

PIONEER OIL AND GAS

FINANCIAL STATEMENTS
(UNAUDITED)

December 31, 2012



PIONEER OIL AND GAS
INDEX TO FINANCIAL STATEMENTS
December 31, 2012

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



Certified Public Accountants

1011 West 400 North, Suite 100
P.O. Box 747
Logan, UT 84323-0747
Phone: (435) 752-1510 • (877) 752-1510
Fax: (435) 752-4878

PARTNERS:

*Michael C. Kidman, CPA
Brent S. Sandberg, CPA
Mark E. Low, CPA
H. Paul Gibbons, CPA
Robert D. Thomas, CPA
Paul R. Campbell, CPA
Shawn R. Anderson, CPA
Scott L. Burton, CPA*

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, 2012, and the related statements of operations and comprehensive loss and cash flows for the three months ended December 31, 2012 and 2011. 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, 2012, was audited by us, and we expressed an unqualified opinion on it in our report dated January 10, 2013, but we have not performed any auditing procedures since that date.

JONES SIMKINS LLC
Logan, Utah
March 5, 2013

PIONEER OIL AND GAS
BALANCE SHEETS

<u>Assets</u>	December 31, 2012 (Compiled)	September 30, 2012 (Audited)
Current assets:		
Cash	\$ 2,197,098	2,729,540
Investments, available for sale	237,851	219,994
Receivables	77,550	91,877
Resale leases, at lower of cost or market	<u>1,302,306</u>	<u>1,269,750</u>
Total current assets	3,814,805	4,311,161
Property and equipment, net	703,062	369,741
Deferred income taxes	193,000	193,000
Other assets	<u>660,217</u>	<u>660,217</u>
	<u>\$ 5,371,084</u>	<u>5,534,119</u>
<u>Liabilities and Stockholders' Equity</u>		
Current liabilities:		
Payables and accrued expenses	\$ 475,204	98,048
Deferred income taxes	<u>6,000</u>	<u>8,000</u>
Total current liabilities	481,204	106,048
Asset retirement obligation	<u>30,623</u>	<u>28,159</u>
Total liabilities	<u>511,827</u>	<u>134,207</u>
Commitments and contingencies		
Stockholders' equity:		
Common stock, par value \$.001 per share, 50,000,000		
shares authorized; 5,697,002 and 6,048,425 shares		
issued and outstanding, respectively	5,697	6,048
Additional paid-in capital	-	55,970
Stock subscription receivable	(347,159)	(347,159)
Accumulated other comprehensive income	11,502	15,518
Retained earnings	<u>5,189,217</u>	<u>5,669,535</u>
Total stockholders' equity	<u>4,859,257</u>	<u>5,399,912</u>
	<u>\$ 5,371,084</u>	<u>5,534,119</u>

See independent accountants' compilation report.

PIONEER OIL AND GAS
STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
Three Months Ended December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Revenue:		
Oil and gas sales	\$ 127,313	270,921
Royalty revenue	<u>65,331</u>	<u>63,985</u>
	<u>192,644</u>	<u>334,906</u>
Costs and expenses:		
Cost of operations	31,444	85,718
General and administrative expenses	171,352	155,477
Exploration costs	83,584	75,839
Lease rentals	27,814	19,880
Loss on impairment of resale leases	50,957	254,168
Depreciation, depletion and amortization	<u>17,041</u>	<u>452</u>
	<u>382,192</u>	<u>591,534</u>
Loss from operations	<u>(189,548)</u>	<u>(256,628)</u>
Other income:		
Interest income	3,822	5,587
Other	<u>510</u>	<u>5,055</u>
	<u>4,332</u>	<u>10,642</u>
Loss before benefit for income taxes	(185,216)	(245,986)
Benefit for income taxes	<u>-</u>	<u>(86,000)</u>
Net loss	(185,216)	(159,986)
Other comprehensive loss:		
Unrealized holding gain (loss), net of tax effects	<u>(4,016)</u>	<u>18,110</u>
Total comprehensive loss	<u>\$ (189,232)</u>	<u>(141,876)</u>
Net loss per common share:		
Basic	\$ <u>(0.03)</u>	<u>(0.02)</u>
Diluted	\$ <u>(0.03)</u>	<u>(0.02)</u>
Weighted average common shares:		
Basic	<u>5,995,000</u>	<u>7,696,000</u>
Diluted	<u>5,995,000</u>	<u>7,696,000</u>

See independent accountants' compilation report.

PIONEER OIL AND GAS
STATEMENTS OF CASH FLOWS
Three Months Ended December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Cash flows from operating activities:		
Net loss	\$ (185,216)	(159,986)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation, depletion and amortization	17,041	452
Accretion expense	343	198
Deferred income taxes	-	(86,000)
(Increase) decrease in:		
Receivables	14,327	680,805
Resale leases	(32,556)	257,568
Increase (decrease) in:		
Payables and accrued expenses	<u>377,156</u>	<u>231,086</u>
Net cash provided by operating activities	<u>191,095</u>	<u>924,123</u>
Cash flows from investing activities:		
Purchases of investments, available for sale	(23,873)	(6,781)
Acquisition of property and equipment	<u>(348,241)</u>	<u>(72,343)</u>
Net cash used in investing activities	<u>(372,114)</u>	<u>(79,124)</u>
Cash flows from financing activities:		
Payable - common stock repurchase	-	(12,255)
Purchase of treasury stock	-	(90,000)
Purchase and retirement of common stock	<u>(351,423)</u>	<u>(73,490)</u>
Net cash used in financing activities	<u>(351,423)</u>	<u>(175,745)</u>
Net increase (decrease) in cash	(532,442)	669,254
Cash, beginning of period	<u>2,729,540</u>	<u>3,522,165</u>
Cash, end of period	<u>\$ 2,197,098</u>	<u>4,191,419</u>

See independent accountants' compilation report.

PIONEER OIL AND GAS
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION
Three Months Ended December 31, 2012 and 2011

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.

During the three months ended December 31, 2011 the Company:

- Recorded an increase in investments of \$27,110, a change in unrealized holding gain of \$18,110, and a change in investment related deferred income taxes of \$9,000.
- Sold 412,327 shares of treasury stock to the Company's ESOP at a cost of \$412,327 in exchange for an \$11,619 reduction to ESOP payable and a \$400,708 increase to stock subscription receivable.

See independent accountants' compilation report.