

PIONEER OIL AND GAS

FINANCIAL STATEMENTS
(UNAUDITED)

MARCH 31, 2014



PIONEER OIL AND GAS
INDEX TO FINANCIAL STATEMENTS
March 31, 2014

	<u>Page</u>
Independent Accountants' Compilation Report	1
Balance Sheets	2
Statements of Operations	3
Statements of Comprehensive Loss	4
Statements of Cash Flows	5
Supplemental Disclosure of Cash Flow Information	6



Certified Public Accountants

www.jones-simkins.com

Logan Office:

1011 West 400 North, Suite 100
Logan, UT 84323-0747
Phone: (435) 752-1510 • (877) 752-1510
Fax: (435) 752-4878

Salt Lake City Office:

6715 South 1300 East, Suite 250
Salt Lake City, UT 84121
Phone: (801) 561-6026
Fax: (801) 561-2023

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, 2014, and the related statements of operations and comprehensive loss for the three and six month periods ended March 31, 2014 and 2013, and the related statements of cash flows for the six month periods ended March 31, 2014 and 2013. 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, 2013, was audited by us, and we expressed an unmodified opinion on it in our report dated January 14, 2014, but we have not performed any auditing procedures since that date.

JONES SIMKINS LLC
June 12, 2014

PIONEER OIL AND GAS
BALANCE SHEETS

<u>Assets</u>	March 31, 2014 (Compiled)	September 30, 2013 (Audited)
Current assets:		
Cash	\$ 2,158,201	1,953,851
Investments, available for sale	52,007	43,658
Receivables	139,895	82,066
Resale leases, at lower of cost or market	369,774	1,288,822
Deferred income taxes	-	3,000
	<hr/>	<hr/>
Total current assets	2,719,877	3,371,397
Property and equipment, net	89,554	571,983
Other assets	2,230	2,230
	<hr/>	<hr/>
	\$ 2,811,661	3,945,610
	<hr/> <hr/>	<hr/> <hr/>
<u>Liabilities and Stockholders' Equity</u>		
Current liabilities:		
Payables and accrued expenses	\$ 82,623	60,540
Deposits	-	100,000
	<hr/>	<hr/>
Total current liabilities	82,623	160,540
Asset retirement obligation	2,867	31,653
	<hr/>	<hr/>
Total liabilities	85,490	192,193
	<hr/>	<hr/>
Commitments and contingencies		
Stockholders' equity:		
Common stock, par value \$.001 per share, 50,000,000 shares authorized; 5,664,002 shares issued and outstanding	5,664	5,664
Stock subscription receivable	(252,021)	(288,102)
Accumulated other comprehensive loss	(124)	(4,710)
Retained earnings	2,976,532	4,044,445
	<hr/>	<hr/>
	2,730,051	3,757,297
Less treasury stock, 4,000 shares at cost	(3,880)	(3,880)
	<hr/>	<hr/>
Total stockholders' equity	2,726,171	3,753,417
	<hr/>	<hr/>
	\$ 2,811,661	3,945,610
	<hr/> <hr/>	<hr/> <hr/>

See independent accountants' compilation report.

