FREESTONE RESOURCES, INC.
Form 10-K
October 05, 2017

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D. C. 20549

FORM 10-K

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

For the Fiscal Year Ended **June 30, 2017**

o 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. Yeso No þ

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 o No þ

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 þ Noo

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 þ Noo

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 [X]

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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	o	Accelerated Filer	o
Non-Accelerated Filer	o	Smaller Reporting Company	þ

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

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 June 30, 2017: $2,874,437.

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, 2017, the Registrant had 91,738,177 shares of common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

None

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FORWARD-LOOKING STATEMENTS

This report includes forward-looking statements as the term is defined in the Private Securities Litigation Reform Act of 1995 or by the U.S. Securities and Exchange Commission in its rules, regulations and releases, regarding, among other things, all statements other than statements of historical facts contained in this report, including statements regarding our future financial position, business strategy and plans and objectives of management for future operations. The words “believe,” “may,” “estimate,” “continue,” “anticipate,” “intend,” “should,” “plan,” “could,” “target,” “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.

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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, 2017, 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 increased its environmental and tire disposal accrual to $400,000 during the year ended June 30, 2016. (See financial statement Note 7). The Company also accrued $48,750 in proposed TCEQ fines and penalties.

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

None.

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 2017 and 2016. The prices set forth below represent interdealer quotations, without retail markup, markdown or commission and may not be reflective of actual transactions.

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

Fiscal 2016	**High**	**Low**
First Quarter	$0. 23	$0. 18
Second Quarter	$0. 20	$0. 10
Third Quarter	$0. 18	$0. 09
Fourth Quarter	$0. 13	$0. 04

Shareholders

As of June 30, 2017, 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, 2017, 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, 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, 2017 Compared to the Year ended June 30, 2016

Revenues

Revenues for the year ended June 30, 2017 and the year ended June 30, 2016 were $1,079,846 and $1,098,926, respectively. The decrease was less than 2%.

Cost of Goods and Gross Profit

The Company's gross margin rose from 1.7 % to 22.3%. This is primarily due to a $368,000 accrual to tire disposal expense for the cost of bringing CTR in compliance with TCEQ regulations in the prior year. The Company had previously anticipated using all the tire stock in the FDEP pyrolysis operation. Without the accrual the Company's gross margin was 35.2% in the prior year compared to 22.3% this year. The decrease was largely due an increase in tipping fee operations from running two trucks full time. Tire repair and used tire margin remain consistent with prior years.

Operating Expense

Total operating expenses the year ended June 30, 2017 and the year ended June 30, 2016 were $1,557,977 and $2,388,255, respectively a decrease of $830,278 largely due to a decrease of $822,750 in stock based compensation. Start up costs decreased by $110,583 due to the inactivity of FDEP because of TCEQ permitting issues. Depreciation and selling costs remained consistent with prior years.

Other Income and Expenses

Other income and expense for the year ended June 30, 2017 and the year ended June 30, 2016 consisted of interest expense of $165,312 and $134,271 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, 2017 was $1,386,947 compared to a net loss for the year ended June 30, 2016 of $2,378,174. The decrease was due to the decrease in cost primarily the $368,000 provision for future tire disposal costs in 2016 and the reduction of $822,000 in stock compensation.

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 by $25,682 from $29,791 at June 30, 2016 to $4,109 at June 30, 2017.

Net cash used by operating activities was $832,632 for the year ended June 30, 2017, compared to net cash used in operations of $799,397 the prior year. The amount of cash used remained consistent despite the reduction of expenses and net operating loss because the two primary areas of decrease, the accrual for future tire disposal and stock based compensation are both non-cash expenses.

The cash provided by financing activities was funded by $298,537 of cash contributed by the non-controller member to FDEP and a net $476,413 increase in borrowings primarily from stockholders along with $25,000 in proceeds from the sale of stock.

Employees

As of June 30, 2017, CTR had 16 full-time employees including 2 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 of Heaton & Company, PLLC for the year ended June 30, 2017 and 2016, appear on pages 18 through 33 of this report.

