FREESTONE RESOURCES, INC.
Form 10-K
October 15, 2018

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D. C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Fiscal Year Ended **June 30, 2018**

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXHANGE 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.)

101 W. Ave D. Ennis, TX 75119	**75201**
(Address of Principal Executive Offices)	(Zip Code)

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

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

Emerging Growth Company

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

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.

Aggregate market value of the voting stock held by non-affiliates of the registrant as of December 31, 2017: $2,959,487

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 30, 2018, the Registrant had 98,238,177 shares of common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

None

2

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.	Mine Safety Disclosures	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	13
Item 11.	Executive Compensation	15
Item 12.	Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters	16
Item 13.	Certain Relationship and Related Transactions and Director Independence	16
Item 14.	Principal Accounting Fees and Services	17

PART IV

Item 15.	Exhibits and Financial Statement Schedules	18

3

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,” “po 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.freestoneresources.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

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

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.

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.

On September 6, 2016 CTR received a Notice of Enforcement for Compliance Evaluation Investigation from the TCEQ informing them of potential violations related to its processing permit. On September 6, 2016 FDEP also received a Notice of Enforcement for Compliance Evaluation Investigation informing them of potential violations relating to waste disposal and its permit for pyrolysis process.

CTR's potential violations related to tires stored in excess of the numbers permitted and noncompliance with fire regulations. CTR has submitted a plan to reduce the number of tires and bring the facility into full compliance with all fire regulations.

FDEP's potential violations regarded failure to properly classify, track and dispose of hazards waste as well as operating a pyrolysis machine without a separate permit from CTR. FDEP cured the potential hazards waste issue and submitted documentation of such to the TCEQ. FDEP has applied for a separate permit for its pyrolysis operation and is awaiting approval from the TCEQ. As of June 30, 2018, the Company is awaiting approval of the permit

In conjunction with the plan submitted to the TCEQ to bring the tire storage facility into compliance CTR accrued an environmental and tire disposal liability of $400,000. (See financial statement Note 7). The Company also accrued $48,750 in proposed TCEQ fines and penalties.

On August 22, 2018 the TCEQ approved an Agree Order with CTR to settle the case. Under terms of the agreement the fine was reduced to $3,600 providing CTR reduce it number of scrap tires on hand to 5,000 within 100 days.

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

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. During the current year Freestone relocated its corporate offices to the Ennis facilities as a cost saving measure.

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. MINE SAFETY DISCLOSURES

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 2018 and 2017. The prices set forth below represent interdealer quotations, without retail markup, markdown or commission and may not be reflective of actual transactions.

Fiscal 2018	**High**	**Low**
First Quarter	$0.07	$0.04
Second Quarter	$0.08	$0.05
Third Quarter	$0.06	$0.02
Fourth Quarter	$0.06	$0.04

Fiscal 2017	**High**	**Low**
First Quarter	$0.13	$0.05
Second Quarter	$0.08	$0.05
Third Quarter	$0.09	$0.04
Fourth Quarter	$0.08	$0.04

Shareholders

As of June 30, 2018, there were approximately 260 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

As of June 30, 2018, the Company had no outstanding stock warrants.

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. 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") 505-50, 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 Year ended June 30, 2018 Compared to the Year ended June 30, 2017

Revenue

Revenues for the years ended June 30, 2018 and 2017 were $1,163,860 and $1,079,846, respectively. An increase of 7.8% due primarily to the increase in tipping fees.

Cost of Goods and Gross Profit

Cost of Goods sold for the years ended June 30, 2018 was $904,807 compared to $839,007 in the prior year. The 7.8% increase was consistent with the Company's increase in sales. The Company's gross margin remained steady at 22.3%.

Operating Expense

Total operating expenses for the years ended June 30, 2018 and 2017 were $1,267,235 and $1,557,977, respectively. A decrease of 18.7% due to the Company's implementation of cost savings measures. The primary area of decrease were selling of $64,600 and general and administration of $207,923. The selling decreases were due to cuts in compensation at CTR while the general and administration decrease was primarily a reduction of loan administration costs.

Other Income and Expenses

Other income and expense for the year ended June 30, 2018 and the year ended June 30, 2017 consisted of interest expense of $219,944 and $165,312 respectively. The increase is reflective of the Company increase in debt used to finance the Company losses.

Net (Loss) Income

Net loss for and the year ended June 30, 2018 was $1,138,132 compared to a net loss for the year ended June 30, 2017 of $1,386,947. The decrease was primarily a result of the Company's decrease in operating cost detailed above.

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 decreased from $4,109 at June 30, 2017 to $2,966 at June 30, 2018.

Net cash used by operating activities was $786,056 for the year ended June 30, 2018. The difference between the Company's net loss and cash used is the none cash expenses of depreciation and stock compensation and an increase in accrued liabilities from the deferral of officer's payroll.

The cash provided by financing activities totaled $780,613 funded by $270,058 of cash contributed by the non-controller member to FDEP and $974,816 increase in borrowings from stockholders offset by $464,261 of payments on term loans.

Employees

As of June 30, 2018, CTR had 16 full-time employees including 1 leased to FDEP. Freestone's only employees are its three 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 consolidated 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 substantial 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 Pinnacle Accountancy Group of Utah for the year ended June 30, 2018 and 2017, appear on pages 20 through 38 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, 2018. 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 seg.) 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, 2018. Based on its evaluation, our management concluded that, as of June 30, 2018, our internal control over financial reporting was not effective because of: 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.

12

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

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

Michael McGhan, Chief Executive Officer and President

Paul E. Babb, Chief Financial Officer

Don Edwards, Chief Investment Officer

Michael McGhan, age 63, has extensive experience with operations, sales and management that is extremely beneficial to Freestone, and the development of the Company's petrochemical product line. From 1991 to August 2002, Mr. McGhan was a co-founder, President and Chief Executive Officer of Hanover Compressor Co. (now Exterran Holdings, Inc.). Hanover became the largest natural gas compression company in the world with approximately 7,000 compression rental units in the field, and annual revenues over $1.1 billion. In August 2004, Mr. McGhan along with his partners co-founded Valerus Compression Services LLP. Mr. McGhan served as co-CEO and ultimately Vice-Chairman of the company until December 2009. Mr. McGhan and his partners built Valerus into one of the world's leading providers of natural gas treatment and compression equipment and services to the global oil and gas industry.

