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

FORM 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended March 31, 2020

or

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

Commission File Number 000-54323

REDHAWK HOLDINGS CORP.
(Exact name of registrant as specified in its charter)

Nevada (State or other jurisdiction of incorporation or organization)	**20-3866475** (IRS Employer Identification No.)
100 Petroleum Drive, Suite 200 **Lafayette, Louisiana** (Address of principal executive offices)	**70508** (Zip Code)

(337) 269-5933
(Registrant's telephone number, including area code)

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
None	N/A	N/A

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

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

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

Large accelerated filer	☐	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☒
		Emerging growth company	☐

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

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

On June 15, 2020, 963,651,157 shares of common stock, par value 0.001 per share, were outstanding.

EXPLANATORY NOTE

RedHawk Holdings Corp. (the "Company") is hereby relying on the Securities and Exchange Commission's Order under Section 36 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), Modifying Exemptions From the Reporting and Proxy Delivery Requirements for Public Companies dated March 25, 2020 (Release No 34-88465) (the "Order") in connection with this filing of its Quarterly Report on Form 10-Q for the quarter ended March 31, 2020 (the "March 31, 2020 Form 10-Q") due to the circumstances related to COVID-19. In particular, COVID-19 has caused disruptions in our normal interactions with our auditors. The Company has a minimal accounting staff and historically provided its auditors with full access to work papers and related information. Because the audit personnel are now working remotely as much as possible, and relying on our minimal staff to furnish work papers and other documents, the Company's ability to complete its review and file the March 31, 2020 Form 10-Q prior to its original due date without unreasonable expense was delayed.

REDHAWK HOLDINGS CORP.
FORM 10-Q

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PART I - FINANCIAL INFORMATION

ITEM 1. UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS.

REDHAWK HOLDINGS CORP.
Consolidated Balance Sheets
(unaudited)

	March 31, 2020	June 30, 2019
ASSETS		
Current Assets:		
Cash	$ 99,246	$ 1,648
Certificate of deposit	—	100,374
Receivables	196,192	—
Inventory, at cost	181,604	181,227
Prepaid expenses	257,189	122,436
Total Current Assets	734,231	405,685
Property, Equipment and Improvements:		
Land	110,000	110,000
Tooling and equipment	5,600	—
Building and improvements	670,000	670,000
	785,600	780,000
Less, accumulated depreciation	(135,980)	(112,479)
	649,620	667,521
Other Assets:		
Operating lease right-of-use asset	67,254	—
Investment in real estate limited partnership	257,173	257,173
Intangible asset, net of amortization of $444,820 and $404,946, respectively	816,713	848,992
Other assets	130,060	129,962
	1,271,200	1,236,127
Total Assets	$ 2,655,051	$ 2,309,333
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)		

Current Liabilities:		
Accounts payable and accrued liabilities	$ 1,061,460	$ 899,685
Deferred revenue	267,145	—
Current maturities of long-term debt	190,439	184,585
Current portion of operating lease right-of-use liabilities	20,386	—
Lines of credit	173,661	253,219
Insurance notes payable	12,537	136,859
Total Current Liabilities	1,725,628	1,474,348
Non-current Liabilities		
Due to related parties	242,000	230,250
Other non-current liabilities	503,750	703,750
Real estate note payable, net of current maturities	216,459	224,097
Operating lease right-of-use liabilities, net of current portion	46,868	—
Convertible notes payable, net of $94,865 and $49,241 in deferred loan costs	1,633,909	342,304
	2,642,986	1,500,401
Total Liabilities	4,368,614	2,974,749
Commitments and Contingencies	—	—
Stockholders' Equity (Deficit):		
Preferred stock, 5,000 authorized shares and 3,750 and 4,000 issued and outstanding at March 31, 2020 and June 30, 2019, respectively		
5% Series A, 2,750 shares designated, $1,123 and $1,099 stated value, respectively, 2,750 issued and outstanding at March 31, 2020 and June 30, 2019	3,087,691	3,021,453
5% Series B, 1,250 shares designated, $1,228 and $1,183 stated value, respectively, and 1,000 issued and outstanding at March 31, 2020 and 1,250 issued and outstanding at June 30, 2019	1,227,964	1,479,039
Common Stock, par value of $0.001 per share, 2,000,000,000 authorized shares and 1,171,208,112 and 1,034,340,037 issued, respectively	1,171,208	1,034,340
Additional paid-in capital	445,940	51,811
Accumulated other comprehensive gain (loss)	(13,392)	2,735
Accumulated deficit	(7,052,616)	(5,674,436)
	(1,133,205)	(85,058)
Less, Treasury stock 201,548,643 shares, at cost	(580,358)	(580,358)
Total Stockholders' Equity (Deficit)	(1,713,563)	(665,416)
Total Liabilities and Stockholders' Equity (Deficit)	$ 2,655,051	$ 2,309,333

The accompanying notes are an integral part of these financial statements

REDHAWK HOLDINGS CORP.
Consolidated Statements of Operations
(unaudited)

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2020	2019	2020	2019
Revenues	$ 148,674	$ 73,556	$ 217,989	$ 169,076
Operating Expenses:				
Costs of goods sold	38,467	17,986	55,388	49,016
Sales and marketing expenses	90,830	1,746	208,701	5,772
Professional fees	62,525	43,462	229,885	210,229
Research and development costs	25,420	—	83,901	—
Operating expenses	76,796	97,384	212,893	106,795
Depreciation and amortization	21,458	19,208	63,375	80,359
General and administrative	47,624	27,973	182,157	171,936
Total Operating Expenses	363,120	207,759	1,036,300	624,107
Net Loss from Operations	(214,446)	(134,203)	(818,311)	(455,031)
Other Income (Expense):				
Loss on extinguishment of debt, net	(129,338)	—	(84,811)	—
Settlement gain (loss), net	(27,752)	10,000	(27,752)	(386,500)
Interest (expense) income, net	(67,723)	25,504	(279,238)	(155,714)
	(224,813)	35,504	(391,801)	(542,214)
Net Loss	(439,259)	(98,699)	(1,210,112)	(997,245)
Other comprehensive income (loss):				
Gain (loss) on foreign currency translation	(11,898)	(52)	(16,127)	2,735
	(11,898)	(52)	(16,127)	2,735
Comprehensive Loss	(451,157)	(98,751)	(1,226,239)	(994,510)
Preferred Stock Dividends	(53,477)	(39,305)	(168,068)	(116,466)
Comprehensive Loss Available for Common Stockholders	$ (504,634)	$ (138,056)	$ (1,394,307)	$ (1,110,976)
Net Loss Per Share:				
Basic	$ —	$ —	$ —	$ —

Diluted	$ —	$ —	$ —	$ —
Weighted Average Shares Outstanding:				
Basic	969,280,348	557,460,616	924,946,538	487,312,611
Diluted	969,280,348	557,460,616	924,946,538	487,312,611

The accompanying notes are an integral part of these financial statements

REDHAWK HOLDINGS CORP.
Consolidated Statements of Cash Flows
(unaudited)

	Nine Months Ended March 31, 2020	Nine Months Ended March 31, 2019
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$ (1,210,112)	$ (997,245)
Adjustments to reconcile net loss to net cash used in operating activities:		
Amortization of intangibles	39,874	56,859
Amortization of discount on convertible debentures	—	16,350
Amortization of deferred loan costs	115,928	50,083
Depreciation	23,501	23,500
Non-cash expenses	246,279	95,242
Non-cash settlement loss	—	224,976
Loss on extinguishment of debt	18,449	—
Changes in operating assets and liabilities:		
Accounts receivable	(196,192)	(32,327)
Inventory	(3,594)	30,547
Prepaid expense and other assets	(326,184)	(2,903)
Accounts payable and accrued liabilities	(181,044)	14,626
Deferred Revenue	267,145	—
Net Cash Used in Operating Activities	(1,205,950)	(520,292)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	100,374	—
Purchase of equipment	(5,600)	—
Proceeds from distribution from limited liability partnership	—	367,827
Purchase of license	—	(46,250)
Net Cash Provided by Investing Activities	94,774	321,577
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from related parties, net	11,750	64,326
Proceeds from issuance of convertible debt	1,910,862	181,000
Payments on convertible debt	(458,375)	(132,726)
Purchase of treasury stock	—	(78,566)
Costs related to debt for equity conversions	—	(10,300)
Deferred loan costs	(159,566)	(33,110)
Proceeds from long-term debt	—	180,000
Proceeds from short-term debt	110,914	71,314
Payments on short-term debt	(190,472)	—
Net proceeds from (payments on) insurance notes payable	21,561	(2,071)
Principal payments on long-term debt	(7,202)	(6,818)
Net Cash Provided by Financing Activities	1,239,472	233,049
Effect of exchange rate on cash	(30,698)	(22,491)
Net change in cash	97,598	11,843
Cash, Beginning of Period	1,648	19,034
Cash, End of Period	$ 99,246	$ 30,877
Non-Cash Investing and Financing Activities:		
Preferred stock dividends paid-in-kind	$ 114,859	$ 116,466
Conversion of debt to common stock	$ 117,318	$ 184,635
Common stock issued in lieu of cash for services and assets	$ 97,810	$ 17,500
Conversion of preferred stock to common stock	$ 299,696	$ —
Increase in liabilities related to license agreement acquisition	$ —	$ 403,750
Operating lease assets obtained for operating lease liabilities	$ 67,254	$ —
Supplemental Disclosures:		
Interest paid	$ 229,867	$ 12,526
Income taxes paid	$ —	$ —

The accompanying notes are an integral part of these financial statements

REDHAWK HOLDINGS CORP.
Consolidated Statements of Stockholders' Equity (Deficit)
(unaudited)

SERIES A SERIES B ADDITIONAL ACCUMULATED OTHER

	PREFERRED STOCK SHARES	PREFERRED STOCK AMOUNT	PREFERRED STOCK SHARES	PREFERRED STOCK AMOUNT	COMMON STOCK SHARES	COMMON STOCK AMOUNT	PAID-IN CAPITAL	COMPREHENSIVE GAIN (LOSS)	ACCUMULATED DEFICIT	TREASURY STOCK SHARES	TREASURY STOCK AMOUNT	TOTAL
BALANCE, JUNE 30, 2019	2,750	$ 3,021,453	1,250	$ 1,479,039	1,034,340,037	$ 1,034,340	$ 51,811	$ 2,735	$ (5,674,436)	201,548,643	$ (580,358)	$ (665,416)
Preferred stock dividends declared	—	66,238	—	48,621	—	—	—	—	(168,068)	—	—	(53,209)
Conversions	—	—	(250)	(299,696)	86,933,293	86,933	288,754	—	—	—	—	72,791
Stock grants	—	—	—	—	49,934,782	49,936	105,375	—	—	—	—	158,511
Shares acquired	—	—	—	—	—	—	—	—	—	—	—	—
Net loss	—	—	—	—	—	—	—	(16,127)	(1,210,112)	—	—	(1,226,239)
BALANCE, MARCH 31, 2020	2,750	$ 3,087,691	1,000	$ 1,227,964	1,171,208,112	$ 1,171,208	$ 445,940	$ (13,392)	$ (7,052,616)	201,548,643	$ (580,358)	$ (1,713,563)
BALANCE, JUNE 30, 2018	1,473	$ 1,659,889	1,250	$ 1,407,342	398,410,762	$ 398,411	$ 1,311,076	$ —	$ (4,302,291)	35,471,535	$ (365,352)	$ 109,075
PIK dividends									(116,465)			(116,465)
Preferred stock dividends declared	—	63,028	—	53,438	—	—	—	—		—	—	116,466
Conversions	—	—	—	—	293,453,979	293,454(	(22,339)	—	—	—	—	271,115
Stock grants	—	—	—	—	48,400,0004	48,400	40,808	—	—	—	—	89,208
Shares acquired										52,377,108	(78,566)	(78,566)
Net loss	—	—	—	—	—	—	—	2,735	(997,245)	—	—	(994,510)
BALANCE, MARCH 31, 2019	1,473	$ 1,722,917	1,250	$ 1,460,780	740,264,741	$ 740,265	$ 1,329,545	$ 2,735	$ (5,416,001)	87,848,643	$ (443,918)	$ (603,677)

	SERIES A PREFERRED STOCK SHARES	SERIES A PREFERRED STOCK AMOUNT	SERIES B PREFERRED STOCK SHARES	SERIES B PREFERRED STOCK AMOUNT	COMMON STOCK SHARES	COMMON STOCK AMOUNT	ADDITIONAL PAID-IN CAPITAL	ACCUMULATED OTHER COMPREHENSIVE GAIN (LOSS)	ACCUMULATED DEFICIT	TREASURY STOCK SHARES	TREASURY STOCK AMOUNT	TOTAL
BALANCE, DECEMBER 31, 2019	2,750	$ 3,065,337	1,000	$ 1,212,803	1,170,708,112	$ 1,170,708	$ 443,240	$ (1,494)	$ (6,559,880)	201,548,643	$ (580,358)	$ (1,249,644)
Preferred stock dividends declared	—	22,354	—	15,161	—	—	—	—	(53,477)	—	—	(15,964)
	—	—										
Conversions	—	—	—	—	500,000	500	2,700	—	—	—	—	3,200
Shares acquired	—	—	—	—	—	—	—	—	—	—	—	—
Net loss	—	—	—	—	—	—	—	(11,898)	(439,259)	—	—	(451,157)
BALANCE, MARCH 31, 2020	2,750	$ 3,087,691	1,000	$ 1,227,964	1,171,208,112	$ 1,171,208	$ 445,940	$ (13,392)	$ (7,052,616)	201,548,643	$ (580,358)	$ (1,713,563)
BALANCE, DECEMBER 31, 2018	1,473	$ 1,701,646	1,250	$ 1,442,745	560,465,402	$ 514,066	$ 1,341,961	$ 2,787	$ (5,277,997)	35,471,535	$ (365,352)	$ (593,744)
Preferred stock dividends declared	—	21,271	—	18,034	—	—	—	—	(39,305)	—	—	—
Conversions	—	—	—	—	160,799,339	160,799	(21,916)	—	—	—	—	138,883
Stock grants	—	—	—	—	19,400,000	29,400	9,500	—	—	—	—	28,500
Shares acquired	—	—	—	—	—	—	—	—	—	52,377,108	(78,566)	(78,566)
Net loss	—	—	—	—	—	—	—	(52)	(98,699)	—	—	(98,751)
BALANCE, MARCH 31, 2019	1,473	$ 1,722,917	1,250	$ 1,460,708	740,264,741	$ 740,265	$ 1,329,545	$ 2,735	$ (5,416,001)	87,848,643	$ (443,918)	$ (603,677)

The accompanying notes are an integral part of these financial statements

REDHAWK HOLDINGS CORP.
Notes to the Unaudited Consolidated Financial Statements
March 31, 2020

1. NATURE OF OPERATIONS AND CONTINUANCE OF BUSINESS

RedHawk Holdings Corp. was incorporated in the State of Nevada on November 30, 2005 under the name “Oliver Creek Resources Inc.” Effective August 12, 2008, we changed our name from “Oliver Creek Resources Inc.” to “Independence Energy Corp.” Effective October 13, 2015, by vote of a majority of the Company’s stockholders, the Company’s name was changed from “Independence Energy Corp.” to “RedHawk Holdings Corp.”

