

PIONEER OIL AND GAS
FINANCIAL STATEMENTS
(UNAUDITED)

June 30, 2015



PIONEER OIL AND GAS
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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, 2015, and the related statements of operations and comprehensive loss for the three and nine month periods ended June 30, 2015 and 2014, and the related statements of cash flows for the nine month periods ended June 30, 2015 and 2014. 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, 2014, was audited by us, and we expressed an unmodified opinion on it in our report dated December 16, 2014, but we have not performed any auditing procedures since that date.

JONES SIMKINS LLC
September 10, 2015

PIONEER OIL AND GAS
BALANCE SHEETS

	June 30, 2015 <u>(Compiled)</u>	September 30, 2014 <u>(Audited)</u>
<u>Assets</u>		
Current assets:		
Cash	\$ 1,458,641	1,817,081
Investments, available for sale	90,080	119,159
Receivables	27,099	183,381
Resale leases, at lower of cost or market	284,099	379,993
Deferred income taxes	<u>26,000</u>	<u>5,000</u>
Total current assets	1,885,919	2,504,614
Property and equipment, net	321,079	311,560
Other assets	<u>2,230</u>	<u>2,230</u>
	<u>\$ 2,209,228</u>	<u>2,818,404</u>
<u>Liabilities and Stockholders' Equity</u>		
Current liabilities:		
Payables and accrued expenses	\$ <u>59,090</u>	<u>79,392</u>
Total current liabilities	59,090	79,392
Asset retirement obligation	<u>3,738</u>	<u>3,634</u>
Total liabilities	<u>62,828</u>	<u>83,026</u>
Commitments and contingencies		
Stockholders' equity:		
Common stock, par value \$.001 per share, 50,000,000 shares authorized; 5,660,002 and 5,664,002 shares issued and outstanding, respectively	5,660	5,664
Stock subscription receivable	(189,819)	(226,820)
Accumulated other comprehensive loss	(50,781)	(8,375)
Retained earnings	<u>2,381,340</u>	<u>2,968,789</u>
	2,146,400	2,739,258
Less treasury stock, 0 and 4,000 shares at cost, respectively	<u>-</u>	<u>(3,880)</u>
Total stockholders' equity	<u>2,146,400</u>	<u>2,735,378</u>
	<u>\$ 2,209,228</u>	<u>2,818,404</u>

See independent accountants' compilation report.

PIONEER OIL AND GAS
STATEMENTS OF OPERATIONS

	Three Months Ended		Nine Months Ended	
	June 30,		June 30,	
	2015	2014	2015	2014
Revenue:				
Oil and gas sales	\$ 31,053	45,980	150,814	243,687
Royalty revenue	46,041	121,582	226,127	387,570
Project and lease sales income	-	23,378	-	344,860
Total revenue	77,094	190,940	376,941	976,117
Costs and expenses:				
Cost of operations	4,001	2,037	14,998	55,561
General and administrative expenses	156,912	166,568	520,235	581,544
Exploration costs	83,517	89,649	248,863	276,697
Lease rentals	-	5,820	8,314	23,180
Loss on abandonment and impairment of resale leases	142,384	-	159,715	947,871
Depreciation, depletion and amortization	10,726	631	30,210	22,099
	397,540	264,705	982,335	1,906,952
Loss from operations	(320,446)	(73,765)	(605,394)	(930,835)
Other income (expense):				
Interest income	1,582	1,224	8,147	8,271
Interest expense	(13)	-	(13)	-
Loss on disposal of oil and gas properties	-	-	-	(236,373)
Other	14,361	18,351	14,887	36,834
	15,930	19,575	23,021	(191,268)
Loss before provision for income taxes	(304,516)	(54,190)	(582,373)	(1,122,103)
Provision for income taxes	-	-	-	-
Net loss	\$ (304,516)	(54,190)	(582,373)	(1,122,103)
Net loss per common share:				
Basic	\$ (0.05)	(0.01)	(0.10)	(0.20)
Diluted	\$ (0.05)	(0.01)	(0.10)	(0.20)
Weighted average common shares:				
Basic	5,660,000	5,664,000	5,663,000	5,664,000
Diluted	5,660,000	5,664,000	5,663,000	5,664,000

See independent accountants' compilation report.

PIONEER OIL AND GAS
STATEMENTS OF COMPREHENSIVE LOSS

	Three Months Ended		Nine Months Ended	
	June 30,		June 30,	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Net loss	\$ (304,516)	(54,190)	(582,373)	(1,122,103)
Other comprehensive loss:				
Change in unrealized holding loss, net of tax effect	<u>(3,594)</u>	<u>4,000</u>	<u>(42,406)</u>	<u>8,586</u>
Comprehensive loss	<u>\$ (308,110)</u>	<u>(50,190)</u>	<u>(624,779)</u>	<u>(1,113,517)</u>

See independent accountants' compilation report.

PIONEER OIL AND GAS
STATEMENTS OF CASH FLOWS
Nine Months Ended June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Cash flows from operating activities:		
Net loss	\$ (582,373)	(1,122,103)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation, depletion and amortization	30,210	22,099
Impairment of resale leases	-	760,994
Loss on disposal of oil and gas properties	-	236,373
Reduction of ARO due to property sale	-	(14,409)
Accretion expense	104	403
Employee benefit plan expense	40,403	40,403
Interest income	(3,402)	(4,322)
Decrease in:		
Receivables	156,282	20,343
Resale leases	95,894	141,386
Increase (decrease) in:		
Payables and accrued expenses	(20,302)	23,791
Deposits	-	(100,000)
	<u>(283,184)</u>	<u>4,958</u>
Net cash provided by (used in) operating activities		
Cash flows from investing activities:		
Purchases of investments, available for sale	(34,327)	(35,341)
Proceeds from sale of producing property	-	210,025
Acquisition of property and equipment	(39,729)	(63,560)
	<u>(74,056)</u>	<u>111,124</u>
Net cash provided by (used in) investing activities		
Cash flows from financing activities:		
Purchase of treasury stock	(1,200)	-
	<u>(1,200)</u>	<u>-</u>
Net cash used in financing activities		
Net increase (decrease) in cash	(358,440)	116,082
Cash, beginning of period	<u>1,817,081</u>	<u>1,953,851</u>
Cash, end of period	<u>\$ 1,458,641</u>	<u>2,069,933</u>

See independent accountants' compilation report.

PIONEER OIL AND GAS
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION
Nine Months Ended June 30, 2015 and 2014

During the nine months ended June 30, 2015, the Company:

- Recorded a decrease in investments of \$63,406, a change in unrealized holding loss of \$42,406, and a change in investment related deferred income taxes of \$21,000.
- Retired 4,000 shares of treasury stock at cost of \$5,080.

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.

See independent accountants' compilation report.