Paul E. Babb, age 61 is a CPA and served as the Company's Controller and Director of Financial Reporting since July, 2015 until his appointment as C.F.O. He received his B.S. and M.S. degrees in accounting from Oklahoma State University. He has over thirty years of financial reporting experience in both industry and public accounting. Prior to his employment with Freestone Mr. Babb worked as a consultant for the Thomas Edwards Group as an audit manager for The Hall Group CPAs. His previous experience included ten years as controller for Mapsco, Inc.

Don Edwards, age 67, 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 company 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.

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 committees 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, 2018 and 2017 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 Compensation ($)	Non-Qualified Deferred Compensation Earnings ($)	All Other Compensation ($)	Totals ($)
Michael McGhan,	2018	120,000	0	0	0	0	0	0	120,000
CEO	2017	120,000	0	0	0	0	0	0	120,000
Don Edwards,	2018	46,500	0	0	0	0	0	0	46,500
CIO	2017	42,000	0	0	0	0	0	0	42,000
Paul Babb,	2018	83,333	0	18,750	0	0	0	0	102,086
CFO	2017	76,753	0	30,000	0	0	0	0	106,753

Employment Agreements

As of June 30, 2018 the Company had no current employment agreements.

Payments of officer’s compensation has been limited due to the Company cash flow. As of June 30, 2018, accrued liabilities include $394,611 of officer’s salaries deferred under employment contracts and agreement by the officers.

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 June 30, 2018, 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.

Name and Address of Beneficial Owner, Officer or Director	**Amount Beneficially Owned**	**Percent of Class**	
Michael McGhan, President, CEO and Director	5,500,000	4.62	%
Paul E. Babb, Chief Financial Officer and Director	1,482,275	1.67	%
Don Edwards, Chief Investment Officer and Director	6,500,000	7.07	%
Clayton Carter, Beneficial Owner	7,605,000	8.27	%
Gerald M. Johnston, Beneficial Owner	12,904,167	14.03	%

Directors and Officers as a Group

101 W. ave d.

Ennis, TX 7119

Gerald M. Johnston

2821 Alliance Place

Suite 1

Springdale, AR 72764

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

On April 12, 2016 Paul Babb loaned the company $50,000 under a note due April 12, 2016 bearing interest at 6.5%. The note is convertible into common stock at $.08 per share upon maturity. Mr. Babb became the Company's CFO and a member of the board on May 31, 2016. The due date has subsequently extended to December 31, 2018 and the conversion price changed to $.05 per share.

During the years ended June 30, 2018 and 2017 the Company borrowed a total of $1,509,919 from a shareholder of the Company in various increments throughout the period. The note bears interest at 6.5% is convertible into common stock at $.05 per share. The due date has subsequently been extended to December 31, 2018 Subsequent to yearend the note holder converted $125,000 of the balance to common stock at $.05 a share for a total of 2,500,000 shares. (see note 15 to the financial statements)

On December 15, 2016 the Company borrowed $20,000 from another shareholder. The bears interest at 6.5% and is convertible into common stock at $.05 per share. The due date has subsequently been extended to December 15, 2018.

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 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, 2018 and 2017 were $31,395 and $26,679, respectively.

Audit Related Fees

None.

Tax Fees

None

All Other Fees

None.

17

ITEM 15. EXHIBITS AND FINANICAL 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 for the years Ended June 30, 2018 and 2017

Consolidated Balance Sheets

Consolidated Statements of Operations

Statement of Changes in Stockholders' Equity/(Deficit)

Consolidated Statements of Cash Flows

Notes to the Consolidated Financial Statements

(b) Freestone filed the following Exhibits in the year ended June 30, 2018:

None

18

(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
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 15, 2018 By: */s/ Michael McGhan*
Michael McGhan,

Chief Executive Officer

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.

Name	Title	Date

By: /s/ Michael McGhan Michael McGhan	President, Chief Executive Officer and Director	October 15, 2018
By: /s/ Paul E. Babb Paul E. Babb	Chief Financial Officer, Director	October 15, 2018
By: /s/ Don Edwards Don Edwards	Chief Investment Officer, Director	October 15, 2018

19

To The Board of Directors and Stockholders of

Freestone Resources, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Freestone Resources, Inc. (the "Company") as of June 30, 2018 and 2017, and the related consolidated statements of operations, stockholders' equity (deficit), and cash flows for each of the years in the two-year period ended June 30, 2018 (collectively referred to as the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of June 30, 2018 and 2017, and the results of its operations and its cash flows for each of the years in the two-yeear period ended June 30, 2018 and 2017, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

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

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

The accompanying consolidated financial statements have been prepared assuming the Company will continue as a going concern. As discussed in Note 15 to the consolidated financial statements, the Company has not generated sufficient cash flows from operations to fund its business operations. This factor, among others, raises substantial doubt about the Company's ability to continue as a going concern. Management's plans in regard to this matter are also described in Note 15. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/Pinnacle Accountancy Group of Utah