Currently, the Company is a diversified holding company which, through our subsidiaries, is engaged in sales and distribution of medical devices, sales of branded generic pharmaceutical drugs, commercial real estate investment and leasing, sales of point of entry full-body security systems, and specialized financial services. Through its medical products business unit, the Company sells the SANDD™ Insulin Needle Destruction Unit (formerly known as the Disintegrator™), non-contact thermometers, face masks, surgical masks, UV lights, WoundClot Surgical - Advanced Bleeding Control, the Carotid Artery Digital Non-Contact Thermometer and Zonis®. Through our United Kingdom based subsidiary, we manufacture and market branded generic pharmaceuticals, certain other generic pharmaceuticals known as “specials” and certain pharmaceuticals outside of the United Kingdom’s National Health Service drug tariff referred to as NP8’s. Centri Security Systems LLC, a wholly-owned subsidiary of the Company, holds the exclusive U.S. manufacturing and distribution rights for the Centri Controlled Entry System, a unique, closed cabinet, nominal dose transmission full body x-ray scanner. Our real estate leasing revenues are generated from commercial properties under lease. Additionally, the Company’s real estate investment unit holds limited liability company interests in a commercial restoration project in Hawaii.

Going Concern

These financial statements have been prepared on a going concern basis, which implies that the Company will be able to continue as a going concern without further financing. The Company must continue to realize its assets to discharge its liabilities in the normal course of business. The Company has generated limited revenues to date and has never paid any dividends on its common stock and is unlikely to pay any common stock dividends or generate significant earnings in the immediate or foreseeable future.

For the three month period ended March 31, 2020, the Company had revenues of $148,674, a consolidated net loss of $439,259. For the nine month period ended March 31, 2020, the Company had revenues of $217,989, a consolidated net loss of $1,210,112 and cash of $1,205,950 used in operating activities. As of March 31, 2020, the Company had cash of $99,246, a working capital deficit of $991,397 and an accumulated deficit of $7,052,616. The continuation of the Company as a going concern is still dependent upon the continued financial support from its stockholders, the ability to raise equity or debt financing, cash proceeds from the sale of assets and the attainment of profitable operations from the Company’s businesses in order to discharge its obligations. We cannot predict, with certainty, the outcome of our efforts to generate liquidity and profitability, or whether such actions would generate the expected proceeds to the Company. These factors raise substantial doubt regarding the Company’s ability to continue as a going concern. These financial statements do not include any adjustments to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The unaudited interim condensed financial statements of the Company as of March 31, 2020 and for the three and nine month periods ended March 31, 2020 and 2019 included herein have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") for interim financial information and pursuant to the rules and regulations of the Securities and Exchange Commission (the "SEC"). The year-end condensed balance sheet dated as of June 30, 2019 is audited and is presented here as a basis for comparison. Although the financial statements and related information included herein have been prepared without audit, and certain information and disclosures normally included in financial statements prepared in accordance with GAAP have been condensed or omitted, the Company believes that the note disclosures are adequate to make the information presented not misleading. These unaudited condensed financial statements should be read in conjunction with the Company's audited consolidated financial statements and the notes thereto included in the Company's Annual Report on Form 10-K as of and for the year ended June 30, 2019. In the opinion of our management, the unaudited interim financial statements included herein reflect all adjustments, consisting of normal recurring adjustments, considered necessary for a fair presentation of the Company's financial position, results of operations, and cash flows for the periods presented. The results of operations for interim periods are not necessarily indicative of the results expected for the full year or any future period.

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its subsidiaries in which we have a greater than 50% ownership. All material intercompany accounts have been eliminated upon consolidation. Equity investments, which we have an ownership greater than 20% but less than 50% through which we exercise significant influence over but do not control the investee and we are not the primary beneficiary of the investee's activities, are accounted for using the equity method of accounting. Equity investments, which we have an ownership less than 20%, are recorded at cost.

Use of Estimates

The financial statements and related notes are prepared in conformity with GAAP which requires our management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The Company regularly evaluates estimates and assumptions related to valuation and impairment of investments, intangible assets, and long-lived assets, and deferred income tax asset valuation allowances. The Company bases its estimates and assumptions on current facts, historical experience and various other factors that it believes to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities and the accrual of costs and expenses that are not readily apparent from other sources. The actual results experienced by the Company may differ materially and adversely from the Company's estimates. To the extent there are material differences between the estimates and the actual results, future results of operations will be affected.

Revenue Recognition

In May 2014, the Financial Accounting Standards Board (which we refer to as the "FASB") issued ASU 2014-19, Revenue from Contracts with Customers (ASU 2014-19). ASU 2014-19 established a single revenue recognition model for all contracts with customers, eliminates industry specific requirements and expands disclosure requirements. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. To achieve this core principle, an entity should apply the following five steps: (1) identify contracts with customers, (2) identify the performance obligations in the contracts, (3) determine the transaction price, (4) allocate the transaction price to the performance obligation in the contract, and (5) recognize revenue as the entity satisfies performance obligations. Effective July 1, 2018, we adopted ASU 2014-19 using the modified retrospective method. The adoption of ASU 2014-19 did not have an impact on our consolidated financial statements but required enhanced footnote disclosures. See Note 3, Revenue Recognition, for additional information.

We derive revenue from several types of activities – medical device sales, branded generic pharmaceutical sales, commercial real estate leasing and financial services. Our medical device sales include the marketing and distribution of certain professional and consumer grade digital non-contact thermometers, needle destruction unit and advanced bleeding control, non-compression hemostasis. Through our United Kingdom based subsidiary, we manufacture, and market, branded generic pharmaceuticals, and certain other generic pharmaceuticals known as "specials". Our real estate leasing revenues are from certain commercial properties under lease. The financial service revenue is from brokerage services. The Company offers customer discounts in certain cases. Such discounts are estimated at time of product sale and revenues are reduced for such discounts at the time of the sale. Shipping and handling costs are included in revenue and costs of goods sold.

Cash and Cash Equivalents

We consider highly liquid investments with an original maturity of 90 days or less to be cash equivalents. The Company did not have any cash equivalents as of March 31, 2020 or June 30, 2019.

Accounts Receivable

Accounts receivables are amounts due from customers of our pharmaceutical, medical device and financial services divisions. We do not require collateral from our customers. The amount is reported at the billed amount, net of any expected allowance for bad debts. There was no allowance for doubtful accounts as of March 31, 2020 or June 30, 2019.

Inventory

Inventory consist of purchased thermometers, an advanced bleeding control, non-compression hemostasis, a patented antimicrobial ionic silver calcium catheter dressing, needle destruction devices and certain branded generic pharmaceuticals held for resale. All inventories are stated at the lower of cost or net realizable value utilizing the first-in, first-out method.

Property and Improvements

Property and improvements are stated at cost. We provide for depreciation expense on a straight-line basis over each asset's useful life depreciated to their estimated salvage value. Buildings are depreciated over a useful life of 20 to 30 years. Building improvements are depreciated over a useful life of 5 to 10 years. Tooling and equipment are depreciated over a useful life of ten years.

Our Louisiana real estate holdings include our former corporate headquarters on Chemin Metairie Road in Youngsville, Louisiana and a property on Jefferson Street in Lafayette, Louisiana. As of March 31, 2020, we are leasing both properties to third parties. The Company is also currently using a portion of the Chemin Metairie Road property for equipment storage for our real estate management unit.

Effective August 1, 2017, the tenant that leases the Jefferson Street property renewed that lease through December 31, 2022 at a rent of $3,250 per month. Beginning December 1, 2019, the Chemin Metairie is leased through December 31, 2020 at a rental rate of $1,700 per month.

Income Taxes

Potential benefits of income tax losses are not recognized in the accounts until realization is more likely than not. The Company follows Accounting Standard Codification (which we refer to as "ASC") 740, *Income Taxes,* which requires the Company to compute tax asset benefits for net operating losses carried forward. The potential benefits of net operating losses have not been recognized in these financial statements because the Company cannot be assured it is more likely than not it will utilize the net operating losses carried forward in future years. The Company recognizes interest and penalties related to uncertain tax positions in income tax expense in the period they are incurred. The Company does not believe that it has any uncertain tax positions.

Basic and Diluted Net Loss Per Share

The Company computes net loss per share in accordance with ASC 260, *Earnings Per Share,* which requires presentation of both basic and diluted earnings per share (EPS) on the face of the consolidated statements of operations. Basic EPS is computed by dividing net loss available to common shareholders (numerator) by the weighted average number of shares outstanding (denominator) during the period. Diluted EPS gives effect to all dilutive potential common shares outstanding during the period using the treasury stock method and the convertible notes and the convertible preferred stock using the if-converted method. In computing Diluted EPS, the average stock price for the period is used in determining the number of shares assumed to be purchased from the exercise of stock options or warrants. Diluted EPS excludes all dilutive potential shares if their effect is anti-dilutive. There were 113,508,450 outstanding warrants as of March 31, 2020 with an exercise price of $0.005 per share. Such warrants are anti-dilutive to EPS and are excluded from the calculation of EPS.

At March 31, 2020, including accrued but unpaid interest, there was one remaining 2016 Fixed Rate Convertible Note outstanding which totaling $61,037 and is convertible into 4,069,118 shares of common stock upon conversion of the remaining 2016 Fixed Rate Convertible Note.

During the nine months ended March 31, 2020, we issued in private offerings exempt from registration debt securities in the form of new 2019 Variable Rate Convertible Notes (See Note 7) in the amount of $1,078,862. The proceeds were used for working capital. The 2019 Variable Rate Convertible Notes are convertible into shares of common stock at a variable conversion rate.

During the nine months ended March 31, 2020, we issued in private offerings exempt from registration debt securities in the form of new 2019 Fixed Rate Convertible Notes (See Note 7) in the amount of $832,000. With the proceeds we paid off certain variable rate convertible notes outstanding in the amount of approximately $458,000, plus accrued interest. The 2019 Fixed Rate Convertible Notes mature on the fifth anniversary of the date of issuance and are convertible into shares of our common stock at a price of $0.015 per share and include 25% warrant coverage at $0.01 per share (which we refer to as the "2019 Warrants").

At March 31, 2020, including accrued but unpaid dividends, there were potentially 205,846,071 shares of common stock issuable upon the conversion of our outstanding Series A Preferred Stock and, including accrued but unpaid dividends, there were potentially 122,796,364 shares of common stock issuable upon the conversion of our outstanding Series B Preferred Stock. The shares of common stock to be issued upon conversion of the warrants and the shares issuable from the conversion of the notes and the Series A and Series B Preferred stock have been excluded from earnings per share calculations because these shares are anti-dilutive.

Comprehensive Income (Loss)

ASC 220, *Comprehensive Income*, establishes standards for the reporting and display of comprehensive loss and its components in the financial statements. All of our accumulated other comprehensive loss as of March 31, 2020 and June 30, 2019 relate to foreign currency translation.

Financial Instruments

Pursuant to ASC 820, *Fair Value Measurements and Disclosures*, an entity is required to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. ASC 820 establishes a fair value hierarchy based on the level of independent, objective evidence surrounding the inputs used to measure fair value. A financial instrument's categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement. ASC 820 prioritizes the inputs into the following three levels that may be used to measure fair value:

Level 1. Level 1 applies to assets or liabilities for which there are quoted prices in active markets for identical assets or liabilities.

Level 2. Level 2 applies to assets or liabilities for which there are inputs other than quoted prices that are observable for the asset or liability such as quoted prices for similar assets or liabilities in active markets; quoted prices for identical assets or liabilities in markets with insufficient volume or infrequent transactions (less active markets); or model-derived valuations in which significant inputs are observable or can be derived principally from, or corroborated by, observable market data.

Level 3. Level 3 applies to assets or liabilities for which there are unobservable inputs to the valuation methodology that are significant to the measurement of the fair value of the assets or liabilities.

The Company's financial instruments consist principally of cash, accounts receivable, accounts payable and accrued liabilities, debt, and amounts due to related parties. We believe that the recorded values of all of our other financial instruments approximate their current fair values because of their nature and respective maturity dates or durations.

