representations and warranties of the Company and the agreements and covenants set forth in this Agreement shall survive the closing hereunder notwithstanding any due diligence investigation conducted by or on behalf of the Buyer. The Company agrees to indemnify and hold harmless the Buyer and all their officers, directors, employees and agents for loss or damage arising as a result of or related to any breach or alleged breach by the Company of any of its representations, warranties and covenants set forth in this Agreement or any of its covenants and obligations under this Agreement, including advancement of expenses as they are incurred.

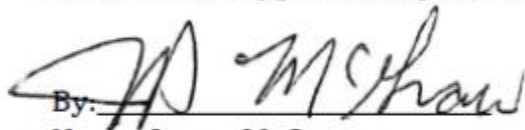
j. Further Assurances. Each party shall do and perform, or cause to be done and performed, all such further acts and things, and shall execute and deliver all such other agreements, certificates, instruments and documents, as the other party may reasonably request in order to carry out the intent and accomplish the purposes of this Agreement and the consummation of the transactions contemplated hereby.

k. No Strict Construction. The language used in this Agreement will be deemed to be the language chosen by the parties to express their mutual intent, and no rules of strict construction will be applied against any party.

l. Remedies. The Company acknowledges that a breach by it of its obligations hereunder will cause irreparable harm to the Buyer by vitiating the intent and purpose of the transaction contemplated hereby. Accordingly, the Company acknowledges that the remedy at law for a breach of its obligations under this Agreement will be inadequate and agrees, in the event of a breach or threatened breach by the Company of the provisions of this Agreement, that the Buyer shall be entitled, in addition to all other available remedies at law or in equity, and in addition to the penalties assessable herein, to an injunction or injunctions restraining, preventing or curing any breach of this Agreement and to enforce specifically the terms and provisions hereof, without the necessity of showing economic loss and without any bond or other security being required.

IN WITNESS WHEREOF, the undersigned Buyer and the Company have caused this Agreement to be duly executed as of the date first above written.

Ironclad Encryption Corporation

By: 
Name: James McGraw
Title: CEO

GW Holdings Group, LLC

/s/ Noah Weinstein

By: _____
Noah Weinstein
Managing Member

AGGREGATE SUBSCRIPTION AMOUNT:

Aggregate Principal Amount of Notes: \$172,500.00

Convertible Note \$86,250.00, less \$7,500.00 OID, Less \$3,750.00 in legal fees, attached in Exhibit A, hereto

Convertible Note \$86,250.00, less \$7,500.00 OID, Less \$3,750.00 in legal fees, attached in Exhibit B, hereto

EXHIBIT A
144 NOTE - \$86,250

EXHIBIT B
144 NOTE - \$86,250

Ironclad Encryption Corporation
12% CONVERTIBLE PROMISSORY NOTE

Effective Date March 28, 2019

US \$86,250.00

Due March 28, 2020

THIS NOTE AND THE COMMON STOCK ISSUABLE UPON CONVERSION OF THIS NOTE HAVE NOT BEEN AND WILL NOT BE REGISTERED WITH THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION OR THE SECURITIES COMMISSION OF ANY STATE PURSUANT TO AN EXEMPTION FROM REGISTRATION PROVIDED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AND THE RULES AND REGULATIONS PROMULGATED THEREUNDER (THE "1933 ACT")

FOR VALUE RECEIVED **Ironclad Encryption Corporation** (the "Company") promises to pay to the order of **GW Holdings Group, LLC**, and its authorized successors and permitted assigns ("Holder"), the aggregate principal face amount of Eighty-Six Thousand Two Hundred Fifty Dollars exactly (U.S. \$86,250.00) on March 28, 2020 ("Maturity Date"). The Company will pay interest on the principal amount outstanding at the rate of 12% per annum, which will commence on March 28, 2019. The Company acknowledges that this Note was issued with a \$7,500.00 original issue discount ("OID") such that the issuance price was \$78,750.00. The interest will be paid to the Holder in whose name this Note is registered on the records of the Company regarding registration and transfers of this Note. The principal of, and interest on, this Note are payable at 137 Montague Street, Suite 291, Brooklyn, NY 11201, initially, and if changed, last appearing on the records of the Company as designated in writing by the Holder hereof from time to time. The Company will pay each interest payment and the outstanding principal due upon this Note before or on the Maturity Date, less any amounts required by law to be deducted or withheld, to the Holder of this Note by check or wire transfer addressed to such Holder at the last address appearing on the records of the Company. The forwarding of such check or wire transfer shall constitute a payment of outstanding principal hereunder and shall satisfy and discharge the liability for principal on this Note to the extent of the sum represented by such check or wire transfer. Interest shall be payable in Common Stock (as defined below) pursuant to paragraph 4(b) herein.

This Note is subject to the following additional provisions:

1. This Note is exchangeable for an equal aggregate principal amount of Notes of different authorized denominations, as requested by the Holder surrendering the same. No service charge will be made for such registration or transfer or exchange, except that Holder shall pay any tax or other governmental charges payable in connection therewith.

2. Under all applicable laws, the Company shall be entitled to withhold any amounts from all payments it is entitled to.

3. This Note may only be transferred or exchanged in compliance with the Securities Act of 1933, as amended ("Act") and any applicable state securities laws. All attempts to transfer to a non-qualifying party shall be treated by the Company as void. Prior to due presentment for transfer of this Note, the Company and any agent of the Company may treat the person in whose name this Note is duly registered on the Company's records as the owner hereof for all other purposes, whether or not this Note be overdue, and neither the Company nor any such agent shall be affected or bound by notice to the contrary. Any Holder of this Note electing to exercise the right of conversion set forth in Section 4(a) hereof, in addition to the requirements set forth in Section 4(a), and any prospective transferee of this Note, also is required to give the Company written confirmation that this Note is being converted ("Notice of Conversion") in the form annexed hereto as Exhibit A. The date of receipt (including receipt by telecopy) of such Notice of Conversion shall be the Conversion Date.

4. (a) The Holder of this Note is entitled, at its option, to convert all or any amount of the principal face amount of this Note then outstanding into shares of the Company's common stock (the "Common Stock") at a price ("Conversion Price") for each share of Common Stock equal to 35% discount of the lowest trading price of the Common Stock as reported on the National Quotations Bureau OTC Markets exchange which the Company's shares are traded or any exchange upon which the Common Stock may be traded in the future ("Exchange"), for the **fifteen** prior trading days including the day upon which a Notice of Conversion is received by the Company or its transfer agent (provided such Notice of Conversion is delivered by fax or other electronic method of communication to the Company or its transfer agent after 4 P.M. Eastern Standard or Daylight Savings Time if the Holder wishes to include the same day closing price). The Notice of Conversion may be rescinded if the shares have not been delivered within 3 business days. The Company shall deliver the shares of Common Stock to the Holder within 3 business days of receipt by the Company of the Notice of Conversion. Accrued but unpaid interest shall be subject to conversion. The number of issuable shares will be rounded to the nearest whole share, and no fractional shares or scrip representing fractions of shares will be issued on conversion. To the extent the Conversion Price of the Company's Common Stock closes below the par value per share, the Company will take all steps necessary to solicit the consent of the stockholders to reduce the par value to the lowest value possible under law. The Company agrees to honor all conversions submitted until the par is decreased. *In the event the Company experiences a DTC "Chill" on its shares, the conversion price discount shall be increased to 50% while that "Chill" is in effect.* Notwithstanding anything to the contrary contained in the Note (except as set forth below in this Section), the Note shall not be convertible by Investor, and Company shall not effect any conversion of the Note or otherwise issue any shares of Common Stock to the extent (but only to the extent) that Investor together with any of its affiliates would beneficially own in excess of 9.99% (the "**Maximum Percentage**") of the Common Stock outstanding. To the extent the foregoing limitation applies, the determination of whether a Note shall be convertible (vis-à-vis other convertible, exercisable or exchangeable securities owned by Investor or any of its affiliates) and of which such securities shall be convertible, exercisable or exchangeable (as among all such securities owned by Investor and its affiliates) shall, subject to such Maximum Percentage limitation, be determined on the basis of the first submission to Company for conversion, exercise or exchange (as the case may be). No prior inability to convert a Note, or to issue shares of Common Stock, pursuant to this Section shall have any effect on the applicability of the provisions of this Section with respect to any subsequent determination of convertibility. For purposes of this Section, beneficial ownership and all determinations and calculations (including, without limitation, with respect to calculations of percentage ownership) shall be determined in accordance with Section 13(e) of the 1934 Act (as defined below) and the rules and regulations promulgated thereunder. The provisions of this Section shall be implemented in a

manner otherwise than in strict conformity with the terms of this Section to correct this Section (or any portion hereof) which may be defective or inconsistent with the intended Maximum Percentage beneficial ownership limitation herein contained or to make changes or supplements necessary or desirable to properly give effect to such Maximum Percentage limitation. The limitations contained in this Section shall apply to a successor holder of this Note and shall be unconditional, irrevocable and non-waivable. For any reason at any time, upon the written or oral request of Investor, Company shall within two (2) business days confirm in writing to Investor the number of shares of Common Stock then outstanding, including by virtue of any prior conversion or exercise of convertible or exercisable securities into Common Stock, including, without limitation, pursuant to this Note.

(b) Interest on any unpaid principal balance of this Note shall be paid at the rate of 12% per annum. In the event of a conversion hereunder, interest shall be paid, by the Company, in Common Stock ("Interest Shares"). Holder may send in a Notice of Conversion to the Company for Interest Shares based on the formula provided in Section 4(a) above. The dollar amount converted into Interest Shares shall be all or a portion of the accrued interest calculated on the unpaid principal balance of this Note to the date of such notice.

(c) (i) During the first 90 days this Note is in effect, the Company may redeem this Note at any time at an amount equal to 120% of the outstanding principal and the accrued and unpaid interest, (ii) from the 91st day forward but before or on the 150th day, then at an amount equal to 130% of the outstanding principal and the accrued and unpaid interest, (iii) from the 151st day forward but before the 180th day, then at an amount equal to 140% of the outstanding principal and the accrued and unpaid interest. This Note may not be redeemed after 180 days. The redemption must be closed and paid for within 3 business days of the Company sending the redemption demand or the redemption will be invalid and the Company may not redeem this Note.

(d) Upon (i) a transfer of all or substantially all of the assets of the Company to any person in a single transaction or series of related transactions, (ii) a reclassification, capital reorganization or other change or exchange of outstanding shares of the Common Stock, other than a forward or reverse stock split or stock dividend, or (iii) any consolidation or merger of the Company with or into another person or entity in which the Company is not the surviving entity (other than a merger which is effected solely to change the jurisdiction of incorporation of the Company and results in a reclassification, conversion or exchange of outstanding shares of Common Stock solely into shares of Common Stock) (each of items (i), (ii) and (iii) being referred to as a "Sale Event"), then, in each case, the Company shall, upon request of the Holder, redeem this Note in cash for 150% of the principal amount, plus accrued but unpaid interest through the date of redemption, or at the election of the Holder, such Holder may convert the unpaid principal amount of this Note (together with the amount of accrued but unpaid interest) into shares of Common Stock immediately prior to such Sale Event at the Conversion Price.

(e) In case of any Sale Event (not to include a sale of all or substantially all of the Company's assets) in connection with which this Note is not redeemed or converted, the Company shall cause effective provision to be made so that the Holder of this Note shall have the right thereafter, by converting this Note, to purchase or convert this Note into the kind and number of shares of stock or other securities or property (including cash) receivable upon such reclassification, capital reorganization or other change, consolidation or merger by a holder of the number of shares of Common Stock that could have been purchased upon exercise of the Note and at the same Conversion Price, as defined in this Note, immediately prior to such Sale Event. The foregoing provisions shall similarly apply to successive Sale Events. If the consideration received by the holders of Common Stock is other than cash, the value shall be as determined by the Board of Directors of the Company or successor person or entity acting in good faith.

5. No provision of this Note shall alter or impair the obligation of the Company, which is absolute and unconditional, to pay the principal of, and interest on, this Note at the time, place, and rate, and in the form, herein prescribed.

6. The Company hereby expressly waives demand and presentment for payment, notice of non-payment, protest, notice of protest, notice of dishonor, notice of acceleration or intent to accelerate, and diligence in taking any action to collect amounts called for hereunder and shall be directly and primarily liable for the payment of all sums owing and to be owing hereto.

7. The Company agrees to pay all costs and expenses, including reasonable attorneys' fees and expenses, which may be incurred by the Holder in collecting any amount due under this Note.

8. While this Note is outstanding and to the extent the Company grants any other party more favorable investment terms (whether via interest rate, original issue discount, conversion discount, look-back period or any other term), the terms of the Note shall automatically adjust to match those more favorable terms.

9. If one or more of the following described "Events of Default" shall occur:

(a) The Company shall default in the payment of principal or interest on this Note or any other note issued to the Holder by the Company; or

(b) Any of the representations or warranties made by the Company herein or in any certificate or financial or other written statements heretofore or hereafter furnished by or on behalf of the Company in connection with the execution and delivery of this Note, or the Securities Purchase Agreement under which this note was issued shall be false or misleading in any material aspect; or

(c) The Company shall fail to perform or observe, in any material respect, any covenant, term, provision, condition, agreement or obligation of the Company under this Note or any other note issued to the Holder; or

(d) The Company shall (1) become insolvent; (2) admit in writing its inability to pay its debts generally as they mature; (3) make an assignment for the benefit of creditors or commence proceedings for its dissolution; (4) apply for or consent to the appointment of a trustee, liquidator or receiver for its or for a substantial part of its property or business; (5) file a petition for relief, consent to the filing of such petition or have filed against it an involuntary petition for bankruptcy relief, all under federal or state laws as applicable; or

(e) A trustee, liquidator or receiver shall be appointed for the Company or for a substantial part of its property or business without its consent and shall not be discharged or stayed within sixty (60) days after such appointment; or

(f) Any governmental agency or any court of competent jurisdiction at the instance of any governmental agency shall assume custody or control of the whole or any substantial portion of the properties or assets of the Company; or

(g) One or more money judgments, writs or warrants of attachment, or similar process, in excess of One Hundred Thousand dollars (\$100,000.00) in the aggregate, shall be entered or filed against

the Company or any of its properties or other assets and shall remain unpaid, unvacated, unbonded or unstayed for a period of fifteen (15) days or in any event later than five (5) days prior to the date of any proposed sale thereunder; or

(h) The Company shall have defaulted on or breached any term of any other note of similar debt instrument into which the Company has entered and failed to cure such default within the appropriate grace period; or

(i) The Company shall have its Common Stock delisted from an exchange (including the OTCB exchange) or, if the Common Stock trades on an exchange, then trading in the Common Stock shall be suspended for more than 10 consecutive days;

(j) If a majority of the members of the Board of Directors of the Company on the date hereof are no longer serving as members of the Board;

(k) The Company shall not deliver to the Holder the Common Stock pursuant to paragraph 4(a) herein without restrictive legend within 3 business days of its receipt of a Notice of Conversion;

(l) The Company shall not replenish the reserve set forth in Section 13, within 3 business days of the request of the Holder; or

(m) The Company shall not be "current" in its filings with the Securities and Exchange Commission; or

(n) The Company shall lose the "bid" price for its stock in a market (including the OTC marketplace or other exchange);

(o) The Company is in arrears for more than 30 days with its Transfer Agent, the conversion discount shall be increased by an additional ten percent (10%).

(p) Following any Event of Default, the Conversion Price discount shall be permanently increased by additional five percent (5%).

Then, or at any time thereafter, unless cured within 5 days, and in each and every such case, unless such Event of Default shall have been waived in writing by the Holder (which waiver shall not be deemed to be a waiver of any subsequent default) at the option of the Holder and in the Holder's sole discretion, the Holder may consider this Note immediately due and payable, without presentment, demand, protest or (further) notice of any kind (other than notice of acceleration), all of which are hereby expressly waived, anything herein or in any note or other instruments contained to the contrary notwithstanding, and the Holder may immediately, and without expiration of any period of grace, enforce any and all of the Holder's rights and remedies provided herein or any other rights or remedies afforded by law. Upon an Event of Default, interest shall accrue at a default interest rate of 24% per annum or, if such rate is usurious or not permitted by current law, then at the highest rate of interest permitted by law. In the event of a breach of Section 9(k) the penalty shall be \$250 per day the shares are not issued beginning on the 4th day after the conversion notice was delivered to the Company. This penalty shall increase to \$500 per day beginning on the 10th day. The penalty for a breach of Section 9(n) shall be an increase of the outstanding principal amounts by 20%. In case of a breach of Section 9(i), (k), (l) or (m) the outstanding principal due under this Note shall increase by 50%. If this Note is not paid at maturity, the outstanding principal due under this Note shall

increase by 10%. If the Holder shall commence an action or proceeding to enforce any provisions of this Note, including, without limitation, engaging an attorney, then if the Holder prevails in such action, the Holder shall be reimbursed by the Company for its attorneys' fees and other costs and expenses incurred in the investigation, preparation and prosecution of such action or proceeding.

10. In case any provision of this Note is held by a court of competent jurisdiction to be excessive in scope or otherwise invalid or unenforceable, such provision shall be adjusted rather than voided, if possible, so that it is enforceable to the maximum extent possible, and the validity and enforceability of the remaining provisions of this Note will not in any way be affected or impaired thereby.

11. Neither this Note nor any term hereof may be amended, waived, discharged or terminated other than by a written instrument signed by the Company and the Holder.

12. The Company represents that it is not a "shell" issuer and has never been a "shell" issuer or that if it previously has been a "shell" issuer that at least 12 months have passed since the Company has reported Form 10 type information indicating it is no longer a "shell" issuer. Further, The Company will instruct its counsel to either (i) write a 144-3(a)(9) opinion to allow for salability of the conversion shares or (ii) accept such opinion from Holder's counsel provided that it is consistent with applicable law.

13. The Company shall reserve 130,000,000 shares of Common Stock for conversions under this Note (the "Share Reserve"). The investor shall have the right to periodically request that the number of Reserved Shares be increased so that the number of Reserved Shares at least equals 400% of the number of shares of Company common stock issuable upon conversion of the Note. The Company shall pay all costs associated with issuing and delivering the shares. If such amounts are to be paid by the Holder, it may deduct such amounts from the Conversion Price. The Company will instruct its transfer agent to provide the outstanding share information to the Holder in connection with its conversions. At all times, the reserve shall be maintained with the Transfer Agent at four times the amount of shares required if the Note would be fully converted.

14. The Company will give the Holder direct notice of any corporate actions, including but not limited to name changes, stock splits, recapitalizations etc. This notice shall be given to the Holder as soon as possible under law.

15. This Note shall be governed by and construed in accordance with the laws of New York applicable to contracts made and wholly to be performed within the State of New York and shall be binding upon the successors and assigns of each party hereto. The Holder and the Company hereby mutually waive trial by jury and consent to exclusive jurisdiction and venue in the courts of the State of New York. This Agreement may be executed in counterparts, and the facsimile transmission of an executed counterpart to this Agreement shall be effective as an original.

IN WITNESS WHEREOF, the Company has caused this Note to be duly executed by an officer thereunto duly authorized.

Dated: March 28, 2019

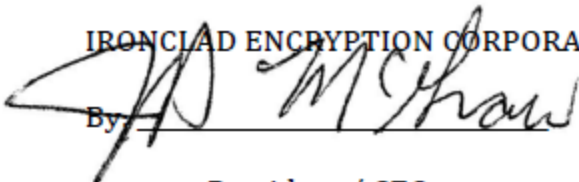
IRONCLAD ENCRYPTION CORPORATION
By: 
Title: President / CEO

EXHIBIT A

NOTICE OF CONVERSION

(To be Executed by the Registered Holder in order to Convert the Note)

The undersigned hereby irrevocably elects to convert \$_____ of the above Note into _____ Shares of Common Stock of Ironclad Encryption Corporation("Shares") according to the conditions set forth in such Note, as of the date written below.

If Shares are to be issued in the name of a person other than the undersigned, the undersigned will pay all transfer and other taxes and charges payable with respect thereto.

Date of Conversion:

Applicable Conversion Price:

Signature:

[Print Name of Holder and Title of Signer]

Address:

SSN or EIN:

Shares are to be registered in the following name:

Name:

Address:

Tel:

Fax:

SSN or EIN:

Shares are to be sent or delivered to the following account:

Account Name:

Address:

THIS NOTE AND THE COMMON STOCK ISSUABLE UPON CONVERSION OF THIS NOTE HAVE NOT BEEN AND WILL NOT BE REGISTERED WITH THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION OR THE SECURITIES COMMISSION OF ANY STATE PURSUANT TO AN EXEMPTION FROM REGISTRATION PROVIDED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AND THE RULES AND REGULATIONS PROMULGATED THEREUNDER (THE "1933 ACT")

**IRONCLAD ENCRYPTION CORPORATION
12% CONVERTIBLE PROMISSORY NOTE
DUE MARCH 28, 2019
BACK END NOTE**

Effective Date March 28, 2019

US \$86,250.00

Due March 28, 2020

THIS NOTE AND THE COMMON STOCK ISSUABLE UPON CONVERSION OF THIS NOTE HAVE NOT BEEN AND WILL NOT BE REGISTERED WITH THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION OR THE SECURITIES COMMISSION OF ANY STATE PURSUANT TO AN EXEMPTION FROM REGISTRATION PROVIDED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AND THE RULES AND REGULATIONS PROMULGATED THEREUNDER (THE "1933 ACT")

FOR VALUE RECEIVED **Ironclad Encryption Corporation** (the "Company") promises to pay to the order of **GW Holdings Group, LLC**, and its authorized successors and permitted assigns ("Holder"), the aggregate principal face amount of Eighty-Six Thousand Two Hundred Fifty Dollars exactly (U.S. \$86,250.00) on March 28, 2020 ("Maturity Date"). The Company will pay interest on the principal amount outstanding at the rate of 12% per annum, which will commence on March 28, 2019. The Company acknowledges that this Note was issued with a \$7,500.00 original issue discount ("OID") such that the issuance price was \$78,750.00. The interest will be paid to the Holder in whose name this Note is registered on the records of the Company regarding registration and transfers of this Note. The principal of, and interest on, this Note are payable at 137 Montague Street, Suite 291, Brooklyn, NY 11201, initially, and if changed, last appearing on the records of the Company as designated in writing by the Holder hereof from time to time. The Company will pay each interest payment and the outstanding principal due upon this Note before or on the Maturity Date, less any amounts required by law to be deducted or withheld, to the Holder of this Note by check or wire transfer addressed to such Holder at the last address appearing on the records of the Company. The forwarding of such check or wire transfer shall constitute a payment of outstanding principal hereunder and shall satisfy and discharge the liability for principal on this Note to the extent of the sum represented by

such check or wire transfer. Interest shall be payable in Common Stock (as defined below) pursuant to paragraph 4(b) herein.

This Note is subject to the following additional provisions:

1. This Note is exchangeable for an equal aggregate principal amount of Notes of different authorized denominations, as requested by the Holder surrendering the same. No service charge will be made for such registration or transfer or exchange, except that Holder shall pay any tax or other governmental charges payable in connection therewith.

2. Under all applicable laws, the Company shall be entitled to withhold any amounts from all payments it is entitled to.

3. This Note may only be transferred or exchanged in compliance with the Securities Act of 1933, as amended ("Act") and any applicable state securities laws. All attempts to transfer to a non-qualifying party shall be treated by the Company as void. Prior to due presentment for transfer of this Note, the Company and any agent of the Company may treat the person in whose name this Note is duly registered on the Company's records as the owner hereof for all other purposes, whether or not this Note be overdue, and neither the Company nor any such agent shall be affected or bound by notice to the contrary. Any Holder of this Note electing to exercise the right of conversion set forth in Section 4(a) hereof, in addition to the requirements set forth in Section 4(a), and any prospective transferee of this Note, also is required to give the Company written confirmation that this Note is being converted ("Notice of Conversion") in the form annexed hereto as Exhibit A. The date of receipt (including receipt by telecopy) of such Notice of Conversion shall be the Conversion Date.

4. (a) The Holder of this Note is entitled, at its option, to convert all or any amount of the principal face amount of this Note then outstanding into shares of the Company's common stock (the "Common Stock") at a price ("Conversion Price") for each share of Common Stock equal to 35% discount of the lowest trading price of the Common Stock as reported on the National Quotations Bureau OTC Markets exchange which the Company's shares are traded or any exchange upon which the Common Stock may be traded in the future ("Exchange"), for the fifteen prior trading days including the day upon which a Notice of Conversion is received by the Company or its transfer agent (provided such Notice of Conversion is delivered by fax or other electronic method of communication to the Company or its transfer agent after 4 P.M. Eastern Standard or Daylight Savings Time if the Holder wishes to include the same day closing price). The Notice of Conversion may be rescinded if the shares have not been delivered within 3 business days. The Company shall deliver the shares of Common Stock to the Holder within 3 business days of receipt by the Company of the Notice of Conversion. Accrued but unpaid interest shall be subject to conversion. The number of issuable shares will be rounded to the nearest whole share, and no fractional shares or scrip representing fractions of shares will be issued on conversion. To the extent the Conversion Price of the Company's Common Stock closes below the par

value per share, the Company will take all steps necessary to solicit the consent of the stockholders to reduce the par value to the lowest value possible under law. The Company agrees to honor all conversions submitted until the par is decreased. *In the event the Company experiences a DTC "Chill" on its shares, the conversion price discount shall be increased to 50% while that "Chill" is in effect.* Notwithstanding anything to the contrary contained in the Note (except as set forth below in this Section), the Note shall not be convertible by Investor, and Company shall not effect any conversion of the Note or otherwise issue any shares of Common Stock to the extent (but only to the extent) that Investor together with any of its affiliates would beneficially own in excess of 9.99% (the "**Maximum Percentage**") of the Common Stock outstanding. To the extent the foregoing limitation applies, the determination of whether a Note shall be convertible (vis-à-vis other convertible, exercisable or exchangeable securities owned by Investor or any of its affiliates) and of which such securities shall be convertible, exercisable or exchangeable (as among all such securities owned by Investor and its affiliates) shall, subject to such Maximum Percentage limitation, be determined on the basis of the first submission to Company for conversion, exercise or exchange (as the case may be). No prior inability to convert a Note, or to issue shares of Common Stock, pursuant to this Section shall have any effect on the applicability of the provisions of this Section with respect to any subsequent determination of convertibility. For purposes of this Section, beneficial ownership and all determinations and calculations (including, without limitation, with respect to calculations of percentage ownership) shall be determined in accordance with Section 13(e) of the 1934 Act (as defined below) and the rules and regulations promulgated thereunder. The provisions of this Section shall be implemented in a manner otherwise than in strict conformity with the terms of this Section to correct this Section (or any portion hereof) which may be defective or inconsistent with the intended Maximum Percentage beneficial ownership limitation herein contained or to make changes or supplements necessary or desirable to properly give effect to such Maximum Percentage limitation. The limitations contained in this Section shall apply to a successor holder of this Note and shall be unconditional, irrevocable and non-waivable. For any reason at any time, upon the written or oral request of Investor, Company shall within two (2) business days confirm in writing to Investor the number of shares of Common Stock then outstanding, including by virtue of any prior conversion or exercise of convertible or exercisable securities into Common Stock, including, without limitation, pursuant to this Note.

(b) Interest on any unpaid principal balance of this Note shall be paid at the rate of 12% per annum. In the event of a conversion hereunder, interest shall be paid, by the Company, in Common Stock ("Interest Shares"). Holder may send in a Notice of Conversion to the Company for Interest Shares based on the formula provided in Section 4(a) above. The dollar amount converted into Interest Shares shall be all or a portion of the accrued interest calculated on the unpaid principal balance of this Note to the date of such notice.

(c) This Note cannot be prepaid.

(d) Upon (i) a transfer of all or substantially all of the assets of the

Company to any person in a single transaction or series of related transactions, (ii) a reclassification, capital reorganization or other change or exchange of outstanding shares of the Common Stock, other than a forward or reverse stock split or stock dividend, or (iii) any consolidation or merger of the Company with or into another person or entity in which the Company is not the surviving entity (other than a merger which is effected solely to change the jurisdiction of incorporation of the Company and results in a reclassification, conversion or exchange of outstanding shares of Common Stock solely into shares of Common Stock) (each of items (i), (ii) and (iii) being referred to as a "Sale Event"), then, in each case, the Company shall, upon request of the Holder, redeem this Note in cash for 150% of the principal amount, plus accrued but unpaid interest through the date of redemption, or at the election of the Holder, such Holder may convert the unpaid principal amount of this Note (together with the amount of accrued but unpaid interest) into shares of Common Stock immediately prior to such Sale Event at the Conversion Price.

(e) In case of any Sale Event (not to include a sale of all or substantially all of the Company's assets) in connection with which this Note is not redeemed or converted, the Company shall cause effective provision to be made so that the Holder of this Note shall have the right thereafter, by converting this Note, to purchase or convert this Note into the kind and number of shares of stock or other securities or property (including cash) receivable upon such reclassification, capital reorganization or other change, consolidation or merger by a holder of the number of shares of Common Stock that could have been purchased upon exercise of the Note and at the same Conversion Price, as defined in this Note, immediately prior to such Sale Event. The foregoing provisions shall similarly apply to successive Sale Events. If the consideration received by the holders of Common Stock is other than cash, the value shall be as determined by the Board of Directors of the Company or successor person or entity acting in good faith.

5. No provision of this Note shall alter or impair the obligation of the Company, which is absolute and unconditional, to pay the principal of, and interest on, this Note at the time, place, and rate, and in the form, herein prescribed.

6. The Company hereby expressly waives demand and presentment for payment, notice of non-payment, protest, notice of protest, notice of dishonor, notice of acceleration or intent to accelerate, and diligence in taking any action to collect amounts called for hereunder and shall be directly and primarily liable for the payment of all sums owing and to be owing hereto.

7. The Company agrees to pay all costs and expenses, including reasonable attorneys' fees and expenses, which may be incurred by the Holder in collecting any amount due under this Note.

8. While this Note is outstanding and to the extent the Company grants any other party more favorable investment terms (whether via interest rate, original issue

discount, conversion discount, look-back period or any other term), the terms of the Note shall automatically adjust to match those more favorable terms.