We have served as the Company’s auditor since 2016

Farmington, Utah

October 15, 2018

Freestone Resources Inc. and Subsidiaries
Consolidated Balance Sheets

	June 30, 2018	June 30, 2017
ASSETS		
Current Assets		
Cash	$2,966	$4,109
Accounts receivable, net of allowance for doubtful accounts of $4,000 and $4,000	139,772	155,845
Inventory	30,391	30,538
Prepaid and Other Assets	67,065	44,356
Total Current Assets	240,194	234,848
Property, plant and equipment, net of accumulated depreciation of $349,373 and $242,320	1,359,972	1,502,810
TOTAL ASSETS	$1,600,166	$1,737,658
LIABILITIES AND STOCKHOLDERS' EQUITY/(DEFICIT)		
Current Liabilities		
Accounts payable	$91,286	$66,429
Accrued liabilities	580,124	310,710
Environmental liability	400,000	400,000
Convertible Notes Payable - Related Party	1,579,919	605,013
Current portion of capital lease obligation	12,484	11,920
Current portion of long-term debt	339,858	515,527
Total Current Liabilities	3,003,671	1,912,599
Capital lease obligation, less current portion	13,124	25,608
Long-term debt, less current portion	715,131	991,893
TOTAL LIABILITIES	3,731,926	2,930,100
STOCKHOLDERS' EQUITY/(DEFICIT)		
Preferred stock, 5,000,000 shares authorized, 0 shares issued and outstanding	—	—
Common stock, $.001 par value, 100,000,000 shares authorized, 91,988,177 and 91,613,177 shares issued and outstanding	91,988	91,613
Additional paid in capital	20,858,878	20,840,503

Accumulated deficit	(23,829,238)	(22,691,106)
Total Freestone Resources, Inc. stockholders' deficit	(2,878,372)	(1,758,990)
Non-Controlling Interest	746,612	566,548
Total equity (deficit)	(2,131,760)	(1,192,442)
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY/(DEFICIT)	$1,600,166	$1,737,658

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

21

Freestone Resources Inc. and Subsidiaries
Consolidated Statements of Operations

	Year Ended June 30, 2018	Year Ended June 30, 2017
REVENUE		
Tipping Fee Revenue	$642,227	$537,344
Tire Repair Revenue	370,701	357,959
Used Tire Sales	95,375	122,742
Scrap Material Sales	55,557	61,801
Total Revenue	1,163,860	1,079,846
COSTS OF REVENUE		
Tipping Fee Operations	295,055	271,941
Tire Repair and Sales	149,350	156,043
Used Tires	10,266	57,926
Tire Disposal	440,714	353,097
Scrap and Other Costs	9,422	—
Total Cost of Revenue	904,807	839,007
GROSS PROFIT	259,053	240,839
OPERATING EXPENSES		
Start Up Costs	282,998	307,704
Selling	122,720	187,320
General and Administrative	722,979	930,902
Depreciation and Amortization	124,755	125,851
Loss on Sale of Assets	13,783	6,200
Total Operating Expense	1,267,235	1,557,977
INCOME (LOSS) FROM OPERATIONS	(1,008,182)	(1,317,138)
OTHER INCOME (EXPENSES)		
Interest Expense, net	(219,944)	(165,312)
	(219,944)	(165,312)
INCOME (LOSS) BEFORE NON-CONTROLLING INTEREST	(1,228,126)	(1,482,450)
Loss Attributable to Non-Controlling Interest	89,994	95,503
NET INCOME(LOSS) ATTRIBUTABLE TO FREESTONE	$(1,138,132)	$(1,386,947)

Basic and diluted income (loss) per share		
Net income (loss) per share	$(0.01)	(0.02)
Weighted average shares outstanding Basic and diluted	91,800,506	91,273,793

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

22

Freestone Resources Inc. and Subsidiaries
Statement of Changes in Stockholders' Equity/(Deficit)

	Common Stock Shares	Common Stock Amount	Paid-In Capital	Accumulated Deficit	Non Controlling Interest	Totals
Balance, June 30, 2016	90,613,177	$90,913	$20,786,503	$(21,304,159)	$349,3171	$(77,872)
Common Stock Issued for Cash	500,000	500	24,500			25,000
Common Stock Issued for Services	500,000	500	29,500			30,000
Members Contributions to LLC					312,880	312,880
Net Loss				(1,386,947)		(1,386,947)
Loss Attributable to Non-Controlling Interest					(95,503)	(95,503)
Balance, June 30, 2017	91,613,177	91,613	20,840,503	(22,691,106)	566,548	(1,192,442)
Common Stock Issued for Services	375,000	375	18,375			18,750
Members Contributions to LLC					270,058	270,058
Net Loss				(1,138,132)		(1,138,132)
Loss Attributable to Non-Controlling Interest					(89,994)	(89,994)
Balance, June 30, 2018	91,988,177	$91,988	$20,858,978	$(23,829,238)	$746,612	$(2,131,760)

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

Freestone Resources Inc. and Subsidiaries
Consolidated Statements of Cash Flow

	Year Ended June 30, 2018	**Year Ended June 30,** 2017
CASH FLOW FROM OPERATING ACTIVITIES		
Net Income (Loss)	(1,228,126)	$(1,482,450)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation	124,755	125,851
Loss on Disposal of Assets	13,783	6,200
Bad Debt Write-off	45,158	—
Stock Issued for Services	18,750	30,000
Changes in operating assets and liabilities		
Decrease in Accounts Receivable	(29,085)	(14,711)
Decrease in Inventory	147	39,032
Increase in Prepaid Expenses	(22,709)	(859)
Increase in Accounts Payable	24,857	355,977
Increase in Accrued Liabilities	266,414	108,328
Net Cash (Used In) Operating Activities	(786,056)	(832,632)
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	(6,700)	—
Proceeds from Sale of Fixed Assets	11,000	6,800
Net Provided By (Cash Used) in Investing Activities	4,300	6,800
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from sale of stock	—	25,000
Proceeds from Long-Term Debt	—	5,000
Proceeds from Convertible Notes Payable - Related Parties	974,816	555,0013
Repayment of Debt	(452,341)	(72,186)
Capital Lease Payments	(11,920)	(11,414)
Cash Contributed to LLC by non-controlling member	270,058	298,737
Net Provided By In Financing Activities	780,613	800,150
Net Decrease in Cash	(1,143)	(25,682)
Cash at Beginning of the Period	4,109	29,791
Cash at the End of the Period	$2,966	$4,109

Cash Transactions

Total Amount of Interest Paid in Cash	$118,905	$81,331
Total Income Taxes Paid in Cash	$—	$—
Non Cash financing and Investing Activities		
Accrued Interest and Penalties Added to Note Payable	$—	$362,066
Services paid for directly by non-controlling interest	$12,641	$14,143

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

Freestone Resources Inc. and Subsidiaries

Notes to Financial Statements

June 30, 2018 and 2017

NOTE 1 – NATURE OF ACTIVITIES AND CONTINUANCE OF BUSINESS

Freestone Resources, Inc. and subsidiaries ("Freestone" or collectively the "Company") are an oil and gas technology development company. The Company is located in Ennis, Texas and is incorporated under the laws of the State of Nevada. The Company's subsidiaries consist of C.C. Crawford Retreading Company, Inc., Freestone Technologies, LLC and Freestone Dynamis Energy Products, LLC.

