

FREESTONE RESOURCES, INC.
Form 10-Q
February 13, 2014

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, 2013

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 90-0514308
(State or other jurisdiction of incorporation) (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 No

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

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 (SS325.405 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

As of February 5, 2014 there were 68,943,177 shares of Common Stock of the issuer outstanding.

Freestone Resources, Inc.**(A Development Stage Company)****Consolidated Balance Sheets****As of December 31, 2013 and June 30, 2013**

Assets

	(Unaudited) December 31, 2013	(Audited) June 30, 2013
Current Assets:		
Cash	\$ 78,218	\$ 205,767
Accounts receivable	—	—
Other receivables	5,000	—
Total Current Assets	83,218	205,767
Oil and gas properties used for research and development	—	20,000
Fixed assets, net of accumulated depreciation of \$16,564 and \$46,545	40,045	47,889
Total fixed assets, net	40,045	67,889
Investment in Aqueous Services	95,480	109,763
Other assets	4,455	8,910
Total Assets	\$ 223,198	\$ 392,329

Liabilities and Stockholders' Equity

Current Liabilities:		
Accounts payable	\$ 4,099	\$ 5,452
Accrued expenses	6,239	5,785
Notes payable-related parties		
Investment in Freestone Water		
Derivative liability - warrants	279,625	279,625
Stock to be issued		
Total Current Liabilities	289,963	290,862

Long-term Liabilities:

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Asset retirement obligations	14,470	40,497
Total Liabilities	304,433	331,359
Stockholders' Equity (Deficit):		
Common stock, \$.001 par value, 100,000,000 shares authorized, 68,943,177 and 68,318,177 shares issued and outstanding, respectively	68,943	68,318
Additional paid in capital	18,166,486	18,117,111
Accumulated deficit	(18,316,664)	(18,124,459)
Stockholders' Equity (Deficit)	(81,235)	60,970
Total Liabilities and Stockholders' Equity	\$ 223,198	\$ 392,329

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

Freestone Resources, Inc.**(A Development Stage Company)****Consolidated Statements of Operations****For the Three and Six Months Ended December 31, 2013 and 2012****And for the Period Since Reentering the Development Stage (July 1, 2011 to December 31, 2013)****(unaudited)**

	Three Months Ended December 31, 2013	Three Months Ended December 31, 2012	Six Months Ended December 31, 2013	Six Months Ended December 31, 2012	Since Reentering Developing Stage (July 1, 2011 to December 31, 2013
Revenue:					
Oil and gas revenues resulting from research activities	\$—	\$8,983	\$—	\$8,983	\$55,552
Other oil and gas related revenues	6,148	—	12,608	—	12,608
Total revenue resulting from research activities	6,148	8,983	12,608	8,983	68,160
Operating expenses:					
Cost of revenue	2,591	—	5,516	—	5,516
Lease operating costs	22,331	2,446	22,387	8,959	84,929
Depreciation	7,181	5,253	14,055	10,505	71,362
Stock Based Compensation	—	—	—	0	1,681,125
General and administrative	85,077	231,725	160,436	305,678	1,004,755
Total operating expenses	117,180	239,424	202,394	325,142	2,847,687
Operating loss	(111,032)	(230,441)	(189,786)	(316,159)	(2,779,527)
Other income (expense):					
Warrant expense	—	(278,273)	—	(278,273)	(279,625)
Interest income (expense)	—	—	836	(22)	(1,270)
Gain (Loss) on sale of asset	(15,000)	—	(15,000)	—	(2,541)
Other income related to the settlement of EOS litigation	—	—	—	—	1,665,834
Gain (Loss) on Equity Method Investment	(5,926)	(36)	(14,283)	—	(31,498)
Revision to ARO estimate	26,027	—	26,027	(36)	20,388

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Total other income (expense)	5,101	(278,309)	(2,420)	(278,331)	1,376,370
Net loss	\$(105,931)	\$(508,750)	\$(192,206)	\$(594,490)	\$(1,403,157)
Basic and diluted loss per share	\$(0.00)	\$(0.01)	\$(0.00)	\$(0.01)	
Weighted average shares outstanding:					
Basic and diluted	68,943,177	62,183,304	68,882,036	62,002,597	