9. If one or more of the following described "Events of Default" shall occur:

(a) The Company shall default in the payment of principal or interest on this Note or any other note issued to the Holder by the Company; or

(b) Any of the representations or warranties made by the Company herein or in any certificate or financial or other written statements heretofore or hereafter furnished by or on behalf of the Company in connection with the execution and delivery of this Note, or the Securities Purchase Agreement under which this note was issued shall be false or misleading in any material aspect; or

(c) The Company shall fail to perform or observe, in any material respect, any covenant, term, provision, condition, agreement or obligation of the Company under this Note or any other note issued to the Holder; or

(d) The Company shall (1) make an assignment for the benefit of creditors or commence proceedings for its dissolution; (2) apply for or consent to the appointment of a trustee, liquidator or receiver for its or for a substantial part of its property or business; (3) file a petition for relief, consent to the filing of such petition or have filed against it an involuntary petition for bankruptcy relief, all under federal or state laws as applicable; or

(e) A trustee, liquidator or receiver shall be appointed for the Company or for a substantial part of its property or business without its consent and shall not be discharged or stayed within sixty (60) days after such appointment; or

(f) Any governmental agency or any court of competent jurisdiction at the instance of any governmental agency shall assume custody or control of the whole or any substantial portion of the properties or assets of the Company; or

(g) One or more money judgments, writs or warrants of attachment, or similar process, in excess of One Hundred Thousand dollars (\$100,000.00) in the aggregate, shall be entered or filed against the Company or any of its properties or other assets and shall remain unpaid, unvacated, unbonded or unstayed for a period of fifteen (15) days or in any event later than five (5) days prior to the date of any proposed sale thereunder; or

(h) The Company shall have defaulted on or breached any term of any other note of similar debt instrument into which the Company has entered and failed to cure such default within the appropriate grace period; or

(i) The Company shall have its Common Stock delisted from an exchange (including the OTCB exchange) or, if the Common Stock trades on an exchange, then trading in the Common Stock shall be suspended for more than 10 consecutive days;

(j) If a majority of the members of the Board of Directors of the Company on the date hereof are no longer serving as members of the Board;

(k) The Company shall not deliver to the Holder the Common Stock pursuant to paragraph 4(a) herein without restrictive legend within 3 business days of its receipt of a Notice of Conversion;

(l) The Company shall not replenish the reserve set forth in Section 13, within 3 business days of the request of the Holder; or

(m) The Company shall not be "current" in its filings with the Securities and Exchange Commission; or

(n) The Company shall lose the "bid" price for its stock in a market (including the OTC marketplace or other exchange);

(o) The Company is in arrears for more than 30 days with its Transfer Agent, the conversion discount shall be increased by an additional ten percent (10%).

(p) Following any Event of Default, the Conversion Price discount shall be permanently increased by additional five percent (5%).

(q) The Company's Common Stock has a closing bid price of less than \$0.003 per share for at least 5 consecutive trading days.

(r) The aggregate dollar trading volume of the Company's Common Stock is less than forty thousand dollars (\$40,000.00) in any 5 consecutive trading days (if triggered, the discount will remain the same).

Then, or at any time thereafter, unless cured within 5 days (except for 9(q) and 9(r) which are incurable defaults, the sole remedy of which is to allow the Holder to cancel both this Note and the Holder Issued Note), and in each and every such case, unless such Event of Default shall have been waived in writing by the Holder (which waiver shall not be deemed to be a waiver of any subsequent default) at the option of the Holder and in the Holder's sole discretion, the Holder may consider this Note immediately due and payable, without presentment, demand, protest or (further) notice of any kind (other than notice of acceleration), all of which are hereby expressly waived, anything herein or in any note or other instruments contained to the contrary notwithstanding, and the Holder may immediately, and without expiration of any period of grace, enforce any and all of the Holder's rights and remedies provided herein or any other rights or remedies afforded by law. Upon an Event of Default, interest shall accrue at a default interest rate of 24% per

annum or, if such rate is usurious or not permitted by current law, then at the highest rate of interest permitted by law. In the event of a breach of Section 9(k) the penalty shall be \$250 per day the shares are not issued beginning on the 4th day after the conversion notice was delivered to the Company. This penalty shall increase to \$500 per day beginning on the 10th day. The penalty for a breach of Section 9(n) shall be an increase of the outstanding principal amounts by 20%. In case of a breach of Section 9(i), (k), (l) or (m) the outstanding principal due under this Note shall increase by 50%. If this Note is not paid at maturity, the outstanding principal due under this Note shall increase by 10%. If the Holder shall commence an action or proceeding to enforce any provisions of this Note, including, without limitation, engaging an attorney, then if the Holder prevails in such action, the Holder shall be reimbursed by the Company for its attorneys' fees and other costs and expenses incurred in the investigation, preparation and prosecution of such action or proceeding.

10. In case any provision of this Note is held by a court of competent jurisdiction to be excessive in scope or otherwise invalid or unenforceable, such provision shall be adjusted rather than voided, if possible, so that it is enforceable to the maximum extent possible, and the validity and enforceability of the remaining provisions of this Note will not in any way be affected or impaired thereby.

11. Neither this Note nor any term hereof may be amended, waived, discharged or terminated other than by a written instrument signed by the Company and the Holder.

12. The Company represents that it is not a "shell" issuer and has never been a "shell" issuer or that if it previously has been a "shell" issuer that at least 12 months have passed since the Company has reported Form 10 type information indicating it is no longer a "shell" issuer. Further, The Company will instruct its counsel to either (i) write a 144- 3(a)(9) opinion to allow for salability of the conversion shares or (ii) accept such opinion from Holder's counsel provided that it is consistent with applicable law.

13. Prior to cash funding, the Company shall reserve a 3x multiple shares of Common Stock for conversions under this Note (the "Share Reserve"). The investor shall have the right to periodically request that the number of Reserved Shares be increased so that the number of Reserved Shares at least equals 300% of the number of shares of Company common stock issuable upon conversion of the Note. The Company shall pay all costs associated with issuing and delivering the shares. If such amounts are to be paid by the Holder, it may deduct such amounts from the Conversion Price. The Company will instruct its transfer agent to provide the outstanding share information to the Holder in connection with its conversions. At all times, the reserve shall be maintained with the Transfer Agent at three times the amount of shares required if the Note would be fully converted.

14. The Company will give the Holder direct notice of any corporate

actions, including but not limited to name changes, stock splits, recapitalizations etc. This notice shall be given to the Holder as soon as possible under law.

15. This Note shall be governed by and construed in accordance with the laws of New York applicable to contracts made and wholly to be performed within the State of New York and shall be binding upon the successors and assigns of each party hereto. The Holder and the Company hereby mutually waive trial by jury and consent to exclusive jurisdiction and venue in the courts of the State of New York. This Agreement may be executed in counterparts, and the facsimile transmission of an executed counterpart to this Agreement shall be effective as an original.

IN WITNESS WHEREOF, the Company has caused this Note to be duly executed by an officer thereunto duly authorized.

Dated: March 28, 2019

IRONCLAD ENCRYPTION CORPORATION

By: _____

Title: _____

EXHIBIT A

NOTICE OF CONVERSION

(To be Executed by the Registered Holder in order to Convert the Note)

The undersigned hereby irrevocably elects to convert \$_____ of the above Note into _____ Shares of Common Stock of Ironclad Encryption Corporation("Shares") according to the conditions set forth in such Note, as of the date written below.

If Shares are to be issued in the name of a person other than the undersigned, the undersigned will pay all transfer and other taxes and charges payable with respect thereto.

Date of Conversion: _____

Applicable Conversion Price: _____

Signature: _____

[Print Name of Holder and Title of Signer]

Address: _____

SSN or EIN: _____

Shares are to be registered in the following name: _____

Name: _____

Address: _____

Tel: _____

Fax: _____

SSN or EIN: _____

Shares are to be sent or delivered to the following account:

Account Name: _____

Address: _____

THIS NOTE HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"), OR UNDER THE SECURITIES LAWS OF CERTAIN STATES. THESE SECURITIES ARE SUBJECT TO RESTRICTIONS ON TRANSFERABILITY AND RESALE AND MAY NOT BE TRANSFERRED OR RESOLD EXCEPT AS PERMITTED UNDER THE ACT AND THE APPLICABLE STATE SECURITIES LAWS, PURSUANT TO REGISTRATION OR EXEMPTION THEREFROM. LENDERS SHOULD BE AWARE THAT THEY MAY BE REQUIRED TO BEAR THE FINANCIAL RISKS OF THIS INVESTMENT FOR AN INDEFINITE PERIOD OF TIME. THE ISSUER OF THESE SECURITIES MAY REQUIRE AN OPINION OF COUNSEL IN FORM AND SUBSTANCE SATISFACTORY TO THE ISSUER TO THE EFFECT THAT ANY PROPOSED TRANSFER OR RESALE IS IN COMPLIANCE WITH THE ACT AND ANY APPLICABLE STATE SECURITIES LAWS.

GW HOLDING GROUP, LLC
COLLATERALIZED SECURED PROMISSORY NOTE
BACK END NOTE

\$78,750.00

New York, New York
March 28, 2019

1. Principal and Interest

FOR VALUE RECEIVED, GW Holding Group, LLC, a New York Limited Liability Company (the "Company") hereby absolutely and unconditionally promises to pay to Ironclad Encryption Corporation, a Delaware Corporation (the "Lender"), or order, the principal amount of Seventy Eight Thousand Seven Hundred Fifty Dollars (\$78,750.00) no later than December 28, 2019, unless the Lender does not meet the "current information requirements" required under Rule 144 of the Securities Act of 1933, as amended, in which case the Company may declare the offsetting note issued by the Lender on the same date herewith to be in Default (as defined in that note) and cross cancel its payment obligations under this Note as well as the Lenders payment obligations under the offsetting note. This Full Recourse Note shall bear simple interest at the rate of 12%.

2. Repayments and Prepayments; Security.

a. All principal under this Note shall be due and payable no later than December 28, 2019, unless the Lender does not meet the "current information requirements" required under Rule 144 of the Securities Act of 1933, as amended, in which case the Company may declare the offsetting note issued by the Lender on the same date herewith to be in Default (as defined in that note) and cross cancel its payment obligations under this Note as well as the Lenders payment obligations under the offsetting note.

b. The Company may pay this Note at any time. This note may not be assigned by the Lender, except by operation of law.

c. This Note shall initially be secured by the pledge of the \$78,750.00, 12%, convertible promissory note issued to the Company by the Lender on even date herewith, (the "Lender Note").

The Company may exchange this collateral for other collateral with an appraised value of at least \$78,750.00, by providing 3 days prior written notice to the Lender. If the Lender does not object to the substitution of collateral in that 3-day period, such substitution of collateral shall be deemed to have been accepted by the Lender. Notwithstanding the foregoing, an exchange of collateral for \$78,750.00 in cash shall not require the approval of the Lender. All collateral shall be retained by Cassi Olson, Esq., which shall act as the escrow agent for the collateral for the benefit of the Lender. The Company may not effect any conversions under the Lender Note until it has made full cash payment for the portion of the Lender Note being converted.

3. Events of Default: Acceleration.

a. The principal amount of this Note is subject to prepayment, in whole or in part, upon the occurrence and during the continuance of any of the following events (each, an "Event of Default"): the initiation of any bankruptcy, insolvency, moratorium, receivership or reorganization by or against the Company, or a general assignment of assets by the Company for the benefit of creditors. Upon the occurrence of any Event of Default, the entire unpaid principal balance of this Note and all of the unpaid interest accrued thereon shall be immediately due and payable. The Company may offset amounts due to the Lender under this Note by similar amounts that may be due to the Company by the Lender resulting from breaches under the Lender Note.

b. No remedy herein conferred upon the Lender is intended to be exclusive of any other remedy and each and every remedy shall be cumulative and in addition to every other remedy hereunder, now or hereafter existing at law or in equity or otherwise. The Company accepts and agrees that this Note is a full recourse note and that the Holder may exercise any and all remedies available to it under law.

4. Notices.

a. All notices, reports and other communications required or permitted hereunder shall be in writing and may be delivered in person, by telecopy with written confirmation, overnight delivery service or U.S. mail, in which event it may be mailed by first-class, certified or registered , postage prepaid, addressed (i) if to a Lender, at such Lender's address as the Lender shall have furnished the Company in writing and (ii) if to the Company at such address as the Company shall have furnished the Lender(s) in writing.

b. Each such notice, report or other communication shall, for all purposes, under this Note be treated as effective or having been given when delivered if delivered personally or, if sent by mail, at the earlier of its receipt or 72 hours after the same has been deposited in a regularly maintained receptacle for the deposit of the United States mail, addressed and mailed as aforesaid, or, if sent by electronic communication with confirmation, upon the delivery of electronic communication.

5. Miscellaneous.

- a. Neither this Note nor any provisions hereof may be changed, waived, discharged or terminated orally, but only by a signed statement in writing.
- b. No failure or delay by the Lender to exercise any right hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any right, power or privilege preclude any other right, power or privilege. The provisions of this Note are severable and if any one provision hereof shall be held invalid or unenforceable, in whole or in part, in any jurisdiction, such invalidity or unenforceability shall affect only such provision in such jurisdiction. This Note expresses the entire understanding of the parties with respect to the transactions contemplated hereby. The Company and every endorser and guarantor of this Note regardless of the time, order or place of signing hereby waives presentment, demand, protest and notice of every kind, and assents to any extension or postponement of the time for payment or any other indulgence, to any substitution, exchange or release of collateral, and to the addition or release of any other party or person primarily or secondarily liable.
- c. If Lender retains an attorney for collection of this Note, or if any suit or proceeding is brought for the recovery of all, or any part of, or for protection of the indebtedness respected by this Note, then the Company agrees to pay all costs and expenses of the suit or proceeding, or any appeal thereof, incurred by the Lender, including without limitation, reasonable attorneys' fees.
- d. This Note shall for all purposes be governed by, and construed in accordance with the laws of the State of New York (without reference to conflict of laws).
- e. This Note shall be binding upon the Company's successors and assigns, and shall inure to the benefit of the Lender's successors and assigns.

IN WITNESS WHEREOF, the Company has caused this Note to be executed by its duly authorized officer to take effect as of the date herein above written.

GW HOLDING GROUP LLC

/s/ Noah Weinstein
By: _____
Noah Weinstein
Managing Member
Title: _____

APPROVED:

IRONCLAD ENCRYPTION CORPORATION

/s/ James McGraw
By: _____
James McGraw
Chief Executive Officer
Title: _____

SECURITIES PURCHASE AGREEMENT

This **SECURITIES PURCHASE AGREEMENT** (the “Agreement”), dated as of April 12, 2019, by and between **IRONCLAD ENCRYPTION CORPORATION**, a Delaware corporation, with headquarters located at 777 South Post Oak Lane, Suite 1700, Houston, TX 77056 (the “Company”), and **LG CAPITAL FUNDING, LLC**, a New York limited liability company, with its address at 1218 Union Street, Suite #2, Brooklyn, NY 11225 (the “Buyer”).

WHEREAS:

A. The Company and the Buyer are executing and delivering this Agreement in reliance upon the exemption from securities registration afforded by the rules and regulations as promulgated by the United States Securities and Exchange Commission (the “SEC”) under the Securities Act of 1933, as amended (the “1933 Act”);

B. Buyer desires to purchase and the Company desires to issue and sell, upon the terms and conditions set forth in this Agreement two 8% convertible notes of the Company, in the forms attached hereto as Exhibit A, and B in the aggregate principal amount of \$86,400.00 (comprised of the first note (“First Note”) being in the amount of \$43,200.00, and the remaining note in the amount of \$42,200.00, a “Back End Note”) (together with any note(s) issued in replacement thereof or as a dividend thereon or otherwise with respect thereto in accordance with the terms thereof, the “Note”), convertible into shares of common stock, of the Company (the “Common Stock”), upon the terms and subject to the limitations and conditions set forth in such Note. Each Note shall contain a \$3,200 OID such that the purchase price of each Note shall be \$40,000.00. The First Note shall be paid for by the Buyer as set forth herein. The Back End Note shall initially be paid for by the issuance of an offsetting \$40,000.00 secured note issued to the Company by the Buyer (a “Buyer Note”), provided that prior to conversion of the Back End Note, the Buyer must have paid off that Buyer Note in cash such that the Back End Note may not be converted until it has been paid for in cash by Buyer.

C. The Buyer wishes to purchase, upon the terms and conditions stated in this Agreement, such principal amount of Note as is set forth immediately below its name on the signature pages hereto; and

NOW THEREFORE, the Company and the Buyer severally (and not jointly) hereby agree as follows:

1. Purchase and Sale of Note.

a. Purchase of Note. On each Closing Date (as defined below), the Company shall issue and sell to the Buyer and the Buyer agrees to purchase from the Company such principal amount of Note as is set forth immediately below the Buyer’s name on the signature pages hereto.

b. Form of Payment. On the Closing Date (as defined below), (i) the Buyer shall pay the purchase price for the Note to be issued and sold to it at the Closing (as defined below) (the “Purchase Price”) by wire transfer of immediately available funds to the Company, in accordance with the Company’s written wiring instructions, against delivery of the Note in the principal amount equal to the Purchase Price as is set forth immediately below the Buyer’s name on the signature pages hereto, and (ii) the Company shall deliver such duly executed Note on behalf of the Company, to the Buyer, against delivery of such Purchase Price.

c. Closing Date. The date and time of the first issuance and sale of the Note pursuant to this Agreement (the “Closing Date”) shall be on or about April 12, 2019, or such other mutually agreed upon time. The closing of the transactions contemplated by this Agreement (the “Closing”) shall occur on the Closing Date at such location as may be agreed to by the parties. Subsequent Closings shall occur when the Buyer Notes are repaid. The Closing of each of the following notes shall be on or before the dates specified in the relevant Buyer Notes. The Company may reject the funding of the Back End Notes by giving 30 day prior written notice. Such notice must be given 30 days prior to the 6 month anniversary of the Back End Note. The Closing of the Back End Note shall be contingent on the following conditions: (i) the price of the Company’s common stock shall not have dropped below \$0.003 per share, for any 5 consecutive trading days, and (ii) the aggregate dollar trading volume of the Company’s Common Stock shall not have dropped below \$25,000, for any 5 consecutive trading days.

2. Buyer’s Representations and Warranties. The Buyer represents and warrants to the Company that:

a. Investment Purpose. As of the date hereof, the Buyer is purchasing the Note and the shares of Common Stock issuable upon conversion of or otherwise pursuant to the Note, such shares of Common Stock being collectively referred to herein as the “Conversion Shares” and, collectively with the Note, the “Securities”) for its own account and not with a present view towards the public sale or distribution thereof, except pursuant to sales registered or exempted from registration under the 1933 Act; provided, however, that by making the representations herein, the Buyer does not agree to hold any of the Securities for any minimum or other specific term and reserves the right to dispose of the Securities at any time in accordance with or pursuant to a registration statement or an exemption under the 1933 Act.

b. Accredited Investor Status. The Buyer is an “accredited investor” as that term is defined in Rule 501(a) of Regulation D (an “Accredited Investor”).

c. Reliance on Exemptions. The Buyer understands that the Securities are being offered and sold to it in reliance upon specific exemptions from the registration requirements of United States federal and state securities laws and that the Company is relying upon the truth and accuracy of, and the Buyer’s compliance with, the representations, warranties, agreements, acknowledgments and understandings of the Buyer set forth herein in order to determine the availability of such exemptions and the eligibility of the Buyer to acquire the Securities.

d. Information. The Buyer and its advisors, if any, have been, and for so long as the Note remain outstanding will continue to be, furnished with all materials relating to the business, finances and operations of the Company and materials relating to the offer and sale of the Securities which have been requested by the Buyer or its advisors. The Buyer and its advisors, if any, have been, and for so long as the Note remain outstanding will continue to be, afforded the opportunity to ask questions of the Company. Notwithstanding the foregoing, the Company has not disclosed to the Buyer any material nonpublic information and will not disclose such information unless such information is disclosed to the public prior to or promptly following such disclosure to the Buyer. Neither such inquiries nor any other due diligence investigation conducted by Buyer or any of its advisors or representatives shall modify, amend or affect Buyer's right to rely on the Company's representations and warranties contained in Section 3 below. The Buyer understands that its investment in the Securities involves a significant degree of risk. The Buyer is not aware of any facts that may constitute a breach of any of the Company's representations and warranties made herein.

e. Governmental Review. The Buyer understands that no United States federal or state agency or any other government or governmental agency has passed upon or made any recommendation or endorsement of the Securities.

f. Transfer or Re-sale. The Buyer understands that (i) the sale or re-sale of the Securities has not been and is not being registered under the 1933 Act or any applicable state securities laws, and the Securities may not be transferred unless (a) the Securities are sold pursuant to an effective registration statement under the 1933 Act, (b) the Buyer shall have delivered to the Company, at the cost of the Buyer, an opinion of counsel that shall be in form, substance and scope customary for opinions of counsel in comparable transactions to the effect that the Securities to be sold or transferred may be sold or transferred pursuant to an exemption from such registration, which opinion shall be accepted by the Company, (c) the Securities are sold or transferred to an "affiliate" (as defined in Rule 144 promulgated under the 1933 Act (or a successor rule) ("Rule 144")) of the Buyer who agrees to sell or otherwise transfer the Securities only in accordance with this Section 2(f) and who is an Accredited Investor, (d) the Securities are sold pursuant to Rule 144, or (e) the Securities are sold pursuant to Regulation S under the 1933 Act (or a successor rule) ("Regulation S"), and the Buyer shall have delivered to the Company, at the cost of the Buyer, an opinion of counsel that shall be in form, substance and scope customary for opinions of counsel in corporate transactions, which opinion shall be accepted by the Company; (ii) any sale of such Securities made in reliance on Rule 144 may be made only in accordance with the terms of said Rule and further, if said Rule is not applicable, any re-sale of such Securities under circumstances in which the seller (or the person through whom the sale is made) may be deemed to be an underwriter (as that term is defined in the 1933 Act) may require compliance with some other exemption under the 1933 Act or the rules and regulations of the SEC thereunder; and (iii) neither the Company nor any other person is under any obligation to register such Securities under the 1933 Act or any state securities laws or to comply with the terms and conditions of any exemption thereunder (in each case). Notwithstanding the foregoing or anything else contained herein to the contrary, the Securities may be pledged as collateral in connection with a bona fide margin account or other lending arrangement.

g. Legends. The Buyer understands that the Note and, until such time as the Conversion Shares have been registered under the 1933 Act may be sold pursuant to Rule 144 or Regulation S without any restriction as to the number of securities as of a particular date that can then be immediately sold, the Conversion Shares may bear a restrictive legend in substantially the following form (and a stop-transfer order may be placed against transfer of the certificates for such Securities):

“NEITHER THE ISSUANCE AND SALE OF THE SECURITIES REPRESENTED BY THIS CERTIFICATE NOR THE SECURITIES INTO WHICH THESE SECURITIES ARE EXERCISABLE HAVE BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR APPLICABLE STATE SECURITIES LAWS. THE SECURITIES MAY NOT BE OFFERED FOR SALE, SOLD, TRANSFERRED OR ASSIGNED (I) IN THE ABSENCE OF (A) AN EFFECTIVE REGISTRATION STATEMENT FOR THE SECURITIES UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR (B) AN OPINION OF COUNSEL (WHICH COUNSEL SHALL BE SELECTED BY THE HOLDER), IN A GENERALLY ACCEPTABLE FORM, THAT REGISTRATION IS NOT REQUIRED UNDER SAID ACT OR (II) UNLESS SOLD PURSUANT TO RULE 144 OR RULE 144A UNDER SAID ACT. NOTWITHSTANDING THE FOREGOING, THE SECURITIES MAY BE PLEDGED IN CONNECTION WITH A BONA FIDE MARGIN ACCOUNT OR OTHER LOAN OR FINANCING ARRANGEMENT SECURED BY THE SECURITIES.”

The legend set forth above shall be removed and the Company shall issue a certificate without such legend to the holder of any Security upon which it is stamped, if, unless otherwise required by applicable state securities laws, (a) such Security is registered for sale under an effective registration statement filed under the 1933 Act or otherwise may be sold pursuant to Rule 144 or Regulation S without any restriction as to the number of securities as of a particular date that can then be immediately sold, or (b) such holder provides the Company with an opinion of counsel, in form, substance and scope customary for opinions of counsel in comparable transactions, to the effect that a public sale or transfer of such Security may be made without registration under the 1933 Act, which opinion shall be accepted by the Company so that the sale or transfer is effected. The Buyer agrees to sell all Securities, including those represented by a certificate(s) from which the legend has been removed, in compliance with applicable prospectus delivery requirements, if any. In the event that the Company does not accept the opinion of counsel provided by the Buyer with respect to the transfer of Securities pursuant to an exemption from registration, such as Rule 144 or Regulation S, within 2 business days, it will be considered an Event of Default under the Note.

h. Authorization; Enforcement. This Agreement has been duly and validly authorized. This Agreement has been duly executed and delivered on behalf of the Buyer, and this Agreement constitutes a valid and binding agreement of the Buyer enforceable in accordance with its terms.

i. Residency. The Buyer is a resident of the jurisdiction set forth immediately below the Buyer's name on the signature pages hereto.

j. No Short Sales. Buyer/Holder, its successors and assigns, agree that so long as the Note remains outstanding, the Buyer/Holder shall not enter into or effect "short sales" of the Common Stock or hedging transaction which establishes a short position with respect to the Common Stock of the Company. The Company acknowledges and agrees that upon delivery of a Conversion Notice by the Buyer/Holder, the Buyer/Holder immediately owns the shares of Common Stock described in the Conversion Notice and any sale of those shares issuable under such Conversion Notice would not be considered short sales.

3. Representations and Warranties of the Company. The Company represents and warrants to the Buyer that:

a. Organization and Qualification. The Company and each of its subsidiaries, if any, is a corporation duly organized, validly existing and in good standing under the laws of the jurisdiction in which it is incorporated, with full power and authority (corporate and other) to own, lease, use and operate its properties and to carry on its business as and where now owned, leased, used, operated and conducted.

b. Authorization; Enforcement. (i) The Company has all requisite corporate power and authority to enter into and perform this Agreement, the Note and to consummate the transactions contemplated hereby and thereby and to issue the Securities, in accordance with the terms hereof and thereof, (ii) the execution and delivery of this Agreement, the Note by the Company and the consummation by it of the transactions contemplated hereby and thereby (including without limitation, the issuance of the Note and the issuance and reservation for issuance of the Conversion Shares issuable upon conversion or exercise thereof) have been duly authorized by the Company's Board of Directors and no further consent or authorization of the Company, its Board of Directors, or its shareholders is required, (iii) this Agreement has been duly executed and delivered by the Company by its authorized representative, and such authorized representative is the true and official representative with authority to sign this Agreement and the other documents executed in connection herewith and bind the Company accordingly, and (iv) this Agreement constitutes, and upon execution and delivery by the Company of the Note, each of such instruments will constitute, a legal, valid and binding obligation of the Company enforceable against the Company in accordance with its terms.

c. Issuance of Shares. The Conversion Shares are duly authorized and reserved for issuance and, upon conversion of the Note in accordance with its respective terms, will be validly issued, fully paid and non-assessable, and free from all taxes, liens, claims and encumbrances with respect to the issue thereof and shall not be subject to preemptive rights or other similar rights of shareholders of the Company and will not impose personal liability upon the holder thereof.

d. Acknowledgment of Dilution. The Company understands and acknowledges the potentially dilutive effect to the Common Stock upon the issuance of the Conversion Shares upon conversion of the Note. The Company further acknowledges that its obligation to issue Conversion Shares upon conversion of the Note in accordance with this Agreement, the Note is absolute and unconditional regardless of the dilutive effect that such issuance may have on the ownership interests of other shareholders of the Company.

e. No Conflicts. The execution, delivery and performance of this Agreement, the Note by the Company and the consummation by the Company of the transactions contemplated hereby and thereby (including, without limitation, the issuance and reservation for issuance of the Conversion Shares) will not (i) conflict with or result in a violation of any provision of the Certificate of Incorporation or By-laws, or (ii) violate or conflict with, or result in a breach of any provision of, or constitute a default (or an event which with notice or lapse of time or both could become a default) under, or give to others any rights of termination, amendment, acceleration or cancellation of, any agreement, indenture, patent, patent license or instrument to which the Company or any of its subsidiaries is a party, or (iii) result in a violation of any law, rule, regulation, order, judgment or decree (including federal and state securities laws and regulations and regulations of any self-regulatory organizations to which the Company or its securities are subject) applicable to the Company or any of its subsidiaries or by which any property or asset of the Company or any of its subsidiaries is bound or affected (except for such conflicts, defaults, terminations, amendments, accelerations, cancellations and violations as would not, individually or in the aggregate, have a material adverse effect). All consents, authorizations, orders, filings and registrations which the Company is required to obtain pursuant to the preceding sentence have been obtained or effected on or prior to the date hereof. The Company is not in violation of the listing requirements of the OTC Marketplace (the “OTC Markets”) and does not reasonably anticipate that the Common Stock will be delisted by the OTC MARKETS in the foreseeable future, nor are the Company’s securities “chilled” by FINRA. The Company and its subsidiaries are unaware of any facts or circumstances which might give rise to any of the foregoing.

f. Absence of Litigation. Except as disclosed in the Company’s public filings, there is no action, suit, claim, proceeding, inquiry or investigation before or by any court, public board, government agency, self-regulatory organization or body pending or, to the knowledge of the Company or any of its subsidiaries, threatened against or affecting the Company or any of its subsidiaries, or their officers or directors in their capacity as such, that could have a material adverse effect. Schedule 3(f) contains a complete list and summary description of any pending or, to the knowledge of the Company, threatened proceeding against or affecting the Company or any of its subsidiaries, without regard to whether it would have a material adverse effect. The Company and its subsidiaries are unaware of any facts or circumstances which might give rise to any of the foregoing.

g. Acknowledgment Regarding Buyer’ Purchase of Securities. The Company acknowledges and agrees that the Buyer is acting solely in the capacity of arm’s length purchasers with respect to this Agreement and the transactions contemplated hereby. The Company further acknowledges that the Buyer is not acting as a financial advisor or fiduciary of

the Company (or in any similar capacity) with respect to this Agreement and the transactions contemplated hereby and any statement made by the Buyer or any of its respective representatives or agents in connection with this Agreement and the transactions contemplated hereby is not advice or a recommendation and is merely incidental to the Buyer's purchase of the Securities. The Company further represents to the Buyer that the Company's decision to enter into this Agreement has been based solely on the independent evaluation of the Company and its representatives.

h. No Integrated Offering. Neither the Company, nor any of its affiliates, nor any person acting on its or their behalf, has directly or indirectly made any offers or sales in any security or solicited any offers to buy any security under circumstances that would require registration under the 1933 Act of the issuance of the Securities to the Buyer. The issuance of the Securities to the Buyer will not be integrated with any other issuance of the Company's securities (past, current or future) for purposes of any shareholder approval provisions applicable to the Company or its securities.

i. Title to Property. The Company and its subsidiaries have good and marketable title in fee simple to all real property and good and marketable title to all personal property owned by them which is material to the business of the Company and its subsidiaries, in each case free and clear of all liens, encumbrances and defects except such as are described in Schedule 3(i) or such as would not have a material adverse effect. Any real property and facilities held under lease by the Company and its subsidiaries are held by them under valid, subsisting and enforceable leases with such exceptions as would not have a material adverse effect.

j. Bad Actor. No officer or director of the Company would be disqualified under Rule 506(d) of the Securities Act as amended on the basis of being a "bad actor" as that term is established in the September 19, 2013 Small Entity Compliance Guide published by the Securities and Exchange Commission.

k. Breach of Representations and Warranties by the Company. If the Company breaches any of the representations or warranties set forth in this Section 3, and in addition to any other remedies available to the Buyer pursuant to this Agreement, it will be considered an Event of default under the Note.