Leases

In February 2016, the FASB issued ASU 2016-02, *Leases* (ASU 2016-02), which amended guidance for lease arrangements in order to increase transparency and comparability by providing additional information to users of financial statements regarding an entity's leasing activities. The revised guidance requires reporting entities to recognize lease assets and lease liabilities on the balance sheet for substantially all long-term lease arrangements. The Company was required to adopt ASU 2016-02 as of July 1, 2019. The Company has elected to use the short-term lease exception allowed in ASU 2016-02. The adoption, therefore, did not have any effect on the Company's consolidated financial statements as we did not have any leases with non-cancellable terms in excess of one year as of the adoption date. We did enter into a long-term lease in the quarter ended March 31, 2020 for new office space and have recorded a right-of-use asset and the related lease obligation as of March 31, 2020. Also see Note 6.

Reclassification

Certain amounts in prior periods have been reclassified to conform to the current period presentation.

3. REVENUE FROM CONTRACTS WITH CUSTOMERS

Revenue Recognition

Sales of pharmaceuticals and medical devices are recognized generally at the point in time when delivery occurs and title transfers to the buyer. Sales of pharmaceuticals and medical devices are usually collected within 90 days of the date of sale. In certain cases, the customers make advance payments on orders of medical devices. Such advance payments are recorded as deferred revenue in the accompanying consolidated balance sheets. As of March 31, 2020 and June 30, 2019, we had $267,145 and $0, respectively, of deferred revenue recorded.

We have distributorship and sales representative agreements in place with third parties who do not take ownership of products. Any costs incurred related to these agreements are considered to be sales and marketing expenses. In the quarter ended March 31, 2020, we entered into a one-year distribution agreement with Dolphin Medical LLC (the "distributor"), which requires the distributor to order and purchase a minimum number of medical devices in each quarter of the agreement. The Company has invoiced and recorded revenue of approximately $87,500 and the related cost of goods sold in the quarter ended March 31, 2020 for the required minimum purchase.

We also earn rental income from operating leases which is recognized over the rental period as the tenant occupies the space and pays the rental amount. Rentals are paid at the beginning of the month covered by the lease.

Disaggregation of Revenue

For the three and nine month periods ended March 31, 2020 and 2019, a summary of our revenue on a disaggregated basis is as follows:

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2020	**2019**	**2020**	**2019**
Sales of pharmaceuticals	$ —	$ 1,457	$ —	$ 71,792
Sales of medical devices	133,824	61,849	176,537	62,525
Rental revenue from operating lease payments	14,850	10,250	41,452	34,759
	$ 148,674	$ 73,556	$ 217,989	$ 169,076

Transaction Prices

In some cases, we may offer introductory discounts to customers. In such cases, we reduce the recorded revenue for such discounts. For the nine month periods ended March 31, 2020 and 2019, our revenues were reduced by $95,508 and $39,995, respectively, for such discounts. For the three month periods March 31, 2020 and 2019, our revenues were reduced by $52,859 and $39,995, respectively, for such discounts. Shipping and handling costs included in revenue was $805 and $1,305 for the three and nine month periods ended March 31, 2020, respectively.

4. OTHER ASSETS

The investment in Tower Hotel Fund 2013, LLC is recorded at cost and the Company is not aware of any indicator of impairment as of March 31, 2020. It is not practicable for the Company to estimate fair value of this investment.

We are pursuing the sale of our remaining investment in the real estate limited partnership investment. During the year ended June 30, 2019, based on stability of operations of the underlying real estate property and recent valuations, the partnership refinanced the property. We received a distribution of approximately $370,000 from the real estate limited partnership following this refinancing. This distribution was recorded as a reduction of our investment in the limited partnership, which is recorded at cost. We are currently in negotiations to sell our interest in the partnership, but we are uncertain if such a transaction will close during the next twelve months. Thus, our investment is shown as a non-current asset as of March 31, 2020 in the accompanying consolidated balance sheet.

As of March 31, 2020, we have approximately $387,111 ($304,471 net of accumulated amortization) in intangible assets related to licenses held by EcoGen. Such intangible assets are being amortized over an estimated useful life of 20 years.

In September 2018, the Company acquired the exclusive license rights to certain medical device technology for $450,000, plus a broker's fee of $17,500. Under the terms of the license agreement, the Company has paid $25,000 plus the first of a total twenty quarterly payments of $21,250. Any remaining payments become immediately payable upon the receipt of final approval by the FDA of devices related to the technology. Additionally, the Company agreed to pay a consulting fee of $1,000 per month for sixty months. The broker's fee was paid through the issuance of 14 million shares of the Company's common stock. The quarterly payments and the consulting fee have been suspended at the present time as the Company and the seller negotiate certain disputes related to representations made by the seller at the time the Company acquired the rights. The ultimate date and resolution of this negotiation cannot be estimated at this time. As a result, the Company has included all of the future payments under the original agreement as noncurrent in the accompanying March 31, 2020 and June 30, 2019 consolidated balance sheets.

In the nine months ended March 31, 2020, we issued 20,000,000 shares of Common Stock under the terms of a 2015 consulting agreement as a result of reaching certain milestones related to the development of our needle destruction devices. Under the terms of this consulting agreement, an additional 40,000,000 shares of Common Stock may be issued if other milestones are met.

5. INSURANCE NOTE PAYABLE

We finance a portion of our insurance premiums. At March 31, 2020, there was a $12,537 outstanding balance due on our premium finance agreements. The agreements have effective interest rates of 6.2% to 10.9%. The policies related to these premiums expire between July and October 2020.

6. RELATED PARTY TRANSACTIONS

Effective December 1, 2016, the Company entered into a $250,000 Commercial Note Line of Credit (which we refer to as the "Line of Credit") with a stockholder and officer of the Company to evidence prior indebtedness and provide for future borrowings. The advances are used to fund our operations. The Line of Credit accrues interest at 5% per annum and matures on March 31, 2021. At maturity, or in connection with a pre-payment, subject to the conditions set forth in the Line of Credit, the stockholder has the right to convert the amount outstanding (or the amount of the prepayment) into the Company's Series A Preferred Stock at the par value of $1,000 per share. At March 31, 2020, the outstanding principal balance totaled $0.

During the fiscal year ended June 30, 2019, certain members of the board of directors and stockholders of the Company made $242,000 in interest free advances to the Company. The advances are convertible into shares of the Company's common stock at rates ranging from $0.0024 to $0.0050 or 75,916,667 shares of common stock. During the quarter ended December 31, 2019, the Company received notice from the holders of $142,000 of these related parties of their intent to exercise their right to convert their advances into 55,916,667 shares of common stock. The conversion should be completed subsequent to the year ending June 30, 2020.

Beginning in the quarter ended March 31, 2017, certain members of management agreed to forgo management fees in consideration of the operating cash flow needs of the Company. There is not a set timeline to reinstitute such management fees. As of March 31, 2020 and June 30, 2019, $50,000 in such fees remain unpaid and are recorded in accounts payable and accrued liabilities in the accompanying consolidated balance sheets.

We entered into an office space lease in January 2020 with a company owned by a member of our Board of Directors. The lease is for a three-year term beginning April 1, 2020. The base annual rent is $25,830. In addition to the base rent, the Company will also pay a proportionate share of common area operating expenses. The Company has recorded operating right-of-use (ROU) assets and liabilities in the amount of $67,254 as of March 31, 2020 related to the lease. The ROU asset represents our right to use the asset for the lease term and the ROU liability represents our obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized based on the present value of lease payments utilizing an interest rate based on a collateralized loan with the same term as the related lease.

7. LONG-TERM DEBT, DEBENTURES AND LINES OF CREDIT

On November 12, 2015, we acquired certain commercial real estate from a related party that is an entity controlled by a stockholder and officer of the Company for $480,000 consisting of $75,000 of land costs and $405,000 of buildings and improvements. The purchase price was paid through the assumption by the Company of $265,000 of long-term bank indebtedness (which we refer to below as "Note") plus the issuance of 215 shares of the Company's newly designated Series A Preferred Stock. The purchase price also included the cost of specific security improvements requested by the lessee.

The Note is dated November 13, 2015 and has a principal amount of $265,000. Monthly payments under the Note are $1,962 including interest accruing at a rate of 5.95% per annum. The Note matures in June 2021 and is secured by the commercial real estate, guarantees by the Company and its real estate subsidiary and the personal guarantee of a stockholder who is also an officer of the Company.

In March 2016, we authorized the issuance of up to $1 million in principal amount of convertible promissory notes (which we refer to as the "Fixed Rate Convertible Notes"). The Fixed Rate Convertible Notes are secured by certain Company real estate holdings.

The 2016 Fixed Rate Convertible Notes mature on March 15, 2021, the fifth anniversary of the date of issuance and are convertible into shares of our common stock at a price of $0.015 per share. Interest accrues at a rate of 5% per annum and is payable semi-annually. The Company has the option to issue a notice of its intent to redeem, for cash, an amount equal to the sum of (a) 120% of the then outstanding principal balance, (b) accrued but unpaid interest and (c) all liquidated damages and other amounts due in respect of the Fixed Rate Convertible Notes. The Company may only issue the notice of its intent to redeem the Fixed Rate Convertible Notes if the trading average of the Company's common stock equals or exceeds 300% of the conversion price during each of the five business days immediately preceding the date of the notice of intent to redeem. Holders of Fixed Rate Convertible Notes have the right to convert all or any portion of the Fixed Rate Convertible Notes at the conversion price at any time prior to redemption.

During the year ended June 30, 2019, concurrent with the execution of the Exchange Agreement more fully described in Note 9, holders of $515,247 aggregate principal amount of the Company's 5% convertible promissory notes ("Notes"), including accrued interest, converted their Notes into 103,132,226 shares of Common Stock. During the nine month period ended March 31, 2020, $17,480 of Notes were converted by the holders into 1,165,314 shares of Common Stock. At March 31, 2020, there was one remaining 2016 Fixed Rate Convertible Note outstanding with principal and accrued interest of $61,037. This one remaining 2016 Fixed Rate Convertible Note (plus accrued interest) is convertible into our common stock at a conversion rate of $0.015 per share or 4,069,118 shares. During the nine month period ended March 31, 2020 and 2019, we paid-in-kind approximately $2,000 and $23,000, respectively, of interest on these convertible notes.

In August 2019, we authorized the issuance of up to $1.25 million in principal amount of new convertible promissory notes (which we refer to as the "2019 Fixed Rate Convertible Notes"). The 2019 Fixed Rate Convertible Notes are secured by certain Company real estate holdings. As of March 31, 2020, $832,000 of 2019 Fixed Rate Convertible Notes were outstanding.

The 2019 Fixed Rate Convertible Notes mature on the fifth anniversary of the date of issuance and are convertible into shares of our common stock at a price of $0.015 per share and include 25% warrant coverage at $0.01 per share (which we refer to as the "2019 Warrants"). Interest accrues at a rate of 7% per annum and is payable semi-annually. The Company has the option to issue a notice of its intent to redeem, for cash, an amount equal to the sum of (a) 120% of the then outstanding principal balance, (b) accrued but unpaid interest and (c) all liquidated damages and other amounts due in respect of the 2019 Fixed Rate Convertible Notes. The Company may only issue the notice of its intent to redeem the 2019 Fixed Rate Convertible Notes if the trading average of the Company's common stock equals or exceeds 300% of the conversion price during each of the five business days immediately preceding the date of the notice of intent to redeem. The holder of the 2019 Fixed Rate Convertible Notes has the right to convert all or any portion of the 2019 Fixed Rate Convertible Notes at the conversion price at any time prior to redemption.

As of June 30, 2019, we had $256,500 of previously issued variable rate convertible notes outstanding ("Variable Rate Convertible Notes"). During the nine months ended March 31, 2020, we also issued $1,078,862 of convertible notes to third parties with variable conversion rates ("2019 Variable Rate Convertible Notes"). The 2019 Variable Rate Convertible Notes mature at various dates between September 2020 and June 2021. We received approximately, net of financing costs incurred, $960,000 in cash from the issuance of these notes. These 2019 Variable Rate Convertible Notes have interest accruing at rates ranging between 10% - 12%. These notes issued to third parties have a variable conversion rate based on the price of the Company's common stock. None of the 2019 Variable Rate Convertible Notes have been converted into shares of common stock.

During the nine months ended March 31, 2020, we repaid $458,375 of Variable Rate Convertible Notes and 2019 Variable Rate Convertible Notes. Upon the retirement of these notes, the Company may also have to pay a prepayment amount in excess of the outstanding balance of principal and accrued interest. Such prepayment amounts totaled $129,338 for the nine months ended March 31, 2020 and have been recorded as a loss on extinguishment of debt in the accompanying consolidated statements of operations. $56,775 of these payments occurred during the six months ended December 31, 2019 and was previously recorded as interest expense; such amounts were reclassified to loss on extinguishment of debt in the quarter ended March 31, 2020. In the quarter ended September 30, 2019, we recognized a gain of $44,527 on the extinguishment of certain fixed rate convertible notes.

At March 31, 2020, $835,737 of the 2019 Variable Rate Convertible Notes were convertible into common stock beginning in the quarter ending June 30, 2020. Subsequent to March 31, 2020, we repaid outstanding principal amount of $335,000, plus accrued interest and prepayment penalties, under these 2019 Variable Rate Convertible Notes.

Certain of the 2019 Variable Rate Convertible Notes have maturity dates prior to March 31, 2021 and could be classified as a current liability. However, it is the Company's expectation that we will either re-finance these convertible notes to longer terms, pay off such amounts with the proceeds of long-term financing, or permit a limited amount of conversions. Therefore, we have classified these notes as noncurrent. If we do not re-finance these convertible notes to longer terms, however, the holders of the convertible notes have the option to convert these notes into equity or hold the convertible notes to maturity.