The Company's primary business is the development of new technologies that allow for the utilization of oil and gas resources in an environmentally responsible and cost effective way.

C.C. Crawford Retreading Company, Inc. ("CTR") is an Off-The-Road ("OTR") tire company located in Ennis, Texas and incorporated under the laws of the State of Texas. CTR's primary business is to repair, recycle, dispose of and sell OTR tires, which are used on large, industrial equipment.

Freestone Dynamis Energy Products, LLC ("FDEP") is a joint venture between Dynamis Energy, LLC and the Company. FDEP was established to pursue the production and marketing of Petrozene™. FDEP's initial operations will utilize a specialized pyrolysis technology in order to process CTR's feedstock, and begin large scale production of Petrozene™. Freestone owns 70% of FDEP.

Freestone Technology, LLC. is an inactive subsidiary.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

The Company's management selects accounting principles generally accepted in the United States of America and adopts methods for their application. The application of accounting principles requires the estimating, matching and timing of revenue and expense. It is also necessary for management to determine, measure and allocate resources and obligations within the financial process according to those principles. The accounting policies used conform to generally accepted accounting principles which have been consistently applied in the preparation of these financial statements.

The financial statements and notes are representations of the Company's management which is responsible for their integrity and objectivity. Management further acknowledges that it is solely responsible for adopting sound accounting practices, establishing and maintaining a system of internal accounting control and preventing and detecting fraud. The Company's system of internal accounting control is designed to assure, among other items, that 1) recorded transactions are valid; 2) valid transactions are recorded; and 3) transactions are recorded in the proper period in a timely manner to produce financial statements which present fairly the financial condition, results of operations and cash flows of the Company for the respective periods being presented.

Basis of Presentation:

The Company prepares its financial statements on the accrual basis of accounting. The accompanying consolidated financial statements include the accounts of the Company and its subsidiaries, all of which have a fiscal year end of June 30. All significant intercompany accounts, balances and transactions have been eliminated in the consolidation.

The Company consolidates its subsidiaries in accordance with ASC 810, and specifically ASC 810-10-15-8 which states, "[t]he usual condition for a controlling financial interest is ownership of a majority voting interest, and, therefore, as a general rule ownership by one reporting entity, directly or indirectly, or over 50% of the outstanding voting shares of another entity is a condition pointing toward consolidation."

Use of Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Recently Issued Accounting Pronouncements:

Stock compensation

In March 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2016-09 amending several aspects of share-based payment accounting. This guidance requires all excess tax benefits and tax deficiencies to be recorded in the income statement when the awards vest or are settled, with prospective application required. The guidance also changes the classification of such tax benefits or tax deficiencies on the statement of cash flows from a financing activity to an operating activity, with retrospective or prospective application allowed. Additionally, the guidance requires the classification of employee taxes paid when an employer withholds shares for tax-withholding purposes as a financing activity on the statement of cash flows, with retrospective application required. This ASU is effective for annual periods, and interim periods within those annual periods, beginning after December 15, 2016. As such, The Company adopted these provisions as of the fiscal year beginning January 1, 2017. There was no material effect of the new provisions on our consolidated financial statements and related disclosures.

In May 2017, the FASB issued ASU 2017-09, Compensation – Stock Compensation (Topic 718): Scope of Modification Accounting (“ASU 2017-09). ASU 2017-09 provides clarity and reduce both (1) diversity in practice and (2) cost and complexity when applying the guidance in Topic 718, Compensation—Stock Compensation, to a change to the terms or conditions of a share-based payment award. The amendments in this update provide guidance about which changes to the terms or conditions of a share-based payment award require an entity to apply modification accounting in Topic 718. The amendments in this update are effective for all entities for annual periods, and interim periods within those annual periods, beginning after December 15, 2017. Early adoption is permitted. As such, The Company is required to adopt these provisions as of the fiscal year beginning on January 1, 2018. The amendments in this update should be applied prospectively to an award modified on or after the adoption date. We are currently assessing the potential impact of ASU 2017-09 on our consolidated financial statements and results of operations.

Leases

In February 2016, FASB issued ASU 2016-02— Leases (Topic 842). The update is intended to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. The amendments in this update are effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. Early application of the amendments in this update is permitted. As such, The Company is required to adopt these provisions as of the fiscal year beginning on January 1, 2019. The Company is currently evaluating the impact of FASB ASU 2016-02 and expects the adoption thereof will have a material effect on The Company's presentation of balance sheet assets and liabilities based on the present value of future lease payments,but does not expect a material effect on the presentation of expenses and cash flows.

Revenue:

Revenue from Contracts with Customers: In May 2014, ASC 606 was issued related to revenue from contracts with customers. Under this guidance, revenue is recognized when promised goods or services are transferred to customers in an amount that reflects the consideration that is expected to be received for those goods or services. The updated standard will replace most existing revenue recognition guidance under GAAP when it becomes effective and permits the use of either the retrospective or cumulative effect transition method. Early adoption is not permitted. The standard will be effective for the Company's fiscal year beginning July 1, 2018, including interim reporting periods within that year. The new guidance is not expected to have an impact on the Company's consolidated financial statements. The Company has analyzed the standard and has implement any relevant provisions for the interim periods beginning July 1, 2018.