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

None.

ITEM 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

We carried out an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e) as of June 30, 2016. 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, 2016. Based on its evaluation, our management concluded that, as of June 30, 2017, our internal control over financial reporting was not effective because of: 1) Our reliance upon independent financial reporting consultants for review of critical accounting areas and disclosures and material non-standard transaction; and 2) a lack of sufficient accounting staff which results in a lack of segregation of duties necessary for a good system of internal control. A material weakness is a deficiency, or a combination of control deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of the Company's annual or interim financial statements will not be prevented or detected on a timely basis.

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

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

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

Michael McGhan, Chief Executive Officer and President

Paul E. Babb, Chief Financial Officer

Don Edwards, Chief Investment Officer

Michael McGhan, age 61, has extensive experience with operations, sales and management that will be 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 59 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 66, is a graduate from Texas Christian University with a BBA degree concentrating in Finance and Economics. Mr. Edwards started his business career with E. F. Hutton where he was a regional OTC Coordinator. He also ran a trading desk for OTC stocks. He later served as President, CFO, CEO and Director for four securities firms as well as a Director for two savings and loans. He has been responsible for managing many public and private companies. He has raised startup capital for dozens of both private and public companies. Mr. Edwards has vast knowledge in the investment field including fine art. He has bought and sold art works of such artists as Charles Russell and Monet. Don was a licensed Insurance agent for many years and assisted in managing the West Texas region for Mass Mutual Life Ins. Co. Don also has a background in the Oil and Gas Industry. His family has run a successful Drilling Co. in West Texas for over half a century. Mr. Edwards will maintain his position as Chief Investment Officer of the Company. Mr. Edwards has served as the Chief Investment Officer for the Company for five years. Prior to his employment at the Company, Mr. Edwards was self-employed.

Section 16(a) Beneficial Ownership Reporting Compliance

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

Board of Directors

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

Committees of the Board of Directors

<u>Audit Committee</u>

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.

<u>Governance, Compensation and Nominating Committee</u>

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, 2017 and 2016 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,	2017	120,000	0	0	0	0	0	0	120,000
CEO	2016	29,125	0	540,000	0	0	0	0	569,125
Clayton Carter,	2017	0	0	0	0	0	0	0	0
CEO (former)	2016	50,083	0	114,000	0	0	0	0	164,083
Don Edwards,	2017	42,000	0	0	0	0	0	0	42,000
CIO	2016	39,500	0	114,000	0	0	0	0	153,500
Paul Babb, CFO	2017	76,753	0	30,000	0	0	0	0	106,753
	2016	78,672	0	38,250	0	0	0	0	116,922
James Carroll, CFO	2017	0	0	0	0	0	0	0	0
(former)	2016	0	0	9,500	0	0	0	0	9,500

Employment Agreements

On January 7, 2016 Michael McGhan and the Company entered into a two-year employment agreement ("Employment Agreement"). The terms of the Employment Agreement include an initial salary of $5,000 per month, which will increase to $10,000 per month after six months, as well as stock-based compensation in the amount of 3,000,000 shares of the Company's restricted stock pursuant to Rule 144. Subject to Board approval, Mr. McGhan is eligible to receive warrants for up to 2,000,000 shares of the Company's common stock (the "Warrants"). The Warrants were not issued on the date of the Employment Agreement. The Board is not required to issue the Warrants. If the Warrants are issued to Mr. McGhan during the term of his Employment Agreement, the terms and conditions of the Warrants will be determined by the Board on the date the Warrants are issued. Mr. McGhan will also be eligible to participate in the Company's employee benefit plan that is generally available to all other employees at the Company.

On April 1, 2016 Paul Babb and the Company entered into a two-year employment agreement ("Employment Agreement") to serve as Controller and Director of SEC reporting. The terms of the Employment Agreement include an initial salary of $5,250 per month, which will increase to $6,667 per month after six months, as well as stock-based compensation in the amount of 1,000,000 shares of the Company's restricted stock pursuant to Rule 144 to be issued over the life of the contract. On May 31, 2016 Mr. Babb was appointed C.F.O.