4. COVENANTS.

a. Expenses. At the Closing, the Company shall reimburse Buyer for expenses incurred by them in connection with the negotiation, preparation, execution, delivery and performance of this Agreement and the other agreements to be executed in connection herewith ("Documents"), including, without limitation, reasonable attorneys' and consultants' fees and expenses, transfer agent fees, fees for stock quotation services, fees relating to any amendments or modifications of the Documents or any consents or waivers of provisions in the Documents, fees for the preparation of opinions of counsel, escrow fees, and costs of restructuring the transactions contemplated by the Documents. When possible, the Company must pay these fees directly, otherwise the Company must make immediate payment for

reimbursement to the Buyer for all fees and expenses immediately upon written notice by the Buyer or the submission of an invoice by the Buyer.

b. Listing. The Company shall promptly secure the listing of the Conversion Shares upon each national securities exchange or automated quotation system, if any, upon which shares of Common Stock are then listed (subject to official notice of issuance) and, so long as the Buyer owns any of the Securities, shall maintain, so long as any other shares of Common Stock shall be so listed, such listing of all Conversion Shares from time to time issuable upon conversion of the Note. The Company will obtain and, so long as the Buyer owns any of the Securities, maintain the listing and trading of its Common Stock on the OTC MARKETS or any equivalent replacement exchange, the Nasdaq National Market (“Nasdaq”), the Nasdaq SmallCap Market (“Nasdaq SmallCap”) or the New York Stock Exchange (“NYSE”), and will comply in all respects with the Company’s reporting, filing and other obligations under the bylaws or rules of the Financial Industry Regulatory Authority (“FINRA”) and such exchanges, as applicable. The Company shall promptly provide to the Buyer copies of any notices it receives from the OTC MARKETS and any other exchanges or quotation systems on which the Common Stock is then listed regarding the continued eligibility of the Common Stock for listing on such exchanges and quotation systems.

c. Corporate Existence. So long as the Buyer beneficially owns any Note, the Company shall maintain its corporate existence and shall not sell all or substantially all of the Company’s assets, except in the event of a merger or consolidation or sale of all or substantially all of the Company’s assets, where the surviving or successor entity in such transaction (i) assumes the Company’s obligations hereunder and under the agreements and instruments entered into in connection herewith and (ii) is a publicly traded corporation whose Common Stock is listed for trading on the OTC MARKETS, Nasdaq, Nasdaq SmallCap or NYSE.

d. No Integration. The Company shall not make any offers or sales of any security (other than the Securities) under circumstances that would require registration of the Securities being offered or sold hereunder under the 1933 Act or cause the offering of the Securities to be integrated with any other offering of securities by the Company for the purpose of any stockholder approval provision applicable to the Company or its securities.

e. Filings. The Company shall include all of the Notes in its next scheduled SEC filing whether that shall be a 10Q or a 10K.

f. Breach of Covenants. If the Company breaches any of the covenants set forth in this Section 4, and in addition to any other remedies available to the Buyer pursuant to this Agreement, it will be considered an event of default under the Note.

5. Governing Law; Miscellaneous.

a. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of New York without regard to principles of conflicts of

laws. Any action brought by either party against the other concerning the transactions contemplated by this Agreement shall be brought only in the state courts of New York or in the federal courts located in the state and county of New York. The parties to this Agreement hereby irrevocably waive any objection to jurisdiction and venue of any action instituted hereunder and shall not assert any defense based on lack of jurisdiction or venue or based upon *forum non conveniens*. The Company and Buyer waive trial by jury. The prevailing party shall be entitled to recover from the other party its reasonable attorney's fees and costs. In the event that any provision of this Agreement or any other agreement delivered in connection herewith is invalid or unenforceable under any applicable statute or rule of law, then such provision shall be deemed inoperative to the extent that it may conflict therewith and shall be deemed modified to conform with such statute or rule of law. Any such provision which may prove invalid or unenforceable under any law shall not affect the validity or enforceability of any other provision of any agreement. Each party hereby irrevocably waives personal service of process and consents to process being served in any suit, action or proceeding in connection with this Agreement or any other Transaction Document by mailing a copy thereof via registered or certified mail or overnight delivery (with evidence of delivery) to such party at the address in effect for notices to it under this Agreement and agrees that such service shall constitute good and sufficient service of process and notice thereof. Nothing contained herein shall be deemed to limit in any way any right to serve process in any other manner permitted by law.

b. Counterparts; Signatures by Facsimile. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original but all of which shall constitute one and the same agreement and shall become effective when counterparts have been signed by each party and delivered to the other party. This Agreement, once executed by a party, may be delivered to the other party hereto by facsimile transmission of a copy of this Agreement bearing the signature of the party so delivering this Agreement.

c. Headings. The headings of this Agreement are for convenience of reference only and shall not form part of, or affect the interpretation of, this Agreement.

d. Severability. In the event that any provision of this Agreement is invalid or unenforceable under any applicable statute or rule of law, then such provision shall be deemed inoperative to the extent that it may conflict therewith and shall be deemed modified to conform with such statute or rule of law. Any provision hereof which may prove invalid or unenforceable under any law shall not affect the validity or enforceability of any other provision hereof.

e. Entire Agreement; Amendments. This Agreement and the instruments referenced herein contain the entire understanding of the parties with respect to the matters covered herein and therein and, except as specifically set forth herein or therein, neither the Company nor the Buyer makes any representation, warranty, covenant or undertaking with respect to such matters. No provision of this Agreement may be waived or amended other than by an instrument in writing signed by the majority in interest of the Buyer.

f. Notices. All notices, demands, requests, consents, approvals, and other communications required or permitted hereunder shall be in writing and, unless otherwise

specified herein, shall be (i) personally served, (ii) deposited in the mail, registered or certified, return receipt requested, postage prepaid, (iii) delivered by reputable air courier service with charges prepaid, (iv) via electronic mail or (v) transmitted by hand delivery, telegram, or facsimile, addressed as set forth below or to such other address as such party shall have specified most recently by written notice. Any notice or other communication required or permitted to be given hereunder shall be deemed effective (a) upon hand delivery or delivery by facsimile, with accurate confirmation generated by the transmitting facsimile machine, at the address or number designated below (if delivered on a business day during normal business hours where such notice is to be received) or delivery via electronic mail, or the first business day following such delivery (if delivered other than on a business day during normal business hours where such notice is to be received) or (b) on the second business day following the date of mailing by express courier service, fully prepaid, addressed to such address, or upon actual receipt of such mailing, whichever shall first occur. The addresses for such communications shall be:

If to the Company, to:

Ironclad Encryption Corporation
777 South Post Oak Lane, suite 1700
Houston, TX 77056
Attn: James D. McGraw, CEO

If to the Buyer:

LG CAPITAL FUNDING, LLC
1218 Union Street, Suite #2
Brooklyn, NY 11225
Attn: Joseph Lerman

Each party shall provide notice to the other party of any change in address.

g. Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the parties and their successors and assigns. Neither the Company nor the Buyer shall assign this Agreement or any rights or obligations hereunder without the prior written consent of the other. Notwithstanding the foregoing, the Buyer may assign its rights hereunder to any person that purchases Securities in a private transaction from the Buyer or to any of its "affiliates," as that term is defined under the 1934 Act, without the consent of the Company.

h. Third Party Beneficiaries. This Agreement is intended for the benefit of the parties hereto and their respective permitted successors and assigns, and is not for the benefit of, nor may any provision hereof be enforced by, any other person.

i. Survival. The representations and warranties of the Company and the agreements and covenants set forth in this Agreement shall survive the closing hereunder notwithstanding any due diligence investigation conducted by or on behalf of the Buyer. The Company agrees to indemnify and hold harmless the Buyer and all their officers, directors, employees and agents for loss or damage arising as a result of or related to any breach or alleged breach by the Company of any of its representations, warranties and covenants set forth in this

Agreement or any of its covenants and obligations under this Agreement, including advancement of expenses as they are incurred.

j. Further Assurances. Each party shall do and perform, or cause to be done and performed, all such further acts and things, and shall execute and deliver all such other agreements, certificates, instruments and documents, as the other party may reasonably request in order to carry out the intent and accomplish the purposes of this Agreement and the consummation of the transactions contemplated hereby.

k. No Strict Construction. The language used in this Agreement will be deemed to be the language chosen by the parties to express their mutual intent, and no rules of strict construction will be applied against any party.

l. Remedies. The Company acknowledges that a breach by it of its obligations hereunder will cause irreparable harm to the Buyer by vitiating the intent and purpose of the transaction contemplated hereby. Accordingly, the Company acknowledges that the remedy at law for a breach of its obligations under this Agreement will be inadequate and agrees, in the event of a breach or threatened breach by the Company of the provisions of this Agreement, that the Buyer shall be entitled, in addition to all other available remedies at law or in equity, and in addition to the penalties assessable herein, to an injunction or injunctions restraining, preventing or curing any breach of this Agreement and to enforce specifically the terms and provisions hereof, without the necessity of showing economic loss and without any bond or other security being required.

IN WITNESS WHEREOF, the undersigned Buyer and the Company have caused this Agreement to be duly executed as of the date first above written.

Ironclad Encryption Corporation

/s/ James D. McGraw

By: _____

Name: James D. McGraw

Title: CEO

LG CAPITAL FUNDING, LLC.

/s/ Joseph Lerman

By: _____

Name: Joseph Lerman

Title: Manager

AGGREGATE SUBSCRIPTION AMOUNT:

Aggregate Principal Amount of Note: \$86,400.00

Aggregate Purchase Price:

Note 1: \$43,200.00 less \$3,200.00 in OID, less \$2,000.00 in legal fees

Back End Note: \$43,200.00 less \$3,200.00 in OID, less \$2,000.00 in legal fees

EXHIBIT A
144 NOTE - \$43,200.00

EXHIBIT B
BACK END NOTE
\$43,200.00

THIS NOTE AND THE COMMON STOCK ISSUABLE UPON CONVERSION OF THIS NOTE HAVE NOT BEEN AND WILL NOT BE REGISTERED WITH THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION OR THE SECURITIES COMMISSION OF ANY STATE PURSUANT TO AN EXEMPTION FROM REGISTRATION PROVIDED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AND THE RULES AND REGULATIONS PROMULGATED THEREUNDER (THE "1933 ACT")

US \$43,200.00

**IRONCLAD ENCRYPTION CORPORATION
8% CONVERTIBLE REDEEMABLE NOTE
DUE APRIL 12, 2020**

FOR VALUE RECEIVED, IRONCLAD ENCRYPTION CORPORATION (the "Company") promises to pay to the order of LG CAPITAL FUNDING, LLC and its authorized successors and permitted assigns ("Holder"), the aggregate principal face amount of Forty Three Thousand Two Hundred Dollars exactly (U.S. \$43,200.00) on April 12, 2020 ("Maturity Date") and to pay interest on the principal amount outstanding hereunder at the rate of 8% per annum commencing on April 12, 2019. This Note shall contain an OID of \$3,200 such that the purchase price shall be \$40,000. The interest will be paid to the Holder in whose name this Note is registered on the records of the Company regarding registration and transfers of this Note. The principal of, and interest on, this Note are payable at 1218 Union Street, Suite #2, Brooklyn, NY 11225, initially, and if changed, last appearing on the records of the Company as designated in writing by the Holder hereof from time to time. The Company will pay each interest payment and the outstanding principal due upon this Note before or on the Maturity Date, less any amounts required by law to be deducted or withheld, to the Holder of this Note by check or wire transfer addressed to such Holder at the last address appearing on the records of the Company. The forwarding of such check or wire transfer shall constitute a payment of outstanding principal hereunder and shall satisfy and discharge the liability for principal on this Note to the extent of the sum represented by such check or wire transfer. Interest shall be payable in Common Stock (as defined below) pursuant to paragraph 4(b) herein.

This Note is subject to the following additional provisions:

1. This Note is exchangeable for an equal aggregate principal amount of Notes of different authorized denominations, as requested by the Holder surrendering the same. No service charge will be made for such registration or transfer or exchange, except that Holder

JDM
Initials

shall pay any tax or other governmental charges payable in connection therewith.

2. The Company shall be entitled to withhold from all payments any amounts required to be withheld under applicable laws.

3. This Note may be transferred or exchanged only in compliance with the Securities Act of 1933, as amended ("Act") and applicable state securities laws. Any attempted transfer to a non-qualifying party shall be treated by the Company as void. Prior to due presentment for transfer of this Note, the Company and any agent of the Company may treat the person in whose name this Note is duly registered on the Company's records as the owner hereof for all other purposes, whether or not this Note be overdue, and neither the Company nor any such agent shall be affected or bound by notice to the contrary. Any Holder of this Note electing to exercise the right of conversion set forth in Section 4(a) hereof, in addition to the requirements set forth in Section 4(a), and any prospective transferee of this Note, also is required to give the Company written confirmation that this Note is being converted ("Notice of Conversion") in the form annexed hereto as Exhibit A. The date of receipt (including receipt by telecopy) of such Notice of Conversion shall be the Conversion Date.

4. (a) During the first 6 months following the issuance of this Note, the Holder of this Note is entitled, at its option, at any time after cash payment, to convert all or any amount of the principal face amount of this Note then outstanding into shares of the Company's common stock (the "Common Stock") at a price ("Conversion Price") for each share of Common Stock equal to \$0.50 per share. After the 6 monthly anniversary of this Note, the Conversion Price shall be equal to **65%** of the lowest trading price of the Common Stock as reported on the National Quotations Bureau OTC Marketplace exchange which the Company's shares are traded or any exchange upon which the Common Stock may be traded in the future ("Exchange"), for the fifteen prior trading days including the day upon which a Notice of Conversion is received by the Company or its transfer agent (provided such Notice of Conversion is delivered by fax or other electronic method of communication to the Company or its transfer agent after 4 P.M. Eastern Standard or Daylight Savings Time if the Holder wishes to include the same day closing price). If the shares have not been delivered within 3 business days, the Notice of Conversion may be rescinded. Such conversion shall be effectuated by the Company delivering the shares of Common Stock to the Holder within 3 business days of receipt by the Company of the Notice of Conversion. Accrued but unpaid interest shall be subject to conversion. No fractional shares or scrip representing fractions of shares will be issued on conversion, but the number of shares issuable shall be rounded to the nearest whole share. To the extent the Conversion Price of the Company's Common Stock closes below the par value per share, the Company will take all steps necessary to solicit the consent of the stockholders to reduce the par value to the lowest value possible under law. The Company agrees to honor all conversions submitted pending this increase. *In the event the Company experiences a DTC "Chill" on its shares, the Conversion Price shall be decreased to 55% instead of 65% while that "Chill" is in effect.* In no event shall the Holder be allowed to effect a conversion if such conversion, along with all other shares of Company Common Stock beneficially owned by the Holder and its affiliates would exceed 4.99% of the outstanding shares of the Common Stock of the Company (which may be increased up to 9.9% upon 60 days' prior written notice by the Investor).

(b) Interest on any unpaid principal balance of this Note shall be paid at the rate of 10% per annum. Interest shall be paid by the Company in Common Stock ("Interest Shares"). Holder may, at any time, send in a Notice of Conversion to the Company for Interest Shares based on the formula provided in Section 4(a) above. The dollar amount converted into Interest Shares shall be all or a portion of the accrued interest calculated on the unpaid principal balance of this Note to the date of such notice.

(c) The Notes may be prepaid or assigned with the following penalties/premiums:

PREPAY DATE	PREPAY AMOUNT
≤ 60 days	115% of principal plus accrued interest
61- 120 days	126% of principal plus accrued interest
121- 180 days	137% of principal plus accrued interest

This Note may not be prepaid after the 180th day. Such redemption must be closed and funded within 3 days of giving notice of redemption of the right to redeem shall be null and void.

(d) Upon (i) a transfer of all or substantially all of the assets of the Company to any person in a single transaction or series of related transactions, (ii) a reclassification, capital reorganization or other change or exchange of outstanding shares of the Common Stock, other than a forward or reverse stock split or stock dividend, or (iii) any consolidation or merger of the Company with or into another person or entity in which the Company is not the surviving entity (other than a merger which is effected solely to change the jurisdiction of incorporation of the Company and results in a reclassification, conversion or exchange of outstanding shares of Common Stock solely into shares of Common Stock) (each of items (i), (ii) and (iii) being referred to as a "Sale Event"), then, in each case, the Company shall, upon request of the Holder, redeem this Note in cash for 150% of the principal amount, plus accrued but unpaid interest through the date of redemption, or at the election of the Holder, such Holder may convert the unpaid principal amount of this Note (together with the amount of accrued but unpaid interest) into shares of Common Stock immediately prior to such Sale Event at the Conversion Price.

(e) In case of any Sale Event (not to include a sale of all or substantially all of the Company's assets) in connection with which this Note is not redeemed or converted, the Company shall cause effective provision to be made so that the Holder of this Note shall have the right thereafter, by converting this Note, to purchase or convert this Note into the kind and number of shares of stock or other securities or property (including cash) receivable upon such reclassification, capital reorganization or other change, consolidation or merger by a holder of the number of shares of Common Stock that could have been purchased upon exercise of the Note and at the same Conversion Price, as defined in this Note, immediately prior to such Sale Event. The foregoing provisions shall similarly apply to successive Sale Events. If the consideration received by the holders of Common Stock is other than cash, the value shall be as determined by the Board of Directors of the Company or successor person or entity acting in good faith.

5. No provision of this Note shall alter or impair the obligation of the Company, which is absolute and unconditional, to pay the principal of, and interest on, this Note at the time, place, and rate, and in the form, herein prescribed.

6. The Company hereby expressly waives demand and presentment for payment, notice of non-payment, protest, notice of protest, notice of dishonor, notice of acceleration or intent to accelerate, and diligence in taking any action to collect amounts called for hereunder and shall be directly and primarily liable for the payment of all sums owing and to be owing hereto.

7. The Company agrees to pay all costs and expenses, including reasonable attorneys' fees and expenses, which may be incurred by the Holder in collecting any amount due under this Note.

8. If one or more of the following described "Events of Default" shall occur:

(a) The Company shall default in the payment of principal or interest on this Note or any other note issued to the Holder by the Company; or

(b) Any of the representations or warranties made by the Company herein or in any certificate or financial or other written statements heretofore or hereafter furnished by or on behalf of the Company in connection with the execution and delivery of this Note, or the Securities Purchase Agreement under which this note was issued shall be false or misleading in any respect; or

(c) The Company shall fail to perform or observe, in any respect, any covenant, term, provision, condition, agreement or obligation of the Company under this Note or any other note issued to the Holder; or

(d) The Company shall (1) become insolvent; (2) admit in writing its inability to pay its debts generally as they mature; (3) make an assignment for the benefit of creditors or commence proceedings for its dissolution; (4) apply for or consent to the appointment of a trustee, liquidator or receiver for its or for a substantial part of its property or business; (5) file a petition for bankruptcy relief, consent to the filing of such petition or have filed against it an involuntary petition for bankruptcy relief, all under federal or state laws as applicable; or

(e) A trustee, liquidator or receiver shall be appointed for the Company or for a substantial part of its property or business without its consent and shall not be discharged within sixty (60) days after such appointment; or

(f) Any governmental agency or any court of competent jurisdiction at the instance of any governmental agency shall assume custody or control of the whole or any substantial portion of the properties or assets of the Company; or

(g) One or more money judgments, writs or warrants of attachment, or similar process, in excess of fifty thousand dollars (\$50,000) in the aggregate, shall be entered or filed against the Company or any of its properties or other assets and shall remain unpaid, unvacated, unbonded or unstayed for a period of fifteen (15) days or in any event later than five (5) days

prior to the date of any proposed sale thereunder; or

(h) The Company shall have defaulted on or breached any term of any other note of similar debt instrument into which the Company has entered and failed to cure such default within the appropriate grace period; or

(i) The Company shall have its Common Stock delisted from an exchange (including the OTC Market exchange) or, if the Common Stock trades on an exchange, then trading in the Common Stock shall be suspended for more than 10 consecutive days or ceases to file its 1934 act reports with the SEC;

(j) If a majority of the members of the Board of Directors of the Company on the date hereof are no longer serving as members of the Board;

(k) The Company shall not deliver to the Holder the Common Stock pursuant to paragraph 4 herein without restrictive legend within 3 business days of its receipt of a Notice of Conversion; or

(l) The Company shall not replenish the reserve set forth in Section 12, within 3 business days of the request of the Holder.

(m) The Company shall not be “current” in its filings with the Securities and Exchange Commission; or

(n) The Company shall lose the “bid” price for its stock and a market (including the OTC marketplace or other exchange)

Then, or at any time thereafter, unless cured within 5 days, and in each and every such case, unless such Event of Default shall have been waived in writing by the Holder (which waiver shall not be deemed to be a waiver of any subsequent default) at the option of the Holder and in the Holder's sole discretion, the Holder may consider this Note immediately due and payable, without presentment, demand, protest or (further) notice of any kind (other than notice of acceleration), all of which are hereby expressly waived, anything herein or in any note or other instruments contained to the contrary notwithstanding, and the Holder may immediately, and without expiration of any period of grace, enforce any and all of the Holder's rights and remedies provided herein or any other rights or remedies afforded by law. Upon an Event of Default, interest shall accrue at a default interest rate of 24% per annum or, if such rate is usurious or not permitted by current law, then at the highest rate of interest permitted by law. In the event of a breach of Section 8(k) the penalty shall be \$250 per day the shares are not issued beginning on the 4th day after the conversion notice was delivered to the Company. This penalty shall increase to \$500 per day beginning on the 10th day. The penalty for a breach of Section 8(n) shall be an increase of the outstanding principal amounts by 20%. In case of a breach of Section 8(i), the outstanding principal due under this Note shall increase by 50%. If this Note is not paid at maturity, the outstanding principal due under this Note shall increase by 10%. Further, if a breach of Section 8(m) occurs or is continuing after the 6 month anniversary of the Note, then the Holder shall

be entitled to use the lowest closing bid price during the delinquency period as a base price for the conversion. For example, if the lowest closing bid price during the delinquency period is \$0.01 per share and the conversion discount is 50% the Holder may elect to convert future conversions at \$0.005 per share.

If the Holder shall commence an action or proceeding to enforce any provisions of this Note, including, without limitation, engaging an attorney, then if the Holder prevails in such action, the Holder shall be reimbursed by the Company for its attorneys' fees and other costs and expenses incurred in the investigation, preparation and prosecution of such action or proceeding.

Make-Whole for Failure to Deliver Loss. At the Holder's election, if the Company fails for any reason to deliver to the Holder the conversion shares by the by the 3rd business day following the delivery of a Notice of Conversion to the Company and if the Holder incurs a Failure to Deliver Loss, then at any time the Holder may provide the Company written notice indicating the amounts payable to the Holder in respect of the Failure to Deliver Loss and the Company must make the Holder whole as follows:

Failure to Deliver Loss = [(Highest VWAP price for the 30 trading days on or after the day of exercise) x (Number of conversion shares)]

The Company must pay the Failure to Deliver Loss by cash payment, and any such cash payment must be made by the third business day from the time of the Holder's written notice to the Company.

9. In case any provision of this Note is held by a court of competent jurisdiction to be excessive in scope or otherwise invalid or unenforceable, such provision shall be adjusted rather than voided, if possible, so that it is enforceable to the maximum extent possible, and the validity and enforceability of the remaining provisions of this Note will not in any way be affected or impaired thereby.

10. Neither this Note nor any term hereof may be amended, waived, discharged or terminated other than by a written instrument signed by the Company and the Holder.

11. The Company represents that it is not a "shell" issuer and has never been a "shell" issuer or that if it previously has been a "shell" issuer that at least 12 months have passed since the Company has reported form 10 type information indicating it is no longer a "shell issuer. Further. The Company will instruct its counsel to either (i) write a 144 opinion to allow for salability of the conversion shares or (ii) accept such opinion from Holder's counsel.

12. The Company shall issue irrevocable transfer agent instructions reserving 35,446,000 shares of its Common Stock for conversions under this Note (the "Share Reserve"). Upon full conversion of this Note, any shares remaining in the Share Reserve shall be cancelled. The Company shall pay all transfer agent costs associated with issuing and delivering the share certificates to the Holder, as well as maintaining the Share Reserve. If such amounts are to be paid by the Holder, it may deduct such amounts from the Conversion Price. The company should at all times reserve a minimum of four times the amount of shares required if the note would be

fully converted. The Holder may reasonably request increases from time to time to reserve such amounts. The Company will instruct its transfer agent to provide the outstanding share information to the Holder in connection with its conversions.

13. The Company will give the Holder direct notice of any corporate actions, including but not limited to name changes, stock splits, recapitalizations etc. This notice shall be given to the Holder as soon as possible under law.

14. If it shall be found that any interest or other amount deemed interest due hereunder violates the applicable law governing usury, the applicable provision shall automatically be revised to equal the maximum rate of interest or other amount deemed interest permitted under applicable law. The Company covenants (to the extent that it may lawfully do so) that it will not seek to claim or take advantage of any law that would prohibit or forgive the Company from paying all or a portion of the principal or interest on this Note.

15. This Note shall be governed by and construed in accordance with the laws of New York applicable to contracts made and wholly to be performed within the State of New York and shall be binding upon the successors and assigns of each party hereto. The Holder and the Company hereby mutually waive trial by jury and consent to exclusive jurisdiction and venue in the courts of the State of New York or in the Federal courts sitting in the county or city of New York, or the Federal courts within the southern or eastern districts of New York. This Agreement may be executed in counterparts, and the facsimile transmission of an executed counterpart to this Agreement shall be effective as an original.

IN WITNESS WHEREOF, the Company has caused this Note to be duly executed by an officer thereunto duly authorized.

Dated: April 12, 2019

IRONCLAD ENCRYPTION CORPORATION

/s/ James D. McGraw

By: _____

Chief Executive Officer

Title: _____

EXHIBIT A

NOTICE OF CONVERSION

(To be Executed by the Registered Holder in order to Convert the Note)

The undersigned hereby irrevocably elects to convert \$_____ of the above Note into _____ Shares of Common Stock of Ironclad Encryption Corporation (“Shares”) according to the conditions set forth in such Note, as of the date written below.

If Shares are to be issued in the name of a person other than the undersigned, the undersigned will pay all transfer and other taxes and charges payable with respect thereto.

Date of Conversion: _____
Applicable Conversion Price: _____
Signature: _____

[Print Name of Holder and Title of Signer]

Address: _____

SSN or EIN: _____
Shares are to be registered in the
following name: _____

Name: _____
Address: _____

Tel: _____
Fax: _____
SSN or EIN: _____

Shares are to be sent or delivered to the following account:

Account Name: _____
Address: _____

THIS NOTE AND THE COMMON STOCK ISSUABLE UPON CONVERSION OF THIS NOTE HAVE NOT BEEN AND WILL NOT BE REGISTERED WITH THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION OR THE SECURITIES COMMISSION OF ANY STATE PURSUANT TO AN EXEMPTION FROM REGISTRATION PROVIDED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AND THE RULES AND REGULATIONS PROMULGATED THEREUNDER (THE "1933 ACT")

US \$42,300.00

**IRONCLAD ENCRYPTION CORPORATION
8% CONVERTIBLE REDEEMABLE NOTE
DUE APRIL 12, 2020
BACK END NOTE**

FOR VALUE RECEIVED, IRONCLAD ENCRYPTION CORPORATION (the "Company") promises to pay to the order of LG CAPITAL FUNDING, LLC and its authorized successors and permitted assigns ("Holder"), the aggregate principal face amount of Forty Three Thousand Two Hundred Dollars exactly (U.S. \$43,200.00) on April 12, 2020 ("Maturity Date") and to pay interest on the principal amount outstanding hereunder at the rate of 8% per annum commencing on April 12, 2019. This Note shall contain an OID of \$3,200 such that the purchase price shall be \$40,000. The interest will be paid to the Holder in whose name this Note is registered on the records of the Company regarding registration and transfers of this Note. The principal of, and interest on, this Note are payable at 1218 Union Street, Suite #2, Brooklyn, NY 11225, initially, and if changed, last appearing on the records of the Company as designated in writing by the Holder hereof from time to time. The Company will pay each interest payment and the outstanding principal due upon this Note before or on the Maturity Date, less any amounts required by law to be deducted or withheld, to the Holder of this Note by check or wire transfer addressed to such Holder at the last address appearing on the records of the Company. The forwarding of such check or wire transfer shall constitute a payment of outstanding principal hereunder and shall satisfy and discharge the liability for principal on this Note to the extent of the sum represented by such check or wire transfer. Interest shall be payable in Common Stock (as defined below) pursuant to paragraph 4(b) herein.

This Note is subject to the following additional provisions:

1. This Note is exchangeable for an equal aggregate principal amount of

Notes of different authorized denominations, as requested by the Holder surrendering the same. No service charge will be made for such registration or transfer or exchange, except that Holder shall pay any tax or other governmental charges payable in connection therewith.

2. The Company shall be entitled to withhold from all payments any amounts required to be withheld under applicable laws.

3. This Note may be transferred or exchanged only in compliance with the Securities Act of 1933, as amended ("Act") and applicable state securities laws. Any attempted transfer to a non-qualifying party shall be treated by the Company as void. Prior to due presentment for transfer of this Note, the Company and any agent of the Company may treat the person in whose name this Note is duly registered on the Company's records as the owner hereof for all other purposes, whether or not this Note be overdue, and neither the Company nor any such agent shall be affected or bound by notice to the contrary. Any Holder of this Note electing to exercise the right of conversion set forth in Section 4(a) hereof, in addition to the requirements set forth in Section 4(a), and any prospective transferee of this Note, also is required to give the Company written confirmation that this Note is being converted ("Notice of Conversion") in the form annexed hereto as Exhibit A. The date of receipt (including receipt by telecopy) of such Notice of Conversion shall be the Conversion Date.

4. (a) During the first 6 months following the issuance of this Note, the Holder of this Note is entitled, at its option, at any time after cash payment, to convert all or any amount of the principal face amount of this Note then outstanding into shares of the Company's common stock (the "Common Stock") at a price ("Conversion Price") for each share of Common Stock at fixed price of \$0.50 per share. After the 6 monthly anniversary of this Note, the Conversion Price shall be equal to **65%** of the **lowest trading price** of the Common Stock as reported on the National Quotations Bureau OTC Marketplace exchange which the Company's shares are traded or any exchange upon which the Common Stock may be traded in the future ("Exchange"), for the **fifteen** prior trading days including the day upon which a Notice of Conversion is received by the Company or its transfer agent (provided such Notice of Conversion is delivered by fax or other electronic method of communication to the Company or its transfer agent after 4 P.M. Eastern Standard or Daylight Savings Time if the Holder wishes to include the same day closing price). If the shares have not been delivered within 3 business days, the Notice of Conversion may be rescinded. Such conversion shall be effectuated by the Company delivering the shares of Common Stock to the Holder within 3 business days of receipt by the Company of the Notice of Conversion. Accrued but unpaid interest shall be subject to conversion. No fractional shares or scrip representing fractions of shares will be issued on conversion, but the number of shares issuable shall be rounded to the nearest whole share. To the extent the Conversion Price of the Company's Common Stock closes below the par value per share, the Company will take all steps necessary to solicit the consent of the stockholders to reduce the par value to the lowest value possible under law. The Company agrees to honor all conversions submitted pending this increase. *In the event the Company experiences a DTC "Chill" on its shares, the Conversion Price shall be decreased to 55% instead of 65% while that "Chill" is in effect.* In no event shall the Holder be allowed to effect a conversion if such conversion, along with all other shares of Company Common Stock beneficially owned by the Holder and its affiliates would exceed 4.989 of the outstanding shares of the Common Stock of the Company (which may be in-

creased up to 9.9% upon 60 days' prior written notice by the Investor).

(b) Interest on any unpaid principal balance of this Note shall be paid at the rate of 8% per annum. Interest shall be paid by the Company in Common Stock ("Interest Shares"). Holder may, at any time, send in a Notice of Conversion to the Company for Interest Shares based on the formula provided in Section 4(a) above. The dollar amount converted into Interest Shares shall be all or a portion of the accrued interest calculated on the unpaid principal balance of this Note to the date of such notice.

