

FREESTONE RESOURCES, INC.

Form 10-K

October 07, 2015

**UNITED STATES**

**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D. C. 20549**

**FORM 10-K**

<sup>p</sup> ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Fiscal Year Ended **June 30, 2015**

<sup>o</sup> TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Transition Period from \_\_\_\_\_ to \_\_\_\_\_

**FREESTONE RESOURCES, INC.**

(Exact name of registrant as specified in its charter)

**NEVADA**

**000-28753**

**90-0514308**

(State or other jurisdiction of incorporation) (Commission File Number) (IRS Employer Identification No.)

**Republic Center, Suite 1350**

**75201**

**325 N. St. Paul St. Dallas, TX**

(Address of Principal Executive Offices) (Zip Code)

Registrant's telephone number, including area code: **214-880-4870**

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

Securities registered pursuant to Section 12(g) of the Act: Common Stock, Par value \$0.001

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

Indicate by a check mark whether the registrant is not required to file reports pursuant to Section 13 or Section 15 (d) of the Securities Exchange Act. Yes  No

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

Indicate by check mark whether the registrant has submitted electronically and posted on its website, if any, every Interactive File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§325.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files), Yes  No

Indicate by check if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (s229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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

Large Accelerated Filer  Accelerated Filer

Non-Accelerated Filer  Smaller Reporting Company

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

Aggregate market value of the voting stock held by non-affiliates of the registrant as of June 30, 2015: \$11,252,840

Indicate the number of Shares of outstanding of each of the Registrant's classes of common stock, as of the latest practicable date: As of September 28, 2015, the Registrant had 86,138,117 shares of common stock outstanding.

#### **DOCUMENTS INCORPORATED BY REFERENCE**

None

## TABLE OF CONTENTS

### PART I

Item 1. Description of Business	5
Item 1A. Risk Factors	7
Item 1B. Unresolved Staff Comments	7
Item 2. Description of Properties	
Item 3. Legal Proceedings	7
Item 4. Submission of Matters to a Vote of Security Holders	7

### PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities	8
Item 6. Selected Financial Data	8
Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations	8
Item 7A. Quantitative and Qualitative Disclosures about Market Risk	11
Item 8. Financial Statements and Supplementary Data	11
Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure	11
Item 9A. Controls and Procedures	11
Item 9B. Other Information	

### PART III

Item 10. Directors, Executive Officers and Corporate Governance	12
Item 11. Executive Compensation	14
Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters	14
Item 13. Certain Relationships and Related Transactions and Director Independence	15
Item 14. Principal Accounting Fees and Services	15

### PART IV

Item 15. Exhibits and Financial Statement Schedules	15
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## **FORWARD-LOOKING STATEMENTS**

This report includes forward-looking statements as the term is defined in the Private Securities Litigation Reform Act of 1995 or by the U.S. Securities and Exchange Commission in its rules, regulations and releases, regarding, among other things, all statements other than statements of historical facts contained in this report, including statements regarding our future financial position, business strategy and plans and objectives of management for future operations. The words “believe,” “may,” “estimate,” “continue,” “anticipate,” “intend,” “should,” “plan,” “could,” “target,” “possibly,” “likely,” “will,” “expect” and similar expressions, as they relate to us, are intended to identify forward-looking statements. We have based these forward-looking statements largely on our current expectations and projections about future events and financial trends that we believe may affect our financial condition, results of operations, business strategy and financial needs. In addition, our past results of operations do not necessarily indicate our future results.

Other sections of this report may include additional factors which could adversely affect our business and financial performance. New risk factors emerge from time to time and it is not possible for us to anticipate all the relevant risks to our business, and we cannot assess the impact of all such risks on our business or the extent to which any risk, or combination of risks, may cause actual results to differ materially from those contained in any forward-looking statements. Those factors include, among others, those matters disclosed in this Annual Report on Form 10-K.

Except as otherwise required by applicable laws and regulations, we undertake no obligation to publicly update or revise any forward-looking statements or the risk factors described in this report, whether as a result of new information, future events, changed circumstances or any other reason after the date of this report. Neither the Private Securities Litigation Reform Act of 1995 nor Section 27A of the Securities Act of 1933 provides any protection to us for statements made in this report. You should not rely upon forward-looking statements as predictions of future events or performance. We cannot assure you that the events and circumstances reflected in the forward-looking statements will be achieved or occur. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance or achievements.

## **PART I**

### **ITEM 1. DESCRIPTION OF BUSINESS**

#### **Company Background**

Freestone Resources, Inc. (the “Company” or “Freestone”), a Nevada corporation, is an oil and gas technology development company that is actively developing and marketing technologies and solvents designed to benefit various sectors in the oil and gas industry. The Company has re-launched its Petrozene™ solvent after developing a new and improved formula. Petrozene™ is primarily used to dissolve paraffin buildup, and it is primarily used for pipelines, oil storage tanks, oil sludge build up, de-emulsification, well treatment, as a corrosion inhibitor and as a catalyst in opening up formations thereby aiding in oil production.

