

PIONEER OIL AND GAS
FINANCIAL STATEMENTS
(UNAUDITED)

December 31, 2013



PIONEER OIL AND GAS
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December 31, 2013

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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 December 31, 2013, and the related statements of operations, comprehensive loss, and cash flows for the three month periods ended December 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, 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
March 10, 2014

PIONEER OIL AND GAS
BALANCE SHEETS

<u>ASSETS</u>	December 31, 2013 (Compiled)	September 30, 2013 (Audited)
Current assets:		
Cash	\$ 1,971,548	1,953,851
Investments, available for sale	48,302	43,658
Receivables	72,834	82,066
Resale leases, at lower of cost or market	415,005	1,288,822
Deferred income taxes	1,000	3,000
Total current assets	<u>2,508,689</u>	<u>3,371,397</u>
Property and equipment, net	551,744	571,983
Other assets	2,230	2,230
	<u>\$ 3,062,663</u>	<u>3,945,610</u>
<u>LIABILITIES AND STOCKHOLDERS' EQUITY</u>		
Current liabilities:		
Payables and accrued expenses	\$ 78,733	60,540
Deposits	-	100,000
Total current liabilities	<u>78,733</u>	<u>160,540</u>
Asset retirement obligation	32,014	31,653
Total liabilities	<u>110,747</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	(288,102)	(288,102)
Accumulated other comprehensive loss	(2,467)	(4,710)
Retained earnings	3,240,701	4,044,445
	<u>2,955,796</u>	<u>3,757,297</u>
Less treasury stock, 4,000 shares at cost	<u>(3,880)</u>	<u>(3,880)</u>
Total stockholders' equity	<u>2,951,916</u>	<u>3,753,417</u>
	<u>\$ 3,062,663</u>	<u>3,945,610</u>

See independent accountants' compilation report.

PIONEER OIL AND GAS
STATEMENTS OF OPERATIONS
Three Months Ended December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Revenue:		
Oil and gas sales	\$ 123,463	127,313
Royalty revenue	100,418	65,331
Project and lease sales income	233,750	-
	<u>457,631</u>	<u>192,644</u>
Costs and expenses:		
Cost of operations	31,277	31,444
General and administrative expenses	176,108	171,352
Exploration costs	90,942	83,584
Lease rentals	14,525	27,814
Loss on abandonment and impairment of resale leases	947,871	50,957
Depreciation, depletion and amortization	20,500	17,041
	<u>1,281,223</u>	<u>382,192</u>
Loss from operations	<u>(823,592)</u>	<u>(189,548)</u>
Other income:		
Interest income	1,365	3,822
Other, net	18,483	510
	<u>19,848</u>	<u>4,332</u>
Loss before provision for income taxes	(803,744)	(185,216)
Provision for income taxes	-	-
Net loss	<u>\$ (803,744)</u>	<u>(185,216)</u>
Net loss per common share:		
Basic	<u>\$ (0.14)</u>	<u>(0.03)</u>
Diluted	<u>\$ (0.14)</u>	<u>(0.03)</u>
Weighted average common shares:		
Basic	<u>5,664,000</u>	<u>5,995,000</u>
Diluted	<u>5,664,000</u>	<u>5,995,000</u>

See independent accountants' compilation report.

PIONEER OIL AND GAS
STATEMENTS OF COMPREHENSIVE LOSS
Three Months Ended December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Net loss	\$ (803,744)	(185,216)
Other comprehensive loss:		
Change in unrealized holding loss, net of tax effect	<u>2,243</u>	<u>(4,016)</u>
Comprehensive loss	<u>\$ (801,501)</u>	<u>(189,232)</u>

See independent accountants' compilation report.

PIONEER OIL AND GAS
STATEMENTS OF CASH FLOWS
Three Months Ended December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Cash flows from operating activities:		
Net loss	\$ (803,744)	(185,216)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation, depletion and amortization	20,500	17,041
Impairment of resale leases	760,994	-
Accretion expense	361	343
(Increase) decrease in:		
Receivables	9,232	14,327
Resale leases	112,823	(32,556)
Increase (decrease) in:		
Payables and accrued expenses	18,193	377,156
Deposits	<u>(100,000)</u>	<u>-</u>
Net cash provided by operating activities	<u>18,359</u>	<u>191,095</u>
Cash flows from investing activities:		
Purchases of investments, available for sale	(401)	(23,873)
Acquisition of property and equipment	<u>(261)</u>	<u>(348,241)</u>
Net cash used in investing activities	<u>(662)</u>	<u>(372,114)</u>
Cash flows from financing activities:		
Purchase and retirement of common stock	<u>-</u>	<u>(351,423)</u>
Net cash used in financing activities	<u>-</u>	<u>(351,423)</u>
Net increase (decrease) in cash	17,697	(532,442)
Cash, beginning of period	<u>1,953,851</u>	<u>2,729,540</u>
Cash, end of period	<u>\$ 1,971,548</u>	<u>2,197,098</u>

See independent accountants' compilation report.

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

During the three months ended December 31, 2013 the Company:

- Recorded a increase in investments of \$4,243, a change in unrealized holding loss of \$2,243, and a change in investment related deferred income taxes of \$2,000.

During the three months ended December 31, 2012 the Company:

- Recorded a decrease in investments of \$6,016, a change in unrealized holding gain of \$4,016, 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.