Inventory

In July 2015, FASB issued ASU 2015-11— Inventory (Topic 330): “Simplifying the Measurement of Inventory”. The update is effective for fiscal years beginning after December 15, 2016, including interim periods within those fiscal years. As such, the Company adopted these provisions beginning on January 1, 2017. The amendments in this Update should be applied prospectively with earlier application permitted as of the beginning of an interim or annual reporting period. The update is part of FASB’s Simplification Initiative, the objective of which is to identify, evaluate, and improve areas of generally accepted accounting principles (GAAP) for which cost and complexity can be reduced. Pursuant to the update, an entity should measure inventory at the lower of cost and net realizable value. The amendments in the update more closely align the measurement of inventory in GAAP with the measurement of inventory in International Financial Reporting Standards (IFRS). Adoption of the new guidance did not have an impact on the Company's consolidated financial statements.

Income Taxes:

The Company has adopted ASC 740-10, which requires the use of the liability method in the computation of income tax expense and the current and deferred income taxes payable. A valuation allowance is provided for the amount of deferred tax assets that, based on available evidence, are not expected to be realized.

Cash:

Cash and cash equivalents include cash in banks and short-term investments with original maturities of three months or less. The Company maintains deposits in a financial institution which provides Federal Deposit Insurance Corporation coverage for interest bearing and non-interest bearing transaction accounts of up to $250,000. At June 30, 2018 and 2017, none of the Company’s cash was in excess of federally insured limits.

Revenue Recognition:

CTR recognizes 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.

- Revenue associated with sales of Petrozene is recognize upon delivery to the customer.

27

Accounts Receivable:

Accounts Receivable consists of OTR tire repair, disposal, recycling and used tire sales receivables due from customers and are unsecured. The receivables are generally unsecured and such amounts are generally due within 30 to 45 days after the date of the invoice. Accounts receivable are carried at their face amount, less an allowance for doubtful accounts. CTR's policy is generally not to charge interest on receivables after the invoice becomes past due. A receivable is considered past due if payments have not been received within agreed upon invoice terms. Write offs are recorded at a time when a customer receivable is deemed uncollectible. CTR's allowance for doubtful accounts was $4,000 and $4,000 as of June 30, 2018 and 2017, respectively. During the year ended June 30, 2018 the Company's joint venture wrote off a $45,158 receivable for certain cost associated with the installation and operation of the venture's leased pyrolysis machine from the lessor of the machine. The Company's feel the costs are a valid receivable however since the original lease has expired and the machine is not currently producing revenue recovery can not be assured.

Shipping and Handling Costs

The Company includes shipping and handling cost as part of cost of goods sold.

Inventory:

Inventory of the Company is carried at lower of cost or market. The Company's inventory consists of processed rubber from disposed tires carried at cost of processing, used tires for sale carried at the cost of repairs and tire oil produced from the Company's pyrolysis operations. As of June 30, 2018 and 2017 inventory consisted of:

	2018	2017
Crum Rubber for Processing	$---	$8,087
Used Tire for Resale	11,648	15,041
Petrozene and Tire Oil	18,743	7,410
	$30,391	$30,538

Property, Plant and Equipment:

Property, Plant and Equipment are carried at the cost of acquisition or construction, and are depreciated over the estimated useful lives of the assets. Assets acquired in a business combination are stated at estimated fair value. Costs associated with repair and maintenance are expensed as they are incurred. Costs associated with improvements which extend the life, increase the capacity or improve the efficiency of our property and equipment are capitalized and depreciated over the remaining life of the related asset. Gains and losses on dispositions of equipment are in operating income. Depreciation and amortization are provided using the straight-line and accelerated methods over the estimated useful lives of the assets as follows:

Buildings and Improvements	10 - 39 Years
Machinery and Equipment	7 Years
Automotive Equipment	5-7 Years
Office Furniture & Equipment	5 Years

Impairment of Long-Lived Assets:

The Company evaluates, on a periodic basis, long-lived assets to be held and used for impairment in accordance with the reporting requirements of ASC 360-10. The evaluation is based on certain impairment indicators, such as the nature of the assets, the future economic benefit of the assets, any historical or future profitability measurements, as ell as other external market conditions or factors that may be present. If these impairment indicators are present or other factors exist that indicate that the carrying amount of the asset may not be recoverable, then an estimate of the undiscounted value of expected future operating cash flows is used to determine whether the asset is recoverable and the amount of any impairment is measured as the difference between the carrying amount of the asset and its estimated fair value. The fair value is estimated using valuation techniques such as market prices for similar assets or discounted future operating cash flows.

Stock-Based Compensation:

The Company accounts for stock-based compensation using a fair value based method whereby compensation cost is measured at the grant date based on the value of the services received and is recognized over the service period. The Company uses the Black-Scholes pricing model to calculate the fair value of options and warrants issued. In calculating this fair value, there are certain assumptions used such as the expected life of the option, risk-free interest rate, dividend yield, volatility and forfeiture rate. The use of a different estimate for any one of these components could have a material impact on the amount of calculated compensation expense.

The Company does not have any employee benefit or stock option plans.

Fair Value Measurements:

ASC Topic 820, defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and requires certain disclosures about fair value measurements. In general, fair value of financial instruments are based upon quoted market prices, where available. If such quoted market prices are not available, fair value is based upon internally developed models that primarily use, as inputs, observable market based parameters. Valuation adjustments may be made to ensure that financial instruments are recorded at fair value. These adjustments may include amounts to reflect counterparty credit quality and the Company's credit worthiness, among other things, as well as unobservable parameters.

Cash, accounts receivable, accounts payable and other accrued expenses and other current assets and liabilities are carried at amounts which reasonably approximate their fair values because of the relatively short maturity of those instruments.

