

FREESTONE RESOURCES, INC.
Form 10-Q
February 14, 2011

U.S. SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended December 31, 2010

OR

TRANSITION REPORT UNDER SECTION 13 OF 15(d) OF THE EXCHANGE ACT OF 1934

Commission File Number 000-28753

FREESTONE RESOURCES, INC.
(Exact name of small business issuer as specified in its charter)

Nevada
(State or other jurisdiction of
incorporation or organization)

33-0880427
(IRS Employer Identification No.)

Republic Center, Suite 1350
325 N. St. Paul Street Dallas, TX 75201
(Address of principal executive offices)

(214) 880-4870
(Issuer's telephone number)

(Former name, former address and former fiscal year, if changed since last report)

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

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

Large Accredited Filer Accelerated Filer
Non-Accredited 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

As of February 14, 2010 there were 73,868,994 shares of Common Stock of the issuer outstanding.

TABLE OF CONTENTS

PART I FINANCIAL STATEMENTS

Item 1	Financial Statements	3
Item 2	Management's Discussion and Analysis or Plan of Operation	15
Item 3	Quantitative and Qualitative Disclosure about Market Risk	17
Item 4T	Controls and Procedures	17

PART II FINANCIAL STATEMENTS

Item 6	Exhibits and Reports on Form 8-K	18
--------	----------------------------------	----

Freestone Resources, Inc.
Consolidated Balance Sheets
As of December 31, 2010 and June 30, 2010

	(Unaudited) Decemer 31, 2010	(Audited) June 30, 2010
Assets		
Current Assets:		
Cash	\$28,570	\$28,062
Accounts receivable	8,199	22,029
Total current assets	36,769	50,091
Fixed assets, net of accumulated depreciation of \$4,527 and \$3,786	89,025	31,181
Other assets	3,087	15,511
	3,087	15,511
Total Assets	\$128,881	\$96,783
Liabilities and Stockholders'		
Equity		
Current Liabilities:		
Accounts payable	\$266,618	\$250,769
Accounts payable-related party	150,010	150,010
Accrued expenses	14,438	12,559
Notes payable-related parties	24,558	34,321
Stock to be issued	65,000	150,000
Total Current Liabilities	520,624	597,659
Long-term Liabilities:		
Asset retirement obligations	41,123	41,123
Total Liabilities	561,747	638,782
Stockholders' Equity (Deficit):		
Common stock, \$.001 par value, 100,000,000 shares authorized, 72,618,994 and 71,718,994 shares issued and outstanding, respectively	72,719	71,719
Additional paid in capital	16,557,374	16,299,789
Accumulated deficit	(17,062,959)	(16,913,507)
Stockholders' Equity (Deficit)	(432,866)	(541,999)

Total Liabilities and Stockholders' Equity	\$ 128,881	\$ 96,783
--	------------	-----------

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

Freestone Resources, Inc.
Consolidated Statements of Operations
For the Three and Six Months Ended December 31, 2010 and 2009
(unaudited)

	Three Months Ended December 31, 2010	Three Months Ended December 31, 2009	Six Months Ended December 31, 2010	Six Months Ended December 31, 2009
Revenue:				
Oil and gas revenues resulting from research activities	\$ 9,235	\$ 5,703	\$ 18,408	\$ 27,195
Total revenue resulting from research activities	9,235	5,703	18,408	27,195
Operating expenses:				
Lease operating costs	8,127	2,528	18,151	5,221
Depreciation	370	620	741	1,239
Impairment expense	0	0	0	1,800
General and administrative	60,442	125,927	165,901	152,235
Total operating expenses	68,939	129,075	184,793	160,495
Operating loss	(59,704)	(123,372)	(166,385)	(133,300)
Other income (expense):				
Interest income (expense)	232	(2,443)	(343)	(3,128)
Gain on sale of investment asset	17,276	0	17,276	0
Gain on settlement of debt	0	6,200	0	6,200
Other income (expense)	0	4,559	0	0
Total other income (expense)	17,508	8,316	16,933	3,072
Net loss	\$ (42,196)	\$ (115,056)	\$ (149,452)	\$ (130,228)
Basic and diluted loss per share	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
Weighted average shares outstanding:				
Basic and diluted	72,618,994	66,718,994	72,442,907	52,119,443

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

Freestone Resources, Inc.
Consolidated Statement of Stockholders' Equity
For the Year Ended June 30, 2010
And the Six Months Ended December 31, 2010
(Unaudited)

	Common Stock		Additional Paid in Capital	Accumulated Deficit	Total
	Shares	Amount			
Balance, June 30, 2009	35,115,260	\$ 35,115	\$ 14,572,244	\$ (14,675,416)	\$ (68,057)
Common stock issued for acquisition of EOS	31,603,734	31,604	1,232,545	0	1,264,149
Common stock issued for cash	5,000,000	5,000	495,000	0	500,000
Net loss				(2,238,091)	(2,238,091)
Balance, June 30, 2010	71,718,994	\$ 71,719	\$ 16,299,789	\$ (16,913,507)	\$ (541,999)
Common stock issued for cash	900,000	900	199,100	0	200,000
Common stock issued for demonstration equipment	100,000	100	58,485	0	58,585
Net loss				(149,452)	(149,452)
Balance, December 31, 2010	72,718,994	\$ 72,719	\$ 16,557,374	\$ (17,062,959)	\$ (432,866)

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