On June 24, 2015 Freestone purchased 100% of the common stock of C.C. Crawford Retreading Company, Inc. (“CTR”), a Texas corporation. CTR is an Off-The-Road (“OTR”) tire company located in Ennis, Texas, and a wholly owned subsidiary of Freestone. CTR’s primary business is to repair, recycle, dispose of and sell OTR tires, which are used on large, industrial equipment. Freestone made the decision to purchase CTR in order to utilize the CTR facility for the production of Petrozene™.

On June 24, 2015 the Company formed Freestone Dynamis Energy Products, LLC (“FDEP”) with Dynamis Energy, LLC (“Dynamis”). FDEP was formed in order to operate and manage the specialized pyrolysis process that is used to create Petrozene™ and other byproducts of value. Freestone chose to work with Dynamis based on their extensive engineering and waste-to-energy expertise. Freestone owns a 70% member interest in FDEP.

The acquisition of CTR and the formation of FDEP have allowed Freestone to vertically integrate the Petrozene™ product line. CTR will remain an auxiliary company that will maintain existing operations that complement the efforts of FDEP and Freestone.

#### **Available Information**

The Freestone website is [www.freestonerresources.com](http://www.freestonerresources.com). The Company's references to the URLs for these websites are intended to be inactive textual references only. The Company's Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and amendments to reports filed pursuant to Sections 13(a) and 15(d) of the Securities Exchange Act of 1934, as amended, are filed with the U.S. Securities and Exchange Commission (the "SEC").

The public may read and copy any materials filed by the Company with the SEC at the SEC's Public Reference Room at 100 F Street, NE, Room 1580, Washington, DC 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC maintains an Internet site that contains reports, proxy, and information statements and other information regarding issuers that file electronically with the SEC at <http://www.sec.gov>.

## Products and Services

### OTR Tire Services

CTR has been involved in the OTR tire business since 1987. Since its formation, CTR has evolved into a unique company that can handle most of the needs of its customers that require OTR tire services. These services include:

- Specialized OTR tire repair services quickly and efficiently, and at competitive prices; and
- Disposal services for OTR tires that can no longer be used or repaired; and
- A substantial inventory of used OTR tires for sale; and
- Recycling OTR tires for alternative uses that prevent them from going to landfills.

### Petrozene™

Freestone purchased CTR in order to use a specialized pyrolysis technology. Pyrolysis, by definition, is the decomposition of organic matter in the absence of oxygen. The Company and FDEP will use this process to convert the OTR tires that have been disposed of into byproducts of value. One of the byproducts from this process is used in the production of Petrozene™. The use of pyrolysis allows Freestone and CTR to reduce the amount of tires that would have otherwise been disposed of in landfills.

## **Customers**

CTR provides services to many international OTR tire dealers. These OTR tire dealers make up a majority of its customer base.

## **Competition**

### *OTR Tire Services*

Several tire processing companies are permitted in the Dallas/Ft. Worth area, but most of them cannot handle OTR tires due to the size of the OTR tires. CTR has its own trucks, forklifts and other equipment that are necessary for the management and processing of OTR tires. CTR also has specialized, on-site shredding equipment to convert the OTR tires into one inch tire pieces that can be sold as a tire derived fuel (“TDF”), or processed in the specialized pyrolysis technology.

CTR is one of the few tire processing facilities that provide other services to its customers. These additional services include the sale of used OTR tires and the repair of OTR tires. CTR’s operations focus on the states of Texas, Oklahoma, Louisiana, New Mexico and Arkansas. Focusing on these specific states allow CTR to provide some of the fastest repair turnarounds in the industry.

### *Petrozene™*

Many oil and gas service companies and petro-chemical companies provide a product that competes with Petrozene™. The Company’s advantage is that Petrozene™ is derived from a readily available waste product, and the pyrolysis process used to create Petrozene™ is extremely cost efficient. Most of the Company’s competitors use synthetically derived chemicals that are extremely expensive to develop and manufacture.

## **Research and Development**



Freestone and its partners are continuously evaluating technologies and processes that can convert waste streams into valuable byproducts. Freestone's main focus has been the development of byproducts that can be used by the oil and gas industry to increase production and efficiency. The Company's research has resulted in the relaunch of Petrozene™, and expanding the ways in which Petrozene™ can be utilized. Freestone's partners and customers have provided valuable feedback that has continued to help create a superior product.

### **Growth Strategy**

Freestone is actively pursuing a strategy of growth through the vertical integration of Petrozene™. The implementation of this strategy allows the Company to reduce variables that could affect growth, performance and the quality of its products. In addition, Freestone and FDEP are providing CTR with another recycling option. This means that more tires will be processed each year, and thus will allow CTR to increase its disposal operations.