During the year ended June 30, 2019, we issued $29,250 of convertible notes to our majority stockholder in exchange for 7,450,000 shares of our common stock.

In February 2018, we obtained a $100,000 line of credit from a bank. The line of credit was collateralized by a $100,000 certificate of deposit at the bank. The interest rate on the line of credit was 7.0% per annum. During the quarter ended March 31, 2020, proceeds from the certificate of deposit were used to repay the outstanding balance under the line of credit plus accrued interest.

On March 12, 2019, we obtained a $180,000 real estate loan from a financial institution. The note matured on April 1, 2020 and was extended to August 1, 2020. This real estate note is secured by certain real estate property and the personal guarantee of an officer and director of the Company. Interest only is payable monthly and accrues at an interest rate of 12%.

Beginning in the quarter ended June 30, 2019, we entered into a series of credit financing arrangements from financing institutions by pledging future accounts receivable. The proceeds from these credit agreements were used to pay the initial amount due under the Schreiber settlement agreement. As of June 30, 2019, we had drawn approximately $153,000 under these agreements. During the nine month period ended March 31, 2020, additional draws of approximately $116,000 occurred and payments of approximately $76,000 were made. As of March 31, 2020, approximately $174,000 remained outstanding on these loans.

8. COMMITMENTS AND CONTINGENCIES

Schreiber Litigation

On January 31, 2017, the Company and Beechwood Properties, LLC ("Beechwood") filed suit against Daniel J. Schreiber ("Mr. Schreiber") and the Daniel J. Schreiber Living Trust – Dtd 2/08/95 ("Schreiber Trust") in the United States District Court for the Eastern District of Louisiana (the "Louisiana Court") under Civil Action No. 2:2017cv819-B(3) (the "Louisiana Lawsuit").

Mr. Schreiber and the Schreiber Trust answered the Louisiana Lawsuit and counter-claimed against the Company and Beechwood and made additional claims against Mr. G. Darcy Klug ("Mr. Klug") in the Louisiana Lawsuit. Mr. Klug is an officer and director of RedHawk and is sole owner of Beechwood. Mr. Klug also holds voting control of RedHawk.

On April 24, 2017, Mr. Schreiber and the Schreiber Trust also filed suit against the Company, Mr. Klug and six (6) other defendants in the United States District Court for the Southern District of California under Civil Action No. 3:17-cv-00824-WQH-BLM which case was dismissed without prejudice on September 26, 2017 (the "California Lawsuit" and along with the Louisiana Lawsuit, the "Litigations").

On March 22, 2019, the parties to the Litigations have entered into a Settlement Agreement and General Release ("Settlement Agreement") to resolve all issues arising out of the subject matter of the Litigation.

In consideration of the mutual promises, covenants and conditions contained in the Settlement Agreement, the parties to the Litigation agreed that (i) Mr. Schreiber and the Schreiber Trust shall transfer all Company stock they presently own (52,377,108 common shares) to the Company and (ii) the Company shall (a) make to Mr. Schreiber and the Schreiber Trust a cash payment of Two Hundred Fifty Thousand and 00/100 Dollars (US$250,000.00) and (b) issue two Promissory Notes, each in the principal amount of Two Hundred Thousand and 00/100 Dollars (US$200,000.00), one of which shall be due and payable on or before September 6, 2020 and the other shall be due and payable on or before September 5, 2021. As a result of this Settlement Agreement, we have recorded a loss of $471,880 in the year ended June 30, 2019.

Each Promissory Note shall be non-interest bearing, however each (i) shall bear a $15,000 late penalty if the principal amount is not repaid by the due date and (ii) shall bear interest at a rate of 18% per annum, from the issue date, if the principal is not repaid by the 30th date after the due date.

Pursuant to a Security Agreement between the parties, Mr. Klug and Beechwood secured the Company's obligations to the Schreiber Trust under the Settlement Agreement by granting first-priority security interests in (i) 1,000 shares of Mr. Klug's Series B Preferred Company Stock; and 1,473 shares of Mr. Klug's Series A Preferred Company Stock, and (ii) Beechwood's interest in the Tower Hotels Fund 2014, LLC.

On October 11, 2019, Mr. Schreiber and the Schreiber Trust filed a Motion to Enforce Settlement Agreement (the "Motion") with the Louisiana Court alleging that the Company has failed to comply with its obligations under the Settlement Agreement by selling stock for cash subsequent to the parties entering into the Settlement Agreement. The Motion seeks to accelerate the amounts owed to Mr. Schreiber and the Schreiber Trust under the Settlement Agreement as well as attorneys' fees. The Company believes the Motion is without merit and intends to vigorously defend against the Motion.

Consultant Agreement

On July 19, 2019 (the "Effective Date"), RedHawk Holdings Corp. (the "Company") and its wholly-owned subsidiary, RedHawk Medical Products & Services, along with other affiliated entities, entered into a Consultant Agreement ("Agreement") with Drew Pinsky, Inc ("DPI") f/s/o Dr. Drew Pinsky ("Consultant"), for Consultant to be the exclusive spokesperson for the Company's Sharps Needle and Destruction Device ("*SAN*DD") mini™, *SAN*DD Pro™ and any related products and/or accessories ("Products") for an initial period of two (2) years ("Initial Period"), under the terms and conditions described in the Agreement. At the end of the Initial Period, there shall be an automatic, immediately consecutive two (2) year extension period unless DPI, within 60 days of the expiration of the Initial Period, provides written notice of its intention not to extend the Agreement.

Under the Agreement, the Company will pay DPI a royalty equal to 3% of the "Net Sales", as defined in the Agreement, of the Products but in no event will the royalty be less than $3.50 per *SAN*DD mini™ unit sold and $13.50 per *SAN*DD Pro™ unit sold.

Pursuant to the Agreement, the Company agreed to issue to the Consultant 68,700,000 shares of the Company's common stock, which is equal to approximately 5% of the Company's outstanding common stock on a fully diluted basis as of the Effective Date. Further, the Company has agreed to issue to the Consultant, one year after the Effective Date, an additional 68,700,000 shares of the Company's common stock, unless DPI has provided the Company with written notice of its intention not to extend the Initial Period. As of the date of this Quarterly Report on Form 10-Q, the Company has not yet issued any of the shares pursuant to the Agreement.

9. STOCKHOLDERS' EQUITY

On August 20, 2018, by a vote of the majority of our stockholders, we increased the number of our authorized common shares from 1,000,000,000 to 2,000,000,000.

Preferred Stock

Pursuant to a certificate of designation filed with the Secretary of State of the State of Nevada, effective November 12, 2015, 2,750 shares of our authorized Preferred Stock have been designated as Series A 5% Convertible Preferred Stock, originally with a $1,000 stated value (which we refer to as "Series A Preferred Stock"). The holders of the Series A Preferred Stock are entitled to receive cumulative dividends at a rate of 5% per annum, payable quarterly in cash, or at the Company's option, such dividends shall be accreted to, and increase, the stated value of the issued Series A Preferred Stock (which we refer to as "PIK"). Holders of the Series A Preferred Stock are entitled to votes on all matters submitted to stockholders at a rate of ten votes for each share of common stock into which the Series A Preferred Stock may be converted. After six months from issuance, each share of Series A Preferred Stock is convertible, at the option of the holder, into the number of shares of common stock equal to the quotient of the stated value, as adjusted for PIK dividends, by $0.015, as adjusted for stock splits and dividends.

Pursuant to a certificate of designation filed with the Secretary of State of the State of Nevada, effective February 16, 2016, 1,250 shares of our authorized Preferred Stock have been designated as Series B 5% Convertible Preferred Stock, originally with a $1,000 stated value (which we refer to as "Series B Preferred Stock"). The holders of the Series B Preferred Stock are entitled to receive cumulative dividends at a rate of 5% per annum, payable quarterly in cash, or at the Company's option, such dividends shall be accreted to, and increase, the stated value of the issued Series B Preferred Stock (which we refer to as "PIK"). Holders of the Series B Preferred Stock are entitled to votes on all matters submitted to stockholders at a rate of ten votes for each share of common stock into which the Series B Preferred Stock may be converted. After six months from issuance, each share of Series B Preferred Stock is convertible, at the option of the holder, into the number of shares of common stock equal to the quotient of the stated value, as adjusted for PIK dividends, by $0.01, as adjusted for stock splits and dividends.

During the nine months ended March 31, 2020 and 2019, we paid-in-kind $114,859 and $116,466, respectively, of related preferred stock dividends.

Exchange Agreement

On June 20, 2019, RedHawk Holdings Corp. entered into a Stock Exchange Agreement ("Exchange Agreement") with Beechwood. G. Darcy Klug, the Company's Chairman of the Board, Interim Chief Executive Officer and Chief Financial Officer, is the sole member and manager of Beechwood. Under the Exchange Agreement, the Company purchased from Beechwood 113,700,000 shares of the Company's common stock, $0.001 par value per share ("Common Stock"), in exchange for 1,277 shares of the Company's 5% Series A Preferred Stock and a Stock Purchase Warrant ("Warrant") to acquire 113,508,450 shares of Common Stock at an exercise price of $0.005 per share (collectively, the "Transactions"). The Warrant expires June 20, 2029.

Concurrent with the execution of the Exchange Agreement, holders of $580,108 aggregate principal amount of the Company's 5% convertible promissory notes ("Notes"), including accrued interest, were offered and converted their Notes into 116,021,700 shares of Common Stock at a conversion price of $0.005 per share. The extinguishment of the notes and the related accrued interest for the shares of common stock resulted in a gain on extinguishment of approximately $419,000 based on the closing price of the common stock as of the exchange date.

Holders of the Series A Preferred Stock are entitled to receive cumulative dividends at a rate of 5% per annum, payable quarterly in cash, or at the Company's option, such dividends shall be accreted to, and increase, the stated value of the issued Series A Preferred Stock ("PIK dividends"). Holders of the Series A Preferred Stock are entitled to votes on all matters submitted to stockholders at a rate of ten votes for each share of common stock into which the Series A Preferred Stock may be converted. After six months from issuance, each share of Series A Preferred Stock is convertible, at the option of the holder, into the number of shares of Common Stock equal to the quotient of the stated value, as adjusted for PIK dividends, by $0.015, as adjusted for stock splits and dividends.

Warrants

In conjunction with the Exchange Agreement, Beechwood was issued 113,508,450 warrants to purchase the Company's common stock at a price of $0.005 per share. The warrants expire in June 2029 and are assignable.

In conjunction with the 2019 Fixed Rate Convertible Notes, the holders of the 2019 Fixed Rate Convertible Notes were issued 20,800,000 warrants to purchase the Company's common stock at a price of $0.01 per share. The warrants expire ten years from the date of issuance.

10. INCOME TAXES

The Company has not filed its tax returns for the years ended June 30, 2019 and 2018. As of June 30, 2019, the Company had approximately $5 million of U.S. net operating losses (NOLs) carried forward to offset taxable income in future years. Approximately $4 million of this NOL will expire commencing in fiscal 2026 and run through 2038. The NOLs of approximately $1 million from the year ended June 30, 2019 has an indefinite carryforward period. As a result of the numerous common stock transactions that have occurred, the amount of these NOLs which is actually available to offset future income may be severely limited due to change-in-control tax provisions. The Company has not estimated the effect of such change-in-control limitation. The related deferred income tax asset of these NOLs, without consideration of any change-of-control limitation, was estimated to be approximately $750,000 as of June 30, 2019. As a result of the enactment of the Tax Cuts and Jobs Act (The Act) in December 31, 2017, the estimated deferred income tax asset related to U.S. NOL carry forwards is based on the reduced 21% corporate income tax rate. Due to our history of operating losses and the uncertainty surrounding the realization of the deferred tax assets in future years, our management has determined that it is more likely than not that the deferred tax assets will not be realized in future periods. Accordingly, the Company has recorded a 100% valuation allowance against its net deferred tax assets. Thus, there is no net tax asset recorded as of March 31, 2020 or June 30, 2019. Similarly, there is no income tax benefit recorded on the net loss of the Company for the periods ended March 31, 2020 and 2019.

11. SEGMENT INFORMATION

SFAS No. 131, *"Disclosures About Segments of an Enterprise and Related Information,"* requires that companies disclose segment data based on how management makes decisions about allocating resources to segments and measuring their performance. Currently, we conduct our businesses in three operating segments – Land & Hospitality, Medical Device and Pharmaceutical, and Other Services. Our Land & Hospitality and Other Services business units operate in the United States. Our Medical Device and Pharmaceutical business unit currently operates primarily in the United States and the United Kingdom. All remaining assets, primarily our corporate offices and investment portfolio, are located in the United States. The segment classified as Corporate includes corporate operating activities that support the executive offices, capital structure and costs of being a public registrant. These costs are not allocated to the operating segments when determining profit or loss. The following table reflects our segments as of March 31, 2020 and 2019 and for the nine months and three months then ended.