Payments of officer's compensation has been limited due to the Company cash flow. As of June 30, 2017, accrued liabilities includes $181,789 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, 2017, 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	6,000,000	6.55 %
Paul E. Babb, Chief Financial Officer and Director	1,107,275	1.21 %
Don Edwards, Chief Investment Officer and Director	6,500,000	7.10 %
Clayton Carter, Beneficial Owner	7,605,000	8.30 %
Gerald M. Johnston, Beneficial Owner	12,904,167	14.09 %

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, 2015 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 terms were subsequently extended to December 31, 2017 and the conversion price changed to $.055 per share.

During the year ended June 30, 2017 the Company borrowed a total of $515,013 from a shareholder of the Company in various increments throughout the year. The note bears interest at 6.5% is convertible into common stock at $.055 per share. Subsequent to year end the notes due date was extended to December 31, 2017

On December 15, 2016 the Company borrowed $20,000 from another shareholder. This note is Due December 31, 2017, bear interest at 6.5% and is convertible into common stock at $.05 per share.

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, 2017 and 2016 were $29,679 and $82,800, respectively.

Audit Related Fees

None.

Tax Fees

None

All Other Fees

None.

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, 2017 and 2016

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, 2017:

None

(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 4, 2017 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	President, Chief Executive Officer and Director	October 4, 2017

Michael McGhan

By: /s/ Paul E. Babb Paul E. Babb	Chief Financial Officer, Director	October 4, 2017
By: /s/ Don Edwards Don Edwards	Chief Investment Officer, Director	October 4, 2017

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To The Board of Directors and Stockholders

Freestone Resources, Inc.

We have audited the accompanying consolidated balance sheets of Freestone Resources, Inc. (the “Company”) as of June 30, 2017 and 2016, and the related statements of operations, changes in stockholders' equity, and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Freestone Resources, Inc. as of June 30, 2017 and 2016, and the results of its operations and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

The accompanying consolidated financial statements referred to above have been prepared assuming the Company will continue as a going concern. As discussed in Note 14 to the consolidated financial statements, the Company has not generated sufficient cash flows to fund its business operations. These factors raise substantial doubt that the Company will be able to continue as a going concern. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ Heaton & Company, PLLC

Farmington, Utah

October 4, 2017

Freestone Resources Inc. and Subsidiaries
Consolidated Balance Sheets

	June 30, 2017	June 30, 2016
ASSETS		
Current Assets		
Cash	$4,109	$29,791
Accounts receivable, net of allowance for doubtful accounts of $4,000 and $4,000	155,845	141,134
Inventory	30,538	69,570
Prepaid and Other Assets	44,356	43,497
Total Current Assets	234,848	283,992
Property, plant and equipment, net of accumulated depreciation of $251,287 and $125,436	1,502,810	1,641,661
TOTAL ASSETS	$1,737,658	$1,925,653
LIABILITIES AND STOCKHOLDERS' EQUITY/(DEFICIT)		
Current Liabilities		
Accounts payable	$66,429	$86,661
Accrued liabilities	313,710	205,382
Environmental liability	400,000	400,000
Convertible Notes Payable - Related Party	605,013	50,000
Current portion of capital lease obligation	11,920	11,419
Current portion of long-term debt	515,527	1,162,261
Total Current Liabilities	1,912,599	1,915,723
Capital lease obligation, less current portion	25,608	37,523
Long-term debt, less current portion	991,893	50,279
TOTAL LIABILITIES	2,930,100	2,003,525
STOCKHOLDERS' EQUITY/(DEFICIT)		
Common stock, $.001 par value, 100,000,000 shares authorized, 91,613,177 and 90,613,177 shares issued and outstanding	91,613	90,613
Additional paid in capital	20,840,503	20,786,503
Accumulated deficit	(22,691,106)	(21,304,159)
Total Freestone Resources, Inc. stockholders' deficit	(1,758,990)	(427,043)
Non-Controlling Interest	566,548	349,171
Total equity (deficit)	(1,192,442)	(77,872)

TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY/(DEFICIT)	$1,737,658	$1,925,653

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

Freestone Resources Inc. and Subsidiaries
Consolidated Statements of Operations

	Year Ended June 30, 2017	Year Ended June 30, 2016
REVENUE		
Tipping Fee Revenue	$537,344	$552,115
Tire Repair Revenue	357,959	370,298
Used Tire Sales	122,742	137,900
Scrap Material Sales	61,801	38,613
Total Revenue	1,079,846	1,098,926
COSTS OF REVENUE		
Tipping Fee Operations	271,941	205,799
Tire Repair and Sales	156,043	155,531
Used Tires	57,926	81,629
Tire Disposal	353,097	637,730
Total Cost of Revenue	839,007	1,080,689
GROSS PROFIT	240,839	18,237
OPERATING EXPENSES		
Start Up Costs	307,704	418,287
Selling	187,320	199,274
General and Administrative	930,902	1,649,605
Depreciation and Amortization	125,851	118,978
Loss on Sale of Assets	6,200	2,111
Total Operating Expense	1,557,977	2,388,255
INCOME (LOSS) FROM OPERATIONS	(1,317,138)	(2,370,018)
OTHER INCOME (EXPENSES)		
Interest Expense, net	(165,312)	(134,271)
	(165,312)	(134,271)
INCOME (LOSS) BEFORE NON-CONTROLLING INTEREST	(1,482,450)	(2,504,289)
Loss Attributable to Non-Controlling Interest	95,503	126,115
NET INCOME(LOSS) ATTRIBUTABLE TO FREESTONE	$(1,386,947)	$(2,378,174)
Basic and diluted income (loss) per share		
Net income (loss) per share	$(0.02)	(0.03)
Weighted average shares outstanding	91,273,793	86,963,484

Basic and diluted

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

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

	Common Stock Shares	Amount	Paid-In Capital	Accumulated Deficit	Non Controlling Interest	Totals
Balance, June 30, 2015	81,088,177	$81,088	$19,488,278	$(18,925,985)	$300	$643,681
Common Stock Issued for Cash	4,600,000	4,600	430,400			435,000
Common Stock Issued for Services	4,725,000	4,725	848,025			852,750
Common Stock Issued for O&G Interest	200,000	200	19,800			20,000
Members Contributions to LLC					474,986	474,986
Net Loss				(2,378,174)		(2,378,174)
Loss Attributable to Non-Controlling Interest					(126,115)	(126,115)
Balance, June 30, 2016	90,613,177	90,613	20,786,503	(21,304,159)	349,171	(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)

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

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Freestone Resources Inc. and Subsidiaries
Consolidated Statements of Cash Flow

	Year Ended June 30, 2017	Year Ended June 30, 2016
CASH FLOW FROM OPERATING ACTIVITIES		
Net Income (Loss)	$(1,482,450)	$(2,504,289)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation	125,851	118,978
Loss on Disposal of Assets	6,200	2,111
Bargain Purchase Gain	—	—
Stock Issued for Services	30,000	852,750
Changes in operating assets and liabilities		
Decrease in Accounts Receivable	(14,711)	(42,626)
Decrease in Inventory	39,032	52,430
Increase in Prepaid Expenses	(859)	7,654
Increase in Accounts Payable	355,977	580,990
Increase (Decrease) in Accrued Liabilities	108,328	132,605
Net Cash (Used In) Operating Activities	(832,632)	(799,397)
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	—	(19,419)
Proceeds from Sale of Fixed Assets	6,800	—
Net Provided By (Cash Used) in Investing Activities	6,800	(19,419)
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from sale of stock	25,000	435,000
Proceeds from Long-Term Debt	5,000	70,000
Proceeds from Convertible Notes Payable - Related Parties	555,013	50,000
Repayment of Debt	(72,186)	(61,083)
Capital Lease Payments	(11,414)	(7,795)
Cash Contributed to LLC by non-controlling member	298,737	324,113
Net Provided By In Financing Activities	800,150	810,235
Net Decrease in Cash	(25,682)	(8,581)
Cash at Beginning of the Period	29,791	38,372
Cash at the End of the Period	$4,109	$29,791
Cash Transactions		
Total Amount of Interest Paid in Cash	$81,331	$10,613