### **Government Approval and Environmental Matters**

Freestone's and CTR's operations and properties are subject to extensive and changing federal, state and local laws and regulations relating to environmental protection, including the generation, storage, handling, emission, transportation and discharge of materials into the environment, and relating to safety and health. The recent trend in environmental legislation and regulation generally is toward stricter standards, and this trend will likely continue.

CTR is registered with the Texas Commission on Environmental Quality ("TCEQ") as a transporter and scrap tire facility.

The permits required for our operations may be subject to revocation, modification and renewal by issuing authorities. Governmental authorities have the power to enforce their regulations, and violations are subject to fines or injunctions, or both. In the opinion of management, CTR and Freestone are in substantial compliance with current applicable environmental laws and regulations, and have no material commitments for capital expenditures to comply with existing environmental requirements. Nevertheless, changes in existing environmental laws and regulations or in interpretations thereof could have a significant impact on us, as well as the oil and natural gas industry in general.

### **Intellectual Property**

Freestone is the owner of the Petrozene™ trademark. Freestone does not own any patents at this time.

### **ITEM 1A. RISK FACTORS**

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

### **ITEM 1B. UNRESOLVED STAFF COMMENTS**

None.

### **ITEM 2. DESCRIPTION OF PROPERTY**

Freestone's corporate offices are located at Republic Center, Suite 1350, 325 N. St. Paul St. Dallas, TX 75201. Freestone entered into a lease agreement amendment on April 30<sup>th</sup> 2014 on this property to extend its lease for a term of three years. CTR is located at 101 W. Ave. D, Ennis TX 75119 and owns approximately 10.141 acres with three buildings consisting of 32,800 square feet.

**ITEM 3. LEGAL PROCEEDINGS**

Freestone and CTR are not subject to any material pending legal proceedings, nor are the companies aware of any material threatened claims against them.

**ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS**

None.

The Company intends to hold an annual shareholders' meeting in the third quarter of the fiscal year ending June 30, 2016.

## **PART II**

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

The Common Stock is currently quoted on the OTCQB under the symbol "FSNR."

The following tables set forth the quarterly high and low bid prices for the Common Stock for 2015 and 2014. The prices set forth below represent interdealer quotations, without retail markup, markdown or commission and may not be reflective of actual transactions.

<b>Fiscal 2015</b>	<b>High</b>	<b>Low</b>
First Quarter	\$0.29	\$0.10
Second Quarter	\$0.25	\$0.14
Third Quarter	\$0.20	\$0.08
Fourth Quarter	\$0.17	\$0.05

<b>Fiscal 2014</b>	<b>High</b>	<b>Low</b>
First Quarter	\$0.14	\$0.09
Second Quarter	\$0.13	\$0.06
Third Quarter	\$0.11	\$0.06
Fourth Quarter	\$0.09	\$0.06

#### *Shareholders*

As of June 30, 2015, there were approximately 251 record holders of the Common Stock. This number excludes any estimate by Freestone of the number of beneficial owners of shares held in street name, the accuracy of which cannot be guaranteed.

#### *Dividends*

Freestone has not paid cash dividends on any class of common equity since formation, and Freestone does not anticipate paying any dividends on its outstanding common stock in the foreseeable future.

### *Warrants*

On November 16, 2012 the Company entered into an agreement to form Aqueous Services, LLC, a joint venture between Freestone Resources, Inc., Pajarito W&M, LP. and International Aqueous Investment, LLC (“Aqueous”) for the purpose of developing a shale oil and gas water management facility in Wilson County, Texas. The Company also sold each of the JV partners 500,000 warrants to purchase shares of common stock at 80% of the closing price on the exercise date.

On June 24, 2015 the Company entered into a warrant purchase agreement with Dynamis for 5,000,000 warrants to purchase shares of common stock at 80% of the average closing bid and sale cost over the previous ten days at exercise date. The warrants vest immediately and have a one year term.

## **ITEM 6. SELECTED FINANCIAL DATA**

As a smaller reporting company we are not required to report selected financial data disclosures as required by item 301 of Regulation S-K.

## **ITEM 7. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

At present, Freestone’s management is focused on the development and vertical integration of the Petrozene™ product line, and assisting Aqueous with the continued development of its water management facility. The continued development of Aqueous includes the testing and utilization of technology that can effectively recycle frack water and produced water, as well as the sale of fresh water for oil and gas exploration and production purposes. Freestone continues to look for various solvents, chemicals, and technologies that might fit into Freestone’s petro-chemical line, and continues to seek opportunities in the oil and gas water industry.