(c) This Note may not be prepaid, except that if this Note has not been cash paid, and if the \$43,200 Rule 144 convertible redeemable note issued by the Company of even date herewith is redeemed by the Company within 6 months of the issuance date of such Note, all obligations of the Company under this Note and all obligations of the Holder under the Holder issued Back End Note will be automatically be deemed satisfied and this Note and the Holder issued Back End Note will be automatically be deemed cancelled and of no further force or effect.

(d) Upon (i) a transfer of all or substantially all of the assets of the Company to any person in a single transaction or series of related transactions, (ii) a reclassification, capital reorganization or other change or exchange of outstanding shares of the Common Stock, other than a forward or reverse stock split or stock dividend, or (iii) any consolidation or merger of the Company with or into another person or entity in which the Company is not the surviving entity (other than a merger which is effected solely to change the jurisdiction of incorporation of the Company and results in a reclassification, conversion or exchange of outstanding shares of Common Stock solely into shares of Common Stock) (each of items (i), (ii) and (iii) being referred to as a "Sale Event"), then, in each case, the Company shall, upon request of the Holder, redeem this Note in cash for 150% of the principal amount, plus accrued but unpaid interest through the date of redemption, or at the election of the Holder, such Holder may convert the unpaid principal amount of this Note (together with the amount of accrued but unpaid interest) into shares of Common Stock immediately prior to such Sale Event at the Conversion Price.

(e) In case of any Sale Event (not to include a sale of all or substantially all of the Company's assets) in connection with which this Note is not redeemed or converted, the Company shall cause effective provision to be made so that the Holder of this Note shall have the right thereafter, by converting this Note, to purchase or convert this Note into the kind and number of shares of stock or other securities or property (including cash) receivable upon such reclassification, capital reorganization or other change, consolidation or merger by a holder of the number of shares of Common Stock that could have been purchased upon exercise of the Note and at the same Conversion Price, as defined in this Note, immediately prior to such Sale Event. The foregoing provisions shall similarly apply to successive Sale Events. If the consideration received by the holders of Common Stock is other than cash, the value shall be as determined by the Board of Directors of the Company or successor person or entity acting in good faith.

5. No provision of this Note shall alter or impair the obligation of the Company, which is absolute and unconditional, to pay the principal of, and interest on, this Note at

the time, place, and rate, and in the form, herein prescribed.

6. The Company hereby expressly waives demand and presentment for payment, notice of non-payment, protest, notice of protest, notice of dishonor, notice of acceleration or intent to accelerate, and diligence in taking any action to collect amounts called for hereunder and shall be directly and primarily liable for the payment of all sums owing and to be owing hereto.

7. The Company agrees to pay all costs and expenses, including reasonable attorneys' fees and expenses, which may be incurred by the Holder in collecting any amount due under this Note.

8. If one or more of the following described "Events of Default" shall occur:

(a) The Company shall default in the payment of principal or interest on this Note or any other note issued to the Holder by the Company; or

(b) Any of the representations or warranties made by the Company herein or in any certificate or financial or other written statements heretofore or hereafter furnished by or on behalf of the Company in connection with the execution and delivery of this Note, or the Securities Purchase Agreement under which this note was issued shall be false or misleading in any respect; or

(c) The Company shall fail to perform or observe, in any respect, any covenant, term, provision, condition, agreement or obligation of the Company under this Note or any other note issued to the Holder; or

(d) The Company shall (1) become insolvent; (2) admit in writing its inability to pay its debts generally as they mature; (3) make an assignment for the benefit of creditors or commence proceedings for its dissolution; (4) apply for or consent to the appointment of a trustee, liquidator or receiver for its or for a substantial part of its property or business; (5) file a petition for bankruptcy relief, consent to the filing of such petition or have filed against it an involuntary petition for bankruptcy relief, all under federal or state laws as applicable; or

(e) A trustee, liquidator or receiver shall be appointed for the Company or for a substantial part of its property or business without its consent and shall not be discharged within sixty (60) days after such appointment; or

(f) Any governmental agency or any court of competent jurisdiction at the instance of any governmental agency shall assume custody or control of the whole or any substantial portion of the properties or assets of the Company; or

(g) One or more money judgments, writs or warrants of attachment, or similar process, in excess of fifty thousand dollars (\$50,000) in the aggregate, shall be entered or filed against the Company or any of its properties or other assets and shall remain unpaid, unvacated, unbonded or unstayed for a period of fifteen (15) days or in any event later than five (5) days

prior to the date of any proposed sale thereunder; or

(h) The Company shall have defaulted on or breached any term of any other note of similar debt instrument into which the Company has entered and failed to cure such default within the appropriate grace period; or

(i) The Company shall have its Common Stock delisted from an exchange (including the OTC Market exchange) or, if the Common Stock trades on an exchange, then trading in the Common Stock shall be suspended for more than 10 consecutive days or ceases to file its 1934 act reports with the SEC;

(j) If a majority of the members of the Board of Directors of the Company on the date hereof are no longer serving as members of the Board;

(k) The Company shall not deliver to the Holder the Common Stock pursuant to paragraph 4 herein without restrictive legend within 3 business days of its receipt of a Notice of Conversion which includes an Opinion of Counsel expressing an opinion which supports the removal of a restrictive legend; or

(l) The Company shall not replenish the reserve set forth in Section 12, within 5 business days of the request of the Holder; or

(m) Intentionally Deleted; or

(n) Intentionally deleted; or

(o) The Company shall cease to be “current” in its filings with the Securities and Exchange Commission; or

(p) The Company shall lose the “bid” price for its stock in a market (including the OTCBB marketplace or other exchange)

Then, or at any time thereafter, unless cured within 5 days (unless such other cure period is set forth herein), and in each and every such case, unless such Event of Default shall have been waived in writing by the Holder (which waiver shall not be deemed to be a waiver of any subsequent default) at the option of the Holder and in the Holder's sole discretion, the Holder may consider this Note immediately due and payable, without presentment, demand, protest or (further) notice of any kind (other than notice of acceleration), all of which are hereby expressly waived, anything herein or in any note or other instruments contained to the contrary notwithstanding, and the Holder may immediately, and without expiration of any period of grace, enforce any and all of the Holder's rights and remedies provided herein or any other rights or remedies afforded by law. Upon an Event of Default, interest shall accrue at a default interest rate of 24% per annum or, if such rate is usurious or not permitted by current law, then at the highest rate of interest permitted by law. In the event of a breach of Section 8(k) the penalty shall be \$250 per day the shares are not issued beginning on the 4th day after the conversion notice was delivered to the Company. This penalty shall increase to \$500 per day beginning on the 10th day.

The penalty for a breach of Section 8(p) shall be an increase of the outstanding principal amounts by 20%. In case of a breach of Section 8(i), the outstanding principal due under this Note shall increase by 50%. Further, if a breach of Section 8(o) occurs or is continuing after the 6 month anniversary of the Note, then the Holder shall be entitled to use the lowest closing bid price during the delinquency period as a base price for the conversion. For example, if the lowest closing bid price during the delinquency period is \$0.01 per share and the conversion discount is 50% the Holder may elect to convert future conversions at \$0.005 per share.

If the Holder shall commence an action or proceeding to enforce any provisions of this Note, including, without limitation, engaging an attorney, then if the Holder prevails in such action, the Holder shall be reimbursed by the Company for its attorneys' fees and other costs and expenses incurred in the investigation, preparation and prosecution of such action or proceeding.

Make-Whole for Failure to Deliver Loss. At the Holder's election, if the Company fails for any reason to deliver to the Holder the conversion shares by the by the 3rd business day following the delivery of a Notice of Conversion to the Company and if the Holder incurs a Failure to Deliver Loss, then at any time the Holder may provide the Company written notice indicating the amounts payable to the Holder in respect of the Failure to Deliver Loss and the Company must make the Holder whole as follows:

Failure to Deliver Loss = [(Highest VWAP price for the 30 trading days on or after the day of exercise) x (Number of conversion shares)]

The Company must pay the Failure to Deliver Loss by cash payment, and any such cash payment must be made by the third business day from the time of the Holder's written notice to the Company.

9. In case any provision of this Note is held by a court of competent jurisdiction to be excessive in scope or otherwise invalid or unenforceable, such provision shall be adjusted rather than voided, if possible, so that it is enforceable to the maximum extent possible, and the validity and enforceability of the remaining provisions of this Note will not in any way be affected or impaired thereby.

10. Neither this Note nor any term hereof may be amended, waived, discharged or terminated other than by a written instrument signed by the Company and the Holder.

11. The Company represents that it is not a "shell" issuer and has never been a "shell" issuer or that if it previously has been a "shell" issuer that at least 12 months have passed since the Company has reported form 10 type information indicating it is no longer a "shell" issuer. Further. The Company will instruct its counsel to either (i) write a "144" opinion to allow for salability of the conversion shares or (ii) accept such opinion from Holder's counsel. The Holder will deduct from the principal amount of each conversion fees of five hundred dollars for each legal opinion rendered by Holders counsel.

12. Prior to cash funding of this Note, The Company will issue irrevocable transfer agent instructions reserving 3x the number of shares of Common Stock necessary to allow the holder to convert this note based on the discounted conversion price set forth in Section

4(a) herewith. Upon full conversion of this Note, the reserve representing this Note shall be cancelled. The Company will pay all transfer agent costs associated with issuing and delivering the shares. If such amounts are to be paid by the Holder, it may deduct such amounts from the Conversion Price. Conversion Notices may be sent to the Company or its transfer agent via electric mail. The Company will instruct its transfer agent to provide the outstanding share information to the Holder in connection with its conversions.

13. The Company will give the Holder direct notice of any corporate actions including but not limited to name changes, stock splits, recapitalizations etc. This notice shall be given to the Holder as soon as possible under law.

14. If it shall be found that any interest or other amount deemed interest due hereunder violates the applicable law governing usury, the applicable provision shall automatically be revised to equal the maximum rate of interest or other amount deemed interest permitted under applicable law. The Company covenants (to the extent that it may lawfully do so) that it will not seek to claim or take advantage of any law that would prohibit or forgive the Company from paying all or a portion of the principal or interest on this Note.

15. This Note shall be governed by and construed in accordance with the laws of New York applicable to contracts made and wholly to be performed within the State of New York and shall be binding upon the successors and assigns of each party hereto. The Holder and the Company hereby mutually waive trial by jury and consent to exclusive jurisdiction and venue in the courts of the State of New York. This Agreement may be executed in counterparts, and the facsimile transmission of an executed counterpart to this Agreement shall be effective as an original.

IN WITNESS WHEREOF, the Company has caused this Note to be duly executed by an officer thereunto duly authorized.

Dated: _____

IRONCLAD ENCRYPTION CORPORATION

By: _____

Title: _____

EXHIBIT A

NOTICE OF CONVERSION

(To be Executed by the Registered Holder in order to Convert the Note)

The undersigned hereby irrevocably elects to convert \$_____ of the above Note into _____ Shares of Common Stock of IRONCLAD ENCRYPTION CORPORATION ("Shares") according to the conditions set forth in such Note, as of the date written below.

If Shares are to be issued in the name of a person other than the undersigned, the undersigned will pay all transfer and other taxes and charges payable with respect thereto.

Date of Conversion: _____
Applicable Conversion Price: _____
Signature: _____
[Print Name of Holder and Title of Signer]

Address: _____

SSN or EIN: _____
Shares are to be registered in the following name:

Name: _____
Address: _____

Tel: _____
Fax: _____
SSN or EIN: _____

Shares are to be sent or delivered to the following account:

Account Name: _____
Address: _____

THIS NOTE HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"), OR UNDER THE SECURITIES LAWS OF CERTAIN STATES. THESE SECURITIES ARE SUBJECT TO RESTRICTIONS ON TRANSFERABILITY AND RESALE AND MAY NOT BE TRANSFERRED OR RESOLD EXCEPT AS PERMITTED UNDER THE ACT AND THE APPLICABLE STATE SECURITIES LAWS, PURSUANT TO REGISTRATION OR EXEMPTION THEREFROM. LENDERS SHOULD BE AWARE THAT THEY MAY BE REQUIRED TO BEAR THE FINANCIAL RISKS OF THIS INVESTMENT FOR AN INDEFINITE PERIOD OF TIME. THE ISSUER OF THESE SECURITIES MAY REQUIRE AN OPINION OF COUNSEL IN FORM AND SUBSTANCE SATISFACTORY TO THE ISSUER TO THE EFFECT THAT ANY PROPOSED TRANSFER OR RESALE IS IN COMPLIANCE WITH THE ACT AND ANY APPLICABLE STATE SECURITIES LAWS.

LG CAPITAL FUNDING, LLC
COLLATERALIZED SECURED PROMISSORY NOTE

\$40,000

New York, NY
April 12, 2019

1. Principal and Interest

FOR VALUE RECEIVED, LG Capital Funding, LLC, a New York Limited Liability Company (the "Company") hereby absolutely and unconditionally promises to pay to Ironclad Encryption Corporation (the "Lender"), or order, the principal amount of Forty Thousand Dollars exactly (\$40,000.00) no later than December 12, 2019, unless the Lender does not meet the "current information requirements" required under Rule 144 of the Securities Act of 1933, as amended, in which case the Company may declare the offsetting note issued by the Lender on the same date herewith to be in Default (as defined in that note) and cross cancel its payment obligations under this Note as well as the Lenders payment obligations under the offsetting note. This Full Recourse Note shall bear simple interest at the rate of 8%.

2. Repayments and Prepayments; Security.

a. All principal under this Note shall be due and payable no later than December 12, 2019, unless the Lender does not meet the "current information requirements" required under Rule 144 of the Securities Act of 1933, as amended, in which case the Company may declare the offsetting note issued by the Lender on the same date herewith to be in Default (as defined in that note) and cross cancel its payment obligations under this Note as well as the Lenders payment obligations under the offsetting note.

b. The Company may pay this Note at any time. This note may not be assigned by the Lender, except by operation of law.

c. This Note shall initially be secured by the pledge of the \$43,200 8% convertible promissory note issued to the Company by the Lender on even date herewith (the "Lender Note"). **The Company may exchange this collateral for other collateral with an appraised value of at least**

\$40,000.00, by providing 3 days prior written notice to the Lender. If the Lender does not object to the substitution of collateral in that 3 day period, such substitution of collateral shall be deemed to have been accepted by the Lender. Notwithstanding the foregoing, an exchange of collateral for \$40,000.00 in cash shall not require the approval of the Lender. All collateral shall be retained by Investors Counsel Attorneys, P.C., which shall act as the escrow agent for the collateral for the benefit of the Lender. The Company may not effect any conversions under the Lender Note until it has made full cash payment for the portion of the Lender Note being converted.

3. Events of Default; Acceleration.

a. The principal amount of this Note is subject to prepayment in whole or in part upon the occurrence and during the continuance of any of the following events (each, an “Event of Default”): the initiation of any bankruptcy, insolvency, moratorium, receivership or reorganization by or against the Company, or a general assignment of assets by the Company for the benefit of creditors. Upon the occurrence of any Event of Default, the entire unpaid principal balance of this Note and all of the unpaid interest accrued thereon shall be immediately due and payable. The Company may offset amounts due to the Lender under this Note by similar amounts that may be due to the Company by the Lender resulting from breaches under the Lender Note.

b. No remedy herein conferred upon the Lender is intended to be exclusive of any other remedy and each and every remedy shall be cumulative and in addition to every other remedy hereunder, now or hereafter existing at law or in equity or otherwise. The Company accepts and agrees that this Note is a full recourse note and that the Holder may exercise any and all remedies available to it under law.

4. Notices.

a. All notices, reports and other communications required or permitted hereunder shall be in writing and may be delivered in person, by telecopy with written confirmation, overnight delivery service or U.S. mail, in which event it may be mailed by first-class, certified or registered, postage prepaid, addressed (i) if to a Lender, at such Lender’s address as the Lender shall have furnished the Company in writing and (ii) if to the Company at such address as the Company shall have furnished the Lender(s) in writing.

b. Each such notice, report or other communication shall for all purposes under this Note be treated as effective or having been given when delivered if delivered personally or, if sent by mail, at the earlier of its receipt or 72 hours after the same has been deposited in a regularly maintained receptacle for the deposit of the United States mail, addressed and mailed as aforesaid, or, if sent by electronic communication with confirmation, upon the delivery of electronic communication.

5. Miscellaneous.

a. Neither this Note nor any provisions hereof may be changed, waived, discharged or terminated orally, but only by a signed statement in writing.

b. No failure or delay by the Lender to exercise any right hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any right, power or privilege preclude any

other right, power or privilege. The provisions of this Note are severable and if any one provision hereof shall be held invalid or unenforceable in whole or in part in any jurisdiction, such invalidity or unenforceability shall affect only such provision in such jurisdiction. This Note expresses the entire understanding of the parties with respect to the transactions contemplated hereby. The Company and every endorser and guarantor of this Note regardless of the time, order or place of signing hereby waives presentment, demand, protest and notice of every kind, and assents to any extension or postponement of the time for payment or any other indulgence, to any substitution, exchange or release of collateral, and to the addition or release of any other party or person primarily or secondarily liable.

c. If Lender retains an attorney for collection of this Note, or if any suit or proceeding is brought for the recovery of all, or any part of, or for protection of the indebtedness respected by this Note, then the Company agrees to pay all costs and expenses of the suit or proceeding, or any appeal thereof, incurred by the Lender, including without limitation, reasonable attorneys' fees.

d. This Note shall for all purposes be governed by, and construed in accordance with the laws of the State of New York (without reference to conflict of laws) and the exclusive venue shall be in the State and Federal courts located in State of New York.

e. This Note shall be binding upon the Company's successors and assigns, and shall inure to the benefit of the Lender's successors and assigns.

IN WITNESS WHEREOF, the Company has caused this Note to be executed by its duly authorized officer to take effect as of the date first hereinabove written.

LG CAPITAL FUNDING, LLC

/s/ Joseph Lerman

By: _____

Joseph Lerman
Manager

Title: _____

APPROVED:

IRONCLAD ENCRYPTION CORPORATION

/s/ James D. McGraw

By: _____

James D. McGraw
Chief Executive Officer

Title: _____

SECURITIES PURCHASE AGREEMENT

This **SECURITIES PURCHASE AGREEMENT** (the “Agreement”), dated as of April 23, 2019, by and between **IRONCLAD ENCRYPTION CORPORATION**, a Delaware corporation, with headquarters located at One Riverway, 777 South Post Oak Lane, Suite 1700, Houston, TX 77056 (the “Company”), and **MORNINGVIEW FINANCIAL, LLC**, a Wyoming limited liability company, with its address at 401 Park Ave. South, 10th Floor, New York, NY 10016 (the “Buyer”).

WHEREAS:

A. The Company and the Buyer are executing and delivering this Agreement in reliance upon the exemption from securities registration afforded by the rules and regulations as promulgated by the United States Securities and Exchange Commission (the “SEC”) under the Securities Act of 1933, as amended (the “1933 Act”);

B. Buyer desires to purchase and the Company desires to issue and sell, upon the terms and conditions set forth in this Agreement, the 12% convertible note of the Company, in the form attached hereto as Exhibit A, in the aggregate principal amount of US\$57,750.00 (together with any note(s) issued in replacement thereof or as a dividend thereon or otherwise with respect thereto in accordance with the terms thereof, the “Note”), convertible into shares of common stock of the Company (the “Common Stock”), upon the terms and subject to the limitations and conditions set forth in such Note; and

C. The Buyer wishes to purchase, upon the terms and conditions stated in this Agreement, such principal amount of Note as is set forth immediately below its name on the signature pages hereto.

NOW THEREFORE, the Company and the Buyer severally (and not jointly) hereby agree as follows:

1. PURCHASE AND SALE OF NOTE.

a. Purchase of Note. On the Closing Date (as defined below), the Company shall issue and sell to the Buyer and the Buyer agrees to purchase from the Company such principal amount of Note as is set forth immediately below the Buyer’s name on the signature pages hereto, subject to the express terms of the Note.

b. Form of Payment. On or around the Closing Date (as defined below), the Buyer shall pay the purchase price for Note, which is equal to \$52,500.00 (the “Purchase Price”) by wire transfer of immediately available funds, in accordance with the Company’s written wiring instructions, against delivery of the Note, and (i) the Company shall deliver such duly executed Note on behalf of the Company, to the Buyer.

c. Closing Date. Subject to the satisfaction (or written waiver) of the conditions thereto set forth in Section 6 and Section 7 below, the date and time of the issuance and sale of the Note pursuant to this Agreement (the “Closing Date”) shall be 5:00 P.M., Eastern Standard Time on or about April 23, 2019, or such other mutually agreed upon time. The closing of the transactions contemplated by this Agreement (the “Closing”) shall occur on the Closing Date at such location as may be agreed to by the parties.

2. REPRESENTATIONS AND WARRANTIES OF THE BUYER. The Buyer represents and warrants to the Company that:

a. Investment Purpose. As of the date hereof, the Buyer is purchasing the Note and the shares of Common Stock issuable upon conversion of or otherwise pursuant to the Note (including, without limitation, such additional shares of Common Stock, if any, as are issuable (i) on account of interest on the Note or (ii) as a result of the events described in Sections 1.3 and 1.4(g) of the Note, such shares of Common Stock being collectively referred to herein as the “Conversion Shares” and, collectively with the Note, the “Securities”) for its own account and not with a present view towards the public sale or distribution thereof, except pursuant to sales registered or exempted from registration under the 1933 Act; provided, however, that by making the representations herein, the Buyer does not agree to hold any of the Securities for any minimum or other specific term and reserves the right to dispose of the Securities at any time in accordance with or pursuant to a registration statement or an exemption under the 1933 Act.

b. Reliance on Exemptions. The Buyer understands that the Securities are being offered and sold to it in reliance upon specific exemptions from the registration requirements of United States federal and state securities laws and that the Company is relying upon the truth and accuracy of, and the Buyer’s compliance with, the representations, warranties, agreements, acknowledgments and understandings of the Buyer set forth herein in order to determine the availability of such exemptions and the eligibility of the Buyer to acquire the Securities. The Buyer is an “accredited investor” as that term is defined in Rule 501(a) of Regulation D (an “Accredited Investor”).

c. Information. The Buyer and its advisors, if any, have been, and for so long as the Note remain outstanding will continue to be, furnished with all materials relating to the business, finances and operations of the Company and materials relating to the offer and sale of the Securities which have been requested by the Buyer or its advisors. The Buyer and its advisors, if any, have been, and for so long as the Note remain outstanding will continue to be, afforded the opportunity to ask questions of the Company. Notwithstanding the foregoing, the Company has not disclosed to the Buyer any material nonpublic information and will not disclose such information unless such information is disclosed to the public prior to or promptly following such disclosure to the Buyer. Neither such inquiries nor any other due diligence investigation conducted by Buyer or any of its advisors or representatives shall modify, amend or affect Buyer’s right to rely on the Company’s representations and warranties contained in Section 3 below. The Buyer understands that its investment in the Securities involves a significant degree of risk. The Buyer is not aware of any facts that may constitute a breach of any of the Company’s representations and warranties made herein.

d. Governmental Review. The Buyer understands that no United States federal or state agency or any other government or governmental agency has passed upon or made any recommendation or endorsement of the Securities.

e. Transfer or Re-sale. The Buyer understands that (i) the sale or re-sale of the Securities has not been and is not being registered under the 1933 Act or any applicable state securities laws, and the Securities may not be transferred unless (a) the Securities are sold pursuant to an effective registration statement under the 1933 Act, (b) the Buyer shall have delivered to the Company, at the cost of the Buyer, an opinion of counsel that shall be in form, substance and scope customary for opinions of counsel in comparable transactions to the effect that the Securities to be sold or transferred may be sold or transferred pursuant to an exemption from such registration, which opinion shall be accepted by the Company, (c) the Securities are sold or transferred to an “affiliate” (as defined in Rule 144 promulgated under the 1933 Act (or a successor rule) (“Rule 144”)) of the Buyer who agrees to sell or otherwise transfer the Securities only in

accordance with this Section 2(f) and who is an Accredited Investor, (d) the Securities are sold pursuant to Rule 144, or (e) the Securities are sold pursuant to Regulation S under the 1933 Act (or a successor rule) (“Regulation S”), and the Buyer shall have delivered to the Company, at the cost of the Buyer, an opinion of counsel that shall be in form, substance and scope customary for opinions of counsel in corporate transactions, which opinion shall be accepted by the Company; (ii) any sale of such Securities made in reliance on Rule 144 may be made only in accordance with the terms of said Rule and further, if said Rule is not applicable, any re-sale of such Securities under circumstances in which the seller (or the person through whom the sale is made) may be deemed to be an underwriter (as that term is defined in the 1933 Act) may require compliance with some other exemption under the 1933 Act or the rules and regulations of the SEC thereunder; and (iii) neither the Company nor any other person is under any obligation to register such Securities under the 1933 Act or any state securities laws or to comply with the terms and conditions of any exemption thereunder (in each case). Notwithstanding the foregoing or anything else contained herein to the contrary, the Securities may be pledged as collateral in connection with a bona fide margin account or other lending arrangement.

f. Legends. The Buyer understands that the Note and, until such time as the Conversion Shares have been registered under the 1933 Act may be sold pursuant to Rule 144 or Regulation S without any restriction as to the number of securities as of a particular date that can then be immediately sold, the Conversion Shares may bear a restrictive legend in substantially the following form (and a stop-transfer order may be placed against transfer of the certificates for such Securities):

“NEITHER THE ISSUANCE AND SALE OF THE SECURITIES REPRESENTED BY THIS CERTIFICATE NOR THE SECURITIES INTO WHICH THESE SECURITIES ARE EXERCISABLE HAVE BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR APPLICABLE STATE SECURITIES LAWS. THE SECURITIES MAY NOT BE OFFERED FOR SALE, SOLD, TRANSFERRED OR ASSIGNED (I) IN THE ABSENCE OF (A) AN EFFECTIVE REGISTRATION STATEMENT FOR THE SECURITIES UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR (B) AN OPINION OF COUNSEL (WHICH COUNSEL SHALL BE SELECTED BY THE HOLDER), IN A GENERALLY ACCEPTABLE FORM, THAT REGISTRATION IS NOT REQUIRED UNDER SAID ACT OR (II) UNLESS SOLD PURSUANT TO RULE 144 OR RULE 144A UNDER SAID ACT. NOTWITHSTANDING THE FOREGOING, THE SECURITIES MAY BE PLEDGED IN CONNECTION WITH A BONA FIDE MARGIN ACCOUNT OR OTHER LOAN OR FINANCING ARRANGEMENT SECURED BY THE SECURITIES.”

The legend set forth above shall be removed and the Company shall issue a certificate without such legend to the holder of any Security upon which it is stamped, if, unless otherwise required by applicable state securities laws, (a) such Security is registered for sale under an effective registration statement filed under the 1933 Act or otherwise may be sold pursuant to Rule 144 or Regulation S without any restriction as to the number of securities as of a particular date that can then be immediately sold, or (b) such holder provides the Company with an opinion of counsel, in form, substance and scope customary for opinions of counsel in comparable transactions, to the effect that a public sale or transfer of such Security may be made without registration under the 1933 Act, which opinion shall be accepted by the Company so that the sale or transfer is effected. The Buyer agrees to sell all Securities, including those represented by a certificate(s) from which the legend has been removed, in compliance with applicable prospectus delivery requirements, if any. In the event that the Company does not accept the opinion of counsel provided by the Buyer with respect to the transfer of Securities pursuant to an exemption from registration, such as Rule 144 or Regulation S, at the Deadline, it will be considered an Event of Default pursuant to Section 3.2 of the Note.

g. Authorization; Enforcement. This Agreement has been duly and validly authorized. This Agreement has been duly executed and delivered on behalf of the Buyer, and this Agreement constitutes a valid and binding agreement of the Buyer enforceable in accordance with its terms.

h. Residency. The Buyer is a resident of the jurisdiction set forth immediately below the Buyer's name on the signature pages hereto.