Emerging Growth Company Critical Accounting Policy Disclosure:

The Company qualifies as an "emerging growth company" under the 2012 JOBS Act. Section 107 of the JOBS Act provides that an emerging growth company can take advantage of the extended transition period provided in Section 7(a)(2)(B) of the Securities Act for complying with new or revised accounting standards. As an emerging grown company, the Company can delay the adoption of certain accounting standards until those standards would otherwise apply to private companies. The Company may elect to take advantage of the benefits of this extended transition period in the future.

Net Loss Per Share:

Basic net loss per share is computed using the weighted-average number of common shares outstanding during the period except that it does not include unvested common shares subject to repurchase or cancellation. Diluted net income per share is computed using the weighted-average number of common shares and, if dilutive, potential common shares outstanding during the period. Potential common shares consist of the incremental common shares issuable upon conversion of notes payable to related parties and stock compensation to officers under employment contracts. The dilutive effect of potential common shares is not reflected in diluted earnings per share because we incurred net losses for the years ended June 30, 2018 and 2017, and the effect of including these potential common shares in the net loss per share calculations would be anti-dilutive. The total potential common shares include 8,011,823 for convertible debt. The convertible debt is specifically limited to authorized shares available per the note agreements.

Reclassifications

Certain accounts in the prior year financial statements have been reclassified to conform with current year presentation.

NOTE 3 - FORMATION OF FREESTONE DYNAMIS ENERGY PRODUCTS, LLC.

On June 24, 2015 the Company entered into an agreement with Dynamis in order to form the joint venture FDEP, a Delaware limited liability company. Freestone determined to enter into a joint venture with Dynamis based on their track record and experience in the waste-to-energy industry, and their ability to provide the necessary funding to fully integrate the production, marketing and sale of Petrozene™ to current and future customers. The terms of the joint venture between the Company and Dynamis are as follows:

- Freestone owns a 70% member interest in FDEP for licensing the rights to use Petrozene™ to FDEP; and
- Dynamis owns a 30% member interest in FDEP in exchange for providing funding up to $5,000,000 to operate the joint venture, and purchase a continuous-feed pyrolysis machine capable of producing a product that can be used to produce Petrozene™; and
- FDEP will be leasing employees from CTR, and said employees will operate the machine. FDEP will reimburse CTR for the leased employees; and
- FDEP has the right, but not the obligation to purchase CTR from Freestone through cash compensation to Freestone, the issuance of additional units in FDEP to Freestone or a combination of both cash and units in FDEP as mutually agreed upon by FDEP and Freestone; and
- FDEP will lease a building from CTR in order to operate the specialized pyrolysis technology for payment of either the ad valorem taxes associated with the rented property or $1,000 per month depending on which amount is the greater of the two; and
- Dynamis will receive 80% of the distributions from FDEP until they have reached a 25% initial rate of return on funds invested into the joint venture. Once the 25% initial rate of return threshold is met all distributions from FDEP will be split according to the 70 / 30 member interest of FDEP owned by the Company and Dynamis.

On June 24, 2015 FDEP simultaneously entered into a lease agreement with a company that has developed a continuous-feed pyrolysis technology that will be operated by FDEP at the Company's facility in Ennis, Texas. FDEP and the company that developed the pyrolysis technology will split the revenues generated from the machine. FDEP will receive 70% of the revenues generated from the machine, and the company providing the continuous-feed pyrolysis technology will receive 30% of the revenues. This revenue split will remain in place so long as the machine is operating at the Company's facility in Ennis, Texas. The agreement between the two companies allows FDEP the opportunity to ensure that the technology continues to operate properly under the strict conditions that are necessary to produce Petrozene™. If the leased pyrolysis machine operates within certain, predefined parameters then FDEP has the right to purchase additional machines.

During the year ended June 30, 2018 and 2017, Dynamis paid $12,641 and $14,143, respectively for certain engineering and general administrative costs on behalf of FDEP, which are shown on the Statement of Cash Flows as a non-cash financing activity. These payments were treated as capital contributions to the entity by Dynamis. Dynamis also made cash contributions totaling $270,058 and $298,737 to the entity during the year ended June 30, 2018 and 2017, respectively.

NOTE 4 – CONCENTRATION OF CREDIT RISK

At June 30, 2018 and 2017 two customers made up 67% and two customers made up 64% of the Company's outstanding trade accounts receivable balance, respectively. For the years ending June 30, 2018 and 2017 two customers and three customers accounted for 59% and 68% of the Company's net revenue, respectively.

NOTE 5 – PROPERTY, PLANT AND EQUIPMENT

At June 30, 2018 and 2017 Property, Plant and Equipment was as follows:

	2018	2017
Land	$360,000	$360,000
Buildings and Improvements	706,700	700,000
Automotive Equipment	78,100	120,585
Machinery and Equipment	507,807	507,807
Capital Lease Assets	56,738	56,738
	1,709,345	1,745,130
Less Accumulated Depreciation	349,373	242,320
	$1,359,972	$1,502,810

For the year ended June 30, 2018 and 2017 depreciation expense was $124,755 and $125,851, respectively.

NOTE 6 – ENVIRONMENTAL LIABILITY

The Company's tire recycling permit requires the Company to ultimately dispose of all tires accepted for recycling. Tire disposal occurs in the normal course of business however the Company always has tires stored at its facility that have not yet been disposed of. The environmental liability was calculated by estimating the costs associated with the various disposal costs that would be necessary to remove the tires from the CTR permitted facility. CTR plans to convert the majority of the tires into crum rubber and sell it to FDEP as a feedstock for its specialized pyrolysis operations. Although CTR still plans to convert the majority of the tires in crum rubber for use by FDEP the liability was recorded as part of the plan submitted to the TCEQ to cure potential violations regarding it processing permit.

Since the plan requires CTR to significantly reduce the numbers of tires on hand within the next year and to date FDEP has not been able to demonstrate the capacity to use the number of tires on hand. The liability is considered short-term and the balance at June 30, 2018 and 2017 was $400,000.