### Critical Accounting Policies

The Company's consolidated financial statements were prepared in conformity with U.S. generally accepted accounting principles. As such, management is required to make certain estimates, judgments and assumptions that they believe are reasonable based upon the information available. These estimates and assumptions affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of income and expense during the periods presented. The significant accounting policies which management believes are the most critical to aid in fully understanding and evaluating our reported financial results include the following:

### Revenue Recognition

Freestone and CTR recognize revenue from the sale of products in accordance with ASC 605. Revenue will be recognized only when all of the following criteria have been met:

- Persuasive evidence of an arrangement exists; and
- Ownership and all risks of loss have been transferred to buyer, which is generally upon delivery; and
- The price is fixed and determinable; and
- Collectability is reasonably assured.

The three main sources of revenue are recognized as follows:

- Revenues associated with tire disposals are recognized upon receipt of the tire by CTR; and
- Revenues associated with tire repairs are invoiced and recognized upon completion of repair and receipt of the tire by the customer; and
- Revenue associated with used tires and scrap sales are recognized upon delivery of the product to the customer.

### Stock Based Compensation

Pursuant to Accounting Standards Codification ("ASC") 505, the guidelines for recording stock issued for services require the fair value of the shares granted be based on the fair value of the services received or the publicly traded share price of the Company's registered shares on the date the shares were granted (irrespective of the fact that the shares granted were unregistered), whichever is more readily determinable. This position has been further clarified by

the issuance of ASC 820, ASC 820 defines fair value as “the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date”. Accordingly, the Company elected the application of these guidelines. Freestone has determined that the fair value of all common stock issued for goods or services is more readily determinable based on the publicly traded share price on the date of grant.

**Results of Operations for the Period from July 1, 2014 to June 25, 2015 (Predecessor) Compared to the Year Ended June 30, 2014 (Predecessor)**

*Revenues*

Revenues for the period from July 1, 2014 to June 24, 2015 (Predecessor) and year ended June 30, 2014 (Predecessor) were \$1,150,020 and \$1,232,680, respectively. The decrease was primarily due to a 70% decrease in used tire sales. Tire disposal revenue increased by 29% over the previous year, and tire repair revenue increased by 14%. There was no revenue in the Successor period.

*Cost of Goods and Gross Profit*

The Company’s gross margin remained consistent at 48%. Cost of sales declined by \$52,800. This is reflective in the decline in sales.

*Operating Expense*

Total operating expenses in the period from July 1, 2014 to June 24, 2015 (Predecessor) and the year ended June 30, 2014 (Predecessor) were \$544,950 and \$561,299. Depreciation decreased from \$74,099 to \$60,652 and general and administrative expenses decreased from \$345,375 to \$329,456 while selling cost increased from \$141,825 to \$154,842. The Successor period had no operating expenses.

The decrease in depreciation expense is related to the aging of the Company's assets base, as well as the equipment becoming fully depreciated.

The decrease of \$15,919 in general and administrative expenses is related to a decrease in personnel and consulting expenses.

The increase in selling cost was due to an increase in travel and benefit costs.

Other income and expense for the period from July 1, 2014 to June 24, 2015 (Predecessor) and the year ended June 30, 2014 (Predecessor) consisted of interest expense of \$13,474 and \$10,530 respectively. The decrease was due to a decrease in the Company's debt.

### **Net (Loss) Income**

Net loss for period from July 1, 2014 to June 24, 2015 (Predecessor) and the year ended June 30, 2014 (Predecessor) was \$20,537. Net income for the year ended June 30, 2014 (Predecessor) was \$25,030. The decrease was primarily due to the Company's decrease in sales. Net gain for the Successor period was \$128,750 consisting of a bargain purchase gain on the acquisition of CTR.

### **Liquidity and Capital Resources**

The Company has little cash reserves and liquidity to the extent we receive it from operations and through the sale of common stock.

Cash increased by \$7,907 from \$30,155 at June 30, 2014 (Predecessor) to \$38,372 at June 30, 2015 (Successor). The increase was due to the acquisition of CTR by Freestone, and the inclusion of Freestone's funds in the consolidated balance sheet as of June 30, 2015.



Net cash provided by operating activities was \$40,337 for the period from July 1, 2014 to June 24, 2015 (Predecessor), compared to net cash provided by operating activities of \$83,004 for the year ended June 30, 2014 (Predecessor). The decrease was due to the decrease in sales and the resulting operating loss. The Successor period generated no cash from operations.

## **Employees**

As of June 30, 2015 CTR had 12 full time employees. Freestone's only employees are its officers.

## **Need for Additional Financing**

The Company is uncertain of its ability to generate sufficient liquidity from its operations so the need for additional funding may be necessary. The Company may sell stock and/or issue additional debt to raise capital to accelerate our growth.