3. REPRESENTATIONS AND WARRANTIES OF THE COMPANY. The Company represents and warrants to the Buyer that:

a. Organization and Qualification. The Company and each of its Subsidiaries (as defined below), if any, is a corporation duly organized, validly existing and in good standing under the laws of the jurisdiction in which it is incorporated, with full power and authority (corporate and other) to own, lease, use and operate its properties and to carry on its business as and where now owned, leased, used, operated and conducted. Schedule 3(a) sets forth a list of all of the Subsidiaries of the Company and the jurisdiction in which each is incorporated. The Company and each of its Subsidiaries is duly qualified as a foreign corporation to do business and is in good standing in every jurisdiction in which its ownership or use of property or the nature of the business conducted by it makes such qualification necessary except where the failure to be so qualified or in good standing would not have a Material Adverse Effect. "Material Adverse Effect" means any material adverse effect on the business, operations, assets, financial condition or prospects of the Company or its Subsidiaries, if any, taken as a whole, or on the transactions contemplated hereby or by the agreements or instruments to be entered into in connection herewith. "Subsidiaries" means any corporation or other organization, whether incorporated or unincorporated, in which the Company owns, directly or indirectly, any equity or other ownership interest.

b. Authorization; Enforcement. (i) The Company has all requisite corporate power and authority to enter into and perform this Agreement, the Note and to consummate the transactions contemplated hereby and thereby and to issue the Securities, in accordance with the terms hereof and thereof, (ii) the execution and delivery of this Agreement, the Note by the Company and the consummation by it of the transactions contemplated hereby and thereby (including without limitation, the issuance of the Note and the issuance and reservation for issuance of the Conversion Shares issuable upon conversion or exercise thereof) have been duly authorized by the Company's Board of Directors and no further consent or authorization of the Company, its Board of Directors, or its shareholders is required, (iii) this Agreement has been duly executed and delivered by the Company by its authorized representative, and such authorized representative is the true and official representative with authority to sign this Agreement and the other documents executed in connection herewith and bind the Company accordingly, and (iv) this Agreement constitutes, and upon execution and delivery by the Company of the Note, each of such instruments will constitute, a legal, valid and binding obligation of the Company enforceable against the Company in accordance with its terms.

c. Capitalization. Except as disclosed in the SEC Documents, no shares are reserved for issuance pursuant to the Company's stock option plans, no shares are reserved for issuance pursuant to securities (other than the Note) exercisable for, or convertible into or exchangeable for shares of Common Stock and sufficient shares are reserved for issuance upon conversion of the Note (as required by the Note and transfer agent share reserve letter). All of such outstanding shares of capital stock are, or upon issuance will be, duly authorized, validly issued, fully paid and non-assessable. No shares of capital stock of the Company are subject to preemptive rights or any other similar rights of the shareholders of the Company or any liens or encumbrances imposed through the actions or failure to act of the Company. Except as disclosed in the SEC Documents, as of the effective date of this Agreement, (i) there are no outstanding options, warrants, scrip, rights to subscribe for, puts, calls, rights of first refusal, agreements, understandings, claims

or other commitments or rights of any character whatsoever relating to, or securities or rights convertible into or exchangeable for any shares of capital stock of the Company or any of its Subsidiaries, or arrangements by which the Company or any of its Subsidiaries is or may become bound to issue additional shares of capital stock of the Company or any of its Subsidiaries, (ii) there are no agreements or arrangements under which the Company or any of its Subsidiaries is obligated to register the sale of any of its or their securities under the 1933 Act and (iii) there are no anti-dilution or price adjustment provisions contained in any security issued by the Company (or in any agreement providing rights to security holders) that will be triggered by the issuance of the Note or the Conversion Shares. The Company has filed in its SEC Documents true and correct copies of the Company's Certificate of Incorporation as in effect on the date hereof ("Certificate of Incorporation"), the Company's By-laws, as in effect on the date hereof (the "By-laws"), and the terms of all securities convertible into or exercisable for Common Stock of the Company and the material rights of the holders thereof in respect thereto. The Company shall provide the Buyer with a written update of this representation signed by the Company's Chief Executive on behalf of the Company as of the Closing Date.

d. Issuance of Shares. The Conversion Shares are duly authorized and reserved for issuance and, upon conversion of the Note in accordance with its respective terms, will be validly issued, fully paid and non-assessable, and free from all taxes, liens, claims and encumbrances with respect to the issue thereof and shall not be subject to preemptive rights or other similar rights of shareholders of the Company and will not impose personal liability upon the holder thereof.

e. Acknowledgment of Dilution. The Company understands and acknowledges the potentially dilutive effect to the Common Stock upon the issuance of the Conversion Shares upon conversion of the Note. The Company further acknowledges that its obligation to issue Conversion Shares upon conversion of the Note in accordance with this Agreement, the Note is absolute and unconditional regardless of the dilutive effect that such issuance may have on the ownership interests of other shareholders of the Company.

f. No Conflicts. The execution, delivery and performance of this Agreement, the Note by the Company and the consummation by the Company of the transactions contemplated hereby and thereby (including, without limitation, the issuance and reservation for issuance of the Conversion Shares) will not (i) conflict with or result in a violation of any provision of the Certificate of Incorporation or By-laws, or (ii) violate or conflict with, or result in a breach of any provision of, or constitute a default (or an event which with notice or lapse of time or both could become a default) under, or give to others any rights of termination, amendment, acceleration or cancellation of, any agreement, indenture, patent, patent license or instrument to which the Company or any of its Subsidiaries is a party, or (iii) result in a violation of any law, rule, regulation, order, judgment or decree (including federal and state securities laws and regulations and regulations of any self-regulatory organizations to which the Company or its securities are subject) applicable to the Company or any of its Subsidiaries or by which any property or asset of the Company or any of its Subsidiaries is bound or affected (except for such conflicts, defaults, terminations, amendments, accelerations, cancellations and violations as would not, individually or in the aggregate, have a Material Adverse Effect). Neither the Company nor any of its Subsidiaries is in violation of its Certificate of Incorporation, By-laws or other organizational documents and neither the Company nor any of its Subsidiaries is in default (and no event has occurred which with notice or lapse of time or both could put the Company or any of its Subsidiaries in default) under, and neither the Company nor any of its Subsidiaries has taken any action or failed to take any action that would give to others any rights of termination, amendment, acceleration or cancellation of, any agreement, indenture or instrument to which the Company or any of its Subsidiaries is a party or by which any property or assets of the Company or any of its Subsidiaries is bound or affected, except for possible defaults as would not, individually or in the aggregate, have a Material Adverse Effect. The businesses of the Company and its Subsidiaries, if any, are not being conducted, and

shall not be conducted so long as the Buyer owns any of the Securities, in violation of any law, ordinance or regulation of any governmental entity. Except as specifically contemplated by this Agreement and as required under the 1933 Act and any applicable state securities laws, the Company is not required to obtain any consent, authorization or order of, or make any filing or registration with, any court, governmental agency, regulatory agency, self-regulatory organization or stock market or any third party in order for it to execute, deliver or perform any of its obligations under this Agreement, the Note in accordance with the terms hereof or thereof or to issue and sell the Note in accordance with the terms hereof and to issue the Conversion Shares upon conversion of the Note. All consents, authorizations, orders, filings and registrations which the Company is required to obtain pursuant to the preceding sentence have been obtained or effected on or prior to the date hereof. The Company is not in violation of the listing requirements of the Over-the-Counter Bulletin Board (the “OTCBB”), the OTCQB or any similar quotation system, and does not reasonably anticipate that the Common Stock will be delisted by the OTCBB, the OTCQB or any similar quotation system, in the foreseeable future. The Company and its Subsidiaries are unaware of any facts or circumstances which might give rise to any of the foregoing.

g. SEC Documents; Financial Statements. The Company has timely filed all reports, schedules, forms, statements and other documents required to be filed by it with the SEC pursuant to the reporting requirements of the Securities Exchange Act of 1934, as amended (the “1934 Act”) (all of the foregoing filed prior to the date hereof and all exhibits included therein and financial statements and schedules thereto and documents (other than exhibits to such documents) incorporated by reference therein, being hereinafter referred to herein as the “SEC Documents”). The Company has delivered to the Buyer true and complete copies of the SEC Documents, except for such exhibits and incorporated documents. As of their respective dates, the SEC Documents complied in all material respects with the requirements of the 1934 Act and the rules and regulations of the SEC promulgated thereunder applicable to the SEC Documents, and none of the SEC Documents, at the time they were filed with the SEC, contained any untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading. None of the statements made in any such SEC Documents is, or has been, required to be amended or updated under applicable law (except for such statements as have been amended or updated in subsequent filings prior the date hereof). As of their respective dates, the financial statements of the Company included in the SEC Documents complied as to form in all material respects with applicable accounting requirements and the published rules and regulations of the SEC with respect thereto. Such financial statements have been prepared in accordance with United States generally accepted accounting principles, consistently applied, during the periods involved and fairly present in all material respects the consolidated financial position of the Company and its consolidated Subsidiaries as of the dates thereof and the consolidated results of their operations and cash flows for the periods then ended (subject, in the case of unaudited statements, to normal year-end audit adjustments). Except as set forth in the financial statements of the Company included in the SEC Documents, the Company has no liabilities, contingent or otherwise, other than (i) liabilities incurred in the ordinary course of business, and (ii) obligations under contracts and commitments incurred in the ordinary course of business and not required under generally accepted accounting principles to be reflected in such financial statements, which, individually or in the aggregate, are not material to the financial condition or operating results of the Company. The Company is subject to the reporting requirements of the 1934 Act. For the avoidance of doubt, filing of the documents required in this Section 3(g) via the SEC’s Electronic Data Gathering, Analysis, and Retrieval system (“EDGAR”) shall satisfy all delivery requirements of this Section 3(g).

h. Absence of Certain Changes. There have been no material adverse change and no material adverse development in the assets, liabilities, business, properties, operations, financial condition, results of operations, prospects or 1934 Act reporting status of the Company or any of its Subsidiaries.

i. Absence of Litigation. There is no action, suit, claim, proceeding, inquiry or investigation before or by any court, public board, government agency, self-regulatory organization or body pending or, to the knowledge of the Company or any of its Subsidiaries, threatened against or affecting the Company or any of its Subsidiaries, or their officers or directors in their capacity as such, that could have a Material Adverse Effect. Schedule 3(i) contains a complete list and summary description of any pending or, to the knowledge of the Company, threatened proceeding against or affecting the Company or any of its Subsidiaries, without regard to whether it would have a Material Adverse Effect. The Company and its Subsidiaries are unaware of any facts or circumstances which might give rise to any of the foregoing.

j. Patents, Copyrights, etc. The Company and each of its Subsidiaries owns or possesses the requisite licenses or rights to use all patents, patent applications, patent rights, inventions, know-how, trade secrets, trademarks, trademark applications, service marks, service names, trade names and copyrights (“Intellectual Property”) necessary to enable it to conduct its business as now operated (and, as presently contemplated to be operated in the future); Except as disclosed in the SEC Documents, there is no claim or action by any person pertaining to, or proceeding pending, or to the Company’s knowledge threatened, which challenges the right of the Company or of a Subsidiary with respect to any Intellectual Property necessary to enable it to conduct its business as now operated (and, as presently contemplated to be operated in the future); to the best of the Company’s knowledge, the Company’s or its Subsidiaries’ current and intended products, services and processes do not infringe on any Intellectual Property or other rights held by any person; and the Company is unaware of any facts or circumstances which might give rise to any of the foregoing. The Company and each of its Subsidiaries have taken reasonable security measures to protect the secrecy, confidentiality and value of their Intellectual Property.

k. No Materially Adverse Contracts, Etc. Neither the Company nor any of its Subsidiaries is subject to any charter, corporate or other legal restriction, or any judgment, decree, order, rule or regulation which in the judgment of the Company’s officers has or is expected in the future to have a Material Adverse Effect. Neither the Company nor any of its Subsidiaries is a party to any contract or agreement which in the judgment of the Company’s officers has or is expected to have a Material Adverse Effect.

l. Tax Status. The Company and each of its Subsidiaries has made or filed all federal, state and foreign income and all other tax returns, reports and declarations required by any jurisdiction to which it is subject (unless and only to the extent that the Company and each of its Subsidiaries has set aside on its books provisions reasonably adequate for the payment of all unpaid and unreported taxes) and has paid all taxes and other governmental assessments and charges that are material in amount, shown or determined to be due on such returns, reports and declarations, except those being contested in good faith and has set aside on its books provisions reasonably adequate for the payment of all taxes for periods subsequent to the periods to which such returns, reports or declarations apply. There are no unpaid taxes in any material amount claimed to be due by the taxing authority of any jurisdiction, and the officers of the Company know of no basis for any such claim. The Company has not executed a waiver with respect to the statute of limitations relating to the assessment or collection of any foreign, federal, state or local tax. None of the Company’s tax returns is presently being audited by any taxing authority.

m. Certain Transactions. Except for arm’s length transactions pursuant to which the Company or any of its Subsidiaries makes payments in the ordinary course of business upon terms no less favorable than the Company or any of its Subsidiaries could obtain from third parties and other than the grant of stock options disclosed on Schedule 3(c), none of the officers, directors, or employees of the Company is presently a party to any transaction with the Company or any of its Subsidiaries (other than for services as employees, officers and directors), including any contract, agreement or other arrangement providing for the furnishing of services to or by, providing for rental of real or personal property to or from, or otherwise

requiring payments to or from any officer, director or such employee or, to the knowledge of the Company, any corporation, partnership, trust or other entity in which any officer, director, or any such employee has a substantial interest or is an officer, director, trustee or partner.

n. Disclosure. All information relating to or concerning the Company or any of its Subsidiaries set forth in this Agreement and provided to the Buyer pursuant to Section 2(d) hereof and otherwise in connection with the transactions contemplated hereby is true and correct in all material respects and the Company has not omitted to state any material fact necessary in order to make the statements made herein or therein, in light of the circumstances under which they were made, not misleading. No event or circumstance has occurred or exists with respect to the Company or any of its Subsidiaries or its or their business, properties, prospects, operations or financial conditions, which, under applicable law, rule or regulation, requires public disclosure or announcement by the Company but which has not been so publicly announced or disclosed (assuming for this purpose that the Company's reports filed under the 1934 Act are being incorporated into an effective registration statement filed by the Company under the 1933 Act).

o. Acknowledgment Regarding Buyer's Purchase of Securities. The Company acknowledges and agrees that the Buyer is acting solely in the capacity of arm's length purchasers with respect to this Agreement and the transactions contemplated hereby. The Company further acknowledges that the Buyer is not acting as a financial advisor or fiduciary of the Company (or in any similar capacity) with respect to this Agreement and the transactions contemplated hereby and any statement made by the Buyer or any of its respective representatives or agents in connection with this Agreement and the transactions contemplated hereby is not advice or a recommendation and is merely incidental to the Buyer's purchase of the Securities. The Company further represents to the Buyer that the Company's decision to enter into this Agreement has been based solely on the independent evaluation of the Company and its representatives.

p. No Integrated Offering. Neither the Company, nor any of its affiliates, nor any person acting on its or their behalf, has directly or indirectly made any offers or sales in any security or solicited any offers to buy any security under circumstances that would require registration under the 1933 Act of the issuance of the Securities to the Buyer. The issuance of the Securities to the Buyer will not be integrated with any other issuance of the Company's securities (past, current or future) for purposes of any shareholder approval provisions applicable to the Company or its securities.

q. No Brokers. The Company has taken no action which would give rise to any claim by any person for brokerage commissions, transaction fees or similar payments relating to this Agreement or the transactions contemplated hereby.

r. Permits; Compliance. The Company and each of its Subsidiaries is in possession of all franchises, grants, authorizations, licenses, permits, easements, variances, exemptions, consents, certificates, approvals and orders necessary to own, lease and operate its properties and to carry on its business as it is now being conducted (collectively, the "Company Permits"), and there is no action pending or, to the knowledge of the Company, threatened regarding suspension or cancellation of any of the Company Permits. Neither the Company nor any of its Subsidiaries is in conflict with, or in default or violation of, any of the Company Permits, except for any such conflicts, defaults or violations which, individually or in the aggregate, would not reasonably be expected to have a Material Adverse Effect. Neither the Company nor any of its Subsidiaries has received any notification with respect to possible conflicts, defaults or violations of applicable laws, except for notices relating to possible conflicts, defaults or violations, which conflicts, defaults or violations would not have a Material Adverse Effect.

s. Environmental Matters.

(i) There are, to the Company's knowledge, with respect to the Company or any of its Subsidiaries or any predecessor of the Company, no past or present violations of Environmental Laws (as defined below), releases of any material into the environment, actions, activities, circumstances, conditions, events, incidents, or contractual obligations which may give rise to any common law environmental liability or any liability under the Comprehensive Environmental Response, Compensation and Liability Act of 1980 or similar federal, state, local or foreign laws and neither the Company nor any of its Subsidiaries has received any notice with respect to any of the foregoing, nor is any action pending or, to the Company's knowledge, threatened in connection with any of the foregoing. The term "Environmental Laws" means all federal, state, local or foreign laws relating to pollution or protection of human health or the environment (including, without limitation, ambient air, surface water, groundwater, land surface or subsurface strata), including, without limitation, laws relating to emissions, discharges, releases or threatened releases of chemicals, pollutants contaminants, or toxic or hazardous substances or wastes (collectively, "Hazardous Materials") into the environment, or otherwise relating to the manufacture, processing, distribution, use, treatment, storage, disposal, transport or handling of Hazardous Materials, as well as all authorizations, codes, decrees, demands or demand letters, injunctions, judgments, licenses, notices or notice letters, orders, permits, plans or regulations issued, entered, promulgated or approved thereunder.

(ii) Other than those that are or were stored, used or disposed of in compliance with applicable law, no Hazardous Materials are contained on or about any real property currently owned, leased or used by the Company or any of its Subsidiaries, and no Hazardous Materials were released on or about any real property previously owned, leased or used by the Company or any of its Subsidiaries during the period the property was owned, leased or used by the Company or any of its Subsidiaries, except in the normal course of the Company's or any of its Subsidiaries' business.

(iii) There are no underground storage tanks on or under any real property owned, leased or used by the Company or any of its Subsidiaries that are not in compliance with applicable law.

t. Title to Property. Except as disclosed in the SEC Documents the Company and its Subsidiaries have good and marketable title in fee simple to all real property and good and marketable title to all personal property owned by them which is material to the business of the Company and its Subsidiaries, in each case free and clear of all liens, encumbrances and defects or such as would not have a Material Adverse Effect. Any real property and facilities held under lease by the Company and its Subsidiaries are held by them under valid, subsisting and enforceable leases with such exceptions as would not have a Material Adverse Effect.

u. Internal Accounting Controls. Except as disclosed in the SEC Documents the Company and each of its Subsidiaries maintain a system of internal accounting controls sufficient, in the judgment of the Company's board of directors, to provide reasonable assurance that (i) transactions are executed in accordance with management's general or specific authorizations, (ii) transactions are recorded as necessary to permit preparation of financial statements in conformity with generally accepted accounting principles and to maintain asset accountability, (iii) access to assets is permitted only in accordance with management's general or specific authorization and (iv) the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences.

v. Foreign Corrupt Practices. Neither the Company, nor any of its Subsidiaries, nor any director, officer, agent, employee or other person acting on behalf of the Company or any Subsidiary has, in the course of his actions for, or on behalf of, the Company, used any corporate funds for any unlawful

contribution, gift, entertainment or other unlawful expenses relating to political activity; made any direct or indirect unlawful payment to any foreign or domestic government official or employee from corporate funds; violated or is in violation of any provision of the U.S. Foreign Corrupt Practices Act of 1977, as amended, or made any bribe, rebate, payoff, influence payment, kickback or other unlawful payment to any foreign or domestic government official or employee.

w. Solvency. The Company (after giving effect to the transactions contemplated by this Agreement) is solvent (i.e., its assets have a fair market value in excess of the amount required to pay its probable liabilities on its existing debts as they become absolute and matured) and currently the Company has no information that would lead it to reasonably conclude that the Company would not, after giving effect to the transaction contemplated by this Agreement, have the ability to, nor does it intend to take any action that would impair its ability to, pay its debts from time to time incurred in connection therewith as such debts mature. The Company did not receive a qualified opinion from its auditors with respect to its most recent fiscal year end and, after giving effect to the transactions contemplated by this Agreement, does not anticipate or know of any basis upon which its auditors might issue a qualified opinion in respect of its current fiscal year. For the avoidance of doubt any disclosure of the Borrower's ability to continue as a "going concern" shall not, by itself, be a violation of this Section 3(w).

x. No Investment Company. The Company is not, and upon the issuance and sale of the Securities as contemplated by this Agreement will not be an "investment company" required to be registered under the Investment Company Act of 1940 (an "Investment Company"). The Company is not controlled by an Investment Company.

y. Insurance. Upon written request the Company will provide to the Buyer true and correct copies of all policies relating to directors' and officers' liability coverage, errors and omissions coverage, and commercial general liability coverage, if any.

z. Bad Actor. No officer or director of the Company would be disqualified under Rule 506(d) of the Securities Act as amended on the basis of being a "bad actor" as that term is established in the September 19, 2013 Small Entity Compliance Guide published by the Securities and Exchange Commission.

aa. Breach of Representations and Warranties by the Company. If the Company breaches any of the representations or warranties set forth in this Section 3, and in addition to any other remedies available to the Buyer pursuant to this Agreement, it will be considered an Event of default under Section 3.4 of the Note.

4. COVENANTS.

a. Best Efforts. The parties shall use their commercially reasonable best efforts to satisfy timely each of the conditions described in Section 6 and 7 of this Agreement.

b. Use of Proceeds. The Company shall use the proceeds from the sale of the Note for working capital and other general corporate purposes and shall not, directly or indirectly, use such proceeds for any loan to or investment in any other corporation, partnership, enterprise or other person (except in connection with its currently existing direct or indirect Subsidiaries).

c. Financial Information. The Company agrees to send or make available the following reports to the Buyer until the Buyer transfers, assigns, or sells all of the Securities:

(i) within ten (10) days after the filing with the SEC, a copy of its Annual

Report on Form 10-K its Quarterly Reports on Form 10-Q and any Current Reports on Form 8-K; (ii) within one (1) day after release, copies of all press releases issued by the Company or any of its Subsidiaries; and (iii) contemporaneously with the making available or giving to the shareholders of the Company, copies of any notices or other information the Company makes available or gives to such shareholders. For the avoidance of doubt, filing the documents required in (i) above via EDGAR or releasing any documents set forth in (ii) above via a recognized wire service shall satisfy the delivery requirements of this Section 4(f).

d. Listing. The Company shall promptly secure the listing of the Conversion Shares upon each national securities exchange or automated quotation system, if any, upon which shares of Common Stock are then listed (subject to official notice of issuance) and, so long as the Buyer owns any of the Securities, shall maintain, so long as any other shares of Common Stock shall be so listed, such listing of all Conversion Shares from time to time issuable upon conversion of the Note. The Company will obtain and, so long as the Buyer owns any of the Securities, maintain the listing and trading of its Common Stock on the OTCBB, OTCQB, OTC Pink or any equivalent replacement exchange, the Nasdaq National Market (“Nasdaq”), the Nasdaq SmallCap Market (“Nasdaq SmallCap”), the New York Stock Exchange (“NYSE”), or the NYSE MKT and will comply in all respects with the Company’s reporting, filing and other obligations under the bylaws or rules of the Financial Industry Regulatory Authority (“FINRA”) and such exchanges, as applicable. The Company shall promptly provide to the Buyer copies of any material notices it receives from the OTCBB, OTCQB and any other exchanges or quotation systems on which the Common Stock is then listed regarding the continued eligibility of the Common Stock for listing on such exchanges and quotation systems.

e. Corporate Existence. So long as the Buyer beneficially owns any Note, the Company shall maintain its corporate existence and shall not sell all or substantially all of the Company’s assets, except in the event of a merger or consolidation or sale of all or substantially all of the Company’s assets, where the surviving or successor entity in such transaction (i) assumes the Company’s obligations hereunder and under the agreements and instruments entered into in connection herewith and (ii) is a publicly traded corporation whose Common Stock is listed for trading on the OTCBB, OTCQB, OTC Pink, Nasdaq, NasdaqSmallCap, NYSE or AMEX.

f. No Integration. The Company shall not make any offers or sales of any security (other than the Securities) under circumstances that would require registration of the Securities being offered or sold hereunder under the 1933 Act or cause the offering of the Securities to be integrated with any other offering of securities by the Company for the purpose of any stockholder approval provision applicable to the Company or its securities.

g. Failure to Comply with the 1934 Act. So long as the Buyer beneficially owns the Note, the Company shall comply with the reporting requirements of the 1934 Act; and the Company shall continue to be subject to the reporting requirements of the 1934 Act.

h. Trading Activities. Neither the Buyer nor its affiliates has an open short position (or other hedging or similar transactions) in the common stock of the Company and the Buyer agree that it shall not, and that it will cause its affiliates not to, engage in any short sales of or hedging transactions with respect to the common stock of the Company.

i. Breach of Covenants. If the Company breaches any of the covenants set forth in this Section 4, and in addition to any other remedies available to the Buyer pursuant to this Agreement, it will be considered an event of default under Section 3.3 of the Note.

5. Transfer Agent Instructions. Prior to registration of the Conversion Shares under the 1933

Act or the date on which the Conversion Shares may be sold pursuant to Rule 144 without any restriction as to the number of Securities as of a particular date that can then be immediately sold, all such certificates shall bear the restrictive legend specified in Section 2(g) of this Agreement. The Company warrants that: (i) no stop transfer instructions to give effect to Section 2(f) hereof (in the case of the Conversion Shares, prior to registration of the Conversion Shares under the 1933 Act or the date on which the Conversion Shares may be sold pursuant to Rule 144 without any restriction as to the number of Securities as of a particular date that can then be immediately sold), will be given by the Company to its transfer agent and that the Securities shall otherwise be freely transferable on the books and records of the Company as and to the extent provided in this Agreement and the Note; (ii) it will not direct its transfer agent not to transfer or delay, impair, and/or hinder its transfer agent in transferring (or issuing) (electronically or in certificated form) any certificate for Conversion Shares to be issued to the Buyer upon conversion of or otherwise pursuant to the Note as and when required by the Note and this Agreement; and (iii) it will not fail to remove (or directs its transfer agent not to remove or impairs, delays, and/or hinders its transfer agent from removing) any restrictive legend (or to withdraw any stop transfer instructions in respect thereof) on any certificate for any Conversion Shares issued to the Buyer upon conversion of or otherwise pursuant to the Note as and when required by the Note and this Agreement. Nothing in this Section shall affect in any way the Buyer's obligations and agreement set forth in Section 2(g) hereof to comply with all applicable prospectus delivery requirements, if any, upon re-sale of the Securities. If the Buyer provides the Company, at the cost of the Buyer, with (i) an opinion of counsel in form, substance and scope customary for opinions in comparable transactions, to the effect that a public sale or transfer of such Securities may be made without registration under the 1933 Act and such sale or transfer is effected or (ii) the Buyer provides reasonable assurances that the Securities can be sold pursuant to Rule 144, the Company shall permit the transfer, and, in the case of the Conversion Shares, promptly instruct its transfer agent to issue one or more certificates, free from restrictive legend, in such name and in such denominations as specified by the Buyer. The Company acknowledges that a breach by it of its obligations hereunder will cause irreparable harm to the Buyer, by vitiating the intent and purpose of the transactions contemplated hereby. Accordingly, the Company acknowledges that the remedy at law for a breach of its obligations under this Section may be inadequate and agrees, in the event of a breach or threatened breach by the Company of the provisions of this Section, that the Buyer shall be entitled, in addition to all other available remedies, to an injunction restraining any breach and requiring immediate transfer, without the necessity of showing economic loss and without any bond or other security being required.

6. CONDITIONS PRECEDENT TO THE COMPANY'S OBLIGATIONS TO SELL. The obligation of the Company hereunder to issue and sell the Note to the Buyer at the Closing is subject to the satisfaction, at or before the Closing Date of each of the following conditions thereto, provided that these conditions are for the Company's sole benefit and may be waived by the Company at any time in its sole discretion:

a. The Buyer shall have executed this Agreement and delivered the same to the Company.

b. The Buyer shall have delivered the Purchase Price in accordance with Section 1(b) above.

c. The representations and warranties of the Buyer shall be true and correct in all material respects as of the date when made and as of the Closing Date as though made at that time (except for representations and warranties that speak as of a specific date), and the Buyer shall have performed, satisfied and complied in all material respects with the covenants, agreements and conditions required by this Agreement to be performed, satisfied or complied with by the Buyer at or prior to the Closing Date.

d. No litigation, statute, rule, regulation, executive order, decree, ruling or injunction

shall have been enacted, entered, promulgated or endorsed by or in any court or governmental authority of competent jurisdiction or any self-regulatory organization having authority over the matters contemplated hereby which prohibits the consummation of any of the transactions contemplated by this Agreement.

7. CONDITIONS PRECEDENT TO THE BUYER'S OBLIGATION TO PURCHASE. The obligation of the Buyer hereunder to purchase the Note at the Closing is subject to the satisfaction, at or before the Closing Date of each of the following conditions, provided that these conditions are for the Buyer's sole benefit and may be waived by the Buyer at any time in its sole discretion:

a. The Company shall have executed this Agreement and delivered the same to the Buyer.

b. The Company shall have delivered to the Buyer duly executed Note (in such denominations as the Buyer shall request) in accordance with Section 1(b) above.

c. The representations and warranties of the Company shall be true and correct in all material respects as of the date when made and as of the Closing Date as though made at such time (except for representations and warranties that speak as of a specific date) and the Company shall have performed, satisfied and complied in all material respects with the covenants, agreements and conditions required by this Agreement to be performed, satisfied or complied with by the Company at or prior to the Closing Date. The Buyer shall have received a certificate or certificates, executed by the chief executive officer of the Company, dated as of the Closing Date, to the foregoing effect and as to such other matters as may be reasonably requested by the Buyer including, but not limited to certificates with respect to the Company's Certificate of Incorporation, By-laws and Board of Directors' resolutions relating to the transactions contemplated hereby.

d. No litigation, statute, rule, regulation, executive order, decree, ruling or injunction shall have been enacted, entered, promulgated or endorsed by or in any court or governmental authority of competent jurisdiction or any self-regulatory organization having authority over the matters contemplated hereby which prohibits the consummation of any of the transactions contemplated by this Agreement.

e. No event shall have occurred which could reasonably be expected to have a Material Adverse Effect on the Company including but not limited to a change in the 1934 Act reporting status of the Company or the failure of the Company to be timely in its 1934 Act reporting obligations.

f. The Conversion Shares shall have been authorized for quotation on the OTCBB, OTCQB or any similar quotation system and trading in the Common Stock on the OTCBB, OTCQB or any similar quotation system shall not have been suspended by the SEC or the OTCBB, OTCQB or any similar quotation system.

g. The Buyer shall have received an officer's certificate described in Section 3(c) above, dated as of the Closing Date.

8. GOVERNING LAW; MISCELLANEOUS.

a. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Nevada without regard to principles of conflicts of laws. Any action brought by either party against the other concerning the transactions contemplated by this Agreement shall be brought only in the state courts or in the federal courts located in New York, NY. The parties to this Agreement hereby irrevocably waive any objection to jurisdiction and venue of any action instituted hereunder and shall not assert any defense based on lack of jurisdiction or venue or based upon *forum non conveniens*. The Company and Buyer waive trial by jury. The prevailing party shall be entitled to recover from the other

party its reasonable attorney's fees and costs. In the event that any provision of this Agreement or any other agreement delivered in connection herewith is invalid or unenforceable under any applicable statute or rule of law, then such provision shall be deemed inoperative to the extent that it may conflict therewith and shall be deemed modified to conform with such statute or rule of law. Any such provision which may prove invalid or unenforceable under any law shall not affect the validity or enforceability of any other provision of any agreement. Each party hereby irrevocably waives personal service of process and consents to process being served in any suit, action or proceeding in connection with this Agreement or any other Transaction Document by mailing a copy thereof via registered or certified mail or overnight delivery (with evidence of delivery) to such party at the address in effect for notices to it under this Agreement and agrees that such service shall constitute good and sufficient service of process and notice thereof. Nothing contained herein shall be deemed to limit in any way any right to serve process in any other manner permitted by law.

b. Counterparts; Signatures by Facsimile. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original but all of which shall constitute one and the same agreement and shall become effective when counterparts have been signed by each party and delivered to the other party. This Agreement, once executed by a party, may be delivered to the other party hereto by facsimile transmission of a copy of this Agreement bearing the signature of the party so delivering this Agreement.

c. Headings. The headings of this Agreement are for convenience of reference only and shall not form part of, or affect the interpretation of, this Agreement.

d. Severability. In the event that any provision of this Agreement is invalid or unenforceable under any applicable statute or rule of law, then such provision shall be deemed inoperative to the extent that it may conflict therewith and shall be deemed modified to conform with such statute or rule of law. Any provision hereof which may prove invalid or unenforceable under any law shall not affect the validity or enforceability of any other provision hereof.

e. Entire Agreement; Amendments. This Agreement and the instruments referenced herein contain the entire understanding of the parties with respect to the matters covered herein and therein and, except as specifically set forth herein or therein, neither the Company nor the Buyer makes any representation, warranty, covenant or undertaking with respect to such matters. No provision of this Agreement may be waived or amended other than by an instrument in writing signed by the majority in interest of the Buyer.

f. Notices. All notices, demands, requests, consents, approvals, and other communications required or permitted hereunder shall be in writing and, unless otherwise specified herein, shall be (i) personally served, (ii) deposited in the mail, registered or certified, return receipt requested, postage prepaid, (iii) delivered by reputable air courier service with charges prepaid, or (iv) transmitted by hand delivery, telegram, facsimile, or electronic mail, addressed as set forth below or to such other address as such party shall have specified most recently by written notice. Any notice or other communication required or permitted to be given hereunder shall be deemed effective (a) upon hand delivery or delivery by facsimile or electronic mail, at the address or number designated below (if delivered on a business day during normal business hours where such notice is to be received), or the first business day following such delivery (if delivered other than on a business day during normal business hours where such notice is to be received) or (b) on the second business day following the date of mailing by express courier service, fully prepaid, addressed to such address, or upon actual receipt of such mailing, whichever shall first occur. The addresses for such communications shall be:

If to the Company, to:

IRONCLAD ENCRYPTION CORPORATION

One Riverway, 777 South Post Oak Lane, Suite 1700

Houston, TX 77056

e-mail: Len.walker@ironcladencryption.com

If to the Holder, to:

MORNINGVIEW FINANCIAL, LLC

401 Park Ave. South, 10th Floor New York, NY 10016

e-mail: max@morningviewfn.com

Each party shall provide notice to the other party of any change in address.

g. Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the parties and their successors and assigns. Neither the Company nor the Buyer shall assign this Agreement or any rights or obligations hereunder without the prior written consent of the other. Notwithstanding the foregoing, subject to Section 2(f), the Buyer may assign its rights hereunder to any person that purchases Securities in a private transaction from the Buyer or to any of its "affiliates," as that term is defined under the 1934 Act, without the consent of the Company.

h. Third Party Beneficiaries. This Agreement is intended for the benefit of the parties hereto and their respective permitted successors and assigns, and is not for the benefit of, nor may any provision hereof be enforced by, any other person.

i. Survival. The representations and warranties of the Company and the agreements and covenants set forth in this Agreement shall survive the closing hereunder. The Company agrees to indemnify and hold harmless the Buyer and all their officers, directors, employees and agents for loss or damage arising as a result of or related to any breach by the Company of any of its representations, warranties and covenants set forth in this Agreement or any of its covenants and obligations under this Agreement, including advancement of expenses as they are incurred.

j. Further Assurances. Each party shall do and perform, or cause to be done and performed, all such further acts and things, and shall execute and deliver all such other agreements, certificates, instruments and documents, as the other party may reasonably request in order to carry out the intent and accomplish the purposes of this Agreement and the consummation of the transactions contemplated hereby.

k. No Strict Construction. The language used in this Agreement will be deemed to be the language chosen by the parties to express their mutual intent, and no rules of strict construction will be applied against any party.

l. Remedies.