Total Income Taxes Paid in Cash	$—	$—
Non Cash financing and Investing Activities		
Accrued Interest and Penalities Added to Note Payable	$362,066	$—
Note Payable for Fixed Assets	$—	$123,899
Note assumed by Buyer in Sale of Vehicle	$—	$12,109
Services paid for drectly by non-controlling interest	$14,143	$150,873

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

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Freestone Resources Inc. and Subsidiaries

Notes to Financial Statements

June 30, 2017 and 2016

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 Dallas, 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.

<u>Basis of Presentation:</u>

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:

The Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-09, Revenue from Contracts with Customers (Topic 606) in May 2014. ASU No. 2014-09 outlines a single, comprehensive revenue recognition model for revenue derived from contracts with customers and it supersedes the most current revenue recognition guidance. This includes current guidance that is industry-specific. Under ASU No. 2014-09, an entity recognizes revenue for the transfer of promised goods or services to customers in an amount that reflects the consideration for which the entity expects to be entitled in exchange for those goods or services. ASU No. 2014-09 is effective for annual reporting periods beginning after December 15, 2017. Earlier adoption is permitted as of annual reporting periods beginning after December 15, 2016. The Company is still evaluating the impacts it will have on its current revenue recognition policy.

On May 10, 2017, the FASB issued ASU 2017-09, which amends the scope of modification accounting for share-based payment arrangements. The ASU provides guidance on the types of changes to the terms or conditions of share-based payment awards to which an entity would be required to apply modification accounting under ASC 718. Specifically, an entity would not apply modification accounting if the fair value, vesting conditions, and classification of the awards are the same immediately before and after the modification. ASU No. 2017-09 is effective for annual reporting periods beginning after December 15, 2017. The Company is still evaluating the impacts it will have on its current revenue recognition policy.

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, 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.

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, 2017 and 2016, respectively.

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, 2017 and 2016 inventory consisted of:

	2017	2016
Crum Rubber for Processing	$8,087	$8,087
Used Tire for Resale	15,041	49,945
Tire Oil	7,410	11,538
	$30,538	$69,570

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
Collectable Art Work	Not Depreciated

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 well 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, 2017 and 2016, 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 375,000 for stock compensation and 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, 2016 and 2017, Dynamis paid $150,873 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 $324,113 and $298,737 to the entity during the year ended June 30, 2016 and 2017, respectively.

NOTE 4 – CONCENTRATION OF CREDIT RISK

At June 30, 2017 and 2016 two customers made up 64% and three customers made up 77% of the Company’s outstanding trade accounts receivable balance, respectively. For the years ending June 30, 2017 and 2016 three customers and two customer accounted for 68% and 60% of the Company’s net revenue, respectively.

NOTE 5 – PROPERTY, PLANT AND EQUIPMENT

At June 30, 2017 and 2016 Property, Plant
and Equipment was as follows:

	2017	2016
Land	$360,000	$360,000
Buildings and Improvements	700,000	700,000
Computers and Office Furniture	8,967	21,967
Automotive Equipment	120,585	120,585
Machinery and Equipment	507,807	507,807
Capital Lease Assets	56,738	56,738
	1,754,097	1,767,097
Less Accumulated Depreciation	251,287	125,436
	$1,502,810	$1,641,661

For the year ended June 30, 2017 and 2016 depreciation expense was $125,851 and $118,978, 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. CTR had recorded liabilities totaling $320,000 at June 30, 2014 for estimated costs related to dispose of all tires at its Ennis, Texas facility. 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. Upon acquisition of CTR by Freestone the liability was reduced to $32,000 as part of the purchase price allocation, and the revaluation of assets and liability to fair market value. The reduction was due to the formation of FDEP. 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. The remaining $32,000 was an estimate of cost of disposing of the tires that are not acceptable for use as feedstock. At June 30, 2016, CTR increased its liability to $400,000 representing the estimated disposal fees on the revised estimate of tires on hand. 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, 2017 was $400,000.