Nine months ended March 31, 2020	LAND & HOSPITALITY	MEDICAL DEVICE & PHARMA	OTHER SERVICES	CORPORATE	TOTAL
Operating revenues	$ 41,452	$ 176,537	$ —	$ —	$ 217,989
Operating loss	$ (15,145)	$ (248,760)	$ (160)	$ (554,246)	$ (818,311)
Interest expense	$ 35,452	$ 627	$ —	$ 243,159	$ 279,238
Depreciation and amortization	$ 23,500	$ 39,875	$ —	$ —	$ 63,375
Identifiable assets	$ 903,403	$ 607,928	$ 77,814	$ 1,090,906	$ 2,680,051

Nine months ended March 31, 2019	LAND & HOSPITALITY	MEDICAL DEVICE & PHARMA	OTHER SERVICES	CORPORATE	TOTAL
Operating revenues	$ 34,759	$ 134,317	$ —	$ —	$ 169,076
Operating income (loss)	$ (11,097)	$ (100,660)	$ (201)	$ (343,073)	$ (455,031)
Interest expense	$ 12,526	$ 10	$ —	$ 143,178	$ 155,714
Depreciation and amortization	$ 23,500	$ 56,859	$ —	$ —	$ 80,359
Identifiable assets	$ 937,294	$ 693,185	$ —	$ 630,977	$ 2,261,456

Three months ended March 31, 2020	LAND & HOSPITALITY	MEDICAL DEVICE & PHARMA	OTHER SERVICES	CORPORATE	TOTAL
Operating revenues	$ 14,849	$ 133,825	$ —	$ —	$ 148,674
Operating income (loss)	$ 831	$ (51,151)	$ (85)	$ (164,041)	$ (214,446)
Interest expense	$ 8,883	$ 310	$ —	$ 58,530	$ 67,723
Depreciation and amortization	$ 7,833	$ 13,625	$ —	$ —	$ 21,458

Three months ended March 31, 2019	LAND & HOSPITALITY	MEDICAL DEVICE & PHARMA	OTHER SERVICES	CORPORATE	TOTAL
Operating revenues	$ 10,250	$ 63,306	$ —	$ —	$ 73,556
Operating income (loss)	$ (8,894)	$ (15,899)	$ —	$ (109,410)	$ (134,203)
Interest expense (income)	$ 4,789	$ 10	$ —	$ (20,705)	$ (25,504)
Depreciation and amortization	$ 7,833	$ 11,375	$ —	$ —	$ 19,208

12. SUBSEQUENT EVENTS

The Company evaluated events occurring after March 31, 2020, and through the date the consolidated financial statements were issued, June 29, 2020 and concluded there were no events or transactions that would require recognition or disclosure in these financial statements, except for the following:

- In December 2019, a novel strain of coronavirus was reported to have surfaced in Wuhan, China, which has and is continuing to spread throughout the world, including the United States. On March 11, 2020 the World Health Organization characterized the spread of the coronavirus disease ("COVID-19") as a "pandemic". The significant reach of COVID-19 has resulted in a widespread public health issue that has and will likely continue to affect the economies worldwide, and could adversely affect our business, results of operations and financial condition, including a decrease in demand for our medical devices. Specifically, demand for our newly released *SAN*DD Pro™ may be delayed, postponed or cancelled until hospitals, clinics and physicians resume normal operations. In addition, the operations of our real estate investment in Hawaii has also been adversely affected. As a result of the pandemic, we expanded our medical sales efforts to include personal protective equipment (PPE) in the quarter ending June 30, 2020. The ultimate extent of the impact of COVID-19 on our business and future financial condition, results of operations and cash flows will depend on future developments, which are highly uncertain and cannot be predicted at this time.

- Subsequent to March 31, 2020, we repaid in full two 2019 Variable Rate Convertible Notes in the principal amount of $335,000 plus accrued interest. There was a prepayment penalty paid with the repayment in the amount of approximately $19,500. Also, as a result of the full payment, 20,434,782 shares of common stock previously issued as collateral for one of these notes were returned to the Company.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This Management's Discussion and Analysis of Financial Condition and Results of Operations contains forward-looking statements. Forward-looking statements are all statements other than statements of historical facts. The words "may," "can," "will," "should," "plans," "believes," "estimates," "expects," "projects," "targets," "intends," "potential," "proposed," and any similar expressions are intended to identify those assertions as forward-looking statements. Investors are cautioned that forward-looking statements are predictions and are inherently uncertain. Actual performance and results may differ materially from that projected or suggested herein due to certain risks and uncertainties. In evaluating forward-looking statements, you should consider the various factors which may cause actual results to differ materially from any forward-looking statements, including the risks below and those listed in the "Risk Factors" section of our latest 10-K report:

- The ultimate extent of the impact of COVID-19 on our business and future financial condition, results of operations and cash flows will depend on future developments, which are highly uncertain and cannot be predicted at this time.
- Changes in the effects of the significant level of competition that exists in the medical device distribution industry, or our inability to attract customers for other reasons.
- The unexpected cost of regulation applicable to our industry, and the possibility of future additional regulation.
- Our lack of adequate insurance coverage in the event we incur an unexpected liability.
- Our lack of a proven operating history and the possibility of future losses that are greater than we currently anticipate.
- The possibility that we may not be able to generate revenues or access other financing sources necessary to operate our business.
- Our inability to attract necessary personnel to run and market our business.
- The volatility of our stock price.
- Changes in the market prices for our products, or our failure to perform or renew the distribution agreement for our products.
- Our failure to execute our growth strategy or enter into other lines of business that we may identify as potentially profitable for our company.
- Changes in economic and business conditions.
- The outcome of pending or future litigation.
- Changes in accounting policies and practices we may voluntarily adopt or that we may be required to adopt under generally accepted accounting principles in the United States.

Although we believe that the exceptions reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance or achievements. New risks and uncertainties arise over time, and it is not possible for us to predict the occurrence of those matters or the manner in which they may affect us. Except as required by law, we are not obligated to, and do not intend to, update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. Therefore, you should not rely on these forward-looking statements as of any date subsequent to the date of this Quarterly Report on Form 10-Q.

Overview

RedHawk Holdings Corp. was incorporated in the State of Nevada on November 30, 2005 under the name "Oliver Creek Resources Inc." Effective August 12, 2008, we changed our name from "Oliver Creek Resources Inc." to "Independence Energy Corp." Effective October 13, 2015, by vote of a majority of our stockholders, our name was changed from "Independence Energy Corp." to "RedHawk Holdings Corp."

We are a diversified holding company which, through our subsidiaries, is engaged in sales and distribution of medical devices, sales of branded generic pharmaceutical drugs, commercial real estate investment and leasing, sales of point of entry full-body security systems, and specialized financial services. Through our medical products business unit, we sell WoundClot Surgical - Advanced Bleeding Control, the SANDD™ Insulin Needle Destruction Unit (formerly known as the Disintegrator™), the Carotid Artery Digital Non-Contact Thermometer. Through our United Kingdom based subsidiary, we manufacture and market branded generic pharmaceuticals, certain other generic pharmaceuticals known as "specials" and certain pharmaceuticals outside of the United Kingdom's National Health Service drug tariff referred to as NP8's. Centri Security Systems LLC, a wholly-owned subsidiary of the Company, holds the exclusive U.S. manufacturing and distribution rights for the Centri Controlled Entry System, a unique, closed cabinet, nominal dose transmission full body x-ray scanner. Our real estate leasing revenues are generated from commercial properties under lease. Additionally, the Company's real estate investment unit holds limited liability company interests in a commercial restoration project in Hawaii.

Recent Developments

In December 2019, a novel strain of coronavirus was reported to have surfaced in Wuhan, China, which has and is continuing to spread throughout the world, including the United States. On March 11, 2020 the World Health Organization characterized the spread of COVID-19 as a "pandemic". The significant reach of COVID-19 has resulted in a widespread public health issue that has and will likely continue to affect the economies worldwide, and could adversely affect our business, results of operations and financial condition, including a decrease in demand for our medical devices. Specifically, demand for our newly released *SAN*DD Pro™ may be delayed, postponed or cancelled until hospitals, clinics and physicians resume normal operations. In addition, the operations of our real estate investment in Hawaii has also been adversely affected. As a result of the pandemic, we expanded our medical sales efforts to include personal protective equipment (PPE) in the quarter ending June 30, 2020. The ultimate extent of the impact of COVID-19 on our business and future financial condition, results of operations and cash flows will depend on future developments, which are highly uncertain and cannot be predicted at this time.

Working Capital

	March 31, 2020	June 30, 2019
Current Assets	$ 734,231	$ 405,685
Current Liabilities	$ 1,725,628	$ 1,474,348
Working Capital (Deficit)	$ (991,397)	$ (1,068,663)

RESULTS OF OPERATIONS

Operating Revenues

We commenced operations in our commercial real estate leasing business units in 2015. On December 31, 2015, our medical device business unit completed the acquisition of certain specialized tangible and intangible medical devices. On March 23, 2016, RedHawk Pharma UK Ltd acquired a 25% equity interest in EcoGen Europe Ltd, a United Kingdom based distributor of branded generic pharmaceuticals. During the quarter ended December 31, 2017, we increased our ownership in EcoGen to 100%. Sales efforts for our medical devices and branded generic pharmaceuticals commenced during the quarter ending September 30, 2016. We changed our revenue focus from branded generic pharmaceutical sales in the United Kingdom to more profitable medical device sales in the United States. The Company sells its smaller needle incineration device (SANDD mini) primarily to consumers, school nurses and law enforcement agencies. During the quarter ended March 31, 2020, the Company expanded its portfolio of medical products offered to consumers including digital non-contact thermometers, protective face masks, surgical masks and UV lights.

For the nine month period ended March 31, 2020, revenues from sales of our medical devices, branded generic pharmaceutical products and rentals of our commercial properties totaled $217,989 (net of introductory and distributor discounts totaling $95,508) as compared to revenues of $169,076 (net of introductory discounts of $39,995) for the comparable nine month period ended March 31, 2019.

During the three and nine month periods ended March 31, 2020, the Company's revenues were principally from sale of the Company's needle incineration devices and certain newly offered PPE whereas revenues for the comparable three and nine month periods ended March 31, 2019 were principally from the Company's branded generic pharmaceuticals in the United Kingdom. During the 2019 fiscal year, the Company announced that it would shift its revenue focus away from the lower profit margin branded generic pharmaceuticals to its more profitable needle incineration medical devices. For the nine month period ended March 31, 2020 and 2019, our branded generic pharmaceutical sales totaled $0 and $71,792, respectively.

Gross profit margin from the sale of the Company's needle incineration devices approximates 69%; excluding introductory and distributor discounts the gross profit margin approximates 80%, as compared to approximately 27% from sales of the Company's branded generic pharmaceuticals. The gross profit margin in the three and nine month periods ended March 31, 2020 were affected by the introductory discounts provided to two new customers. The lower gross profit margins from the sale of the Company's branded generics pharmaceuticals resulted from lowering of posted drug tariff prices by the United Kingdom National Health Service. The change in the Company's revenue focus away from branded generic pharmaceuticals is expected to be temporary but will remain our revenue focus until tariff prices improve.

Revenues in the pharmaceutical business unit are expected to return as tariff prices improve, market acceptance of our products increases, and we continue to execute our business plan to expand marketing of our SANDD™ medical devices. Additionally, net profits are expected to improve as the Company's sales increase in our more profitable medical device sales and pharmaceutical sales become more weighted to its branded generics which have lower operating costs and require lower sales discounts than the discounts offered by the Company for its highly competitive "special" pharmaceuticals.

Operating Expenses and Loss from Continuing Operations

For the nine month period ended March 31, 2020, we reported a consolidated net loss of $1,210,112 on revenues of $217,989 as compared to a consolidated net loss of $997,245 on revenues of $169,076 for the comparable nine month period ended March 31, 2019. For the three month period ended March 31, 2020, we reported a consolidated net loss of $439,259 on revenues of $148,674 as compared to a consolidated net loss of $98,699 on revenues of $73,556 for the comparable three month period ended March 31, 2019. There were introductory and distributor discounts of $95,508 and $52,859 in the nine month and three month periods ended March 31, 2020, respectively. Introductory discounts for the nine and three month periods ended March 31, 2019 were $39,995 and $39,995, respectively.

The net loss for the nine month period ended March 31, 2020 includes approximately $118,004 of non-recurring professional services principally resulting from certain regulatory matters and contract preparation in connection with the Company's consulting agreement with Drew Pinsky, Inc. ("DPI") f/s/o Dr. Drew Pinsky ("Consultant"), regulatory filings in connection with the Company's obligation to issue equity to the Consultant under the consulting agreement and preparation of contractual documents in connection with the 2019 Fixed Rate Convertible Notes. Additionally, the nine and three month periods ended March 31, 2020 also includes approximately $113,768 and $40,153, respectively of marketing consulting fees incurred in connection with the consulting agreement with DPI, $70,389 and $18,014, respectively, of consulting fees principally related to the Company's new investor and public relations advisors, $65,710 and $12,500, respectively of auditor fees, $83,901 and $25,420, respectively, of non-recurring research and development costs incurred in connection with the re-design of the *SAN*DD Pro™, approximately $11,436 and $8,810, respectively, of higher costs associated with website and social media development, and $20,094 of additional marketing start-up costs associated with the launch of sales for the Company's needle incineration devices.

Liquidity and Capital Resources

As of March 31, 2020, we had cash of $99,246 compared with cash of $1,648 as of June 30, 2019. During the three month period ended March 31, 2020, we redeemed our certificate of deposit of $100,374 at June 30, 2019 and used the proceeds to repay the balance due on our line of credit.

During the nine months ended March 31, 2020, we issued in private offerings exempt from registration $1,078,862 of variable convertible notes (proceeds of approximately $960,000, net of financing costs). We also issued $832,000 of new fixed rate convertible notes (proceeds of approximately $797,000, net of financing costs). The proceeds from these debt financings were used to pay approximately $458,375, plus accrued interest and prepayment penalties, of variable interest convertible notes and provide working capital.

The Company is continuing to pursue the sale of its real estate holdings. Also refer to the *Going Concern* section of Note 1 to our unaudited consolidated financial statements.