## **Going Concern Uncertainties**

The accompanying financial statements are presented on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. As of the date of this annual report, there is doubt regarding the Company's ability to continue as a going concern as we have not generated sufficient cash flows to fund our business operations and loan commitments. Our future success and viability, therefore, are dependent upon our ability to generate capital financing. The failure to generate sufficient revenues or raise additional capital may have a material and adverse effect upon the Company and our shareholders.

The Company formed FDEP in order to vertically integrate its Petrozene™ product line, and utilize a specialized pyrolysis process in order to produce other byproducts of value that will generate revenue for FDEP. In turn, the ability of FDEP to process large quantities of OTR tires will allow the Company to increase the amount of OTR tires it can dispose of and process, which will generate additional revenue of the Company. Additionally, the Company intends to raise equity or debt financing that will allow the Company to expand its current operations.

#### **ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

Market risk represents the risk of loss arising from adverse changes in market rates and foreign exchange rates. The amount of our outstanding debt at any time may fluctuate and we may from time to time be subject to refinancing risk. A hypothetical 100 basis point increase in interest rates would have a material effect on our annual interest expense and on our results of operations or financial condition as we rely on these notes to sustain our operations. Since we do not have transactions in foreign currencies, we do not consider it necessary to hedge against currency risk.

#### **ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA**

The consolidated financial statements of Freestone Resources, Inc. and Subsidiaries, together with the Report of Independent Registered Public Accounting Firm of MaloneBailey, LLP, appear on pages 17 through 33 of this report.

#### **ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURES**

None.

#### **ITEM 9A. CONTROLS AND PROCEDURES**

##### **Evaluation of Disclosure Controls and Procedures**

We carried out an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e) as of June 30, 2015. This evaluation was accomplished under the supervision and with the participation of our chief executive officer / principal executive officer, and chief financial officer / principal financial officer who concluded that our disclosure controls and procedures are not effective to ensure that all material information required to be filed in the annual report on Form 10-K has been made known to them.

For purposes of this section, the term disclosure controls and procedures means controls and other procedures of an issuer that are designed to ensure that information required to be disclosed by the issuer in the reports that it files or submits under the Act (15 U.S.C. 78a et seq.) is recorded, processed, summarized and reported, within the time periods specified in the Commission's rules and forms. Disclosure, controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by in our reports filed under the Securities Exchange Act of 1934, as amended (the "Act") is accumulated and communicated to the issuer's management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

#### **Management's Annual Report on Internal Control Over Financial Reporting**

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act. Our internal control system was designed 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 in the United States of America. Our internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States of America, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management of the Company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company's assets that could have a material effect on the financial statements.

Because of inherent limitations, a system of internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate due to change in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Our management conducted an evaluation of the effectiveness of our internal control over financial reporting using the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control—Integrated Framework (2013 framework) at June 30, 2015. Based on its evaluation, our management concluded that, as of June 30, 2015, our internal control over financial reporting was not effective because of: 1) Our reliance upon independent financial reporting consultants for review of critical accounting areas and disclosures and material non-standard transaction; and 2) a lack of sufficient accounting staff which results in a lack of segregation of duties necessary for a good system of internal control. A material weakness is a deficiency, or a combination of control deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of the Company's annual or interim financial statements will not be prevented or detected on a timely basis.

This annual report does not include an attestation report of the Company's registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to the attestation by the Company's registered public accounting firm pursuant to the rules of the SEC that permit the Company to provide only management's report in this annual report.

## **PART III**

### **ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE**

The following persons serve as directors and officers of Freestone Resources, Inc.:

Clayton Carter, Chief Executive Officer and President

James F. Carroll, Chief Financial Officer

Don Edwards, Chief Investment Officer

Clayton Carter, age 30, received his Bachelor of Arts in Integrated Marketing and Communications from Pepperdine University. With his extensive knowledge of the public markets and investment-based finance, Mr. Carter has raised the capital to develop multiple startups. Mr. Carter has served as President and Director of Freestone Resources since January 2009, and will continue his current duties at the Company as the Chief Executive Officer and Chairman of the Company. Mr. Carter strongly believes in Freestone's continuing mission to develop new technologies that allow for the utilization of various petroleum resources in an environmentally responsible and cost effective way. Mr. Carter has served as the President of Freestone Resources since September of 2008. Previous positions within the past five years include a position as a customer service representative at Wells Fargo bank.