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

Freestone Resources, Inc.**(A Development Stage Company)****Consolidated Statement of Stockholders' Equity****For the Period Since Reentering the Development Stage (July 1, 2012 to June 30, 2013)****And the Six Months Ended December 31, 2013****(Unaudited)**

	Common Stock		Additional	Accumulated	
	Shares	Amount	Paid in Capital	Deficit	Total
Balance, June 30, 2010	71,718,994	\$71,719	\$16,299,789	\$(16,913,507)	\$(541,999)
Common stock issued for cash	3,712,500	3,713	440,787	—	444,500
Common stock issued for Demo equipment	100,000	100	58,485	—	58,585
Common stock issued for services	5,300,000	5,300	948,700	—	954,000
Common stock issued for warrants	500,000	500	23,500	—	24,000
Common stock returned for EOS acquisition	(28,818,734)	(28,819)	(1,232,545)	—	(1,261,364)
Net loss	—	—	—	421,391	421,391
Balance, June 30, 2011	52,512,760	\$52,513	\$16,538,716	\$(16,492,116)	\$99,113
Common stock issued for cash	3,701,250	3,701	310,399	—	314,100
Common stock issued for services	2,450,000	2,450	188,650	—	191,100
Common stock cancelled for Hydrex agreement	(300,000)	(300)	300	—	—
Net loss	—	—	—	(497,258)	(497,258)
Balance, June 30, 2012	58,364,010	\$58,364	\$17,038,065	\$(16,989,374)	\$107,055
Common stock issued for cash	6,654,167	6,654	535,346	—	542,000
Common stock issued for services	2,700,000	2,700	375,300	—	378,000
Common stock issued for Warrants	600,000	600	168,400	—	169,000
Net loss	—	—	—	(1,135,084)	(1,135,084)
Balance, June 30, 2013	68,318,177	\$68,318	\$18,117,111	\$(18,124,458)	\$60,971

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Common stock issued for cash	625,000	625	49,375	—	50,000
Net loss	—	—	—	(192,206)	(192,206)
Balance, December 31, 2013	68,943,177	\$68,943	\$18,166,486	\$(18,316,664)	\$(81,235)

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

Freestone Resources, Inc.**(A Development Stage Company)****Consolidated Statements of Cash Flows****Six Months Ended December 31, 2013 and 2012****And for the Period Since Reentering the Development Stage (July 1, 2011 to December 31, 2013)****(Unaudited)**

	Six Months Ended December 31, 2013	Six Months Ended December 31, 2012	Since Reentering Developing Stage (July 1, 2010 to December 31, 2012
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income (loss)	\$(192,205	) \$(594,490	) \$(1,403,156
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:			
Depreciation and amortization	14,055	10,505	71,362
Shares issued for demonstration equipment	—	—	58,585
Warrant expense	—	278,273	24,000
(Gain) loss on equity method investment	14,283		19,520
(Gain) loss on sale of investment asset	15,000	—	(2,541
Stock based compensation	—	—	1,523,100
Decrease in revision of ARO estimate	(26,027	) —	(20,388
Shares issued for services	—	169,000	169,000
Changes in operating assets and liabilities:			
Write-off in note receivable	—	—	—
Change in account receivable	—	(10,584	) 22,029
Change in inventory of Petrozene	—	—	—
Change in other assets	(545	) 600	(6,668
Change in accounts payable	(1,353	) —	(246,670
Change in accounts payable – related party	—	—	(150,010
Change in accrued expenses	454	(887	) (6,321
	(176,338	) (147,583	) 51,842

Net cash provided used in operating activities

CASH FLOWS FROM INVESTING ACTIVITIES:

Sale of investment asset	5,000	—	35,000	
Investment in Freestone Water Solutions	—	(11,978) —	
Investment in Aqueous Services	—	(99,964	) (115,000)
Purchases of fixed assets	(6,211	) (13,000	) (106,226)
Net cash used in investing activities	(1,211	) (124,942	) (186,226)

CASH FLOWS FROM FINANCING ACTIVITIES:

Payments on note payable	—	—	—	
Payments on note payables – related party	—	(6,691	) (34,321)
Proceeds from sale of stock	50,000	307,000	1,350,600	
Stock returned upon settlement of litigation	—	—	(1,261,364)
Derivative liability	—	—	279,625	
Stock to be issued	—	(23,000	) (150,000)
Net cash provided by financing activities				