Cash Flows

	Nine months ended March 31, 2020	Nine months ended March 31, 2019
Cash Flows (used in) Operating Activities	$ (1,205,950)	$ (520,292)
Cash Flows provided by Investing Activities	$ 94,774	$ 321,577
Cash Flows provided by Financing Activities	$ 1,239,472	$ 233,049
Net Change in Cash During Period	$ 97,598	$ 11,843

Cash Flow from Operating Activities

During the nine month period ended March 31, 2020, $1,205,950 of cash was used by our operating activities as compared to $520,292 used in our operating activities for the comparable nine month period ended March 31, 2019. Changes to our operating activities are sporadic and result from the early stage of implementation of our business strategies that are supported by capital raising activities. During the nine month period ended March 31, 2020, as we moved forward with the development and sales efforts of our needle incineration devices and expanded the portfolio of medical device products offered for sale, we expended cash on inventory and made prepayments for additional inventory, and had increase cash outlays on sales and marketing, research and development, professional fees, operating costs (including insurance), and administrative costs. We also paid interest of $229,867 in the nine month period. These added cash outlays increased our cash used in operating activities.

Cash Flows from Investing Activities

During the nine month period ended March 31, 2019, we received approximately $370,000 in distributions from our limited liability real estate investment in Hawaii. This was partially offset by the deposit made in connection with the acquisition of a license. In the nine months ended March 31, 2020, we cashed in our certificate of deposit and used the proceeds to pay the related line of credit.

Cash Flows from Financing Activities

During the nine month period ended March 31, 2020, we received net proceeds, after financing costs incurred, of approximately $960,000 from the issuance of 2019 Variable Rate Convertible Notes and approximately $797,000 from the issuance and sale of the 2019 Fixed Rate Convertible Notes. The proceeds received were used to pay certain variable interest notes and provide working capital.

Going Concern

We continue to incur operating losses and use cash in our operating activities and are dependent upon asset sales, obtaining third party financing or shareholder loans to pursue any acquisitions and continue our operating activities. For these reasons, there is substantial doubt that we will be able to continue as a going concern without further financing. Also refer to the *Going Concern* section of Note 1 to our unaudited consolidated financial statements.

Off-Balance Sheet Arrangements

We have no significant off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that are material to stockholders.

Future Financings

We will continue to rely on financial support from our stockholders and our ability to raise equity capital or debt financing in order to continue to fund our business operations. Issuances of additional shares and debt instruments convertible into shares of our stock will result in dilution to existing stockholders. Additional funding may not be available to us on a timely basis or at acceptable terms, if at all. There is no assurance that we will achieve any additional sales of the equity securities or arrange for debt or other financing to fund our operations and other activities.

Use of Estimates and Critical Accounting Policies

Our consolidated financial statements and accompanying notes have been prepared in accordance with GAAP applied on a consistent basis. The preparation of financial statements in conformity with GAAP requires our management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods.

We regularly evaluate the accounting policies and estimates that we use to prepare our financial statements. A summary of these policies is included in the notes to our financial statements. In general, our management's estimates are based on historical experience, information from third party professionals, and various other assumptions that are believed to be reasonable under the facts and circumstances. Actual results could differ from those estimates made by management.

Recently Issued Accounting Pronouncements

We have implemented all new accounting pronouncements that are in effect and applicable to us. These pronouncements did not have any material impact on the financial statements unless otherwise disclosed, and we do not believe that there are any other new accounting pronouncements that have been issued that might have a material impact on our financial position or results of operations

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

As a smaller reporting company, we are not required to provide the information under this item.

ITEM 4. CONTROLS AND PROCEDURES.

Management's Report on Disclosure Controls and Procedures

The Company maintains disclosure controls and procedures that are designed to ensure that information required to be disclosed in the Company's reports filed under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer to allow for timely decisions regarding required disclosure.

As of the end of the quarter covered by this Quarterly Report on Form 10-Q, we carried out an evaluation of the effectiveness of the design and operation of the Company's disclosure controls and procedures. Based on the foregoing, our Chief Executive Officer and Chief Financial Officer concluded, in light of material weaknesses in our internal controls, that the Company's disclosure controls and procedures were not effective as of the end of the period covered by this Quarterly Report on Form 10-Q. The Company has a limited number of employees and, as such, segregation of duties surrounding certain processes are not adequately maintained, including over cash receipts and disbursements. This also means there is limited review of accounting and financial reporting conclusions made by the Company's chief financial officer.

Changes in Internal Control Over Financial Reporting

During the nine month period ended March 31, 2020, our board of directors established the following remediation measures to address certain material weaknesses disclosed in our Annual Report on Form 10-K for the fiscal year ended June 30, 2019:

- We engaged additional personnel to assist with the preparation and review of the Company's monthly financial reporting, and to appropriately segregate duties, including those related to cash transactions.

Except as indicated above, during the period covered by this Quarterly Report on Form 10-Q, there were no other changes in the Company's internal control over financial reporting that materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS.

Please see Note 8 to the unaudited consolidated financial statements included in Item 1 of this Quarterly Report on Form 10-Q for a summary of legal proceedings and developments during the quarter ended March 31, 2020, including a summary of the Motion to Enforce Settlement Agreement that was filed against the Company by Daniel J. Schreiber and the Daniel J. Schreiber Living Trust – Dtd 2/08/95 in the United States District Court for the Eastern District of Louisiana on October 11, 2019.

ITEM 1A. RISK FACTORS.

As a smaller reporting company, we are not required to provide the information under this item.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS.

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES.

None.

ITEM 4. MINE SAFETY DISCLOSURES.

Not applicable.

ITEM 5. OTHER INFORMATION.

None.

ITEM 6. EXHIBITS.

The following exhibits are either filed herewith or incorporated herein by reference:

Exhibit Number	Description of Exhibit
3.01	Amended and Restated Articles of Incorporation (incorporated by reference to Exhibit 3.1 to our Current Report on Form 8-K filed on July 26, 2019)
3.02	Bylaws (incorporated by reference to Exhibit 3.2 to our Registration Statement on Form SB-2 filed on March 7, 2006)
3.03	Certificate of Designation filed on November 12, 2015 (Incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K filed on November 19, 2015).
3.04	Certificate of Designation filed on February 16, 2016 (Incorporated by reference to Exhibit 3.1 to our Current Report on Form 8-K filed on January 5, 2016).
10.1*	Office Lease, dated January 13, 2020, by and between the Company and 100 Petroleum Drive, LLC.
31.1*	Certification of the Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of the Principal Financial Officer and Principal Accounting Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1**	Certification of the Principal Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2**	Certification of the Principal Financial Officer and Principal Accounting Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
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 Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

* Filed herewith.

** The Certifications attached as Exhibits 32.1 and 32.2 that accompany this Quarterly Report on Form 10-Q are not deemed filed with the Securities and Exchange Commission and are not to be incorporated by reference into any filing of RedHawk Holdings Corp., irrespective of any general incorporation language contained in such filing.

SIGNATURES

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

REDHAWK HOLDINGS CORP.

(Registrant)

Dated: June 29, 2020

/s/ G. Darcy Klug
G. Darcy Klug
Chief Financial Officer and Director
(Principal Financial Officer and Principal Accounting Officer)

EX-10.1 2 g081980_ex10-1.htm EXHIBIT 10.1

Exhibit 10.1

100 PETROLEUM DRIVE OFFICE BUILDING LEASE AGREEMENT

PARTIES: THIS LEASE, dated the 13th day of January 2020 is entered into by and between

100 PETROLEUM DRIVE, LLC, having a permanent mailing address of 100 Petroleum Drive, Lafayette, LA 70508, represented by Micah Vidrine, its authorized representative (hereinafter referred to as "Lessor"), and Redhawk Holdings Corp., represented by G. Darcy Klug, its Chairman and Interim Chief Executive Officer, whose principal place of business and a permanent mailing address of 100 Petroleum Drive, Lafayette, LA 70508 (hereinafter referred to as "Lessee" or Tenants").

WITNESSETH:

In consideration of the rental and the mutual covenants stated herein, Lessor leases to Lessee and Lessee leases from Lessor, on the terms and conditions herein, the premises, described more particularly as follows:

> Approximately **1,640** square feet of "net rentable area" (which term is defined as the gross rental area less all common areas), located on the 2nd floor as designated on the attached illustration (hereinafter referred to as the leased Premises") of 100 Petroleum Drive (the "Building"), situated in the City of Lafayette, State of Louisiana. The Lessee and Lessor also agree that the Common Area percentage in the Building is calculated at 13.41% yielding a "Gross Rentable Area" of 1,640 square feet or approximately 7 .193% of the 22,800 rentable square feet in the Leased Premise (the "Total Rentable Area"), which is also used to calculate the Expense Stop Reimbursement.

TERM: The term of this Lease shall be for a period of thirty-six months, commencing on April 1, 2020 (the "Commencement Date") and ending March 31, 2023 (the Termination Date").

BASE RENT:
A) This lease is made for and in consideration of payment of a yearly rental of fifteen dollars and seventy-five cents ($15. 75) per square foot of gross rentable per year (the "Base Rent") in the annual amount of $25,830.00 (Twenty-five thousand eight hundred thirty dollars) payable in the amount of $2,152.50 (Two thousand one hundred fifty-two dollars and fifty cents) per month ("Monthly Base Rent") as calculated based on the Gross Rentable Area. Lessee acknowledges that the Lease Premises includes a proration of the areas contained within the Leased Premises not specifically leased or held for lease by Lessor including the lobbies, foyers, corridors, restrooms and all other areas of the Building available for non-exclusive use by Tenants of Building and machine rooms, mechanical rooms, electrical rooms, telephone and equipment rooms, janitor rooms and other similar facilities ("Common Areas"). Rent is due and payable to the Lessor, on the first day of each month in advance, without prior notice or demand, at 100 Petroleum Drive, Lafayette, Louisiana, or at such other address as Lessor or its assignee may from time to time designate. B) In addition to the Base Rent, Lessee will also pay the Lessee's proportionate share of the Actual Operating Expenses incurred in the operation of the 100 Petroleum Drive Building, which is the subject of this lease above the Base Period Operating Expenses set at five dollars and 90/100 dollars ($5.90) per square foot per year (the "Expense Stop"). It is agreed that the calculation for the reimbursement by the Lessee to the Lessor will be as follows: Lessee Gross Rental Area as the numerator, divided by twenty-two thousand eight hundred (22,800), as the denominator times the Operating Expenses for the twelve month period ending October 31, 2019 (and annually thereafter) less the Expense Stop. Any rental year that does not include a full fiscal year from November 1 through October 31, will be prorated. The increase in rent due to the reimbursement of Actual Operating Expense overages above the Expense Stop will be billed annually to Lessee by November 30 and is due and payable within 30 days. The Base Period Operating Expenses are $5.90 per square foot. Operating Expenses are defined to include the following: wages and salaries of all employees in direct operation of and maintenance of the Building; cost of leasing or purchasing all supplies, tools, equipment and materials for operation of the Building; all utilities, including water, garbage pickup, power, sewage, heating, lighting, air conditioning, cost of maintenance including, janitorial, security, equipment leasing, energy management, landscape and lawn maintenance, alarm service, window cleaning, elevator maintenance, air condition/ventilation system maintenance; all insurance for the Building; all taxes paid or incurred (including ad valorem taxes) and governmental assessments; franchise taxes; cost of repairs and general maintenance; legal and accounting expenses; fees for management services provided by an independent management service; costs to comply with federal, state or local codes or ordinances; amortization of cost of equipment and installation of investment items installed primarily for the purpose of reducing operating costs or required by governmental authority; replacement of lamps and bulbs; and other reasonable operating expensed customarily incurred in the operation of the Building.

PARKING AND ENTRY POINT: Lessor will make available parking on a first-come first- served basis for Lessee in the Building's South and East parking lots. Lessee, its employees, agents, clients and guests shall have unrestricted access to the building through the doors leading to the South and North parking lots.

ADDITIONAL COST PUE TO OPERATION BEYOND THE NORMAL BUILDING HOURS: Should Lessee need its operations beyond the Normal Building Operating Hours of 7:00 a.m. to 7:00 p.m. Monday through Friday and 7:00 a.m. to 1 :00 p.m. Saturday, the Lessee will pay to Lessor an extra rental fee for the additional utilities for said extra operations in excess of 66 hours per year. Said extra utilities will be determined by dividing the prior month's utilities by the Normal Building Operation Hours times the extra hours of operations by Lessee for the current month. This extra rent is due within thirty (30) days of submission of an invoice by Lessor. Any extra rent so charged and paid will offset any extra rent necessitated for the expense overage calculated under Paragraph 38 above.

DEPOSIT: Lessee will deposit with Lessor a security deposit the sum of $2, 152.50 at the signing of this Lease Agreement.

OCCUPANCY: Lessee agrees to take occupancy of the Leased Premises as of the Commencement Date. Lessor shall not be liable in any way for any injury, loss or damage which may occur to Lessee's equipment, furniture or supplies as a result of installations or storage prior to the Commencement Date, the same being solely at Lessee's risk. The Leased Premises and all of the fixtures and appurtenances thereunto belonging and appertaining, including glass, locks, keys and other fastenings, shall be delivered by Lessor and received and acknowledged by Lessee to be in good order and repair.

DELIVERY OF PREMISES: ALTERATIONS: Lessee acknowledges and agrees that all of said Tenant Improvements shall remain the property of Lessor. Lessee shall make no other installations, alterations, additions, or improvements in or to the Leased Premises without Lessor's prior written consent, and then at the sole expense of the Lessee and only by engineers, contractors or mechanics approved by Lessor, which consent and approval shall not be unreasonably withheld. In such event, all such alterations, additions and improvements shall become the property of Lessor upon expiration of the Lease. Lessee shall, before making any installations, alterations, additions or improvements, obtain all permits, approvals and certificates required by any governmental body or agency, and certificates of final approval thereof, and shall deliver promptly duplicates of all such permits, approvals and certificates to Lessor. Lessee agrees to carry, or cause Lessee's contractor and subcontractors to carry, such workmen's compensation, general liability, personal and property damage insurance as Lessor may require. Any lien filed against the Leased Premise s or Building for work claimed to have been done for, or for materials claimed to have been furnished to Lessee, shall be discharged by Lessee within thirty (30) days thereafter, at Lessee's expense. Failure to discharge any such lien could result in termination of the Lease if it appears to Lessor that Lessee lacks intention to discharge said lien. Lessee acknowledges that as of the Commencement Date, the Lessee has inspected the Leased Premises and is satisfied with the condition thereof.