(i) The Company acknowledges that a breach by it of its obligations hereunder will cause irreparable harm to the Buyer by vitiating the intent and purpose of the transaction contemplated hereby. Accordingly, the Company acknowledges that the remedy at law for a breach of its obligations under this Agreement will be inadequate and agrees, in the event of a breach or threatened breach by the Company of the provisions of this Agreement, that the Buyer shall be entitled, in addition to all other available remedies at law or in equity, and in addition to the penalties assessable herein, to an injunction or injunctions restraining, preventing or curing any breach of this Agreement and to enforce specifically the

terms and provisions hereof, without the necessity of showing economic loss and without any bond or other security being required.

m. Publicity. The Company, and the Buyer shall have the right to review a reasonable period of time before issuance of any press releases, SEC, OTCQB (or other applicable trading market), or FINRA filings, or any other public statements with respect to the transactions contemplated hereby; provided, however, that the Company shall be entitled, without the prior approval of the Buyer, to make any press release or SEC, OTCQB (or other applicable trading market) or FINRA filings with respect to such transactions as is required by applicable law and regulations (although the Buyer shall be consulted by the Company in connection with any such press release prior to its release and shall be provided with a copy thereof).

[- signature page follows -]

IN WITNESS WHEREOF, the undersigned Buyer and the Company have caused this Agreement to be duly executed as of the date first above written.

IRONCLAD ENCRYPTION CORPORATION

/s/ James McGraw

By: _____

Name: James McGraw

Title: Chief Executive Officer

MORNINGVIEW FINANCIAL, LLC

/s/ Max Riccio

By: _____

Name: Max Riccio

Title: Authorized Signatory

AGGREGATE SUBSCRIPTION AMOUNT:

Aggregate Principal Amount of Note: US\$57,750.00

Aggregate Purchase Price: US\$52,500.00*

*The \$52,500.00 purchase price shall be paid within a reasonable amount of time after the full execution of the Note and all related transaction documentation.

NEITHER THE ISSUANCE NOR SALE OF THE SECURITIES REPRESENTED BY THIS CERTIFICATE NOR THE SECURITIES INTO WHICH THESE SECURITIES ARE CONVERTIBLE HAVE BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR APPLICABLE STATE SECURITIES LAWS. THE SECURITIES MAY NOT BE OFFERED FOR SALE, SOLD, TRANSFERRED OR ASSIGNED (I) IN THE ABSENCE OF (A) AN EFFECTIVE REGISTRATION STATEMENT FOR THE SECURITIES UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR (B) AN OPINION OF COUNSEL (WHICH COUNSEL SHALL BE SELECTED BY THE HOLDER), IN A GENERALLY ACCEPTABLE FORM, THAT REGISTRATION IS NOT REQUIRED UNDER SAID ACT OR (II) UNLESS SOLD PURSUANT TO RULE 144 OR RULE 144A UNDER SAID ACT. NOTWITHSTANDING THE FOREGOING, THE SECURITIES MAY BE PLEDGED IN CONNECTION WITH A BONA FIDE MARGIN ACCOUNT OR OTHER LOAN OR FINANCING ARRANGEMENT SECURED BY THE SECURITIES.

Principal Amount: \$57,750.00

Issue Date: April 23, 2019

Purchase Price: \$52,500.00

Original Issue Discount: \$5,250.00

CONVERTIBLE PROMISSORY NOTE

FOR VALUE RECEIVED, IRONCLAD ENCRYPTION CORPORATION, a Delaware corporation (hereinafter called the “Borrower”), hereby promises to pay to the order of **MORNINGVIEW FINANCIAL, LLC**, a Wyoming limited liability company, or registered assigns (the “Holder”) the principal sum of \$57,750.00 (the “Principal Amount”), together with interest at the rate of twelve percent (12%) per annum, at maturity or upon acceleration or otherwise, as set forth herein (the “Note”). The consideration to the Borrower for this Note is \$52,500.00 (the “Consideration”). At the closing, the outstanding principal amount under this Note shall be \$57,750.00, consisting of the Consideration plus the OID (as defined herein). The maturity date shall be twelve (12) months from the Issue Date (the “Maturity Date”), and is the date upon which the principal sum, as well as any accrued and unpaid interest and other fees shall be due and payable. This Note may not be prepaid in whole or in part except as otherwise explicitly set forth herein. Any amount of principal or interest on this Note, which is not paid by the Maturity Date, shall bear interest at the rate of the lesser of (i) eighteen percent (18%) per annum and (ii) the maximum amount permitted by applicable law from the due date thereof until the same is paid (“Default Interest”). Interest shall commence accruing on the date that the Note is fully paid and shall be computed on the basis of a 365-day year and the actual number of days elapsed. All payments due hereunder (to the extent not converted into the Borrower’s common stock (the “Common Stock”) in accordance with the terms hereof) shall be made in lawful money of the United States of America. All payments shall be made at such address as the Holder shall hereafter give to the Borrower by written notice made in accordance with the provisions of this Note. Whenever any amount expressed to be due by the terms of this Note is due on any day which is not a business day, the same shall instead be due on the next succeeding day which is a business day and, in the case of any interest payment date which is not the date on which this Note is paid in full, the extension of the due date thereof shall not be taken into account for purposes of determining the amount of interest due on such date. As used in this Note, the term “business day” shall mean any day other than a Saturday, Sunday or a day on which commercial banks in the city of New York, New York are authorized or required by law or executive order to remain closed.

This Note carries an original issue discount of \$5,250.00 (the “OID”), to cover the Holder’s accounting fees, due diligence fees, monitoring, and/or other transactional costs incurred in connection with the purchase and sale of the Note, which is included in the principal balance of this Note. Thus, the purchase price of this Note shall be \$52,500.00, computed as follows: the Principal Amount minus the OID.

This Note is free from all taxes, liens, claims and encumbrances with respect to the issue thereof and shall not be subject to preemptive rights or other similar rights of shareholders of the Borrower and will not impose personal liability upon the holder thereof.

The following additional terms shall also apply to this Note:

ARTICLE I. CONVERSION RIGHTS

1.1 Conversion Right. The Holder shall have the right at any time on or after the Issue Date to convert all or any part of the outstanding and unpaid principal amount and accrued and unpaid interest of this Note into fully paid and non-assessable shares of Common Stock, as such Common Stock exists on the Issue Date, or any shares of capital stock or other securities of the Borrower into which such Common Stock shall hereafter be changed or reclassified at the conversion price (the "Conversion Price") determined as provided herein (a "Conversion"); provided, however, that in no event shall the Holder be entitled to convert any portion of this Note in excess of that portion of this Note upon conversion of which the sum of (1) the number of shares of Common Stock beneficially owned by the Holder and its affiliates (other than shares of Common Stock which may be deemed beneficially owned through the ownership of the unconverted portion of the Notes or the unexercised or unconverted portion of any other security of the Borrower subject to a limitation on conversion or exercise analogous to the limitations contained herein) and (2) the number of shares of Common Stock issuable upon the conversion of the portion of this Note with respect to which the determination of this proviso is being made, would result in beneficial ownership by the Holder and its affiliates of more than 4.99% of the outstanding shares of Common Stock. For purposes of the proviso to the immediately preceding sentence, beneficial ownership shall be determined in accordance with Section 13(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and Regulations 13D-G thereunder, except as otherwise provided in clause (1) of such proviso, provided, further, however, that the limitations on conversion may be waived (up to a maximum of 9.99%) by the Holder upon, at the election of the Holder, not less than 61 days' prior notice to the Borrower, and the provisions of the conversion limitation shall continue to apply until such 61st day (or such later date, as determined by the Holder, as may be specified in such notice of waiver). The number of shares of Common Stock to be issued upon each conversion of this Note shall be determined by dividing the Conversion Amount (as defined below) by the applicable Conversion Price then in effect on the date specified in the notice of conversion, in the form attached hereto as Exhibit A (the "Notice of Conversion"), delivered to the Borrower by the Holder in accordance with Section 1.4 below; provided that the Notice of Conversion is submitted by facsimile or e-mail (or by other means resulting in, or reasonably expected to result in, notice) to the Borrower before 6:00 p.m., New York, New York time on such conversion date (the "Conversion Date"). The term "Conversion Amount" means, with respect to any conversion of this Note, the sum of (1) the principal amount of this Note to be converted in such conversion plus (2) at the Holder's option, accrued and unpaid interest, if any, on such principal amount at the interest rates provided in this Note to the Conversion Date, plus (3) at the Holder's option, Default Interest, if any, on the amounts referred to in the immediately preceding clauses (1) and/or (2) plus (4) at the Holder's option, any amounts owed to the Holder pursuant to Sections 1.3 and 1.4(g) hereof.

1.2 Conversion Price.

(a) Calculation of Conversion Price. The Conversion Price shall equal the Variable Conversion Price (as defined herein) (subject, in each case, to equitable adjustments for stock splits, stock dividends or rights offerings by the Borrower relating to the Borrower's securities or the securities of any subsidiary of the Borrower, combinations, recapitalization, reclassifications, extraordinary distributions and similar events)(also subject to adjustment as further described herein). The "Variable Conversion Price" shall mean 65% multiplied by the Market Price (as defined herein) (representing a discount rate of 35%). "Market Price" means the lowest one (1) Trading Price (as defined below) for the Common Stock during the fifteen (15) Trading Day period ending on the last complete Trading Day prior to the Conversion Date. "Trading Price" means, for any security as of any date, the lowest traded price on the Over-the-Counter Pink Marketplace, OTCQB, or applicable trading market (the "Trading Market") as reported by a reliable reporting service

("Reporting Service") designated by the Holder (i.e. www.Nasdaq.com) or, if the Trading Market is not the principal trading market for such security, on the principal securities exchange or trading market where such security is listed or traded or, if the lowest intraday trading price of such security is not available in any of the foregoing manners, the lowest intraday price of any market makers for such security that are quoted on the OTC Markets. If the Trading Prices cannot be calculated for such security on such date in the manner provided above, the Trading Prices shall be the fair market value as mutually determined by the Borrower and the holders of a majority in interest of the Notes being converted for which the calculation of the Trading Prices are required in order to determine the Conversion Price of such Notes. "Trading Day" shall mean any day on which the Common Stock is tradable for any period on the Trading Market, or on the principal securities exchange or other securities market on which the Common Stock is then being traded. If at any time while this Note is outstanding, an Event of Default (as defined herein) occurs, then an additional discount of 15% shall be factored into the Variable Conversion Price until this Note is no longer outstanding (resulting in a discount rate of 50% assuming no other adjustments are triggered hereunder). If at any time while this Note is outstanding, the Borrower's Common Stock are not deliverable via DWAC, an additional 10% discount shall be factored into the Variable Conversion Price until this Note is no longer outstanding (resulting in a discount rate of 45% assuming no other adjustments are triggered hereunder).

Each time, while this Note is outstanding, the Borrower enters into a Section 3(a)(9) transaction (including but not limited to the issuance of new promissory notes or of a replacement promissory note), or Section 3(a)(10) transaction, in which any 3rd party has the right to convert monies owed to that 3rd party (or receive shares pursuant to a settlement or otherwise) at a discount to market greater than the Variable Conversion Price in effect at that time (prior to all other applicable adjustments in the Note), then the Variable Conversion Price shall be automatically adjusted to such greater discount percentage (prior to all applicable adjustments in this Note) until this Note is no longer outstanding. Each time, while this Note is outstanding, the Borrower enters into a Section 3(a)(9) transaction (including but not limited to the issuance of new promissory notes or of a replacement promissory note), or Section 3(a)(10) transaction, in which any 3rd party has a look back period greater than the look back period in effect under the Note at that time, then the Holder's look back period shall automatically be adjusted to such greater number of days until this Note is no longer outstanding. The adjustments in this paragraph, with respect to Section 3(a)(9) transactions, shall not take effect unless the holder of the note with more favorable terms is eligible to convert. The Borrower shall give written notice to the Holder, with the adjusted Variable Conversion Price and/or adjusted look back period (each adjustment that is applicable due to the triggering event), within one (1) business day of an event that requires any adjustment described in the two immediately preceding sentences.

Holder shall be entitled to deduct \$500.00 from the conversion amount in each Notice of Conversion to cover Holder's deposit fees associated with each Notice of Conversion. All expenses incurred by Holder with respect to the Borrower's transfer agent, for the issuance of the Common Stock into which this Note is convertible into, shall immediately and automatically be added to the balance of the Note at such time as the expenses are incurred by Holder.

If at any time the Conversion Price as determined hereunder for any conversion would be less than the par value of the Common Stock, then at the sole discretion of the Holder, the Conversion Price hereunder may equal such par value for such conversion and the Conversion Amount for such conversion may be increased to include Additional Principal, where "Additional Principal" means such additional amount to be added to the Conversion Amount to the extent necessary to cause the number of conversion shares issuable upon such conversion to equal the same number of conversion shares as would have been issued had the Conversion Price not been adjusted by the Holder to the par value price.

1.3 Authorized Shares. The Borrower covenants that during the period the conversion right exists, the Borrower will reserve from its authorized and unissued Common Stock a sufficient number of shares, free from preemptive rights, to provide for the issuance of Common Stock upon the full conversion of this Note. The Borrower is required at all times to have authorized and reserved five (5) times the number of shares that is actually issuable upon full conversion of the Note (based on the Conversion Price of the Notes in effect from

time to time)(the “Reserved Amount”). The Reserved Amount shall be increased from time to time in accordance with the Borrower’s obligations hereunder. The Borrower represents that upon issuance, such shares will be duly and validly issued, fully paid and non-assessable. In addition, if the Borrower shall issue any securities or make any change to its capital structure which would change the number of shares of Common Stock into which the Notes shall be convertible at the then current Conversion Price, the Borrower shall at the same time make proper provision so that thereafter there shall be a sufficient number of shares of Common Stock authorized and reserved, free from preemptive rights, for conversion of the outstanding Notes. The Borrower (i) acknowledges that it has irrevocably instructed its transfer agent to issue certificates for the Common Stock issuable upon conversion of this Note, and (ii) agrees that its issuance of this Note shall constitute full authority to its officers and agents who are charged with the duty of executing stock certificates to execute and issue the necessary certificates for shares of Common Stock in accordance with the terms and conditions of this Note.

If, at any time the Borrower does not maintain the Reserved Amount it will be considered an Event of Default under Section 3.2 of the Note.

1.4 Method of Conversion.

(a) Mechanics of Conversion. Subject to Section 1.1, this Note may be converted by the Holder in whole or in part, at any time on or after the Issue Date, by (A) submitting to the Borrower a Notice of Conversion (by facsimile, e-mail or other reasonable means of communication dispatched on the Conversion Date prior to 6:00 p.m., New York, New York time) and (B) subject to Section 1.4(b), surrendering this Note at the principal office of the Borrower.

(b) Surrender of Note Upon Conversion. Notwithstanding anything to the contrary set forth herein, upon conversion of this Note in accordance with the terms hereof, the Holder shall not be required to physically surrender this Note to the Borrower unless the entire unpaid principal amount of this Note is so converted. The Holder and the Borrower shall maintain records showing the principal amount so converted and the dates of such conversions or shall use such other method, reasonably satisfactory to the Holder and the Borrower, so as not to require physical surrender of this Note upon each such conversion. In the event of any dispute or discrepancy, such records of the Borrower shall, *prima facie*, be controlling and determinative in the absence of manifest error. Notwithstanding the foregoing, if any portion of this Note is converted as aforesaid, the Holder may not transfer this Note unless the Holder first physically surrenders this Note to the Borrower, whereupon the Borrower will forthwith issue and deliver upon the order of the Holder a new Note of like tenor, registered as the Holder (upon payment by the Holder of any applicable transfer taxes) may request, representing in the aggregate the remaining unpaid principal amount of this Note. The Holder and any assignee, by acceptance of this Note, acknowledge and agree that, by reason of the provisions of this paragraph, following conversion of a portion of this Note, the unpaid and unconverted principal amount of this Note represented by this Note may be less than the amount stated on the face hereof.

(c) Payment of Taxes. The Borrower shall not be required to pay any tax which may be payable in respect of any transfer involved in the issue and delivery of shares of Common Stock or other securities or property on conversion of this Note in a name other than that of the Holder (or in street name), and the Borrower shall not be required to issue or deliver any such shares or other securities or property unless and until the person or persons (other than the Holder or the custodian in whose street name such shares are to be held for the Holder’s account) requesting the issuance thereof shall have paid to the Borrower the amount of any such tax or shall have established to the satisfaction of the Borrower that such tax has been paid.

(d) Delivery of Common Stock Upon Conversion. Upon receipt by the Borrower from the Holder of a facsimile transmission or e-mail (or other reasonable means of communication) of a Notice of Conversion meeting the requirements for conversion as provided in this Section 1.4, the Borrower shall issue and deliver or cause to be issued and delivered to or upon the order of the Holder certificates for the Common Stock issuable upon such conversion within two (2) business days after such receipt (the “Deadline”) (and,

solely in the case of conversion of the entire unpaid principal amount hereof, surrender of this Note) in accordance with the terms hereof.

(e) Obligation of Borrower to Deliver Common Stock. Upon receipt by the Borrower of a Notice of Conversion, the Holder shall be deemed to be the holder of record of the Common Stock issuable upon such conversion, the outstanding principal amount and the amount of accrued and unpaid interest on this Note shall be reduced to reflect such conversion, and, unless the Borrower defaults on its obligations under this Article I, all rights with respect to the portion of this Note being so converted shall forthwith terminate except the right to receive the Common Stock or other securities, cash or other assets, as herein provided, on such conversion. If the Holder shall have given a Notice of Conversion as provided herein, the Borrower's obligation to issue and deliver the certificates for Common Stock shall be absolute and unconditional, irrespective of the absence of any action by the Holder to enforce the same, any waiver or consent with respect to any provision thereof, the recovery of any judgment against any person or any action to enforce the same, any failure or delay in the enforcement of any other obligation of the Borrower to the holder of record, or any setoff, counterclaim, recoupment, limitation or termination, or any breach or alleged breach by the Holder of any obligation to the Borrower, and irrespective of any other circumstance which might otherwise limit such obligation of the Borrower to the Holder in connection with such conversion. The Conversion Date specified in the Notice of Conversion shall be the Conversion Date so long as the Notice of Conversion is received by the Borrower before 6:00 p.m., New York, New York time, on such date.

(f) Delivery of Common Stock by Electronic Transfer. In lieu of delivering physical certificates representing the Common Stock issuable upon conversion, provided the Borrower is participating in the Depository Trust Company ("DTC") Fast Automated Securities Transfer ("FAST") program, upon request of the Holder and its compliance with the provisions contained in Section 1.1 and in this Section 1.4, the Borrower shall use its best efforts to cause its transfer agent to electronically transmit the Common Stock issuable upon conversion to the Holder by crediting the account of Holder's Prime Broker with DTC through its Deposit Withdrawal Agent Commission ("DWAC") system.

(g) Failure to Deliver Common Stock Prior to Deadline. Without in any way limiting the Holder's right to pursue other remedies, including actual damages and/or equitable relief, the parties agree that if delivery of the Common Stock issuable upon conversion of this Note is not delivered by the Deadline (other than a failure due to the circumstances described in Section 1.3 above, which failure shall be governed by such Section) the Borrower shall pay to the Holder \$2,000 per day in cash, for each day beyond the Deadline that the Borrower fails to deliver such Common Stock. Such cash amount shall be paid to Holder by the fifth day of the month following the month in which it has accrued or, at the option of the Holder (by written notice to the Borrower by the first day of the month following the month in which it has accrued), shall be added to the principal amount of this Note, in which event interest shall accrue thereon in accordance with the terms of this Note and such additional principal amount shall be convertible into Common Stock in accordance with the terms of this Note. The Borrower agrees that the right to convert is a valuable right to the Holder. The damages resulting from a failure, attempt to frustrate, interference with such conversion right are difficult if not impossible to qualify. Accordingly the parties acknowledge that the liquidated damages provision contained in this Section 1.4(g) are justified.

1.5 Concerning the Shares. The shares of Common Stock issuable upon conversion of this Note may not be sold or transferred unless (i) such shares are sold pursuant to an effective registration statement under the Act or (ii) the Borrower or its transfer agent shall have been furnished with an opinion of counsel (which opinion shall be in form, substance and scope customary for opinions of counsel in comparable transactions) to the effect that the shares to be sold or transferred may be sold or transferred pursuant to an exemption from such registration or (iii) such shares are sold or transferred pursuant to Rule 144 under the Act (or a successor rule) ("Rule 144") or (iv) such shares are transferred to an "affiliate" (as defined in Rule 144) of the Borrower who agrees to sell or otherwise transfer the shares only in accordance with this Section 1.5 and who is an Accredited Investor. Except as otherwise provided (and subject to the removal provisions set forth below), until such time as the shares of Common Stock issuable upon conversion of this Note have been

registered under the Act or otherwise may be sold pursuant to Rule 144 without any restriction as to the number of securities as of a particular date that can then be immediately sold, each certificate for shares of Common Stock issuable upon conversion of this Note that has not been so included in an effective registration statement or that has not been sold pursuant to an effective registration statement or an exemption that permits removal of the legend, shall bear a legend substantially in the following form, as appropriate:

“NEITHER THE ISSUANCE AND SALE OF THE SECURITIES REPRESENTED BY THIS CERTIFICATE NOR THE SECURITIES INTO WHICH THESE SECURITIES ARE EXERCISABLE HAVE BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR APPLICABLE STATE SECURITIES LAWS. THE SECURITIES MAY NOT BE OFFERED FOR SALE, SOLD, TRANSFERRED OR ASSIGNED (I) IN THE ABSENCE OF (A) AN EFFECTIVE REGISTRATION STATEMENT FOR THE SECURITIES UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR (B) AN OPINION OF COUNSEL (WHICH COUNSEL SHALL BE SELECTED BY THE HOLDER), IN A GENERALLY ACCEPTABLE FORM, THAT REGISTRATION IS NOT REQUIRED UNDER SAID ACT OR (II) UNLESS SOLD PURSUANT TO RULE 144 OR RULE 144A UNDER SAID ACT. NOTWITHSTANDING THE FOREGOING, THE SECURITIES MAY BE PLEDGED IN CONNECTION WITH A BONA FIDE MARGIN ACCOUNT OR OTHER LOAN OR FINANCING ARRANGEMENT SECURED BY THE SECURITIES.”

The legend set forth above shall be removed and the Borrower shall issue to the Holder a new certificate therefore free of any transfer legend if (i) the Borrower or its transfer agent shall have received an opinion of counsel, in form, substance and scope customary for opinions of counsel in comparable transactions, to the effect that a public sale or transfer of such Common Stock may be made without registration under the Act, which opinion shall be accepted by the Borrower so that the sale or transfer is effected or (ii) in the case of the Common Stock issuable upon conversion of this Note, such security is registered for sale by the Holder under an effective registration statement filed under the Act or otherwise may be sold pursuant to Rule 144 without any restriction as to the number of securities as of a particular date that can then be immediately sold. In the event that the Borrower does not accept the opinion of counsel provided by the Holder with respect to the transfer of Securities pursuant to an exemption from registration, such as Rule 144 or Regulation S, at the Deadline, it will be considered an Event of Default pursuant to Section 3.2 of the Note.

1.6 [Intentionally Omitted].

1.7 Status as Shareholder. Upon submission of a Notice of Conversion by a Holder, (i) the shares covered thereby (other than the shares, if any, which cannot be issued because their issuance would exceed such Holder's allocated portion of the Reserved Amount or Maximum Share Amount) shall be deemed converted into shares of Common Stock and (ii) the Holder's rights as a Holder of such converted portion of this Note shall cease and terminate, excepting only the right to receive certificates for such shares of Common Stock and to any remedies provided herein or otherwise available at law or in equity to such Holder because of a failure by the Borrower to comply with the terms of this Note. Notwithstanding the foregoing, if a Holder has not received certificates for all shares of Common Stock prior to the tenth (10th) business day after the expiration of the Deadline with respect to a conversion of any portion of this Note for any reason, then (unless the Holder otherwise elects to retain its status as a holder of Common Stock by so notifying the Borrower) the Holder shall regain the rights of a Holder of this Note with respect to such unconverted portions of this Note and the Borrower shall, as soon as practicable, return such unconverted Note to the Holder or, if the Note has not been surrendered, adjust its records to reflect that such portion of this Note has not been converted. In all cases, the Holder shall retain all of its rights and remedies (including, without limitation, (i) the right to receive Conversion Default Payments pursuant to Section 1.3 to the extent required thereby for such Conversion Default and any subsequent Conversion Default and (ii) the right to have the Conversion Price with respect to subsequent conversions determined in accordance with Section 1.3) for the Borrower's failure to convert this Note.

ARTICLE II. CERTAIN COVENANTS

2.1 Distributions on Capital Stock. So long as the Borrower shall have any obligation under this Note, the Borrower shall not without the Holder's written consent (a) pay, declare or set apart for such payment, any dividend or other distribution (whether in cash, property or other securities) on shares of capital stock other than dividends on shares of Common Stock solely in the form of additional shares of Common Stock or (b) directly or indirectly or through any subsidiary make any other payment or distribution in respect of its capital stock except for distributions pursuant to any shareholders' rights plan which is approved by a majority of the Borrower's disinterested directors.

2.2 Restriction on Stock Repurchases. So long as the Borrower shall have any obligation under this Note, the Borrower shall not without the Holder's written consent redeem, repurchase or otherwise acquire (whether for cash or in exchange for property or other securities or otherwise) in any one transaction or series of related transactions any shares of capital stock of the Borrower or any warrants, rights or options to purchase or acquire any such shares.

ARTICLE III. EVENTS OF DEFAULT

If any of the following events of default (each, an "Event of Default") shall occur:

3.1 Failure to Pay Principal or Interest. The Borrower fails to pay the principal hereof or interest thereon when due on this Note, whether at maturity, upon acceleration or otherwise, and such breach continues for a period of five (5) days.

3.2 Conversion and the Shares. The Borrower fails to reserve a sufficient amount of shares of common stock as required under the terms of this Note (including Section 1.3 of this Note), fails to issue shares of Common Stock to the Holder (or announces or threatens in writing that it will not honor its obligation to do so) upon exercise by the Holder of the conversion rights of the Holder in accordance with the terms of this Note, fails to transfer or cause its transfer agent to transfer (issue) (electronically or in certificated form) shares of Common Stock issued to the Holder upon conversion of or otherwise pursuant to this Note as and when required by this Note, the Borrower directs its transfer agent not to transfer or delays, impairs, and/or hinders its transfer agent in transferring (or issuing) (electronically or in certificated form) shares of Common Stock to be issued to the Holder upon conversion of or otherwise pursuant to this Note as and when required by this Note, or fails to remove (or directs its transfer agent not to remove or impairs, delays, and/or hinders its transfer agent from removing) any restrictive legend (or to withdraw any stop transfer instructions in respect thereof) on any shares of Common Stock issued to the Holder upon conversion of or otherwise pursuant to this Note as and when required by this Note (or makes any written announcement, statement or threat that it does not intend to honor the obligations described in this paragraph) and any such failure shall continue uncured (or any written announcement, statement or threat not to honor its obligations shall not be rescinded in writing) for two (2) business days after the Holder shall have delivered a Notice of Conversion. It is an obligation of the Borrower to remain current in its obligations to its transfer agent. It shall be an event of default of this Note, if a conversion of this Note is delayed, hindered or frustrated due to a balance owed by the Borrower to its transfer agent.

3.3 Breach of Covenants. The Borrower breaches any material covenant or other material term or condition contained in this Note and any collateral documents and such breach continues for a period of ten (10) days after written notice thereof to the Borrower from the Holder.

3.4 Breach of Representations and Warranties. Any representation or warranty of the Borrower made herein or in any agreement, statement or certificate given in writing pursuant hereto or in connection herewith, shall be false or misleading in any material respect when made and the breach of which has (or with the passage of time will have) a material adverse effect on the rights of the Holder with respect to this Note.

3.5 Receiver or Trustee. The Borrower or any subsidiary of the Borrower shall make an assignment for the benefit of creditors, or apply for or consent to the appointment of a receiver or trustee for it or for a substantial part of its property or business, or such a receiver or trustee shall otherwise be appointed.

3.6 Judgments. Any money judgment, writ or similar process shall be entered or filed against the Borrower or any subsidiary of the Borrower or any of its property or other assets for more than \$50,000, and shall remain unvacated, unbonded or unstayed for a period of twenty (20) days unless otherwise consented to by the Holder, which consent will not be unreasonably withheld.

3.7 Bankruptcy. Bankruptcy, insolvency, reorganization or liquidation proceedings or other proceedings, voluntary or involuntary, for relief under any bankruptcy law or any law for the relief of debtors shall be instituted by or against the Borrower or any subsidiary of the Borrower.

3.8 Delisting of Common Stock. The Borrower shall fail to maintain the listing or quotation of the Common Stock on the Trading Market or an equivalent replacement exchange, the Nasdaq Global Market, the Nasdaq Capital Market, the New York Stock Exchange, or the NYSE MKT.

3.9 Failure to Comply with the Exchange Act. The Borrower shall fail to comply with the reporting requirements of the Exchange Act (including but not limited to becoming delinquent in its filings), and/or the Borrower shall cease to be subject to the reporting requirements of the Exchange Act.

3.10 Liquidation. Any dissolution, liquidation, or winding up of Borrower or any substantial portion of its business.

3.11 Cessation of Operations. Any cessation of operations by Borrower or Borrower admits it is otherwise generally unable to pay its debts as such debts become due, provided, however, that any disclosure of the Borrower's ability to continue as a "going concern" shall not be an admission that the Borrower cannot pay its debts as they become due.

