

**PIONEER OIL AND GAS**

**FINANCIAL STATEMENTS**  
**(UNAUDITED)**

**March 31, 2013**



PIONEER OIL AND GAS  
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March 31, 2013

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Certified Public Accountants

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## INDEPENDENT ACCOUNTANTS' COMPILATION REPORT

To the Board of Directors and  
Stockholders of Pioneer Oil and Gas  
South Jordan, Utah

We have compiled the accompanying balance sheet of Pioneer Oil and Gas (a corporation) as of March 31, 2013, and the related statements of operations and comprehensive loss for the three and six month periods ended March 31, 2013 and 2012, and the related statements of cash flows for the six month periods ended March 31, 2013 and 2012. We have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or provide any assurance about whether the financial statements are in accordance with accounting principles generally accepted in the United States of America.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the compilation in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. The objective of a compilation is to assist management in presenting financial information in the form of financial statements without undertaking to obtain or provide any assurance that there are no material modifications that should be made to the financial statements.

Management has elected to omit substantially all of the disclosures required by accounting principles generally accepted in the United States of America. If the omitted disclosures were included in the financial statements, they might influence the user's conclusions about the Company's financial position, results of operations, and cash flows. Accordingly, the financial statements are not designed for those who are not informed about such matters.

The balance sheet as of September 30, 2012, was audited by us, and we expressed an unqualified opinion on it in our report dated January 10, 2013, but we have not performed any auditing procedures since that date.

JONES SIMKINS LLC

Logan, Utah

May 29, 2013

PIONEER OIL AND GAS  
BALANCE SHEETS

<u>Assets</u>	March 31, 2013 (Compiled)	September 30, 2012 (Audited)
Current assets:		
Cash	\$ 2,055,108	2,729,540
Investments, available for sale	210,692	219,994
Receivables	72,908	91,877
Resale leases, at lower of cost or market	1,310,826	1,269,750
	<hr/>	<hr/>
Total current assets	3,649,534	4,311,161
Property and equipment, net	627,580	369,741
Deferred income taxes	193,000	193,000
Other assets	660,217	660,217
	<hr/>	<hr/>
	\$ 5,130,331	5,534,119
	<hr/>	<hr/>
<u>Liabilities and Stockholders' Equity</u>		
Current liabilities:		
Payables and accrued expenses	\$ 350,501	98,048
Deposits	100,000	-
Deferred income taxes	10,000	8,000
	<hr/>	<hr/>
Total current liabilities	460,501	106,048
Asset retirement obligation	30,967	28,159
	<hr/>	<hr/>
Total liabilities	491,468	134,207
	<hr/>	<hr/>
Commitments and contingencies		
Stockholders' equity:		
Common stock, par value \$.001 per share, 50,000,000		
shares authorized; 5,695,002 and 6,048,425 shares		
issued and outstanding, respectively	5,695	6,048
Additional paid-in capital	-	55,970
Stock subscription receivable	(312,400)	(347,159)
Accumulated other comprehensive income	20,053	15,518
Retained earnings	4,925,515	5,669,535
	<hr/>	<hr/>
Total stockholders' equity	4,638,863	5,399,912
	<hr/>	<hr/>
	\$ 5,130,331	5,534,119
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See independent accountants' compilation report.