TAXES: All ad valorem taxes assessed upon any and all Tenant improvements and upon any improvements made by Lessee, or on behalf of Lessee by the Lessor, within the Leased Premises shall be the sole responsibility of Lessor and shall be promptly paid by Lessor. All ad valorem taxes assessed upon any movable property of Lessee situated within the Leased Premises shall be the sole responsibility of Lessee.

USE OF PREMISES: Lessee shall not conduct, nor permit to be conducted on the Leased Premises, any business which is contrary to any federal, state or city laws and or ordinance or the rules of the local or state Boards of Health. Lessee shall not conduct in or on the Leased Premises any auction sale; nor advertise to sell goods; shall not solicit, nor cause, or permit to be solicited any customers by any person stationed in or about the entrance or corridors of the Leased premises, or on the sidewalk or street in the neighborhood of the Building; shall not injure the Building, but rather will take the same care thereof which a prudent person would take of his own property; shall not make any unusual noises in the Building or permit any of Lessee's servants, agents, employees or visitors to do so, or to cause or permit any unusual odors to be produced. Animals and birds shall not be brought or kept in or about the Building. Motorcycles may be parked in regular parking spaces in the parking lot. Bicycles may be brought into the Building if they are kept in the Lessee's office and will not be stored in any common area.

Neither Lessee, his or its employees, agents, servants nor visitors dealing with Lessee shall obstruct or use the sidewalks, entries, passages, vestibules, halls, elevators or stairway of the Building for any other purpose than ingress or egress to and from the Leased Premises or throw or sweep or put anything out of the windows or doors, or in the passages or corridors the Building.

Lessee shall neither cover nor obstruct the sashes, doors, windows, or any lights that reflect or admit light into the halls or other parts of the Building, without prior written consent of Lessor, which consent shall not be unreasonably withheld.

In the event Lessee uses, or permits on the Leased Premises, anything that will invalidate the policies of insurance now or hereafter carried on the Building, or that will increase the rate of insurance on the Leased Premises, or on the Building of which the Leased Premises are a part, Lessor will so notify Lessee and Lessee shall cease or alter such uses or actions. Lessor reserves and shall have the right and power to prescribe the weight and position of heavy objects in order to distribute the weight properly so that no damage is done from overloading of floors.

Lessee is bound to pay for the repairs of any injuries to the Lease Premises, or any part of the Building, done or caused by Lessee or by any of Lessee's agents, servants visitors, invitees, customers, employees or representatives and for any breakage of glass and for any damage and/or injuries, caused by Lessee's negligence, or an act or omission of Lessee, or that of Lessee's agents, servants, visitors, invitees, customers, employees or representative.

DELIVERY AT END Of LEASE: Upon termination of this Lease, Lessee shall deliver to Lessor the Leased Premises in good order and condition. All furniture, fixtures, and equipment installed by Lessee shall be removed at the expiration of the Lease, however occurring, provided Lessee is not in default. Lessee shall make good all damages to the Leased Premises; ordinary wear and tear or acts of God excepted, and shall remain liable for holdover rent until the premises with keys shall be returned in such order to Lessor, unless otherwise agreed by Lessor and Lessee. No demand or notice of such delivery shall be necessary.

If, upon termination of this Lease, whether by expiration or cancellation, Lessee shall, for any reason whatsoever, fail, neglect or refuse to vacate or deliver possession of the Leased Premises to Lessor, Lessee shall be obligated for and shall pay to Lessor, unless otherwise agreed by Lessor and Lessee, by way of liquidated damages and not as a penalty, as of the date such holdover commences, a daily rental equal to the greater of (i) 150% of the daily rate of Base Rental or (ii) 150% of the daily rate at which the Lease Premises could have been let by Lessor to a third party. Any furniture, equipment, machinery or other movable property brought onto the Leased Premises during Lessee's occupancy thereof and not removed at the termination of this Lease may be removed by Lessor, at the cost, expense and risk of Lessee, with no liability upon Lessor for loss or injury thereto and without prejudice to Lessor's lien and privilege securing all sums due hereunder.

Lessee expressly waives any notice to vacate and all legal delays to which it may be entitled at the end of the Lease term or at the termination of this Lease for any other cause and hereby consents that Lessor may immediately take possession of the leased Premises upon the expiration or termination of this Lease.

ASSIGNMENT AND SUBLETTING: This Lease may not be assigned by the Lessee, and the Leased Premises may not be sublet, partially or fully, without the prior written consent of Lessor. Even in the event of permitted assignment or subletting, Lessee acknowledges that it shall remain fully responsible for compliance with all terms of this Lease. Any sub-Lessee occupying any part of this space shall, by the act of subletting formally or informally, assume all obligations of Lessee, whether or not Lessor knew of or approved or disapproved of such subletting.

DEFAULT BY LESSEE: In the event Lessee fails to pay any installment of rent punctually when due, or fails to perform or violates any of the covenants, conditions, provisions or agreements herein contained, or if petition in bankruptcy shall be filed by or against Lessee or if Lessee, without the written consent of Lessor, closes the Leased Premises or discontinues active business therein for a period of three (3) consecutive months, or abandons, vacates or misuses the Leased Premises, or makes or attempts to make any sale or removal of the principal part of Lessee's movables or contents in the Leased Premises on which Lessor has Lessor liens or by any other means attempts to deprive Lessor of its Lessor's liens thereon, or denies Lessor the opportunity of showing the Leased Premises to prospective tenants, as herein stipulated, then in said events or any of them, Lessor shall send written notice to Lessee of such default and if Lessee fails to cure such default within thirty-(30) days from and after receipt of such notice, Lessor may declare the Lessee to be in default of its obligations hereunder and may thereafter pursue such legal remedies as may be available to Lessor. Lessor may, in addition to any other right or rights which Lessor may have under the provision of this Lease or by law, and at Lessor's option:

(1) proceed for past due installments of rent or any other past due additional charge or amount, reserving its right to proceed later for the remaining installments, or (2) declare this Lease to be terminated, and immediately expel Lessee, without, however, waiving Lessor's right to collect all installments of rent and other charges amounts or payments due or owing for the period up to the time Lessor regains occupancy, or (iii) accelerate all Base Rental not yet accrued under this Lease, and to demand and sue for all accrued Base Rental (and other charges) and the Base Rental for the unexpired term of the Lease. All rights and remedies of Lessor under this Lease shall be cumulative and none shall exclude any other right or remedy allowed by this Lease or by law. Failure to strictly and promptly enforce any particular legal right or remedy available to Lessor shall not operate as a waiver of any other Lessor's rights. Lessor expressly reserving the right always to enforce all of the terms of this Lease, as well as all rights belonging to Lessor by law, regardless of any extension or indulgence previously granted. In the event that counsel is employed to enforce any of Lessee's obligations or Lessor's rights hereunder, Lessee hereby agrees to pay the reasonable fees of Lessor's attorney, said attorney's fees to be a part of the rent, and secured by Lessor's lien and privilege granted under Louisiana law.

Should Lessor terminate this Lease as provided in this article, Lessor, to the extent permitted by applicable law, may reenter said Leased Premises and remove all persons, or personal property, without legal process, and all claims for damages by reason of such reentry are expressly waived.

KEYS: Lessee will be supplied, without charge, two keys for each office door entering the Leased Premises and three exterior lock keys. Additional keys will be furnished at a reasonable charge by Lessor on an order signed by Lessee. All such keys shall remain the property of Lessor. No additional locks shall be allowed on any exterior door entering the Leased Premises, and Lessee shall not make, or permit to be made, any duplicate keys, except those furnished by Lessor. Upon termination of this Lease, Lessee shall surrender to Lessor all keys to the Leased Premises.

RIGHT OF ENTRY: Lessor and Lessor's agents shall have the right at all reasonable times and accompanied by an employee or representative of Lessee to enter the Leased Premises, by pass key or otherwise, to examine same, or to make such repairs, decorations, additions or alterations as may be necessary for the safety, betterment, improvement and/or preservation thereof, or of the Building, without in any manner affecting the obligations of Lessee hereunder, or show the Leased Premises for rental purposes.

MAINTENANCE: Lessor will, upon Lessee's notice or as such need becomes known to Lessor, make all necessary repairs to and perform all necessary maintenance upon the Building and all parts thereof, as such are required in the normal maintenance and operation of the Building and the Leased Premises, except those repairs for which Lessee is expressly responsible pursuant to any other provisions of this Lease, those repairs that other Tenants are responsible for with respect to their premises under the provisions of said Tenants' leases and except as provided in Sections 16 and 17 hereof. In so doing, Lessor may close wholly, or in part, or may use any entrances to the Building or the Leased Premises provided an entrance for ingress and egress is maintained.

Lessor, through Lessor's property management agent, shall keep the Leased Premises and the common areas reasonably clean, without cost to Lessee, and no person or persons other than the property management agent, will be permitted to enter the Leased Premises for such purpose without the prior written consent of Lessor. Lessee shall not cause or permit others to cause unnecessary labor by reason of carelessness and indifference to the preservation of good order and cleanliness of the Leased Premises and the common areas, or of other parts of the Building to which Lessee is permitted to have access, provided, however, that Lessee shall have the right, upon prior written request to Lessor, to restrict access of such property management service (i.e., janitorial service personnel) to certain specified areas. Property management service will not include polishing of furniture or any personal service. Lessee shall have the right to notify Lessor of any objections to or deficiencies in janitorial service and Lessor shall, if necessary, take appropriate action in order to remedy such objections or deficiencies.

Lessee shall be responsible for the cost of the maintenance and repair of the inner surfaces of the wait, floors (including carpets and other floor covering) and ceilings of the Leased Premises, ordinary wear and tear accepted. Lessee shall be responsible for all repairs, interior and exterior, structural and nonstructural, ordinary and extraordinary, in and to the Leased Premises, the Building, and the facilities and systems thereof, the need for which arises out of Lessee's moving property in or out of the Building, or the installation or removal or furniture, fixtures, or other property by Lessee or in the act, omission, manner of occupancy, misuse or neglect of Lessee or any of its sublessees or its or their employees, agents, servants, contractors or invitees. Lessee shall promptly make, at Lessee's expense, all repairs in or to the Leased Premises for which Lessee is responsible, and any repairs required to be made by Lessee to the mechanical, electrical, sanitary, heating, ventilating, air conditioning, or other systems of the Building shall be performed only by contractor(s) designated by Lessor. Any other repairs in or to the Building and the facilities and systems thereof for which Lessee is responsible shall be performed by Lessor at Lessee's expense; but Lessor may, at its option, before commencing any such work or at any time thereafter, require Lessee to furnish to Lessor such security (including, without limitation, a bond issued by a corporate surely licensed to do business in Louisiana) as Lessor shall deem necessary to assure the payment for such work by Lessee.

Lessor shall have the right, from time to time, to establish, modify and enforce reasonable rules and regulations with respect to the common areas and to do and perform such other acts as Lessor shall, in the use of its business judgment, determine to be advisable with a view to the convenience and use thereof by Lessees, their officers, agents, employees and clients.

UTILITIES: Lessor shall at all times furnish water for use in the fixtures of the Building, and shall furnish such heat and air conditioning for the Leased Premises as may reasonably be required for the comfortable occupancy and use thereof. Except as provided in this Section 17, Lessor shall not be liable to Lessee and/or to Lessee's privies in damages by abatement of rent or otherwise for failure to furnish or delay in furnishing elevator service, heat, air conditioning, electrical service, janitor service, water, or my other service which Lessor may be obligated to furnish when such failure to furnish or delay in furnishing is occasioned by needful repairs, renewals or improvements, or by any accident or casualty whatsoever, or by any act of default of Lessee or other parties, or by any cause or causes beyond the reasonable control of Lessor. No failure, delay or default in furnishing elevators service, heat, air conditioning, janitor service, electrical service, water or other services, and no act of default of the property management agent shall be considered or construed as an actual or constructive eviction of Lessee, nor shall it in any way operate to release Lessee from the Prompt and punctual performances of each and all of the covenants herein contained by Lessee to be performed. Notwithstanding anything in this Lease to the contrary, if there is an interruption in heating, air conditioning or electrical services to the Leased Premises that continues for a period of ten (10) consecutive days and such interruption interferes with the use of the Lease Premises by the Lessee, Lessee shall be entitled to an abatement of rent for the period of time after such tenth day until the interruption is repaired or remedied. If such interruption continues for thirty (30) consecutive days, Lessee may cancel this lease unless the interruption of services is caused by a governmental agency or its agents.

Lessor shall at all times furnish electricity for lighting and office machines for Lessee's space and also the halls, corridors and stairs of the Building and Lessee agrees not to be unreasonable in its use of said services in excess of normal commercial use.

FIRE AND CASUALTY CLAUSE: Lessee shall, at all times, give immediate notice to Lessor of any fire or other casualty regardless of damage or lack thereof occurring within the Leased Premises or to the common areas, should Lessee have knowledge thereof. If, during the term of this Lease, the Leased Premises of the Building are damaged by fire or other casualty to such an extent that it can be repaired within a period of thirty (30) days, Lessor shall be obligated to repair the damage. If the Leased Premises of the Building is destroyed by fire or other casualty or damage and it is determined that same cannot be repaired with a period of thirty (30) days, either Lessor or Lessee may cancel and terminate this Lease by giving the other party written notice to such effect within thirty (30) days from and after the occurrence of the fire or other casualty.