Don Edwards, age 66, is a graduate from Texas Christian University with a BBA degree concentrating in Finance and Economics. Mr. Edwards started his business career with E. F. Hutton where he was a regional OTC Coordinator. He also ran a trading desk for OTC stocks. He later served as President, CFO, CEO and Director for four securities firms as well as a Director for two savings and loans. He has been responsible for managing many public and private companies. He has raised startup capital for dozens of both private and public companies. Mr. Edwards has vast knowledge in the investment field including fine art. He has bought and sold art works of such artists as Charles Russell and Monet. Don was a licensed Insurance agent for many years and assisted in managing the West Texas region for Mass Mutual Life Ins. Co. Don also has a background in the Oil and Gas Industry. His family has run a successful Drilling Co. in West Texas for over half a century. Mr. Edwards will maintain his position as Chief Investment Officer of the Company. Mr. Edwards has served as the Chief Investment Officer for the Company for five years. Prior to his employment at the Company, Mr. Edwards was self-employed.

James F. Carroll, 59, has served as the Chief Financial Officer and Treasurer of Freestone since May 1, 1999. He has served as a director of Freestone since November 12, 1999. From December 1973 to April 1999, Mr. Carroll was employed by F. Schumacher & Co., a New York fabric company, as a manager of production, purchasing and inventory. Mr. Carroll received a B.B.A. degree in public accounting from Pace University of New York in 1985.

### **Section 16(a) Beneficial Ownership Reporting Compliance**

Section 16(a) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), requires our executive officers and directors, and persons who beneficially own more than ten percent of our common stock, to file initial reports of ownership and reports of changes in ownership with the SEC. Executive officers, directors and greater than ten percent beneficial owners are required by SEC regulations to furnish us with copies of all Section 16(a) forms they file. We believe that as of the date of this report they were all current in their 16(a) reports.

### **Board of Directors**

Our board of directors currently consists of three members. Our directors serve one-year terms. Our board of directors has affirmatively determined that there are currently no independent directors serving on our board.

### **Committees of the Board of Directors**

#### Audit Committee

We do not have a standing audit committee of the Board of Directors. Management has determined not to establish an audit committee at present because of our limited resources and limited operating activities do not warrant the formation of an audit committee or the expense of doing so. We do not have a financial expert serving on the Board of Directors or employed as an officer based on management's belief that the cost of obtaining the services of a person who meets the criteria for a financial expert under Item 401(e) of Regulation S is beyond its limited financial resources and the financial skills of such an expert are simply not required or necessary for us to maintain effective internal controls and procedures for financial reporting in light of the limited scope and simplicity of accounting issues raised in its financial statements at this stage of its development.

Governance, Compensation and Nominating Committee

We do not have a standing governance, compensation and nominating committee of the Board of Directors. Management has determined not to establish governance, compensation and nominating committee at present because of our limited resources and limited operations do not warrant such a committee or the expense of doing so.

**Code of Ethics**

The Company has adopted the following code of ethics for officers, directors and employees:

- Show respect towards others in the workplace
- Conduct all business activities in a fair and ethical manner
- Work dutifully and responsibly for the Company's shareholders and stakeholders

**Limitation of Liability of Directors**

Pursuant to the Nevada General Corporation Law, our Articles of Incorporation exclude personal liability for our Directors for monetary damages based upon any violation of their fiduciary duties as Directors, except as to liability for any breach of the duty of loyalty, acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, or any transaction from which a Director receives an improper personal benefit. This exclusion of liability does not limit any right which a Director may have to be indemnified and does not affect any Director's liability under federal or applicable state securities laws.

**ITEM 11. EXECUTIVE COMPENSATION****Compensation of Executive Officers**

The following summary compensation table sets forth all compensation awarded to, earned by, or paid to the named executive officers paid by us during the fiscal years ended June 30, 2015 and 2014 in all capacities for the accounts of our executives, including the Chief Executive Officer (CEO), Chief Financial Officer (CFO), and Chief Investment Officer (CIO):

**SUMMARY COMPENSATION TABLE**

Name and Principal Position	Year	Salary (\$)	Bonus (\$)	Stock Awards (\$)	Option Awards (\$)	Non-Equity Incentive Plan	Non-Qualified Deferred Compensation Earnings	All Other Compensation (\$)	Totals (\$)
						Compensation (\$)	(\$)	(\$)	
Clayton Carter, CEO	2015	56,260	0	0	0	0	0	0	56,260
	2014	49,580	0	73,000	0	0	0	0	122,580
Don Edwards, CIO	2015	30,500	0	0	0	0	0	0	30,500
	2014	48,953	0	73,000	0	0	0	0	121,983
James Carroll, CFO	2015	0	0	0	0	0	0	0	0
	2014	0	0	7,300	0	0	0	0	7,300

**Employment Agreements**

We do not have any employment agreements in place.

**Compensation of Directors**



Directors do not receive any compensation for their services as directors. The Board of Directors has the authority to fix the compensation of directors. No amounts have been paid to, or accrued to, directors in such capacity.

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

As of September 28, 2015, the following persons are known to Freestone to own 5% or more of Freestone's Common Stock, as well as the Company's officers and directors.