3.12 Financial Statement Restatement. The Borrower replaces its auditor, or any restatement of any financial statements filed by the Borrower with the SEC for any date or period from two years prior to the Issue Date of this Note and until this Note is no longer outstanding, if the result of such restatement would, by comparison to the unrestated financial statement, have constituted a material adverse effect on the rights of the Holder with respect to this Note.

3.13 Replacement of Transfer Agent. In the event that the Borrower replaces its transfer agent, and the Borrower fails to provide prior to the effective date of such replacement, a fully executed Irrevocable Transfer Agent Instructions (including but not limited to the provision to irrevocably reserve shares of Common Stock in the Reserved Amount) signed by the successor transfer agent to Borrower and the Borrower.

3.14 Cross-Default. Notwithstanding anything to the contrary contained in this Note or the other related or companion documents, a breach or default by the Borrower of any covenant or other term or condition contained in any of the other financial instrument, including but not limited to all convertible promissory notes, currently issued, or hereafter issued, by the Borrower, to the Holder or any other 3rd party (the "Other Agreements"), after the passage of all applicable notice and cure or grace periods, shall, at the option of the Holder, be considered a default under this Note, in which event the Holder shall be entitled to apply all rights and remedies of the Holder under the terms of this Note by reason of a default under said Other Agreement or hereunder.

3.15 Inside Information. Any attempt by the Borrower or its officers, directors, and/or affiliates to transmit, convey, disclose, or any actual transmittal, conveyance, or disclosure by the Borrower or its officers, directors, and/or affiliates of, material non-public information concerning the Borrower, to the Holder or its

successors and assigns, which is not immediately cured by Borrower's filing of a Form 8-K pursuant to Regulation FD on that same date.

3.16 No bid. At any time while this Note is outstanding, the lowest Trading Prices on the Trading Market or other applicable principal trading market for the Common Stock is equal to or less than \$0.0001.

3.17 Failure to Repay Upon Qualified Offering. The Borrower fails to repay the Note, in its entirety, pursuant to the terms of the Note, with funds received from its next completed offering (with the understanding that all related issuances of an offering shall be aggregated for purposes of the calculation hereunder) of \$500,000.00 or more (consummated on or after the Issue Date).

3.18 Unavailability of Rule 144. If, at any time on or after the date which is six (6) months after the Issue Date, the Holder is unable to (i) obtain a standard "144 legal opinion letter" from an attorney reasonably acceptable to the Holder, the Holder's brokerage firm (and respective clearing firm), and the Borrower's transfer agent in order to facilitate the Holder's conversion of any portion of the Note into free trading shares of the Borrower's Common Stock pursuant to Rule 144, and (ii) thereupon deposit such shares into the Holder's brokerage account.

Upon the occurrence of any Event of Default specified in Sections 3.1, 3.2, 3.3, 3.4, 3.5, 3.6, 3.7, 3.8, 3.9, 3.10, 3.11, 3.12, 3.13, 3.14, 3.15, 3.16, 3.17, and/or 3.18, exercisable through the delivery of written notice to the Borrower by such Holders (the "Default Notice"), the Note shall become immediately due and payable and the Borrower shall pay to the Holder, in full satisfaction of its obligations hereunder, an amount equal to 150% (EXCEPT THAT 150% SHALL BE REPLACED WITH 200% WITH RESPECT TO A DEFAULT UNDER SECTION 3.2 AND/OR 3.18) multiplied by the then outstanding entire balance of the Note (including principal and accrued and unpaid interest) plus Default Interest, if any, plus any amounts owed to the Holder pursuant to Sections 1.4(g) hereof (collectively, in the aggregate of all of the above, the "Default Amount"), and all other amounts payable hereunder shall immediately become due and payable, all without demand, presentment or notice, all of which hereby are expressly waived, together with all costs, including, without limitation, legal fees and expenses, of collection, and the Holder shall be entitled to exercise all other rights and remedies available at law or in equity.

The Holder shall have the right at any time to require the Borrower to issue the number of shares of Common Stock of the Borrower equal to the Default Amount divided by the Conversion Price then in effect, subject to issuance in tranches due to the beneficial ownership limitations contained in this Note.

ARTICLE IV. MISCELLANEOUS

4.1 Failure or Indulgence Not Waiver. No failure or delay on the part of the Holder in the exercise of any power, right or privilege hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such power, right or privilege preclude other or further exercise thereof or of any other right, power or privileges. All rights and remedies existing hereunder are cumulative to, and not exclusive of, any rights or remedies otherwise available.

4.2 Notices. All notices, demands, requests, consents, approvals, and other communications required or permitted hereunder shall be in writing and, unless otherwise specified herein, shall be (i) personally served, (ii) deposited in the mail, registered or certified, return receipt requested, postage prepaid, (iii) delivered by reputable air courier service with charges prepaid, or (iv) transmitted by hand delivery, telegram, facsimile, or electronic mail addressed as set forth below or to such other address as such party shall have specified most recently by written notice. Any notice or other communication required or permitted to be given hereunder shall be deemed effective (a) upon hand delivery, upon electronic mail delivery, or delivery by facsimile, with accurate confirmation generated by the transmitting facsimile machine, at the address or number designated below (if delivered on a business day during normal business hours where such notice is to be received), or the first business day following such delivery (if delivered other than on a business day during normal business

hours where such notice is to be received) or (b) on the second business day following the date of mailing by express courier service, fully prepaid, addressed to such address, or upon actual receipt of such mailing, whichever shall first occur. The addresses for such communications shall be:

If to the Borrower, to:

IRONCLAD ENCRYPTION CORPORATION
One Riverway, 777 South Post Oak Lane, Suite 1700
Houston, TX 77056
e-mail: Len.walker@ironcladencryption.com

If to the Holder:

MORNINGVIEW FINANCIAL, LLC
401 Park Ave. South, 10th Floor New York, NY 10016
e-mail: max@morningviewfn.com

4.3 Amendments. This Note and any provision hereof may only be amended by an instrument in writing signed by the Borrower and the Holder. The term “Note” and all reference thereto, as used throughout this instrument, shall mean this instrument as originally executed, or if later amended or supplemented, then as so amended or supplemented.

4.4 Assignability. This Note shall be binding upon the Borrower and its successors and assigns, and shall inure to be the benefit of the Holder and its successors and assigns. Neither the Borrower nor the Holder shall assign this Note or any rights or obligations hereunder without the prior written consent of the other. Notwithstanding the foregoing, the Holder may assign its rights hereunder to any “accredited investor” (as defined in Rule 501(a) of the 1933 Act) in a private transaction from the Holder or to any of its “affiliates”, as that term is defined under the 1934 Act, without the consent of the Borrower. Notwithstanding anything in this Note to the contrary, this Note may be pledged as collateral in connection with a bona fide margin account or other lending arrangement. The Holder and any assignee, by acceptance of this Note, acknowledge and agree that following conversion of a portion of this Note, the unpaid and unconverted principal amount of this Note represented by this Note may be less than the amount stated on the face hereof.

4.5 Cost of Collection. If default is made in the payment of this Note, the Borrower shall pay the Holder hereof costs of collection, including reasonable attorneys’ fees.

4.6 Governing Law. This Note shall be governed by and construed in accordance with the laws of the State of Nevada without regard to principles of conflicts of laws. Any action brought by either party against the other concerning the transactions contemplated by this Note shall be brought only in the state and/or federal courts of New York, NY. The parties to this Note hereby irrevocably waive any objection to jurisdiction and venue of any action instituted hereunder and shall not assert any defense based on lack of jurisdiction or venue or based upon *forum non conveniens*. The Borrower and Holder waive trial by jury. The prevailing party shall be entitled to recover from the other party its reasonable attorney's fees and costs. In the event that any provision of this Note or any other agreement delivered in connection herewith is invalid or unenforceable under any applicable statute or rule of law, then such provision shall be deemed inoperative to the extent that it may conflict therewith and shall be deemed modified to conform with such statute or rule of law. Any such provision which may prove invalid or unenforceable under any law shall not affect the validity or enforceability of any other provision of any agreement. Each party hereby irrevocably waives personal service of process and consents to process being served in any suit, action or proceeding in connection with this Agreement or any other Transaction Document by mailing a copy thereof via registered or certified mail or overnight delivery

(with evidence of delivery) to such party at the address in effect for notices to it under this Agreement and agrees that such service shall constitute good and sufficient service of process and notice thereof. Nothing contained herein shall be deemed to limit in any way any right to serve process in any other manner permitted by law.

4.7 Certain Amounts. Whenever pursuant to this Note the Borrower is required to pay an amount in excess of the outstanding principal amount (or the portion thereof required to be paid at that time) plus accrued and unpaid interest plus Default Interest on such interest, the Borrower and the Holder agree that the actual damages to the Holder from the receipt of cash payment on this Note may be difficult to determine and the amount to be so paid by the Borrower represents stipulated damages and not a penalty and is intended to compensate the Holder in part for loss of the opportunity to convert this Note and to earn a return from the sale of shares of Common Stock acquired upon conversion of this Note at a price in excess of the price paid for such shares pursuant to this Note. The Borrower and the Holder hereby agree that such amount of stipulated damages is not plainly disproportionate to the possible loss to the Holder from the receipt of a cash payment without the opportunity to convert this Note into shares of Common Stock.

4.8 Remedies. The Borrower acknowledges that a breach by it of its obligations hereunder will cause irreparable harm to the Holder, by vitiating the intent and purpose of the transaction contemplated hereby. Accordingly, the Borrower acknowledges that the remedy at law for a breach of its obligations under this Note will be inadequate and agrees, in the event of a breach or threatened breach by the Borrower of the provisions of this Note, that the Holder shall be entitled, in addition to all other available remedies at law or in equity, and in addition to the penalties assessable herein, to an injunction or injunctions restraining, preventing or curing any breach of this Note and to enforce specifically the terms and provisions thereof, without the necessity of showing economic loss and without any bond or other security being required.

4.9 Prepayment. Notwithstanding anything to the contrary contained in this Note, the Borrower may prepay any portion of this Note, during the initial 30 calendar day period after the Issue Date, by making a payment to the Holder of an amount in cash equal to 110% multiplied by the total amount being prepaid under the Note. Notwithstanding anything to the contrary contained in this Note, the Borrower may prepay any portion of this Note, beginning on the 31st calendar day after the Issue Date, and ending on the 60th calendar day after the Issue Date, by making a payment to the Holder of an amount in cash equal to 115% multiplied by the total amount being prepaid under the Note. Notwithstanding anything to the contrary contained in this Note, the Borrower may prepay any portion of this Note, beginning on the 61st calendar day after the Issue Date, and ending on the 90th calendar day after the Issue Date, by making a payment to the Holder of an amount in cash equal to 120% multiplied by the total amount being prepaid under the Note. Notwithstanding anything to the contrary contained in this Note, the Borrower may prepay any portion of this Note, beginning on the 91st calendar day after the Issue Date, and ending on the 120th calendar day after the Issue Date, by making a payment to the Holder of an amount in cash equal to 125% multiplied by the total amount being prepaid under the Note. Notwithstanding anything to the contrary contained in this Note, the Borrower may prepay any portion of this Note, beginning on the 121st calendar day after the Issue Date, and ending on the 150th calendar day after the Issue Date, by making a payment to the Holder of an amount in cash equal to 130% multiplied by the total amount being prepaid under the Note. Notwithstanding anything to the contrary contained in this Note, the Borrower may prepay any portion of this Note, beginning on the 151st calendar day after the Issue Date, and ending on the 180th calendar day after the Issue Date, by making a payment to the Holder of an amount in cash equal to 135% multiplied by the total amount being prepaid under the Note. The Borrower may not prepay this Note after the 180th calendar day after the issuance of this Note.

4.10 Usury. To the extent it may lawfully do so, the Borrower hereby agrees not to insist upon or plead or in any manner whatsoever claim, and will resist any and all efforts to be compelled to take the benefit or advantage of, usury laws wherever enacted, now or at any time hereafter in force, in connection with any action or proceeding that may be brought by the Holder in order to enforce any right or remedy under this Note. Notwithstanding any provision to the contrary contained in this Note, it is expressly agreed and provided that the total liability of the Borrower under this Note for payments which under the applicable law are in the nature of interest shall not exceed the maximum lawful rate authorized under the law applicable to this Note (the

“Maximum Rate”), and, without limiting the foregoing, in no event shall any rate of interest or default interest, or both of them, when aggregated with any other sums which under the law applicable to this Note in the nature of interest that the Borrower may be obligated to pay under this Note exceed such Maximum Rate. It is agreed that if the maximum contract rate of interest allowed by the law applicable to this Note is increased or decreased by statute or any official governmental action subsequent to the Issue Date, the new maximum contract rate of interest allowed by law will be the Maximum Rate applicable to this Note from the effective date thereof forward, unless such application is precluded by applicable law. If under any circumstances whatsoever, interest in excess of the Maximum Rate is paid by the Borrower to the Holder with respect to indebtedness evidenced by this the Note, such excess shall be applied by the Holder to the unpaid principal balance of any such indebtedness or be refunded to the Borrower, the manner of handling such excess to be at the Holder’s election.

4.11 Section 3(a)(10) Transactions. If at any time while this Note is outstanding, the Borrower enters into a transaction structured in accordance with, based upon, or related or pursuant to, in whole or in part, Section 3(a)(10) of the Securities Act (a “3(a)(10) Transaction”), then a liquidated damages charge of 25% of the outstanding principal balance of this Note at that time, will be assessed and will become immediately due and payable to the Holder, either in the form of cash payment or as an addition to the balance of the Note, as determined by mutual agreement of the Borrower and Holder.

4.12 Reverse Split Penalty. If at any time while this Note is outstanding, the Borrower effectuates a reverse split with respect to the Common Stock, then a liquidated damages charge of 25% of the outstanding principal balance of this Note at that time, will be assessed and will become immediately due and payable to the Holder, either in the form of cash payment or as an addition to the balance of the Note, as determined by mutual agreement of the Borrower and Holder.

4.13 Right of First Refusal. If at any time while this Note is outstanding, the Borrower has a bona fide offer of capital or financing from any 3rd party, that the Borrower intends to act upon, then the Borrower must first offer such opportunity to the Holder to provide such capital or financing to the Borrower on the same terms as each respective 3rd party’s terms. Should the Holder be unwilling or unable to provide such capital or financing to the Borrower within 10 trading days from Holder’s receipt of written notice of the offer (the “Offer Notice”) from the Borrower, then the Borrower may obtain such capital or financing from that respective 3rd party upon the exact same terms and conditions offered by the Borrower to the Holder, which transaction must be completed within 30 days after the date of the Offer Notice. If the Borrower does not receive the capital or financing from the respective 3rd party within 30 days after the date of the respective Offer Notice, then the Borrower must again offer the capital or financing opportunity to the Holder as described above, and the process detailed above shall be repeated. The Offer Notice must be sent via electronic mail to max@morningviewfn.com. In addition, the Holder shall have the right, at any time until the Note is satisfied in its entirety, and upon written notice to the Borrower, to purchase an additional convertible promissory note from the Borrower, with the exact same terms and conditions as provided in this Note (with the understanding that the Borrower shall execute the form of this Note and all related transaction documents with updated dates within three (3) business days after the Holder exercises such right).

4.14 Terms of Future Financings. So long as this Note is outstanding, upon any issuance by the Borrower or any of its subsidiaries of any security with any term more favorable to the holder of such security or with a term in favor of the holder of such security that was not similarly provided to the Holder in this Note, then the Borrower shall notify the Holder of such additional or more favorable term and such term, at Holder’s option, shall become a part of the transaction documents with the Holder. The types of terms contained in another security that may be more favorable to the holder of such security include, but are not limited to, terms addressing conversion discounts, prepayment rate, conversion lookback periods, interest rates, original issue discounts, stock sale price, private placement price per share, and warrant coverage. With respect to securities issued prior to the Issue Date, this Section 4.14 shall only apply if the holder of the respective security is eligible to convert or exercise its rights thereunder at any time after the Issue Date.

4.15 Piggyback Registration Rights. The Borrower shall include on the next registration statement the Borrower files with SEC (or on the subsequent registration statement if such registration statement is withdrawn) all shares issuable upon conversion of this Note. Failure to do so will result in liquidated damages of 25% of the outstanding principal balance of this Note, but not less than Fifteen Thousand and No/100 United States Dollars (\$15,000), being immediately due and payable to the Holder at its election in the form of cash payment or addition to the balance of this Note.

[signature page to follow]

IN WITNESS WHEREOF, Borrower has caused this Note to be signed in its name by its duly authorized officer this April 23, 2019.

IRONCLAD ENCRYPTION CORPORATION

/s/ James McGraw

By: _____

Name: James McGraw

Title: Chief Executive Officer

EXHIBIT A -- NOTICE OF CONVERSION

The undersigned hereby elects to convert \$ _____ principal amount of the Note (defined below) into that number of shares of Common Stock to be issued pursuant to the conversion of the Note ("Common Stock") as set forth below, of IRONCLAD ENCRYPTION CORPORATION, a Delaware corporation (the "Borrower") according to the conditions of the convertible note of the Borrower dated as of April 23, 2019 (the "Note"), as of the date written below. No fee will be charged to the Holder for any conversion, except for transfer taxes, if any.

Box Checked as to applicable instructions:

- ☐ The Borrower shall electronically transmit the Common Stock issuable pursuant to this Notice of Conversion to the account of the undersigned or its nominee with DTC through its Deposit Withdrawal Agent Commission system ("DWAC Transfer").

Name of DTC Prime
Broker: Account Number:

- ☐ The undersigned hereby requests that the Borrower issue a certificate or certificates for _____ the number of shares of Common Stock set forth below (which numbers are based on the Holder's calculation attached hereto) in the name(s) specified immediately below or, if additional space is necessary, on an attachment hereto:

Date of Conversion: _____

Applicable Conversion Price: \$ _____

Number of Shares of Common Stock to be Issued Pursuant to Conversion of the Notes: _____

Amount of Principal Balance Due remaining Under the Note after this conversion: _____

MORNINGVIEW FINANCIAL, LLC

By: _____
Name: _____
Title: _____
Date: _____

SECURITIES PURCHASE AGREEMENT

This **SECURITIES PURCHASE AGREEMENT** (the “Agreement”), dated as of May 15, 2019, by and between **IRONCLAD ENCRYPTION CORPORATION**, a Delaware corporation, with headquarters located at One Riverway, 777 South Post Oak Lane, Suite 1700, Houston, TX 77056 (the “Company”), and **ODYSSEY CAPITAL FUNDING LLC**, a New York limited liability company, with its address at 1249 Broadway, Suite 103, Hewlett, NY 11557 (the “Buyer”).

WHEREAS:

A. The Company and the Buyer are executing and delivering this Agreement in reliance upon the exemption from securities registration afforded by the rules and regulations as promulgated by the United States Securities and Exchange Commission (the “SEC”) under the Securities Act of 1933, as amended (the “1933 Act”);

B. Buyer desires to purchase and the Company desires to issue and sell, upon the terms and conditions set forth in this Agreement a 10% convertible secured note of the Company, in the form attached hereto as Exhibit A, in the aggregate principal amount of \$150,000.00 (together with any note(s) issued in replacement thereof or as a dividend thereon or otherwise with respect thereto in accordance with the terms thereof, the “Note”), convertible into shares of common stock, of the Company (the “Common Stock”), upon the terms and subject to the limitations and conditions set forth in such Note.

C. The Buyer wishes to purchase, upon the terms and conditions stated in this Agreement, such principal amount of Note as is set forth immediately below its name on the signature pages hereto; and

NOW THEREFORE, the Company and the Buyer severally (and not jointly) hereby agree as follows:

1. Purchase and Sale of Note.

a. Purchase of Note. On the Closing Date (as defined below), the Company shall issue and sell to the Buyer and the Buyer agrees to purchase from the Company such principal amount of Note as is set forth immediately below the Buyer’s name on the signature pages hereto.

b. Form of Payment. On the Closing Date (as defined below), (i) the Buyer shall pay the purchase price for the Note to be issued and sold to it at the Closing (as defined below) (the “Purchase Price”) by wire transfer of immediately available funds to the Company, in accordance with the Company’s written wiring instructions, against delivery of the Note in the principal amount equal to the Purchase Price as is set forth immediately below the Buyer’s name on the signature pages hereto, and (ii) the Company shall deliver such duly executed Note on behalf of the Company, to the Buyer, against delivery of such Purchase Price.

c. Closing Date. The date and time of the first issuance and sale of the Note pursuant to this Agreement (the “Closing Date”) shall be on or about May 15, 2019, or such other mutually agreed upon time. The closing of the transactions contemplated by this Agreement (the “Closing”) shall occur on the Closing Date at such location as may be agreed to by the parties.

2. Buyer’s Representations and Warranties. The Buyer represents and warrants to the Company that:

a. Investment Purpose. As of the date hereof, the Buyer is purchasing the Note and the shares of Common Stock issuable upon conversion of or otherwise pursuant to the Note, such shares of Common Stock being collectively referred to herein as the “Conversion Shares” and, collectively with the Note, the “Securities”) for its own account and not with a present view towards the public sale or distribution thereof, except pursuant to sales registered or exempted from registration under the 1933 Act; provided, however, that by making the representations herein, the Buyer does not agree to hold any of the Securities for any minimum or other specific term and reserves the right to dispose of the Securities at any time in accordance with or pursuant to a registration statement or an exemption under the 1933 Act.

b. Accredited Investor Status. The Buyer is an “accredited investor” as that term is defined in Rule 501(a) of Regulation D (an “Accredited Investor”).

c. Reliance on Exemptions. The Buyer understands that the Securities are being offered and sold to it in reliance upon specific exemptions from the registration requirements of United States federal and state securities laws and that the Company is relying upon the truth and accuracy of, and the Buyer’s compliance with, the representations, warranties, agreements, acknowledgments and understandings of the Buyer set forth herein in order to determine the availability of such exemptions and the eligibility of the Buyer to acquire the Securities.

d. Information. The Buyer and its advisors, if any, have been, and for so long as the Note remain outstanding will continue to be, furnished with all materials relating to the business, finances and operations of the Company and materials relating to the offer and sale of the Securities which have been requested by the Buyer or its advisors. The Buyer and its advisors, if any, have been, and for so long as the Note remain outstanding will continue to be, afforded the opportunity to ask questions of the Company. Notwithstanding the foregoing, the Company has not disclosed to the Buyer any material nonpublic information and will not

disclose such information unless such information is disclosed to the public prior to or promptly following such disclosure to the Buyer. Neither such inquiries nor any other due diligence investigation conducted by Buyer or any of its advisors or representatives shall modify, amend or affect Buyer's right to rely on the Company's representations and warranties contained in Section 3 below. The Buyer understands that its investment in the Securities involves a significant degree of risk. The Buyer is not aware of any facts that may constitute a breach of any of the Company's representations and warranties made herein.

e. Governmental Review. The Buyer understands that no United States federal or state agency or any other government or governmental agency has passed upon or made any recommendation or endorsement of the Securities.

f. Transfer or Re-sale. The Buyer understands that (i) the sale or re-sale of the Securities has not been and is not being registered under the 1933 Act or any applicable state securities laws, and the Securities may not be transferred unless (a) the Securities are sold pursuant to an effective registration statement under the 1933 Act, (b) the Buyer shall have delivered to the Company, at the cost of the Buyer, an opinion of counsel that shall be in form, substance and scope customary for opinions of counsel in comparable transactions to the effect that the Securities to be sold or transferred may be sold or transferred pursuant to an exemption from such registration, which opinion shall be accepted by the Company, (c) the Securities are sold or transferred to an "affiliate" (as defined in Rule 144 promulgated under the 1933 Act (or a successor rule) ("Rule 144")) of the Buyer who agrees to sell or otherwise transfer the Securities only in accordance with this Section 2(f) and who is an Accredited Investor, (d) the Securities are sold pursuant to Rule 144, or (e) the Securities are sold pursuant to Regulation S under the 1933 Act (or a successor rule) ("Regulation S"), and the Buyer shall have delivered to the Company, at the cost of the Buyer, an opinion of counsel that shall be in form, substance and scope customary for opinions of counsel in corporate transactions, which opinion shall be accepted by the Company; (ii) any sale of such Securities made in reliance on Rule 144 may be made only in accordance with the terms of said Rule and further, if said Rule is not applicable, any re-sale of such Securities under circumstances in which the seller (or the person through whom the sale is made) may be deemed to be an underwriter (as that term is defined in the 1933 Act) may require compliance with some other exemption under the 1933 Act or the rules and regulations of the SEC thereunder; and (iii) neither the Company nor any other person is under any obligation to register such Securities under the 1933 Act or any state securities laws or to comply with the terms and conditions of any exemption thereunder (in each case). Notwithstanding the foregoing or anything else contained herein to the contrary, the Securities may be pledged as collateral in connection with a bona fide margin account or other lending arrangement.

g. Legends. The Buyer understands that the Note and, until such time as the Conversion Shares have been registered under the 1933 Act may be sold pursuant to Rule 144 or Regulation S without any restriction as to the number of securities as of a particular date that can then be immediately sold, the Conversion Shares may bear a restrictive legend in substantially the following form (and a stop-transfer order may be placed against transfer of the certificates for such Securities):

“NEITHER THE ISSUANCE AND SALE OF THE SECURITIES REPRESENTED BY THIS CERTIFICATE NOR THE SECURITIES INTO WHICH THESE SECURITIES ARE EXERCISABLE HAVE BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR APPLICABLE STATE SECURITIES LAWS. THE SECURITIES MAY NOT BE OFFERED FOR SALE, SOLD, TRANSFERRED OR ASSIGNED (I) IN THE ABSENCE OF (A) AN EFFECTIVE REGISTRATION STATEMENT FOR THE SECURITIES UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR (B) AN OPINION OF COUNSEL (WHICH COUNSEL SHALL BE SELECTED BY THE HOLDER), IN A GENERALLY ACCEPTABLE FORM, THAT REGISTRATION IS NOT REQUIRED UNDER SAID ACT OR (II) UNLESS SOLD PURSUANT TO RULE 144 OR RULE 144A UNDER SAID ACT. NOTWITHSTANDING THE FOREGOING, THE SECURITIES MAY BE PLEDGED IN CONNECTION WITH A BONA FIDE MARGIN ACCOUNT OR OTHER LOAN OR FINANCING ARRANGEMENT SECURED BY THE SECURITIES.”

The legend set forth above shall be removed and the Company shall issue a certificate without such legend to the holder of any Security upon which it is stamped, if, unless otherwise required by applicable state securities laws, (a) such Security is registered for sale under an effective registration statement filed under the 1933 Act or otherwise may be sold pursuant to Rule 144 or Regulation S without any restriction as to the number of securities as of a particular date that can then be immediately sold, or (b) such holder provides the Company with an opinion of counsel, in form, substance and scope customary for opinions of counsel in comparable transactions, to the effect that a public sale or transfer of such Security may be made without registration under the 1933 Act, which opinion shall be accepted by the Company so that the sale or transfer is effected. The Buyer agrees to sell all Securities, including those represented by a certificate(s) from which the legend has been removed, in compliance with applicable prospectus delivery requirements, if any. In the event that the Company does not accept the opinion of counsel provided by the Buyer with respect to the transfer of Securities pursuant to an exemption from registration, such as Rule 144 or Regulation S, within 2 business days, it will be considered an Event of Default under the Note.

h. Authorization; Enforcement. This Agreement has been duly and validly authorized. This Agreement has been duly executed and delivered on behalf of the Buyer, and this Agreement constitutes a valid and binding agreement of the Buyer enforceable in accordance with its terms.

i. Residency. The Buyer is a resident of the jurisdiction set forth immediately below the Buyer’s name on the signature pages hereto.

3. Representations and Warranties of the Company. The Company represents and warrants to the Buyer that:

a. Organization and Qualification. The Company and each of its subsidiaries, if any, is a corporation duly organized, validly existing and in good standing under the laws of the jurisdiction in which it is incorporated, with full power and authority (corporate and other) to own, lease, use and operate its properties and to carry on its business as and where now owned, leased, used, operated and conducted.

b. Authorization; Enforcement. (i) The Company has all requisite corporate power and authority to enter into and perform this Agreement, the Note and to consummate the transactions contemplated hereby and thereby and to issue the Securities, in accordance with the terms hereof and thereof, (ii) the execution and delivery of this Agreement, the Note by the Company and the consummation by it of the transactions contemplated hereby and thereby (including without limitation, the issuance of the Note and the issuance and reservation for issuance of the Conversion Shares issuable upon conversion or exercise thereof) have been duly authorized by the Company's Board of Directors and no further consent or authorization of the Company, its Board of Directors, or its shareholders is required, (iii) this Agreement has been duly executed and delivered by the Company by its authorized representative, and such authorized representative is the true and official representative with authority to sign this Agreement and the other documents executed in connection herewith and bind the Company accordingly, and (iv) this Agreement constitutes, and upon execution and delivery by the Company of the Note, each of such instruments will constitute, a legal, valid and binding obligation of the Company enforceable against the Company in accordance with its terms.

c. Issuance of Shares. The Conversion Shares are duly authorized and reserved for issuance and, upon conversion of the Note in accordance with its respective terms, will be validly issued, fully paid and non-assessable, and free from all taxes, liens, claims and encumbrances with respect to the issue thereof and shall not be subject to preemptive rights or other similar rights of shareholders of the Company and will not impose personal liability upon the holder thereof.

d. Acknowledgment of Dilution. The Company understands and acknowledges the potentially dilutive effect to the Common Stock upon the issuance of the Conversion Shares upon conversion of the Note. The Company further acknowledges that its obligation to issue Conversion Shares upon conversion of the Note in accordance with this Agreement, the Note is absolute and unconditional regardless of the dilutive effect that such issuance may have on the ownership interests of other shareholders of the Company.

e. No Conflicts. The execution, delivery and performance of this Agreement, the Note by the Company and the consummation by the Company of the transactions contemplated hereby and thereby (including, without limitation, the issuance and reservation for issuance of the Conversion Shares) will not (i) conflict with or result in a violation of any provision of the Certificate of Incorporation or By-laws, or (ii) violate or conflict with, or result in a breach of any provision of, or constitute a default (or an event which with notice or lapse of time or both could become a default) under, or give to others any rights of termination, amendment, acceleration or cancellation of, any agreement, indenture, patent, patent license or

instrument to which the Company or any of its subsidiaries is a party, or (iii) result in a violation of any law, rule, regulation, order, judgment or decree (including federal and state securities laws and regulations and regulations of any self-regulatory organizations to which the Company or its securities are subject) applicable to the Company or any of its subsidiaries or by which any property or asset of the Company or any of its subsidiaries is bound or affected (except for such conflicts, defaults, terminations, amendments, accelerations, cancellations and violations as would not, individually or in the aggregate, have a material adverse effect). All consents, authorizations, orders, filings and registrations which the Company is required to obtain pursuant to the preceding sentence have been obtained or effected on or prior to the date hereof. The Company is not in violation of the listing requirements of the OTC Markets Exchange (the “OTC MARKETS”) and does not reasonably anticipate that the Common Stock will be delisted by the OTC MARKETS in the foreseeable future, nor are the Company’s securities “chilled” by FINRA. The Company and its subsidiaries are unaware of any facts or circumstances which might give rise to any of the foregoing.

f. Absence of Litigation. Except as disclosed in the Company’s public filings, there is no action, suit, claim, proceeding, inquiry or investigation before or by any court, public board, government agency, self-regulatory organization or body pending or, to the knowledge of the Company or any of its subsidiaries, threatened against or affecting the Company or any of its subsidiaries, or their officers or directors in their capacity as such, that could have a material adverse effect. Schedule 3(f) contains a complete list and summary description of any pending or, to the knowledge of the Company, threatened proceeding against or affecting the Company or any of its subsidiaries, without regard to whether it would have a material adverse effect. The Company and its subsidiaries are unaware of any facts or circumstances which might give rise to any of the foregoing.

g. Acknowledgment Regarding Buyer’ Purchase of Securities. The Company acknowledges and agrees that the Buyer is acting solely in the capacity of arm’s length purchasers with respect to this Agreement and the transactions contemplated hereby. The Company further acknowledges that the Buyer is not acting as a financial advisor or fiduciary of the Company (or in any similar capacity) with respect to this Agreement and the transactions contemplated hereby and any statement made by the Buyer or any of its respective representatives or agents in connection with this Agreement and the transactions contemplated hereby is not advice or a recommendation and is merely incidental to the Buyer’ purchase of the Securities. The Company further represents to the Buyer that the Company’s decision to enter into this Agreement has been based solely on the independent evaluation of the Company and its representatives.

h. No Integrated Offering. Neither the Company, nor any of its affiliates, nor any person acting on its or their behalf, has directly or indirectly made any offers or sales in any security or solicited any offers to buy any security under circumstances that would require registration under the 1933 Act of the issuance of the Securities to the Buyer. The issuance of the Securities to the Buyer will not be integrated with any other issuance of the Company’s securities (past, current or future) for purposes of any shareholder approval provisions applicable to the Company or its securities.

i. Title to Property. The Company and its subsidiaries have good and marketable title in fee simple to all real property and good and marketable title to all personal property owned by them which is material to the business of the Company and its subsidiaries, in each case free and clear of all liens, encumbrances and defects except such as are described in Schedule 3(i) or such as would not have a material adverse effect. Any real property and facilities held under lease by the Company and its subsidiaries are held by them under valid, subsisting and enforceable leases with such exceptions as would not have a material adverse effect.

j. Bad Actor. No officer or director of the Company would be disqualified under Rule 506(d) of the Securities Act as amended on the basis of being a "bad actor" as that term is established in the September 19, 2013 Small Entity Compliance Guide published by the Securities and Exchange Commission.

k. Breach of Representations and Warranties by the Company. If the Company breaches any of the representations or warranties set forth in this Section 3, and in addition to any other remedies available to the Buyer pursuant to this Agreement, it will be considered an Event of default under the Note.