NOTE 7 – CAPITAL LEASE OBLIGATIONS

Capital lease assets of $56,738 and $56,738 and accumulated amortization of $31,557 and $20,209 are included in property, plant and equipment on the balance sheet at June 30, 2018 and 2017, respectively. For the year ended June 30, 2018 and 2017 amortization expense was $11,348 and $11,348, respectively.

At June 30, 2018 and 2017 capital lease obligations were as follows:

	2018	2017
Lease payable bearing interest at 4.95% with monthly payments of $315 maturing August 2019. The lease is secured by equipment.	$4,281	$7,758
Lease payable bearing interest at 3.95% with monthly payments of $309 maturing December, 2020. The lease is secured by equipment.	8,725	11,934
Lease payable bearing interest at 4.78% with monthly payments of $489 maturing September, 2020. The lease is secured by equipment.	12,602	17,869
	25,608	37,528
Less current maturities	(12,484)	(11,920)
Capital Lease Obligations, Less Current Maturities	$ 13,124	$ 28,608

At June 30, 2018 future maturities of capital lease obligations were as follows:

Year Ending June 30:

2019	$ 12,484
2020	$ 9,839
2021	$ 3,285
	$ 25,608

NOTE 8 – NOTES PAYABLE

At June 30, 2018 and 2017 notes payable were as follows:

	2018	2017
Note payable to bank bearing interest at 4.5% with monthly payment of $390 maturing September, 2017. The note is secured by an automobile	$--	$1,162
Note payable to bank bearing interest at 6.5% with monthly payment of $4,892 maturing November, 2017. The note is secured by machinery and equipment	--	24,139
Note payable to bank bearing interest at 6.5% with monthly payment of $809 maturing April, 2020. The note is secured by a truck.	--	25,054
Note payable to bank bearing interest at 7.0% with monthly payment of $3,718 maturing June, 2020. The note is secured by accounts receivable.	79,826	–
Line of Credit with Bank maximum $75,000 bearing interest at 6.5% due March, 2018. Line is secured by accounts receivable.	--	75,000
Note payable to seller in connection with purchase of CTR bearing interest at 12% maturing October, 2020. Note amended to add $360,065 of accrued interest and penalties to principal in February, 2017. Interest only payable until November, 2018. Monthly payment of $45,904 thereafter. Secured by the common stock and assets of CTR	975,163	1,382,065
	1,054,989	1,507,420
Less current maturities	(339,858)	(515,527)
Long Term Debt, Less Current Maturities	$715,131	$991,893

At June 30, 2018 future maturities of long term debt were as follows:

Year Ending June 30:	
2019	$339,858

2020	$536,014
2021	$179,117
	$1,054,989

33

NOTE 9 – NOTES PAYABLE – RELATED PARTIES

At June 30, 2018 and 2017 notes payable to officers and shareholders were as follows:

	2018	2017
Note payable to officer bearing interest at 6.5% due December, 2018. The note was amended on June 30, 2018 to change the conversion terms from $0.055 a share to $0.05 a share. The note is unsecured.	50,000	50,000
Note payable to stockholder bearing interest at 6.5% due December, 2018. The note is convertible into common stock at $.05 a share. The note is unsecured.	20,000	20,000
Note payable to stockholder bearing interest at 6.5% due December, 2018. The note was amended on June 30, 2018 to change the conversion terms from $0.055 a share to $0.05 a share. The note is unsecured.	1,509,919	535,013
	1,579,919	605,013
Less current maturities	(1,579,919)	(605,013)
	$–	$–

At June 30, 2018 future maturities of Notes Payable – Related Parties were as follows:

Year Ending June 30:

2019	$1,579,919
	$1,579,919

NOTE 10 – EQUITY

The Company is authorized to issue 100,000,000 common shares at a par value of $0.001 per share. These shares have full voting rights. At June 30, 2018 and 2017 there were 91,988,177 and 90,613,177 common shares outstanding, respectively.

In July, 2016 the Company sold 500,000 shares of common stock for $25,000 cash.

In the years ended June 30, 2018 and 2017 the Company issued 375,000 and 500,000 shares valued at $18,750 and $30,000, which was the fair market value of the stock, to the CFO as compensation for services under his employment contract.

In each case, the certificates representing the shares carry a legend that the shares may not be transferred without compliance with the registration requirements of the Securities Act of 1933 or in reliance upon an exemption therefrom. For each of these transactions, the Company relied upon Section 4(2) of the Securities Act of 1933 as an exemption from the registration requirements of the Act.

The Company has not paid any dividends to its shareholders

NOTE 11 – MERGER AGREEMENT

On November 2, 2017 the Company formed Freestone Dynamis Acquisition, LLC an Idaho limited liability Company.

On November 2, 2017, Freestone entered into an Agreement and Plan of Merger (the “Plan”) with Freestone Dynamis Acquisition, LLC, an Idaho limited liability company and wholly owned subsidiary of the Company (“Merger Sub”), and Dynamis Energy, LLC, an Idaho limited liability company (“Dynamis”). Pursuant to the terms of the Plan, at the

Effective Time (as defined in the Plan) thereof: (i) Merger Sub will be merged with and into Dynamis, with the separate existence of Merger Sub to cease and with Dynamis to continue as the surviving entity and as a wholly owned subsidiary of the Company; and (ii) all Units of Dynamis will be exchanged for shares of the Company's common stock to be paid in accordance with Article II of the Plan (the "Merger"). At the closing of the Merger, it is expected that the members and warrant holders of Dynamis will collectively own or have the right to purchase (through exercising a warrant to purchase Dynamis Units, which the Company will have the right to exchange shares of its common stock in exchange for such Dynamis Units) shares of the Company's common stock, representing approximately seventy five percent (75%) of the Company's issued and outstanding shares. The Merger contemplated by the Plan, together with the Rights Offering (as defined below), is intended to qualify as a nontaxable exchange pursuant to Section 351 of the Internal Revenue Code of 1986, as amended.