INSURANCE AND INDEMNITY:

(a) Liability and Property Damage: Lessee shall at all times during the full term of this Lease and during the full term of any hold-overs or other rental agreements, carry and maintain at its own cost and expense, General Public Liability insurance against claims for personal injury or death and property damage occurring on the Leased Premises, such insurance to afford protection to both the Lessor and Lessee and is to be maintained in reasonable amounts, having regard to the circumstances, and the usual practice at the time of prudent owners and lessees of comparable facilities in the Lafayette Metropolitan Area, but in no event in amounts less than One Million and no/100 ($1,000,000.00) Dollars combined single limit for both bodily injury and property damage. Lessee shall deliver to Lessor evidence of such insurance and all renewals thereof. Lessor makes no representation that limits of liability specified to be carried by Lessee under the terms of the Lease are adequate to protect Lessee against Lessee's undertaking under this Section, and in the event Lessee believes that any such insurance coverage called for under this Lease is insufficient, Lessee shall provide, at his or its own expense, such additional insurance as Lessee deems adequate. Each policy of insurance maintained under this Section 19(a) and each renewal and replacement thereof shall contain (i) a clause in a form acceptable to Lessor providing that each underwriter shall waive all of its rights to recovery, under legal or conventional subrogation or otherwise, against Lessor; (ii) a "breach of warranty" clause stating that the interest of Lessor, if any, including its officers, members, managers, employees, and agents will not be affected by the failure of Lessee or any insurer to comply with any of the warranties expressed in the printed conditions of the policy; (iii) a clause providing that Lessor shall not be liable to the insurance carrier for payment of any premiums for such insurance by reason of its being named an additional insured thereunder; (iv) a clause providing that coverage is primary and not in excess or contributory with any other insurance or any self-insurance maintained by Lessee; and (vi) a "broad form" endorsement that includes a contractual liability endorsement covering Lessee's agreement to indemnify Lessor as set out in this lease.

(b) Fire and Extended Coverage: The Lessor shall, at all times during the full term of this Lease, keep all improvements in and on the Leased Premises insured to the full replacement value thereof against loss by fire and extended coverage and maintain such insurance at all times as specified herein. Lessee is not to suffer anything to be or remain on or about the premises (including the Leased Premises and the common areas) nor carry on nor permit upon the premises any trade or occupation or suffer to be done anything which may render an increased or extra premium payable for the insurance of the premises against fire and the hazards insured under extended coverage, unless consented to in writing by the Lessor and if so consented to, the Lessee shall pay such increased or extra premium within ten (10) days after the Lessee shall have been advised of the amount thereof.

(c) Placement of Insurance: All of the aforementioned policies of insurance shall be written and maintained with responsible insurance companies duly authorized and licensed to do business in and to issue policies in the State of Louisiana. The policies providing for the protection required in subparagraph (a) hereof may remain in the possession of Lessee, provided, however, that Lessee furnish satisfactory evidence to Lessor that such policy or policies fulfill the requirements of this subparagraph. Lessee agrees to pay all premiums in full as they become due. All policies shall provide that the insurer may not cancel them except after at least thirty- (30) days written notice to Lessor.

(d) Voiding Insurance: Lessee will not permit the Leased Premises to be used for any purpose that would render the insurance thereon void.

(e) Indemnity: Lessee agrees to hold harmless and indemnify Lessor and its members, managers, officers, agents, representatives, and employees from and against any liability or loss, including counsel fees incurred in good faith by the Lessor, arising out of any causes associated with Lessee's business or use of the Leased Premises.

(f) During the term of this Lease, the Lessee shall be responsible for insuring its personal property located on the Leased Premises.

LESSOR'S LIABILITY: Should Lessor incur any liability arising under the terms of this Lease, such liability shall be limited only to the interest of Lessor in the Building and the proceeds of any insurance carried by Lessor and collectible with respect to any such damages and Lessor shall not be personally liable for any deficiency.

Lessor shall not be liable for any injury to persons or damage to property sustained by Lessee or his or its agents, clients, employees, customers, representatives, invitees, or by any other person, resulting from fire, explosion, falling plaster, steam, electricity, water, rain, or snow or leaks from any part of the Building or from the pipes, appliances, or plumbing worked or from the roof, street, or subsurface or from any other place or by dampness or by any other cause of whatsoever nature, unless any of the foregoing shall be caused by or due to the negligence of Lessor, its agents, contractors, servants or employees.

LESSEE'S LIABILITY: Lessee assumes responsibility for any loss arising from injury to persons or damage to the Building and/or the Leased Premises and to property in or about the Leased Premises, occasioned by any act or omission of Lessee or its agents, employees, representatives or invitees. Lessee shall take all reasonable measures to safeguard its properties on the Leased Premises. Lessee agrees to hold harmless and indemnify Lessor and its members, managers, officers, agents, representative, and employees from and against any loss arising from injury to persons or damages to the Building, the Lease Premises and to property in or about the Building and/or Leased Premises occasioned by any act or omission of Lessee or its agents, customers, employees, representatives or invitees.

OTHER TENANTS: Lessor shall endeavor to obtain generally acceptable quality tenants for available space in the Building and shall not permit such tenants or occupants to adversely affect the general appearance and good maintenance of the Building. It is understood and agreed that Lessor may sell the Building, or assign this Lease upon written notice to Lessee. Upon the sale of the Building or assignment of this Lease, all of the provisions of this Lease, as to the rights and obligations of Lessor, shall thereupon apply to such purchaser or assignee. Subsequent sales and assignments may be made upon the same basis.

QUIET POSSESSION: Lessor agrees to warrant and defend Lessee in its quiet and peaceful possession of the Leased Premises so long as Lessee is not in default under this Lease.

SUBROGATION: Neither the Lessor nor the Lessee shall be liable to the other for the loss arising out of damage to or destruction of the Leased Premises, or the Building or improvements of which the Leased Premises are part thereof, when such loss is caused by any of the perils which are or could be included within or are insured against by a standard form of fire insurance with extended coverage, including sprinkle leakage insurance, if any. All such claims for any and all loss, however caused, hereby are waived. Said absence of liability shall exist whether or not the damage or destruction is caused by the negligence of either Lessor or Lessee or by any of their respective agents, servants, or employees. It is the intention and agreement of the Lessor and the Lessee that each party shall look to his respective insurance carriers for reimbursement of any such loss, and further, that the insurance carriers involved shall not be entitled to subrogation under any circumstances against any party to this Lease. Neither the Lessor nor the Lessee shall have any interest or claim in the other's insurance policy or policies, or the proceeds thereof, unless specifically covered therein as a joint assured.

Each party to this Lease agrees immediately to give to each insurance company, written notice of the terms of the mutual waivers contained herein, and to have the insurance policies properly endorsed, if necessary, to prevent the invalidation of the insurance coverage by reason of the mutual waivers contained in this Section.

SUBORDINATION:

(a) The Lease is and shall be subject and subordinate to all ground or underlying leases or subleases that may now or hereafter affect the Building.

(b) The provisions of subsection (a) above shall be self-operative and no further instrument of subordination shall be required.

(c) Lessee shall have the right to mortgage and subordinate his or its respective obligations and Lessee's respective leasehold interests in the Leased Premises under this Lease and Lessor shall subordinate its Lessor's lien and privilege over any or all Lessee's equipment or other movable property brought onto the Leased Premises by Lessee to any mortgage or security interest of Lessee constituting a lien thereon. Such subordination shall be made to any bona fide lender, secured party, or mortgagee, who shall have provided legitimate financing for the acquisition of any equipment or other movable property brought onto the Leased Premises, upon the request of Lessee. However, the obligations incurred with respect to any such lender or mortgagee shall not extend beyond the term of this Lease, including any renewal of this Lease pursuant to the mutual written agreement of the parties.

(d) This Lease is and shall be subject and subordinate to any mortgage affecting the Building that is, was, or will be granted by the Lessor

NOTICE: Any notice provided for herein will be deemed given when deposited by certified mail, return receipt requested, postage prepaid, or actually delivered in person to the parties or their designated agents at the following addresses or at such other addresses as the parties may from time to time designate by written notice.

ENTIRETY OF UNDERSTANDING IN WRITTEN LEASE: It is agreed that the entire understanding between the parties is set out in the Lease and any amendments annexed hereto, that this Lease supersedes and voids all prior proposals, letters, and agreements, oral or written, and that no modification or alteration of the Lease shall be effective unless evidenced by an instrument in writing signed by both parties. This Lease shall be constructed in accordance with Louisiana Law

WAIVER: The failure of Lessor or Lessee to insist, in any one or more instanced, upon a strict performance of any covenant of this Lease shall not be constructed as a waiver or relinquishment thereof, but the same shall continue and remain in full force and effect.

ATTORNEY'S FEES: If any legal action, arbitration or other proceeding is brought for the enforcement of this Lease, or because of any alleged dispute, breach, default or misrepresentation in connection with this Lease, the successful or prevailing party shall be entitled to recover such reasonable attorneys' fees and other costs it incurred in that action or proceeding, in addition to any other relief to which it may be entitled.

LATE PAYMENT, COLLECTION, HANDING CHARGE: Lessee will pay to Lessor interest from the time each Base Rental or other charge(s) is due until paid at the rate of 12% per annum. Should the Lessee fail to pay the Base Rent, the Lessor shall have the option to charge the Lessee, as additional rent hereunder a fee of 5% of the delinquent installment to reimburse the Lessor for its costs and inconvenience. Should the Lessor default on the obligations of this Lease, Lessor will pay for reasonable attorney fees and expenses for collection of said amounts due hereunder.

AMENDMENT: This Lease may be amended at any time by the mutual agreement of the parties hereto, but any such amendment shall not be operative or valid unless the same is reduced to writing and signed by Lessor and Lessee.

GOVERNING LAW AND VENUE: This Lease will be governed by the laws of the State of Louisiana. All monetary and other obligations of the Lessor and Lessee are performable exclusively in Lafayette Parish, Louisiana.

NOTICE: Any notice given under this Lease shall be in writing and delivered by United State Registered or Certified Mail to the following address:

To the Lessor: 100 Petroleum Drive, LLC
Attn: Micah Vidrine
Lafayette, LA 70508

To the Lessee: G. Darcy Klug, Chairman and Interim CEO
Redhawk Holdings Corp
100 Petroleum Drive, LLC
Lafayette, LA 70508

SEVERABILITY, ENTIRE AGREEMENT: This Lease may not be changed or amended unless in writing by the parties hereto. If any provision of this Lease or the application thereof to any person shall be held invalid or unenforceable, and the basis of the bargain between the parties hereto is not destroyed or rendered ineffective thereby, the remainder of the Lease or the application of such provision to such persons or circumstances other than those as to which it is held invalid or unenforceable shall not be affected thereby.

IN WITNESS WHEREOF, the parties have set their hands to duplicate original copies as to the day and year above written.

100 PETROLEUM DRIVE, LLC
/s/ Micah Vidrine
MICAH VIDRINE
MANAGING MEMBER

REDHAWK HOLDINGS CORP.
/s/ G. Darcy Klug
G. DARCY KLUG
CHAIRMAN AND INTERIM CEO

WITNESSES
/s/ Lanna R. Roberts
LANNA R. ROBERTS

/s/ Brea Schoeffler
BREA SCHOEFFLER

EX-31.1 3 g081980_ex31-1.htm EXHIBIT 31.1

EXHIBIT 31.1

CERTIFICATION PURSUANT TO

18 U.S.C. Section 1350, AS ADOPTED PURSUANT TO

SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Philip C. Spizale, certify that:

1. I have reviewed the Quarterly Report on Form 10-Q of RedHawk Holdings Corp.;

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(s) 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(s) 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: June 29, 2020

/s/ Philip C. Spizale

Philip C. Spizale
Chief Executive Officer and Director
(Principal Executive Officer)

EX-31.2 4 g081980_ex31-2.htm EXHIBIT 31.2

EXHIBIT 31.2

CERTIFICATION PURSUANT TO
18 U.S.C. Section 1350, AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, G. Darcy Klug, certify that:

1. I have reviewed the Quarterly Report on Form 10-Q of RedHawk Holdings Corp.;

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(s) 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(s) 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: June 29, 2020

/s/ G. Darcy Klug

G. Darcy Klug
Chief Financial Officer and Director
(Principal Financial Officer and Principal Accounting Officer)

EX-32.1 5 g081980_ex32-1.htm EXHIBIT 32.1

EXHIBIT 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, Philip C. Spizale, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) the Quarterly Report on Form 10-Q of RedHawk Holdings Corp. for the period ended March 31, 2020 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of RedHawk Holdings Corp.

Dated: June 29, 2020

/s/ Philip C. Spizale
Philip C. Spizale
Chief Executive Officer and Director
(Principal Executive Officer)
RedHawk Holdings Corp.

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to RedHawk Holdings Corp. and will be retained by RedHawk Holdings Corp. and furnished to the Securities and Exchange Commission or its staff upon request.

EX-32.2 6 g081980_ex32-2.htm EXHIBIT 32.2

EXHIBIT 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, G. Darcy Klug, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) the Quarterly Report on Form 10-Q of RedHawk Holdings Corp. for the period ended March 31, 2020 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of RedHawk Holdings Corp.

Dated: June 29, 2020

/s/ G. Darcy Klug
G. Darcy Klug
Chief Financial Officer and Director
(Principal Financial Officer and Principal Accounting Officer)
RedHawk Holdings Corp.

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to RedHawk Holdings Corp. and will be retained by RedHawk Holdings Corp. and furnished to the Securities and Exchange Commission or its staff upon request.