PIONEER OIL AND GAS  
STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS

	Three Months Ended March 31,		Six Months Ended March 31,	
	2013	2012	2013	2012
Revenue:				
Oil and gas sales	\$ 100,981	142,907	228,294	413,828
Royalty revenue	73,649	99,211	138,980	163,196
	<u>174,630</u>	<u>242,118</u>	<u>367,274</u>	<u>577,024</u>
Costs and expenses:				
Cost of operations	84,808	24,094	116,252	109,812
General and administrative expenses	246,908	240,808	418,260	396,285
Exploration costs	93,399	86,622	176,983	162,461
Lease rentals	7,563	2,965	35,377	22,845
Loss on impairment of resale leases	-	54,400	50,957	308,568
Depreciation, depletion and amortization	17,041	19,605	34,082	20,057
	<u>449,719</u>	<u>428,494</u>	<u>831,911</u>	<u>1,020,028</u>
Loss from operations	<u>(275,089)</u>	<u>(186,376)</u>	<u>(464,637)</u>	<u>(443,004)</u>
Other income (expense):				
Interest income	8,247	11,442	12,069	17,029
Other	5,138	687	5,648	5,742
	<u>13,385</u>	<u>12,129</u>	<u>17,717</u>	<u>22,771</u>
Loss before benefit from income taxes	(261,704)	(174,247)	(446,920)	(420,233)
Benefit from income taxes	<u>-</u>	<u>(92,000)</u>	<u>-</u>	<u>(178,000)</u>
Net loss	\$ (261,704)	(82,247)	(446,920)	(242,233)
Other comprehensive loss:				
Unrealized holding gain, net of tax effects	8,551	17,305	4,535	35,415
Total comprehensive loss	<u>(253,153)</u>	<u>(64,942)</u>	<u>(442,385)</u>	<u>(206,818)</u>
Net loss per common share:				
Basic	\$ <u>(0.05)</u>	<u>(0.01)</u>	<u>(0.08)</u>	<u>(0.03)</u>
Diluted	\$ <u>(0.05)</u>	<u>(0.01)</u>	<u>(0.08)</u>	<u>(0.03)</u>
Weighted average common shares:				
Basic	<u>5,697,000</u>	<u>7,541,000</u>	<u>5,846,000</u>	<u>7,618,000</u>
Diluted	<u>5,697,000</u>	<u>7,541,000</u>	<u>5,846,000</u>	<u>7,618,000</u>

See independent accountants' compilation report.

PIONEER OIL AND GAS  
STATEMENTS OF CASH FLOWS  
Six Months Ended March 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Cash flows from operating activities:		
Net loss	\$ (446,920)	(242,233)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation, depletion and amortization	34,082	20,057
Gain on sale of investments	(2,759)	-
Accretion expense	687	603
Employee benefit plan expense	39,966	38,221
Deferred income taxes	-	(178,000)
Interest income	(5,207)	(6,040)
(Increase) decrease in:		
Receivables	18,969	800,847
Resale leases	(41,076)	275,007
Increase (decrease) in:		
Payables and accrued expenses	252,453	2,994
Deposits	<u>100,000</u>	<u>-</u>
Net cash provided by (used in) operating activities	<u>(49,805)</u>	<u>711,456</u>
Cash flows from investing activities:		
Purchases of investments, available for sale	(24,611)	(8,355)
Proceeds from sale of investments, available for sale	43,207	-
Acquisition of property and equipment	<u>(289,800)</u>	<u>(246,099)</u>
Net cash used in investing activities	<u>(271,204)</u>	<u>(254,454)</u>
Cash flows from financing activities:		
Payable - common stock repurchase	-	(60,001)
Purchase and retirement of treasury stock	(353,423)	(163,490)
Payment of dividends	<u>-</u>	<u>(1,600)</u>
Net cash used in financing activities	<u>(353,423)</u>	<u>(225,091)</u>
Net increase (decrease) in cash	(674,432)	231,911
Cash, beginning of period	<u>2,729,540</u>	<u>3,522,165</u>
Cash, end of period	<u>\$ 2,055,108</u>	<u>3,754,076</u>

See independent accountants' compilation report.

PIONEER OIL AND GAS  
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION  
Six Months Ended March 31, 2013 and 2012

During the six months ended March 31, 2013, the Company:

- Recorded an increase in investments of \$6,535, an increase in unrealized holding gain of \$4,535, and a change in investment related deferred income taxes of \$2,000.
- Recorded capitalized asset retirement costs and asset retirement obligation of \$2,121 due to drilling activities.

During the six months ended March 31, 2012, the Company:

- Recorded an increase in investments of \$53,415, an increase in unrealized holding gain of \$35,415, and a change in investment related deferred income taxes of \$18,000.
- Sold 414,327 shares of treasury stock to the Company's ESOP at a cost of \$414,307 in exchange for a \$11,619 reduction to ESOP payable and a \$402,688 increase to stock subscription receivable.
- Recorded capitalized asset retirement costs and asset retirement obligation of \$8,268 due to drilling activities.
- Retired 163,490 shares of treasury stock that were purchased for \$1.00 per share.

See independent accountants' compilation report.