NOTE 7 – CAPITAL LEASE OBLIGATIONS

Capital lease assets of $56,738 and $56,738 and accumulated amortization of $20,209 and $8,861 are included in property, plant and equipment on the balance sheet at June 30, 2017 and 2016, respectively. For the year ended June 30, 2017 and 2016 amortization expense was $11,348 and $8,861, respectively.

At June 30, 2017 and 2016 capital lease obligations were as follows:

	2017	2016
Lease payable bearing interest at 4.95% with monthly payments of $315 maturing August 2019. The lease is secured by equipment.	$7,758	$11,069
Lease payable bearing interest at 3.95% with monthly payments of $309 maturing December, 2020. The lease is secured by equipment.	11,934	14,969
Lease payable bearing interest at 4.78% with monthly payments of $489 maturing September, 2020. The lease is secured by equipment.	17,836	22,904
	37,528	48,942
Less current maturities	(11,920)	(11,419)
	$ 28,608	$ 37,523

At June 30, 2017 future maturities of capital lease obligations were as follows:

Year Ending June 30:

2018	$ 11,920
2019	$ 12,484
2020	$ 9,839
2021	$ 3,285
	$ 37,528

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NOTE 8 – NOTES PAYABLE

At June 30, 2017 and 2016 notes payable were as follows:

	2017	2016
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	$5,676
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	79,293
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	32,853
Note payable to vendor bearing interest at 6.0% with monthly payment of $800 maturing December, 2016. The note is unsecured.	–	4,718
Line of Credit with Bank maximum $75,000 bearing interest at 6.5% due March, 2018. Line is secured by accounts receivable.	75,000	70,000
Note payable to seller in connection with purchase of CTR bearing interest at 12% maturing June, 2020. Note amended to add $360,065 of accrued interest and penalties to principal in February, 2017. Interest only payable until July, 2017. Monthly payment of $45,904 thereafter. Secured by the common stock and assets of CTR	1,382,065	1,020,000
	1,507,420	1,262,540
Less current maturities	(515,527)	(1,212,261)
	$991,893	$50,279

At June 30, 2017 future maturities of long term debt were as follows:

Year Ending June 30:

2018	$515,527
2019	$467,387

2020	$	524,506
	$	1,507,420

NOTE 9 – NOTES PAYABLE – RELATED PARTIES

At June 30, 2017 and 2016 notes payable to officers and shareholders were as follows:

	6/30/17	6/30/16
Note payable to officer bearing interest at 6.5% due December, 2017. The note is convertible into common stock at $.055 a share at maturity. The note is unsecured.	50,000	50,000
Note payable to stockholder bearing interest at 6.5% due December, 2017. The note is convertible into common stock at $.05 a share at maturity. The note is unsecured.	20,000	–
Note payable to stockholder bearing interest at 6.5% due December, 2017. The note is convertible into common stock at $.055 a share at maturity. The note is unsecured.	535,013	–
	605,013	50,000
Less current maturities	(605,013)	(50,000)
	$–	$–

At June 30, 2017 future maturities of Notes Payable – Related Parties were as follows:

Year Ending June 30:

2018	$605,013
	$605,013

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NOTE 10 – ASSET RETIREMENT OBLIGATIONS

Freestone's asset retirement obligations ("ARO") represents the estimated present value of the amount Freestone Resources will incur to plug, abandon and remediate its producing properties at the end of their productive lives, in accordance with applicable state laws. Freestone Resources determines the ARO on its oil and gas properties by calculating the present value of estimated cash flows related to the liability. The asset retirement obligations are recorded as current or non-current liabilities based on the estimated timing of the anticipated cash flows. For the years ending June 30, 2017 and 2016, Freestone Resources recognized no accretion expense. CTR did not have an asset retirement obligation.