<b>Name and Address of Beneficial Owner, Officer or Director</b>	<b>Amount Beneficially Owned*</b>	<b>Percent of Class</b>
Clayton Carter, President, CEO and Director	7,605,000	8.83 %
James Carroll, Chief Financial Officer and Director	2,040,000	2.37 %
Don Edwards, Chief Investment Officer and Director	6,500,000	7.55 %
Gerald M. Johnston, Beneficial Owner	12,341,667	14.33 %

**Directors and Officers as a Group**

325 N. St. Paul St.

Suite 1350

Dallas, TX 75201

**Gerald M. Johnston**

2821 Alliance Place

Suite 1

Springdale, AR 72764

**ITEM 13. CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS AND DIRECTOR INDEPENDENCE**

We were not a party to any transactions or series of similar transactions that have occurred during this fiscal year in which a director, executive officer, holder of more than 5% of our common stock or any member of their immediate family had or will have a direct or indirect material interest.

Due to our limited resources, the Company does not have any independent directors serving on the board of directors.

**ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES**

**Audit Fees**

The aggregate fees billed for professional services rendered by our auditors, for the audit of the our annual financial statements and review of the financial statements included in our Form 10-K and Forms 10-Q or services that are normally provided by the accountant in connection with statutory and regulatory filings or engagements for the year ended June 30, 2015 was \$25,610, and \$28,000 for fees relating to the year ended June 30, 2014.

**Audit Related Fees**

None.

**Tax Fees**

None.

**All Other Fees**

None.

**ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES**

(a) The following documents are filed as part of this report: Included in Part II, Item 7 of this report:

Report of Independent Registered Public Accounting Firm

Consolidated Balance Sheets

Consolidated Statements of Operations

Consolidated Statements of Cash Flows

Consolidated Statements of Stockholders' Equity

Notes to the Consolidated Financial Statements

(b) Freestone filed the following Exhibits in the year ended June 30, 2015:

15

On February 17, 2015 Freestone filed an 8-K to report the Change in Registrant's Certifying Accountant (incorporated by reference to the Form 8-K filed on February 17, 2015)

On June 29, 2015 Freestone filed an 8-K to report the Entry into a Material Definitive Agreement and the Unregistered Sales of Equity Securities (incorporated by reference to the Form 8-K filed on June 29, 2015)

(c) Exhibits

31 Certification

32 Certification Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 – CEO and CFO

99.1 Freestone Financial Statements (Restated) as originally filed on Form 10-K on September 4, 2014

XBRL

**SIGNATURES**

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

**Freestone Resources, Inc.**

Dated: October 5, 2015 By: */s/ Clayton Carter*  
Clayton Carter,

Chief Executive Officer

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Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this Annual Report on Form 10-K to be signed on its behalf by the undersigned hereunto duly authorized.

<b>Name</b>	<b>Title</b>	<b>Date</b>
By: /s/ Clayton Carter Clayton Carter	President, Chief Executive Officer and Director	October 5, 2015
By: /s/ James Carroll James Carroll	Chief Financial Officer, Director	October 5, 2015
By: /s/ Don Edwards Don Edwards	Chief Investment Officer, Director	October 5, 2015

**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To the Board of Directors and Stockholders of

Freestone Resources, Inc.

Dallas, Texas

We have audited the accompanying consolidated balance sheet of Freestone Resources, Inc. and its subsidiaries (collectively the “Company”, or “Successor”) as of June 30, 2015, and the related consolidated statements of operations, changes in stockholders’ equity, and cash flows for the period from June 25, 2015 through June 30, 2015. We have also audited the accompanying balance sheet of C. C. Crawford Retreading Co., Inc. (the “Predecessor”) as of June 30, 2014 and the related statements of operations, changes in stockholders’ equity, and cash flows for the period from July 1, 2014 through June 24, 2015 and for the year ended June 30, 2014. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform an audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Freestone Resources, Inc. and its subsidiaries as of June 30, 2015 and the results of their operations and their cash flows for the period from June 25, 2015 through June 30, 2015, in conformity with accounting principles generally accepted in the United States of America. Further, in our opinion, the Predecessor financial statements referred to above present fairly, in all material respects, the financial position of C. C. Crawford Retreading Co., Inc. as of June 30, 2014 and results of operations and its cash flows for the period from July 1, 2014 through June 24, 2015 and for the year ended June 30, 2014, in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that Freestone Resources, Inc. will continue as a going concern. As discussed in Note 14 to the financial statements, Freestone Resources, Inc. has not generated sufficient profits and cash flows to fund our business operations, which raises substantial doubt about its ability to continue as a going concern. Management’s plans regarding those matters also are described in Note 14. The financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification

of assets or the amounts and classification of liabilities that may result from the outcome of this uncertainty.

