

PIONEER OIL AND GAS
FINANCIAL STATEMENTS
(UNAUDITED)

June 30, 2014



PIONEER OIL AND GAS
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June 30, 2014

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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 June 30, 2014, and the related statements of operations and comprehensive loss for the three and nine month periods ended June 30, 2014 and 2013, and the related statements of cash flows for the nine month periods ended June 30, 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
August 18, 2014

PIONEER OIL AND GAS
BALANCE SHEETS

	June 30, 2014 <u>(Compiled)</u>	September 30, 2013 <u>(Audited)</u>
<u>Assets</u>		
Current assets:		
Cash	\$ 2,069,933	1,953,851
Investments, available for sale	92,585	43,658
Receivables	61,723	82,066
Resale leases, at lower of cost or market	386,442	1,288,822
Deferred income taxes	-	3,000
Total current assets	<u>2,610,683</u>	<u>3,371,397</u>
Property and equipment, net	152,287	571,983
Other assets	<u>2,230</u>	<u>2,230</u>
Total assets	<u>\$ 2,765,200</u>	<u>3,945,610</u>
<u>Liabilities and Stockholders' Equity</u>		
Current liabilities:		
Payables and accrued expenses	\$ 84,331	60,540
Deposits	-	100,000
Deferred income taxes	<u>2,000</u>	<u>-</u>
Total current liabilities	86,331	160,540
Asset retirement obligation	<u>2,888</u>	<u>31,653</u>
Total liabilities	<u>89,219</u>	<u>192,193</u>
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 income (loss)	3,876	(4,710)
Retained earnings	<u>2,922,342</u>	<u>4,044,445</u>
Total stockholders' equity	2,679,861	3,757,297
Less treasury stock, 4,000 shares at cost	<u>(3,880)</u>	<u>(3,880)</u>
Total stockholders' equity	<u>2,675,981</u>	<u>3,753,417</u>
	<u>\$ 2,765,200</u>	<u>3,945,610</u>

See independent accountants' compilation report.

PIONEER OIL AND GAS
STATEMENTS OF OPERATIONS

	Three Months Ended		Nine Months Ended	
	June 30,		June 30,	
	2014	2013	2014	2013
Revenue:				
Oil and gas sales	\$ 45,980	169,221	243,687	397,515
Royalty revenue	121,582	108,105	387,570	247,085
Project and lease sales income	23,378	-	344,860	-
	<u>190,940</u>	<u>277,326</u>	<u>976,117</u>	<u>644,600</u>
Costs and expenses:				
Cost of operations	2,037	33,121	55,561	149,373
General and administrative expenses	166,568	183,183	581,544	601,443
Exploration costs	89,649	79,718	276,697	256,701
Lease rentals	5,820	3,635	23,180	39,012
Loss on abandonment and impairment of resale leases	-	18,588	947,871	69,545
Depreciation, depletion and amortization	631	17,294	22,099	51,376
	<u>264,705</u>	<u>335,539</u>	<u>1,906,952</u>	<u>1,167,450</u>
Loss from operations	<u>(73,765)</u>	<u>(58,213)</u>	<u>(930,835)</u>	<u>(522,850)</u>
Other income (expense):				
Interest income	1,224	2,916	8,271	14,985
Loss on disposal of oil and gas properties	-	-	(236,373)	-
Other	18,351	10,137	36,834	15,785
	<u>19,575</u>	<u>13,053</u>	<u>(191,268)</u>	<u>30,770</u>
Loss before provision for income taxes	(54,190)	(45,160)	(1,122,103)	(492,080)
Provision for income taxes	-	-	-	-
Net loss	<u>\$ (54,190)</u>	<u>(45,160)</u>	<u>(1,122,103)</u>	<u>(492,080)</u>
Net loss per common share:				
Basic	<u>\$ (0.01)</u>	<u>(0.01)</u>	<u>(0.20)</u>	<u>(0.08)</u>
Diluted	<u>\$ (0.01)</u>	<u>(0.01)</u>	<u>(0.20)</u>	<u>(0.08)</u>
Weighted average common shares:				
Basic	<u>5,664,000</u>	<u>5,695,000</u>	<u>5,664,000</u>	<u>5,796,000</u>
Diluted	<u>5,664,000</u>	<u>5,695,000</u>	<u>5,664,000</u>	<u>5,796,000</u>

See independent accountants' compilation report.

PIONEER OIL AND GAS
STATEMENTS OF COMPREHENSIVE LOSS

	Three Months Ended		Nine Months Ended	
	June 30,		June 30,	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Net loss	\$ (54,190)	(45,160)	(1,122,103)	(492,080)
Other comprehensive loss:				
Change in unrealized holding gain, net of tax effect	<u>4,000</u>	<u>(9,550)</u>	<u>8,586</u>	<u>(5,015)</u>
Comprehensive loss	<u>\$ (50,190)</u>	<u>(54,710)</u>	<u>(1,113,517)</u>	<u>(497,095)</u>

See independent accountants' compilation report.

PIONEER OIL AND GAS
STATEMENTS OF CASH FLOWS
Nine Months Ended June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Cash flows from operating activities:		
Net loss	\$ (1,122,103)	(492,080)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation, depletion and amortization	22,099	51,376
Impairment of resale leases	760,994	-
Gain on sale of investments	-	(10,141)
Loss on disposal of oil and gas properties	236,373	-
Reduction of ARO due to property sale	(14,409)	-
Accretion expense	403	1,030
Employee benefit plan expense	40,403	39,966
Interest income	(4,322)	(5,207)
(Increase) decrease in:		
Receivables	20,343	(1,537)
Resale leases	141,386	(23,114)
Increase (decrease) in:		
Payables and accrued expenses	23,791	(31,745)
Deposits	(100,000)	100,000
	<u>4,958</u>	<u>(371,452)</u>
Net cash provided by (used in) operating activities		
Cash flows from investing activities:		
Purchases of investments, available for sale	(35,341)	(49,250)
Proceeds from sale of investments, available for sale	-	88,287
Proceeds from sale of producing property	210,025	-
Acquisition of property and equipment	(63,560)	(243,257)
	<u>111,124</u>	<u>(204,220)</u>
Net cash provided by (used in) investing activities		
Cash flows from financing activities:		
Purchase of treasury stock	-	(30,080)
Purchase and retirement of common stock	-	(353,423)
	<u>-</u>	<u>(383,503)</u>
Net cash used in financing activities		
Net increase (decrease) in cash	116,082	(959,175)
Cash, beginning of period	<u>1,953,851</u>	<u>2,729,540</u>
Cash, end of period	<u>\$ 2,069,933</u>	<u>1,770,365</u>

See independent accountants' compilation report.

PIONEER OIL AND GAS
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION
Nine Months Ended June 30, 2014 and 2013

During the nine months ended June 30, 2014, the Company:

- Recorded an increase in investments of \$13,586, a change in unrealized holding loss of \$8,586, and a change in investment related deferred income taxes of \$5,000.
- 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 nine months ended June 30, 2013, the Company:

- Recorded a decrease in investments of \$8,015, a decrease in unrealized holding gain of \$5,015, and a change in investment related deferred income taxes of \$3,000.
- Recorded capitalized asset retirement costs and asset retirement obligation of \$2,121 due to drilling activities.

See independent accountants' compilation report.