The closing of the Merger is subject to numerous conditions including, but not limited to, the following:

- At or one week prior to the Effective Time, the Company shall have commenced a rights offering to its stockholders on the terms set forth in the Plan (the "Rights Offering"), which Rights Offering shall remain open for a period of 90 days;

- The approval by the Company's stockholders and the filing with the Nevada Secretary of State of an amendment to the Company's Articles of Incorporation to increase the number of the Company's authorized shares of common stock in an amount sufficient to consummate the Merger, the Rights Offering, the Company's new equity incentive plan and the other transactions contemplated by the Plan;

- The effectiveness of the Company’s to-be-filed: (i) Registration Statement on Form S-3 relating to the registration under the Securities Act, of the shares of Company common stock to be issued in its Rights Offering; and (ii) Registration Statement on Form S-4 relating to the authorization and the registration under the Securities Act of the shares of Company common stock to be issued in the Merger;

- Dynamis members, together with Company stockholders participating in the Rights Offering, shall collectively hold at least 80 percent of the total issued and outstanding shares of the Company’s stock (other than stock subject to vesting restrictions); and

- The Company’s stockholders shall have approved the Company’s new equity incentive plan that is contemplated by the Plan.

In addition, either party may terminate the Plan at any time prior to closing on certain terms and conditions

As of June 30, 2018, the two Companies continue to work toward completing the merger. Dynamis Energy has encountered delays in completing the required audited financial statements to comply with SEC requirements. Freestone remains committed to completing the merger once these issues are resolved. However, the Company is reviewing all options and seeking additional capital investment.

NOTE 12 - INCOME TAXES

The Company files a consolidated Federal Income Tax Return. As of June 30, 2018, the Company has a NOL carryforward of approximately $6,072,000. Under IRC Code Sec 382 use of NOL carryforwards may be limited due to CTR acquisition by Freestone.

The Company recognizes the tax effects of transactions in the year in which such transactions enter into the determination of net income, regardless of when reported for tax purposes. Deferred taxes are provided in the financial statements under ASC Topic 740, *Income Taxes*, to give effect to the resulting temporary differences which may arise from differences in the bases of fixed assets, depreciation methods, allowances, non-deductible stock for services and environmental reserves based on the income taxes expected to be payable in future years. Deferred tax benefits related to the NOL carryforwards of approximately $1,275,000 are fully reserved by a valuation allowance due to the uncertainly of their realization.

On December 22, 2017, the 2017 Tax Cuts and Jobs Act (the Act") was signed into law. Among other provisions, the Act reduced the highest corporate tax rate from 35% to 21%. With the passage of the Act, the Company's deferred tax assets and liabilities were restated as of the effective date of the law to reflect the new applicable rate. The reduction to the net deferred tax asset was charged to tax expense in the period of the change and offset by a valuation allowance stemming from historical net operating loss carryforwards.

FDEP has a calendar tax year and files a separate Form 1065 partnership return with income and loss being allocated based on distributions and contributions under the partnership agreement. Freestone's share of the year ended December 31, 2017 loss is included in the consolidated June 30, 2018 return.

The Company has no tax positions at June 30, 2018 and 2017 for which the ultimate deductibility is highly certain but for which there is uncertainty about the timing of such deductibility.

Freestone's tax returns for the years ended June 30, 2017, 2016, and 2015 and CTR's tax returns for the periods ended June 30, 2015 are open for examination under Federal Statute of Limitations.

The Company recognizes interest accrued related to unrecognized tax benefits in interest expense and penalties in operating expenses. The Company had no accruals for interest and penalties since inception.

A reconciliation of the provision for income tax expense with the expected income tax computed by applying the federal statutory income tax to income before provision for income taxes is as follows:

	Year Ended June 30, 2018	Year Ended June 30, 2017
Income Tax (benefit) computed at Federal statutory tax rate of 21% and 34%	$(239,000)	$(498,000)
Loss allocated to non-controlling interest	63,000	108,000
Non-Deductible Stock Compensation Expense	4,000	10,000
Change in valuation allowance	(556,175)	380,000
Impact of rate changes on valuation allowance	728,175	—
Provision For Income Taxes	$—	$—

NOTE 13 – EMPLOYEE BENEFITS AND AGREEMENTS

Retirement Plan Contribution:

During the year ended June 30, 2018 and 2017 the Company contributed $8,597 and $6,815 in matching contributions to the Company's IRA plan.

NOTE 14 – COMMITMENTS AND CONTINGENCIES

Freestone has royalty and commission agreements with certain consultants related to the sale of Petrozene™ for their work in the re-launch of the Petrozene™ product line. These royalty and commission agreements range from 2.5% to 7.5% of the net income the Company receives from Petrozene™ sales, and the agreements also have special royalty provisions for certain customers that expire on April 14, 2030. One of the contracts is with the brother of the former CEO of the Company. In case of change of control of the Company the agreement is voided.

NOTE 15 – GOING CONCERN

As of the date of this annual report, there is substantial 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.

NOTE 16 – SUBSEQUENT EVENTS

On August 15, 2018 the Company issued at total of 2,500,000 shares of stock to a note holder for conversion of $150,000 of debt a $0.05 a share in accordance with the note agreement.

On August 21, 2018 the Company issued 3,750,000 shares of common stock valued at $.04 a share to its Officers as compensation.

On October 9, 2018 the Company filed a Pre 14C Form with the SEC notifying stockholders regarding a resolution to file with the Nevada Secretary of State a Certificate of Change: (i) increasing our authorized shares of common stock from one hundred million (100,000,000) shares having a par value of one mill ($0.001) per share to six hundred million (600,000,000) shares and retaining the par value of $0.001 per share (the "Common Stock Resolution"); and (ii) increasing our authorized shares of preferred stock from five million (5,000,000) shares having a par value of one mill ($0.001) per share to ten million (10,000,000) shares and retaining the par value of $0.001 per share (the "Preferred Stock Resolution"). Under Nevada law the increase can be implemented by a joint resolution passed by the board of directors approved by a simple majority of the outstanding shares The joint resolution included in the Form 14C filing included the approval of ten shareholders representing 51.36% of the outstanding common shares.