

PIONEER OIL AND GAS

FINANCIAL STATEMENTS
(UNAUDITED)

March 31, 2016



PIONEER OIL AND GAS
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March 31, 2016

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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

Management is responsible for the accompanying financial statements of Pioneer Oil and Gas (a corporation), which comprise the balance sheet as of March 31, 2016, and the related statements of operations, comprehensive income (loss), and cash flows for the six month periods ended March 31, 2016 and 2015, in accordance with accounting principles generally accepted in the United States of America. We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on these 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, 2015, was audited by us, and we expressed an unmodified opinion on it in our report dated February 8, 2016, but we have not performed any auditing procedures since that date.

JONES SIMKINS LLC
Logan, Utah
June 1, 2016

PIONEER OIL AND GAS
BALANCE SHEETS

<u>Assets</u>	March 31, 2016 (Compiled)	September 30, 2015 (Audited)
Current assets:		
Cash	\$ 332,694	405,920
Investments, available for sale	52,676	59,728
Receivables	144,421	38,663
Resale leases, at lower of cost or market	271,540	277,827
Deferred income taxes	41,000	38,000
	<hr/>	<hr/>
Total current assets	842,331	820,138
Property and equipment, net	251,197	264,597
Other assets	2,230	2,230
	<hr/>	<hr/>
	\$ 1,095,758	1,086,965
	<hr/>	<hr/>
<u>Liabilities and Stockholders' Equity</u>		
Current liabilities:		
Payables and accrued expenses	\$ 43,751	52,661
	<hr/>	<hr/>
Total current liabilities	43,751	52,661
Asset retirement obligation	3,844	3,772
	<hr/>	<hr/>
Total liabilities	47,595	56,433
	<hr/>	<hr/>
Commitments and contingencies		
Stockholders' equity:		
Common stock, par value \$.001 per share, 50,000,000 shares authorized; 5,658,002 and 5,660,002 shares issued and outstanding, respectively	5,658	5,660
Note receivable from Employee Stock Ownership Plan	(998,547)	(993,579)
Stock subscription receivable	(153,455)	(167,496)
Accumulated other comprehensive loss	(78,987)	(73,650)
Retained earnings	2,273,494	2,259,597
	<hr/>	<hr/>
Total stockholders' equity	1,048,163	1,030,532
	<hr/>	<hr/>
	\$ 1,095,758	1,086,965
	<hr/>	<hr/>

See independent accountants' compilation report.

PIONEER OIL AND GAS
STATEMENTS OF OPERATIONS
Six Months Ended March 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Revenue:		
Oil and gas sales	\$ 69,331	119,761
Royalty revenue	<u>217,803</u>	<u>180,086</u>
	<u>287,134</u>	<u>299,847</u>
Costs and expenses:		
Cost of operations	10,502	10,997
General and administrative expenses	195,804	363,323
Exploration costs	51,479	165,346
Lease rentals	8,749	8,314
Loss on abandonment and impairment of resale leases	5,657	17,331
Depreciation, depletion and amortization	<u>14,458</u>	<u>19,484</u>
	<u>286,649</u>	<u>584,795</u>
Income (loss) from operations	<u>485</u>	<u>(284,948)</u>
Other income:		
Interest income	7,680	6,565
Other	<u>6,330</u>	<u>526</u>
	<u>14,010</u>	<u>7,091</u>
Income (loss) before provision for income taxes	14,495	(277,857)
Provision for income taxes	<u>-</u>	<u>-</u>
Net income (loss)	<u>\$ 14,495</u>	<u>(277,857)</u>
Net income (loss) per common share:		
Basic	\$ <u>-</u>	<u>(0.05)</u>
Diluted	\$ <u>-</u>	<u>(0.05)</u>
Weighted average common shares:		
Basic	<u>5,658,000</u>	<u>5,664,000</u>
Diluted	<u>5,658,000</u>	<u>5,664,000</u>

See independent accountants' compilation report.

PIONEER OIL AND GAS
STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
Six Months Ended March 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Net income (loss)	\$ 14,495	(277,857)
Other comprehensive loss:		
Unrealized holding loss, net of tax effect	<u>(5,337)</u>	<u>(38,812)</u>
Comprehensive income (loss)	<u>\$ 9,158</u>	<u>(316,669)</u>

See independent accountants' compilation report.

PIONEER OIL AND GAS
STATEMENTS OF CASH FLOWS
Six Months Ended March 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
<u>Cash flows from operating activities:</u>		
Net income (loss)	\$ 14,495	(277,857)
Adjustments to reconcile net income (loss) to net cash used in operating activities:		
Depreciation, depletion and amortization	14,458	19,484
Accretion expense	72	69
Employee benefit plan expense	14,878	40,403
Interest income	(5,805)	(3,402)
(Increase) decrease in:		
Receivables	(105,758)	143,097
Resale leases	6,287	(22,953)
Decrease in:		
Payables and accrued expenses	<u>(8,910)</u>	<u>(6,277)</u>
Net cash used in operating activities	<u>(70,283)</u>	<u>(107,436)</u>
<u>Cash flows from investing activities:</u>		
Purchase of investments, available for sale	(1,285)	(33,657)
Purchase of property and equipment	<u>(1,058)</u>	<u>(28,714)</u>
Net cash used in investing activities	<u>(2,343)</u>	<u>(62,371)</u>
<u>Cash flows from financing activities:</u>		
Purchase and retirement of common stock	(600)	-
Purchase of treasury stock	<u>-</u>	<u>(1,200)</u>
Net cash used in financing activities	<u>(600)</u>	<u>(1,200)</u>
Net decrease in cash	(73,226)	(171,007)
Cash, beginning of period	<u>405,920</u>	<u>1,817,081</u>
Cash, end of period	<u>\$ 332,694</u>	<u>1,646,074</u>

See independent accountants' compilation report.

PIONEER OIL AND GAS
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION
Six Months Ended March 31, 2016 and 2015

During the six months ended March 31, 2016, the Company:

- Recorded a decrease in investments of \$8,337, a change in unrealized holding loss of \$5,337, and a change in investment related deferred income taxes of \$3,000.

During the six months ended March 31, 2015, the Company:

- Recorded a decrease in investments of \$57,812, a change in unrealized holding loss of \$38,812, and a change in investment related deferred income taxes of \$19,000.
- Retired 4,000 shares of treasury stock at cost of \$5,080.

See independent accountants' compilation report.