The following table presents the changes in the asset retirement obligations as of and for the years ended June 30:

	2017	2016
Asset retirement obligations beginning period	$ —	$14,470
Accretion expense	—	—
Assumed by Buyer of Property	—	(14,470)
Asset retirement obligations, end of period	$ —	$—

NOTE 11 – 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, 2017 and 2016 there were 91,613,177 and 90,613,177 common shares outstanding, respectively.

On July 25, 2015 Company sold 3,500,000 shares at $0.10 per share to provide funding of subsequent costs associated with the acquisition of CTR, as well as general working capital for the Company. This transaction made Gerald M. Johnson a controlling shareholder of the Company. Mr. Johnson also joined the Company's advisory board. Mr. Johnson is the former CFO of Tyson Foods, Inc.

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

In September, 2015 the Company issued 1,350,000 shares of common stock valued at $256,500 to officers of the Company.

In January, 2016 the Company issued 3,000,000 shares of common stock valued at $540,000 to its new CEO in conjunction with his employment contract. See Note 12.

In January, 2016 the Company issued 100,000 shares of common Stock valued at $18,000 to consultant as compensation for services.

In the years ended June 30, 2016 and 2017 the Company issued 275,000 and 500,000 shares valued at $38,250 and $30,000 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 12 – INCOME TAXES

The Company files a consolidated Federal Income Tax Return. As of June 30, 2017 the Company has a NOL carryforward of approximately $5,600,000. 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 carryforward of approximated $1,905,000 are fully reserved by a valuation allowance due to the uncertainly of their realization.

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 share of the year ended December 31, 2016 loss is included in the consolidated June 30, 2016 return.

The Company has no tax positions at June 30, 2017 and 2016 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, 2015 and 2014 and CTR's tax returns for the periods ended June 30, 2015 and December 31, 2014 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, 2017	Year Ended June 30, 2016
Income Tax (benefit) computed at Federal statutory tax rate of 34%	$(498,000)	$(809,000)

Loss allocated to non-controlling interest	108,000	143,000
Non-Deductible Stock Compensation Expense	10,000	290,000
Non-Deductible Travel & Entertainment	—	8,000
Change in valuation allowance	380,000	368,000
Provision For Income Taxes	$—	$—

NOTE 13 – EMPLOYEE BENEFITS AND AGREEMENTS

Officer Agreements:

On January 7, 2016, Michael McGhan and the Company entered into a two-year employment agreement ("Employment Agreement"). The terms of the Employment Agreement include an initial salary of $5,000 per month, which will increase to $10,000 per month after six months, as well as stock-based compensation in the amount of 3,000,000 shares of the Company's restricted stock pursuant to Rule 144. Subject to Board approval, Mr. McGhan is eligible to receive warrants for up to 2,000,000 shares of the Company's common stock (the "Warrants"). The Warrants are not issued on the date of the Employment Agreement. The Board is not required to issue the Warrants. If the Warrants are issued to Mr. McGhan during the term of his Employment Agreement, the terms and conditions of the Warrants will be determined by the Board on the date the Warrants are issued. Mr. McGhan will also be eligible to participate in the Company's employee benefit plan that is generally available to all other employees at the Company.

On April 1, 2016, Paul Babb and the Company entered into a two-year employment agreement ("Employment Agreement") to serve as Controller and Director of SEC reporting. The terms of the Employment Agreement include an initial salary of $5,250 per month, which will increase to $6,667 per month after six months, as well as stock-based compensation in the amount of 1,000,000 shares of the Company's restricted stock pursuant to Rule 144 to be issued over the life of the contract. On June 1, 2016 Mr. Babb was appointed CFO.

Retirement Plan Contribution:

During the year ended June 30, 2017 and 2016 the Company contributed $6,185 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

In July, 2017 the Company extended its note payable to an officer for $50,000 and its note payable to a shareholder for $535,008 both originally due July 25, 2017 to both being extended to having a maturity date of December 31, 2017. All other terms of the notes remained the same.

On September 30, 2017 the Company issued 125,000 shares of common stock to its Chief Financial Officer for services rendered under his employment contract.