4. COVENANTS.

a. Expenses. At the Closing, the Company shall reimburse Buyer for expenses incurred by them in connection with the negotiation, preparation, execution, delivery and performance of this Agreement and the other agreements to be executed in connection herewith ("Documents"), including, without limitation, reasonable attorneys' and consultants' fees and expenses, transfer agent fees, fees for stock quotation services, fees relating to any amendments or modifications of the Documents or any consents or waivers of provisions in the Documents, fees for the preparation of opinions of counsel, escrow fees, and costs of restructuring the transactions contemplated by the Documents. When possible, the Company must pay these fees directly, otherwise the Company must make immediate payment for reimbursement to the Buyer for all fees and expenses immediately upon written notice by the Buyer or the submission of an invoice by the Buyer.

b. Listing. The Company shall promptly secure the listing of the Conversion Shares upon each national securities exchange or automated quotation system, if any, upon which shares of Common Stock are then listed (subject to official notice of issuance) and, so long as the Buyer owns any of the Securities, shall maintain, so long as any other shares of Common Stock shall be so listed, such listing of all Conversion Shares from time to time issuable upon conversion of the Note. The Company will obtain and, so long as the Buyer owns any of the Securities, maintain the listing and trading of its Common Stock on the OTC MARKETS or any equivalent replacement exchange, the Nasdaq National Market ("Nasdaq"), the Nasdaq SmallCap Market ("Nasdaq SmallCap") or the New York Stock Exchange ("NYSE"), and will comply in all respects with the Company's reporting, filing and other obligations under the bylaws or rules of the Financial Industry Regulatory Authority ("FINRA") and such exchanges, as applicable. The Company shall promptly provide to the Buyer copies of

any notices it receives from the OTC MARKETS and any other exchanges or quotation systems on which the Common Stock is then listed regarding the continued eligibility of the Common Stock for listing on such exchanges and quotation systems.

c. Corporate Existence. So long as the Buyer beneficially owns any Note, the Company shall maintain its corporate existence and shall not sell all or substantially all of the Company's assets, except in the event of a merger or consolidation or sale of all or substantially all of the Company's assets, where the surviving or successor entity in such transaction (i) assumes the Company's obligations hereunder and under the agreements and instruments entered into in connection herewith and (ii) is a publicly traded corporation whose Common Stock is listed for trading on the OTC MARKETS, Nasdaq, Nasdaq SmallCap or NYSE.

d. No Integration. The Company shall not make any offers or sales of any security (other than the Securities) under circumstances that would require registration of the Securities being offered or sold hereunder under the 1933 Act or cause the offering of the Securities to be integrated with any other offering of securities by the Company for the purpose of any stockholder approval provision applicable to the Company or its securities.

e. Breach of Covenants. If the Company breaches any of the covenants set forth in this Section 4, and in addition to any other remedies available to the Buyer pursuant to this Agreement, it will be considered an event of default under the Note.

5. Governing Law; Miscellaneous.

a. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of New York without regard to principles of conflicts of laws. Any action brought by either party against the other concerning the transactions contemplated by this Agreement shall be brought only in the state courts of New York or in the federal courts located in the state and county of New York, or the Federal courts within the southern or eastern districts of New York. The parties to this Agreement hereby irrevocably waive any objection to jurisdiction and venue of any action instituted hereunder and shall not assert any defense based on lack of jurisdiction or venue or based upon *forum non conveniens*. The Company and Buyer waive trial by jury. The prevailing party shall be entitled to recover from the other party its reasonable attorney's fees and costs. In the event that any provision of this Agreement or any other agreement delivered in connection herewith is invalid or unenforceable under any applicable statute or rule of law, then such provision shall be deemed inoperative to the extent that it may conflict therewith and shall be deemed modified to conform with such statute or rule of law. Any such provision which may prove invalid or unenforceable under any law shall not affect the validity or enforceability of any other provision of any agreement. Each party hereby irrevocably waives personal service of process and consents to process being served in any suit, action or proceeding in connection with this Agreement or any other Transaction Document by mailing a copy thereof via registered or certified mail or overnight delivery (with evidence of delivery) to such party at the address in effect for notices to it under this Agreement and agrees that such service shall constitute good and sufficient service

of process and notice thereof. Nothing contained herein shall be deemed to limit in any way any right to serve process in any other manner permitted by law.

b. Counterparts; Signatures by Facsimile. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original but all of which shall constitute one and the same agreement and shall become effective when counterparts have been signed by each party and delivered to the other party. This Agreement, once executed by a party, may be delivered to the other party hereto by facsimile transmission of a copy of this Agreement bearing the signature of the party so delivering this Agreement.

c. Headings. The headings of this Agreement are for convenience of reference only and shall not form part of, or affect the interpretation of, this Agreement.

d. Severability. In the event that any provision of this Agreement is invalid or unenforceable under any applicable statute or rule of law, then such provision shall be deemed inoperative to the extent that it may conflict therewith and shall be deemed modified to conform with such statute or rule of law. Any provision hereof which may prove invalid or unenforceable under any law shall not affect the validity or enforceability of any other provision hereof.

e. Entire Agreement; Amendments. This Agreement and the instruments referenced herein contain the entire understanding of the parties with respect to the matters covered herein and therein and, except as specifically set forth herein or therein, neither the Company nor the Buyer makes any representation, warranty, covenant or undertaking with respect to such matters. No provision of this Agreement may be waived or amended other than by an instrument in writing signed by the majority in interest of the Buyer.

f. Notices. All notices, demands, requests, consents, approvals, and other communications required or permitted hereunder shall be in writing and, unless otherwise specified herein, shall be (i) personally served, (ii) deposited in the mail, registered or certified, return receipt requested, postage prepaid, (iii) delivered by reputable air courier service with charges prepaid, (iv) via electronic mail or (v) transmitted by hand delivery, telegram, or facsimile, addressed as set forth below or to such other address as such party shall have specified most recently by written notice. Any notice or other communication required or permitted to be given hereunder shall be deemed effective (a) upon hand delivery or delivery by facsimile, with accurate confirmation generated by the transmitting facsimile machine, at the address or number designated below (if delivered on a business day during normal business hours where such notice is to be received) or delivery via electronic mail, or the first business day following such delivery (if delivered other than on a business day during normal business hours where such notice is to be received) or (b) on the second business day following the date of mailing by express courier service, fully prepaid, addressed to such address, or upon actual receipt of such mailing, whichever shall first occur. The addresses for such communications shall be:

If to the Company, to:
IRONCLAD ENCRYPTION CORPORATION
One Riverway,

777 South Post Oak Lane, Suite 1700
Houston, TX 77056
Attn: James D. McGraw, CEO

If to the Buyer:
ODYSSEY CAPITAL FUNDING LLC
1249 Broadway, Suite 103
Hewlett, NY 11557
Attn: Ahron Fraiman, Manager

Each party shall provide notice to the other party of any change in address.

g. Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the parties and their successors and assigns. Neither the Company nor the Buyer shall assign this Agreement or any rights or obligations hereunder without the prior written consent of the other. Notwithstanding the foregoing, the Buyer may assign its rights hereunder to any person that purchases Securities in a private transaction from the Buyer or to any of its "affiliates," as that term is defined under the 1934 Act, without the consent of the Company.

h. Third Party Beneficiaries. This Agreement is intended for the benefit of the parties hereto and their respective permitted successors and assigns, and is not for the benefit of, nor may any provision hereof be enforced by, any other person.

i. Survival. The representations and warranties of the Company and the agreements and covenants set forth in this Agreement shall survive the closing hereunder notwithstanding any due diligence investigation conducted by or on behalf of the Buyer. The Company agrees to indemnify and hold harmless the Buyer and all their officers, directors, employees and agents for loss or damage arising as a result of or related to any breach or alleged breach by the Company of any of its representations, warranties and covenants set forth in this Agreement or any of its covenants and obligations under this Agreement, including advancement of expenses as they are incurred.

j. Further Assurances. Each party shall do and perform, or cause to be done and performed, all such further acts and things, and shall execute and deliver all such other agreements, certificates, instruments and documents, as the other party may reasonably request in order to carry out the intent and accomplish the purposes of this Agreement and the consummation of the transactions contemplated hereby.

k. No Strict Construction. The language used in this Agreement will be deemed to be the language chosen by the parties to express their mutual intent, and no rules of strict construction will be applied against any party.

l. Remedies. The Company acknowledges that a breach by it of its obligations hereunder will cause irreparable harm to the Buyer by vitiating the intent and purpose

of the transaction contemplated hereby. Accordingly, the Company acknowledges that the remedy at law for a breach of its obligations under this Agreement will be inadequate and agrees, in the event of a breach or threatened breach by the Company of the provisions of this Agreement, that the Buyer shall be entitled, in addition to all other available remedies at law or in equity, and in addition to the penalties assessable herein, to an injunction or injunctions restraining, preventing or curing any breach of this Agreement and to enforce specifically the terms and provisions hereof, without the necessity of showing economic loss and without any bond or other security being required.

IN WITNESS WHEREOF, the undersigned Buyer and the Company have caused this Agreement to be duly executed as of the date first above written.

IRONCLAD ENCRYPTION CORPORATION

/s/ James D. McGraw

By: _____

Name: James D. McGraw

Title: CEO

ODYSSEY CAPITAL FUNDING LLC.

/s/ Ahron Fraiman

By: _____

Name: Ahron Fraiman

Title: Manager

AGGREGATE SUBSCRIPTION AMOUNT:

Aggregate Principal Amount of Note: \$150,000.00

Aggregate Purchase Price:

Note: \$150,000.00 less \$7,500.00 in legal fees.

EXHIBIT A
144 NOTE - \$150,000

THIS NOTE AND THE COMMON STOCK ISSUABLE UPON CONVERSION OF THIS NOTE HAVE NOT BEEN AND WILL NOT BE REGISTERED WITH THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION OR THE SECURITIES COMMISSION OF ANY STATE PURSUANT TO AN EXEMPTION FROM REGISTRATION PROVIDED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AND THE RULES AND REGULATIONS PROMULGATED THEREUNDER (THE "1933 ACT")

US \$150,000.00

**IRONCLAD ENCRYPTION CORPORATION
10% CONVERTIBLE REDEEMABLE NOTE
DUE MAY 15, 2020**

FOR VALUE RECEIVED, IRONCLAD ENCRYPTION CORPORATION (the "Company") promises to pay to the order of ODYSSEY CAPITAL FUNDING LLC and its authorized successors and permitted assigns ("Holder"), the aggregate principal face amount of One Hundred Fifty Thousand Dollars exactly (U.S. \$150,000.00) on May 15, 2020 ("Maturity Date") and to pay interest on the principal amount outstanding hereunder at the rate of 10% per annum commencing on May 15, 2019. The interest will be paid to the Holder in whose name this Note is registered on the records of the Company regarding registration and transfers of this Note. The principal of, and interest on, this Note are payable at 1249 Broadway, Suite 103, Hewlett, NY 11557, initially, and if changed, last appearing on the records of the Company as designated in writing by the Holder hereof from time to time. The Company will pay each interest payment and the outstanding principal due upon this Note before or on the Maturity Date, less any amounts required by law to be deducted or withheld, to the Holder of this Note by check or wire transfer addressed to such Holder at the last address appearing on the records of the Company. The forwarding of such check or wire transfer shall constitute a payment of outstanding principal hereunder and shall satisfy and discharge the liability for principal on this Note to the extent of the sum represented by such check or wire transfer. Interest shall be payable in Common Stock (as defined below) pursuant to paragraph 4(b) herein.

This Note is subject to the following additional provisions:

1. This Note is exchangeable for an equal aggregate principal amount of Notes of different authorized denominations, as requested by the Holder surrendering the same. No service charge will be made for such registration or transfer or exchange, except that Holder shall pay any tax or other governmental charges payable in connection therewith.

JDM
Initials

2. The Company shall be entitled to withhold from all payments any amounts required to be withheld under applicable laws.

3. This Note may be transferred or exchanged only in compliance with the Securities Act of 1933, as amended ("Act") and applicable state securities laws. Any attempted transfer to a non-qualifying party shall be treated by the Company as void. Prior to due presentment for transfer of this Note, the Company and any agent of the Company may treat the person in whose name this Note is duly registered on the Company's records as the owner hereof for all other purposes, whether or not this Note be overdue, and neither the Company nor any such agent shall be affected or bound by notice to the contrary. Any Holder of this Note electing to exercise the right of conversion set forth in Section 4(a) hereof, in addition to the requirements set forth in Section 4(a), and any prospective transferee of this Note, also is required to give the Company written confirmation that this Note is being converted ("Notice of Conversion") in the form annexed hereto as Exhibit A. The date of receipt (including receipt by telecopy) of such Notice of Conversion shall be the Conversion Date.

4. (a) The Holder of this Note is entitled, at its option, at any time after cash payment, to convert all or any amount of the principal face amount of this Note then outstanding into shares of the Company's common stock (the "Common Stock") at a price ("Conversion Price") for each share of Common Stock equal to **65%** of the **lowest trading price** of the Common Stock as reported on the National Quotations Bureau OTC Marketplace exchange which the Company's shares are traded or any exchange upon which the Common Stock may be traded in the future ("Exchange"), for the **fifteen** prior trading days including the day upon which a Notice of Conversion is received by the Company or its transfer agent (provided such Notice of Conversion is delivered by fax or other electronic method of communication to the Company or its transfer agent after 4 P.M. Eastern Standard or Daylight Savings Time if the Holder wishes to include the same day closing price). If the shares have not been delivered within 3 business days, the Notice of Conversion may be rescinded. Such conversion shall be effectuated by the Company delivering the shares of Common Stock to the Holder within 3 business days of receipt by the Company of the Notice of Conversion. Accrued but unpaid interest shall be subject to conversion. No fractional shares or scrip representing fractions of shares will be issued on conversion, but the number of shares issuable shall be rounded to the nearest whole share. To the extent the Conversion Price of the Company's Common Stock closes below the par value per share, the Company will take all steps necessary to solicit the consent of the stockholders to reduce the par value to the lowest value possible under law. The Company agrees to honor all conversions submitted pending this increase. *In the event the Company experiences a DTC "Chill" on its shares, the Conversion Price shall be decreased to 55% instead of 65% while that "Chill" is in effect.* In no event shall the Holder be allowed to effect a conversion if such conversion, along with all other shares of Company Common Stock beneficially owned by the Holder and its affiliates would exceed 4.99% of the outstanding shares of the Common Stock of the Company (which may be increased up to 9.9% upon 60 days' prior written notice by the Investor).

(b) Interest on any unpaid principal balance of this Note shall be paid at the rate of 10% per annum. Interest shall be paid by the Company in Common Stock ("Interest Shares"). Holder may, at any time, send in a Notice of Conversion to the Company for Interest

Shares based on the formula provided in Section 4(a) above. The dollar amount converted into Interest Shares shall be all or a portion of the accrued interest calculated on the unpaid principal balance of this Note to the date of such notice.

(c) The Notes may be prepaid or assigned with the following penalties/premiums:

PREPAY DATE	PREPAY AMOUNT
≤ 60 days	120% of principal plus accrued interest
61- 120 days	130% of principal plus accrued interest
121- 180 days	140% of principal plus accrued interest

This Note may not be prepaid after the 180th day. Such redemption must be closed and funded within 3 days of giving notice of redemption of the right to redeem shall be null and void.

(d) Upon (i) a transfer of all or substantially all of the assets of the Company to any person in a single transaction or series of related transactions, (ii) a reclassification, capital reorganization or other change or exchange of outstanding shares of the Common Stock, other than a forward or reverse stock split or stock dividend, or (iii) any consolidation or merger of the Company with or into another person or entity in which the Company is not the surviving entity (other than a merger which is effected solely to change the jurisdiction of incorporation of the Company and results in a reclassification, conversion or exchange of outstanding shares of Common Stock solely into shares of Common Stock) (each of items (i), (ii) and (iii) being referred to as a "Sale Event"), then, in each case, the Company shall, upon request of the Holder, redeem this Note in cash for 150% of the principal amount, plus accrued but unpaid interest through the date of redemption, or at the election of the Holder, such Holder may convert the unpaid principal amount of this Note (together with the amount of accrued but unpaid interest) into shares of Common Stock immediately prior to such Sale Event at the Conversion Price.

(e) In case of any Sale Event (not to include a sale of all or substantially all of the Company's assets) in connection with which this Note is not redeemed or converted, the Company shall cause effective provision to be made so that the Holder of this Note shall have the right thereafter, by converting this Note, to purchase or convert this Note into the kind and number of shares of stock or other securities or property (including cash) receivable upon such reclassification, capital reorganization or other change, consolidation or merger by a holder of the number of shares of Common Stock that could have been purchased upon exercise of the Note and at the same Conversion Price, as defined in this Note, immediately prior to such Sale Event. The foregoing provisions shall similarly apply to successive Sale Events. If the consideration received by the holders of Common Stock is other than cash, the value shall be as determined by the Board of Directors of the Company or successor person or entity acting in good faith.

5. No provision of this Note shall alter or impair the obligation of the Company, which is absolute and unconditional, to pay the principal of, and interest on, this Note at the time, place, and rate, and in the form, herein prescribed.

6. The Company hereby expressly waives demand and presentment for payment, notice of non-payment, protest, notice of protest, notice of dishonor, notice of acceleration or intent to accelerate, and diligence in taking any action to collect amounts called for hereunder

and shall be directly and primarily liable for the payment of all sums owing and to be owing hereto.

7. The Company agrees to pay all costs and expenses, including reasonable attorneys' fees and expenses, which may be incurred by the Holder in collecting any amount due under this Note.

8. If one or more of the following described "Events of Default" shall occur:

(a) The Company shall default in the payment of principal or interest on this Note or any other note issued to the Holder by the Company; or

(b) Any of the representations or warranties made by the Company herein or in any certificate or financial or other written statements heretofore or hereafter furnished by or on behalf of the Company in connection with the execution and delivery of this Note, or the Securities Purchase Agreement under which this note was issued shall be false or misleading in any respect; or

(c) The Company shall fail to perform or observe, in any respect, any covenant, term, provision, condition, agreement or obligation of the Company under this Note or any other note issued to the Holder; or

(d) The Company shall (1) become insolvent; (2) admit in writing its inability to pay its debts generally as they mature; (3) make an assignment for the benefit of creditors or commence proceedings for its dissolution; (4) apply for or consent to the appointment of a trustee, liquidator or receiver for its or for a substantial part of its property or business; (5) file a petition for bankruptcy relief, consent to the filing of such petition or have filed against it an involuntary petition for bankruptcy relief, all under federal or state laws as applicable; or

(e) A trustee, liquidator or receiver shall be appointed for the Company or for a substantial part of its property or business without its consent and shall not be discharged within sixty (60) days after such appointment; or

(f) Any governmental agency or any court of competent jurisdiction at the instance of any governmental agency shall assume custody or control of the whole or any substantial portion of the properties or assets of the Company; or

(g) One or more money judgments, writs or warrants of attachment, or similar process, in excess of fifty thousand dollars (\$50,000) in the aggregate, shall be entered or filed against the Company or any of its properties or other assets and shall remain unpaid, unvacated, unbonded or unstayed for a period of fifteen (15) days or in any event later than five (5) days prior to the date of any proposed sale thereunder; or

(h) The Company shall have defaulted on or breached any term of any other note of similar debt instrument into which the Company has entered and failed to cure such default within the appropriate grace period; or

(i) The Company shall have its Common Stock delisted from an exchange (including the OTC Market exchange) or, if the Common Stock trades on an exchange, then trading in the Common Stock shall be suspended for more than 10 consecutive days or ceases to file its 1934 act reports with the SEC;

(j) If a majority of the members of the Board of Directors of the Company on the date hereof are no longer serving as members of the Board;

(k) The Company shall not deliver to the Holder the Common Stock pursuant to paragraph 4 herein without restrictive legend within 3 business days of its receipt of a Notice of Conversion; or

(l) The Company shall not replenish the reserve set forth in Section 12, within 3 business days of the request of the Holder.

(m) The Company shall not be “current” in its filings with the Securities and Exchange Commission; or

(n) The Company shall lose the “bid” price for its stock and a market (including the OTC marketplace or other exchange)

Then, or at any time thereafter, unless cured within 5 days, and in each and every such case, unless such Event of Default shall have been waived in writing by the Holder (which waiver shall not be deemed to be a waiver of any subsequent default) at the option of the Holder and in the Holder's sole discretion, the Holder may consider this Note immediately due and payable, without presentment, demand, protest or (further) notice of any kind (other than notice of acceleration), all of which are hereby expressly waived, anything herein or in any note or other instruments contained to the contrary notwithstanding, and the Holder may immediately, and without expiration of any period of grace, enforce any and all of the Holder's rights and remedies provided herein or any other rights or remedies afforded by law. Upon an Event of Default, interest shall accrue at a default interest rate of 24% per annum or, if such rate is usurious or not permitted by current law, then at the highest rate of interest permitted by law. In the event of a breach of Section 8(k) the penalty shall be \$250 per day the shares are not issued beginning on the 4th day after the conversion notice was delivered to the Company. This penalty shall increase to \$500 per day beginning on the 10th day. The penalty for a breach of Section 8(n) shall be an increase of the outstanding principal amounts by 20%. In case of a breach of Section 8(i), the outstanding principal due under this Note shall increase by 50%. If this Note is not paid at maturity, the outstanding principal due under this Note shall increase by 10%. Further, if a breach of Section 8(m) occurs or is continuing after the 6 month anniversary of the Note, then the Holder shall be entitled to use the lowest closing bid price during the delinquency period as a base price for the conversion. For example, if the lowest closing bid price during the delinquency period is \$0.01 per share and the conversion discount is 50% the Holder may elect to convert future conversions at \$0.005 per share.

If the Holder shall commence an action or proceeding to enforce any provisions of this Note, in-

cluding, without limitation, engaging an attorney, then if the Holder prevails in such action, the Holder shall be reimbursed by the Company for its attorneys' fees and other costs and expenses incurred in the investigation, preparation and prosecution of such action or proceeding.

Make-Whole for Failure to Deliver Loss. At the Holder's election, if the Company fails for any reason to deliver to the Holder the conversion shares by the by the 3rd business day following the delivery of a Notice of Conversion to the Company and if the Holder incurs a Failure to Deliver Loss, then at any time the Holder may provide the Company written notice indicating the amounts payable to the Holder in respect of the Failure to Deliver Loss and the Company must make the Holder whole as follows:

Failure to Deliver Loss = [(Highest VWAP price for the 30 trading days on or after the day of exercise) x (Number of conversion shares)]

The Company must pay the Failure to Deliver Loss by cash payment, and any such cash payment must be made by the third business day from the time of the Holder's written notice to the Company.

9. In case any provision of this Note is held by a court of competent jurisdiction to be excessive in scope or otherwise invalid or unenforceable, such provision shall be adjusted rather than voided, if possible, so that it is enforceable to the maximum extent possible, and the validity and enforceability of the remaining provisions of this Note will not in any way be affected or impaired thereby.

10. Neither this Note nor any term hereof may be amended, waived, discharged or terminated other than by a written instrument signed by the Company and the Holder.

11. The Company represents that it is not a "shell" issuer and has never been a "shell" issuer or that if it previously has been a "shell" issuer that at least 12 months have passed since the Company has reported form 10 type information indicating it is no longer a "shell issuer. Further. The Company will instruct its counsel to either (i) write a 144 opinion to allow for salability of the conversion shares or (ii) accept such opinion from Holder's counsel.

12. The Company shall issue irrevocable transfer agent instructions reserving 61,539,000 shares of its Common Stock for conversions under this Note (the "Share Reserve"). Upon full conversion of this Note, any shares remaining in the Share Reserve shall be cancelled. The Company shall pay all transfer agent costs associated with issuing and delivering the share certificates to the Holder, as well as maintaining the Share Reserve. If such amounts are to be paid by the Holder, it may deduct such amounts from the Conversion Price. The company should at all times reserve a minimum of four times the amount of shares required if the note would be fully converted. The Holder may reasonably request increases from time to time to reserve such amounts. The Company will instruct its transfer agent to provide the outstanding share information to the Holder in connection with its conversions.

13. The Company will give the Holder direct notice of any corporate actions, including but not limited to name changes, stock splits, recapitalizations etc. This notice shall be given to the Holder as soon as possible under law.

14. If it shall be found that any interest or other amount deemed interest due hereunder violates the applicable law governing usury, the applicable provision shall automatically be revised to equal the maximum rate of interest or other amount deemed interest permitted under applicable law. The Company covenants (to the extent that it may lawfully do so) that it will not seek to claim or take advantage of any law that would prohibit or forgive the Company from paying all or a portion of the principal or interest on this Note.

15. This Note shall be governed by and construed in accordance with the laws of New York applicable to contracts made and wholly to be performed within the State of New York and shall be binding upon the successors and assigns of each party hereto. The Holder and the Company hereby mutually waive trial by jury and consent to exclusive jurisdiction and venue in the courts of the State of New York or in the Federal courts sitting in the county or city of New York, or the Federal courts within the southern or eastern districts of New York. This Agreement may be executed in counterparts, and the facsimile transmission of an executed counterpart to this Agreement shall be effective as an original.

IN WITNESS WHEREOF, the Company has caused this Note to be duly executed by an officer thereunto duly authorized.

Dated: May 15, 2019

IRONCLAD ENCRYPTION CORPORATION

/s/ James D. McGraw

By: _____

Chief Executive Officer

Title: _____

EXHIBIT A

NOTICE OF CONVERSION

(To be Executed by the Registered Holder in order to Convert the Note)

The undersigned hereby irrevocably elects to convert \$_____ of the above Note into _____ Shares of Common Stock of Ironclad Encryption Corporation("Shares") according to the conditions set forth in such Note, as of the date written below.

If Shares are to be issued in the name of a person other than the undersigned, the undersigned will pay all transfer and other taxes and charges payable with respect thereto.

Date of Conversion: _____
Applicable Conversion Price: _____
Signature: _____
[Print Name of Holder and Title of Signer]

Address: _____

SSN or EIN: _____
Shares are to be registered in the
following name: _____

Name: _____
Address: _____

Tel: _____
Fax: _____
SSN or EIN: _____

Shares are to be sent or delivered to the following account:

Account Name: _____
Address: _____

Subsidiaries of the Registrant

The companies listed below are included in IronClad Encryption Corporation's consolidated financial statements. IronClad has a 100% direct ownership of and ultimate voting control in its subsidiaries. The list is as of March 31, 2019.

Subsidiary	State of Incorporation	Percentage Owned
InterLok Key Management, Inc.	Texas	100%
IronClad Pipeline IC, Inc.	Delaware	100%
IronClad Cyber Security, Inc.	Delaware	100%

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the Registration Statement on Form S-1, as amended, (File No. 333-220995) and the Registration Statement on Form S-8 (File No. 333-221786) of our audit report dated July 16, 2019, relating to the consolidated financial statements of IronClad Encryption Corporation, appearing in this Annual Report on Form 10-K, for the periods ended March 31, 2019 and 2018. Our report dated, July 16, 2019, with respect to those financial statements includes an emphasis of matter paragraph relating to the uncertainty of IronClad Encryption Corporation's ability to continue as a going concern.

Fruci & Associates II, PLLC

Fruci & Associates II, PLLC

Spokane, Washington

July 16, 2019

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

I, James D. McGraw, certify that:

1. I have reviewed this Annual Report on Form 10-K of IronClad Encryption 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 the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 16, 2019

By: /s/ JAMES D. MCGRAW

James D. McGraw

President and Principal Executive Officer

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

I, David G. Gullickson, certify that:

1. I have reviewed this Annual Report on Form 10-K of IronClad Encryption 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 the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 16, 2019

By: /s/ DAVID G. GULLICKSON

David G. Gullickson
Vice President, Treasurer, and
Principal Financial and Accounting Officer

**CERTIFICATIONS PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002
(18 U.S.C. SECTION 1350)**

In connection with the Annual Report of IronClad Encryption Corporation (IronClad), on Form 10-K for the year ended March 31, 2019, as filed with the Securities and Exchange Commission (the “Report”), James D. McGraw, Principal Executive Officer of IronClad, does hereby certify, pursuant to 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. 1350), that to his knowledge:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of IronClad.

Date: July 16, 2019

By: /s/ JAMES D. MCGRAW

James D. McGraw

President and

Principal Executive Officer

**CERTIFICATIONS PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002
(18 U.S.C. SECTION 1350)**

In connection with the Annual Report of IronClad Encryption Corporation (IronClad), on Form 10-K for the year ended March 31, 2019, as filed with the Securities and Exchange Commission (the “Report”), David G. Gullickson, Principal Financial and Accounting Officer of IronClad, does hereby certify, pursuant to 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. 1350), that to his knowledge:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of IronClad.

Date: July16, 2019

By: /s/ DAVID G. GULLICKSON
David G. Gullickson
*Vice President, Treasurer, and
Principal Financial and Accounting Officer*