*/s/ MaloneBailey, LLP*

[www.malonebailey.com](http://www.malonebailey.com)

Houston, Texas

October 6, 2015

17



Freestone Resources Inc. and Subsidiaries  
Consolidated Balance Sheets

	June 30, 2015 Successor	June 30, 2014 Predecessor
<b>ASSETS</b>		
Current Assets		
Cash	\$ 38,372	\$ 30,465
Accounts receivable	98,208	123,889
Inventory	122,000	26,544
Prepaid and Other Assets	51,151	48,473
Total Current Assets	309,731	229,371
Property, plant and equipment, net of accumulated depreciation of \$16,564 and \$727,102	1,665,430	652,920
<b>TOTAL ASSETS</b>	<b>\$ 1,975,161</b>	<b>\$ 882,291</b>

**LIABILITIES  
AND  
STOCKHOLDERS'  
EQUITY**

Current Liabilities		
Accounts payable and accrued liabilities	\$ 124,046	\$ 75,579
Accrued bonus payable	-	264,964

Environmental liability	32,000	320,000
Current portion of long term debt	56,051	52,577
Total Current Liabilities	212,097	713,120
Asset Retirement Obligation	14,470	
Long term debt, less current portion	1,104,913	140,964
<b>TOTAL LIABILITIES</b>	<b>1,331,480</b>	<b>854,084</b>
<b>STOCKHOLDERS' EQUITY</b>		
Common stock, \$.001 par value, 100,000,000 shares authorized, 81,088,177 shares issued and outstanding	81,088	
Common stock, \$10 par value, 100,000 shares authorized and outstanding		1,000,000
Additional paid in capital	19,488,278	(557,816)
Accumulated deficit	(18,925,985)	(413,977)
	643,381	28,207
Non-Controlling Interest	300	-
	643,681	28,207
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>\$ 1,975,161</b>	<b>\$ 882,291</b>

The Accompanying Notes Are An Integral Part of These  
Consolidated Financial Statements

18

Freestone Resources Inc. and Subsidiaries  
Consolidated Statements of Operations

	June 25, 2015 to June 30, 2015 Successor (A)	July 1, 2014 to June 24, 2015 Predecessor (A)	Year Ended June 30, 2014 Predecessor
<b>REVENUE</b>			
Tipping Fee Revenue	\$ -	\$ 463,537	\$ 358,946
Tire Repair Revenue	-	432,039	377,459
Used Tire Sales	-	161,445	415,395
Scrap Material Sales	-	57,999	80,880
Total Revenue	-	1,115,020	1,232,680
<b>COSTS OF REVENUE</b>			
Tipping Fee Operations	-	255,345	278,786
Tire Repair and Sales	-	163,011	207,924
Tire Disposal	-	161,721	146,167
Total Cost of Revenue	-	580,077	632,877
<b>GROSS PROFIT</b>	-	534,943	599,803
<b>OPERATING EXPENSES</b>			
Selling	-	154,842	141,825
	-	329,456	345,375

General and Administrative Depreciation and Amortization	-	60,652	74,099
Total Operating Expense	-	544,950	561,299
INCOME (LOSS) FROM OPERATIONS	-	(10,007)	38,504
OTHER INCOME (EXPENSES)			
Bargain Purchase Gain	128,750	-	-
Interest Expense, net		(10,530)	(13,474)
	128,750	(10,530)	(13,474)
INCOME (LOSS) BEFORE TAXES	128,750	(20,537)	25,030
PROVISION FOR INCOME TAXES	-	-	-
NET INCOME(LOSS) \$	128,750 \$	(20,537) \$	25,030
Basic and diluted income (loss) per share			
Net income (loss) per share	\$	0.00	
Weighted average shares	81,088,177		

outstanding  
Basic  
and  
diluted

(A) The acquisition of C.C. Crawford Retreading Co., Inc. by Freestone Resources Inc. closed on June 24, 2015.

(See Note 3 to the  
consolidated  
financial  
Statements)

The Accompanying Notes Are An Integral Part of These Consolidated Financial Statements

19

Freestone Resources Inc. and Subsidiaries  
Statement of Changes in Stockholders' Equity

	Common Stock		Paid-In	Accumulated	Non	
	Shares	Amount	Capital	Deficit	Controlling	Totals
					Interest	
Predecessor						
Balance, June 30, 2013	100,000	\$1,000,000	\$(557,816)	\$(439,007)	) \$—	\$3,177
Net Income				25,030		25,030
Balance, June 30, 2014	100,000	1,000,000	(557,816)	(413,977)	)	28,207
Net Loss				(20,537)	)	(20,537)
Balance, June 24, 2015 (A)	100,000	\$1,000,000	\$(557,816)	\$(434,514)	) \$—	\$7,670

	Common Stock		Paid-In	Accumulated	Non	
	Shares	Amount	Capital	Deficit	Controlling	Totals
					Interest	
Successor (A)						