PIONEER OIL AND GAS
STATEMENTS OF OPERATIONS

	Three Months Ended March 31,		Six Months Ended March 31,	
	2014	2013	2014	2013
Revenue:				
Oil and gas sales	\$ 74,244	100,981	197,707	228,294
Royalty revenue	165,570	73,649	265,988	138,980
Project and lease sales income	87,732	-	321,482	-
	<u>327,546</u>	<u>174,630</u>	<u>785,177</u>	<u>367,274</u>
Costs and expenses:				
Cost of operations	22,247	84,808	53,524	116,252
General and administrative expenses	238,868	246,908	414,976	418,260
Exploration costs	96,106	93,399	187,048	176,983
Lease rentals	2,835	7,563	17,360	35,377
Loss on abandonment and impairment of resale leases	-	-	947,871	50,957
Depreciation, depletion and amortization	968	17,041	21,468	34,082
	<u>361,024</u>	<u>449,719</u>	<u>1,642,247</u>	<u>831,911</u>
Loss from operations	<u>(33,478)</u>	<u>(275,089)</u>	<u>(857,070)</u>	<u>(464,637)</u>
Other income (expense):				
Interest income	5,682	8,247	7,047	12,069
Loss on disposal of oil and gas properties	(236,373)	-	(236,373)	-
Other	-	5,138	18,483	5,648
	<u>(230,691)</u>	<u>13,385</u>	<u>(210,843)</u>	<u>17,717</u>
Loss before benefit from income taxes	(264,169)	(261,704)	(1,067,913)	(446,920)
Benefit from income taxes	-	-	-	-
Net loss	<u>\$ (264,169)</u>	<u>(261,704)</u>	<u>(1,067,913)</u>	<u>(446,920)</u>
Net loss per common share:				
Basic	<u>\$ (0.05)</u>	<u>(0.05)</u>	<u>(0.19)</u>	<u>(0.08)</u>
Diluted	<u>\$ (0.05)</u>	<u>(0.05)</u>	<u>(0.19)</u>	<u>(0.08)</u>
Weighted average common shares:				
Basic	<u>5,664,000</u>	<u>5,697,000</u>	<u>5,664,000</u>	<u>5,846,000</u>
Diluted	<u>5,664,000</u>	<u>5,697,000</u>	<u>5,664,000</u>	<u>5,846,000</u>

See independent accountants' compilation report.

PIONEER OIL AND GAS
STATEMENTS OF COMPREHENSIVE LOSS

	Three Months Ended		Six Months Ended	
	March 31,		March 31,	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Net loss	\$ (264,169)	(261,704)	(1,067,913)	(446,920)
Other comprehensive loss:				
Change in unrealized holding loss, net of tax effect	<u>2,343</u>	<u>8,551</u>	<u>4,586</u>	<u>4,535</u>
Comprehensive loss	<u>\$ (261,826)</u>	<u>(253,153)</u>	<u>(1,063,327)</u>	<u>(442,385)</u>

See independent accountants' compilation report.

PIONEER OIL AND GAS
STATEMENTS OF CASH FLOWS
Six Months Ended March 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Cash flows from operating activities:		
Net loss	\$ (1,067,913)	(446,920)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation, depletion and amortization	21,468	34,082
Impairment of resale leases	760,994	-
Gain on sale of investments	-	(2,759)
Loss on disposal of oil and gas properties	236,373	-
Reduction of ARO due to property sale	(14,409)	-
Accretion expense	382	687
Employee benefit plan expense	40,403	39,966
Interest income	(4,322)	(5,207)
(Increase) decrease in:		
Receivables	(57,829)	18,969
Resale leases	158,054	(41,076)
Increase (decrease) in:		
Payables and accrued expenses	22,083	252,453
Deposits	(100,000)	100,000
Net cash used in operating activities	<u>(4,716)</u>	<u>(49,805)</u>
Cash flows from investing activities:		
Purchases of investments, available for sale	(763)	(24,611)
Proceeds from sale of investments, available for sale	-	43,207
Proceeds from sale of producing property	210,031	-
Acquisition of property and equipment	(202)	(289,800)
Net cash provided by (used in) investing activities	<u>209,066</u>	<u>(271,204)</u>
Cash flows from financing activities:		
Purchase and retirement of common stock	-	(353,423)
Net cash used in financing activities	<u>-</u>	<u>(353,423)</u>
Net increase (decrease) in cash	204,350	(674,432)
Cash, beginning of period	<u>1,953,851</u>	<u>2,729,540</u>
Cash, end of period	<u>\$ 2,158,201</u>	<u>2,055,108</u>

See independent accountants' compilation report.

PIONEER OIL AND GAS
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION
Six Months Ended March 31, 2014 and 2013

During the six months ended March 31, 2014, the Company:

- Recorded an increase in investments of \$7,586, a change in unrealized holding loss of \$4,586, and a change in investment related deferred income taxes of \$3,000.
- Reduced cost of operations by \$14,409 as a result of oil and gas properties with an asset retirement obligation of \$29,168 and net capitalized asset retirement costs of \$14,759 being sold.

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.

See independent accountants' compilation report.