

PIONEER OIL AND GAS
FINANCIAL STATEMENTS
(UNAUDITED)

June 30, 2013



PIONEER OIL AND GAS
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June 30, 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 June 30, 2013, and the related statements of operations and comprehensive loss for the three and nine month periods ended June 30, 2013 and 2012, and the related statements of cash flows for the nine month periods ended June 30, 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, 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
August 23, 2013

PIONEER OIL AND GAS
BALANCE SHEETS

	June 30, 2013 (Compiled)	September 30, 2012 (Audited)
<u>Assets</u>		
Current assets:		
Cash	\$ 1,770,365	2,729,540
Investments, available for sale	183,083	219,994
Receivables	93,414	91,877
Resale leases, at lower of cost or market	<u>1,292,864</u>	<u>1,269,750</u>
Total current assets	3,339,726	4,311,161
Property and equipment, net	563,743	369,741
Deferred income taxes	193,000	193,000
Other assets	<u>660,217</u>	<u>660,217</u>
	<u>\$ 4,756,686</u>	<u>5,534,119</u>
<u>Liabilities and Stockholders' Equity</u>		
Current liabilities:		
Payables and accrued expenses	\$ 66,303	98,048
Deposits	100,000	-
Deferred income taxes	<u>5,000</u>	<u>8,000</u>
Total current liabilities	171,303	106,048
Asset retirement obligation	<u>31,310</u>	<u>28,159</u>
Total liabilities	<u>202,613</u>	<u>134,207</u>
Commitments and contingencies		
Stockholders' equity:		
Common stock, par value \$.001 per share, 50,000,000 shares authorized; 5,695,002 and 6,048,425 shares issued and outstanding, respectively	5,695	6,048
Additional paid-in capital	-	55,970
Stock subscription receivable	(312,400)	(347,159)
Accumulated other comprehensive income	10,503	15,518
Retained earnings	<u>4,880,355</u>	<u>5,669,535</u>
	4,584,153	5,399,912
Less treasury stock, 32,000 and 0 shares at cost, respectively	<u>(30,080)</u>	<u>-</u>
Total stockholders' equity	<u>4,554,073</u>	<u>5,399,912</u>
	<u>\$ 4,756,686</u>	<u>5,534,119</u>

See independent accountants' compilation report.

PIONEER OIL AND GAS
STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS

	Three Months Ended		Nine Months Ended	
	June 30,		June 30,	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Revenue:				
Oil and gas sales	\$ 169,221	138,196	397,515	552,024
Royalty revenue	<u>108,105</u>	<u>66,513</u>	<u>247,085</u>	<u>229,709</u>
	<u>277,326</u>	<u>204,709</u>	<u>644,600</u>	<u>781,733</u>
Costs and expenses:				
Cost of operations	33,121	88,365	149,373	198,177
General and administrative expenses	183,183	170,143	601,443	566,428
Exploration costs	79,718	84,506	256,701	246,967
Lease rentals	3,635	14,128	39,012	36,973
Loss on impairment of resale leases	18,588	123,337	69,545	431,905
Depreciation, depletion and amortization	<u>17,294</u>	<u>18,528</u>	<u>51,376</u>	<u>38,585</u>
	<u>335,539</u>	<u>499,007</u>	<u>1,167,450</u>	<u>1,519,035</u>
Loss from operations	<u>(58,213)</u>	<u>(294,298)</u>	<u>(522,850)</u>	<u>(737,302)</u>
Other income (expense):				
Interest income	2,916	6,029	14,985	23,058
Other	<u>10,137</u>	<u>(1,012)</u>	<u>15,785</u>	<u>4,730</u>
	<u>13,053</u>	<u>5,017</u>	<u>30,770</u>	<u>27,788</u>
Loss before benefit from income taxes	(45,160)	(289,281)	(492,080)	(709,514)
Benefit from income taxes	<u>-</u>	<u>(115,000)</u>	<u>-</u>	<u>(293,000)</u>
Net loss	\$ (45,160)	(174,281)	(492,080)	(416,514)
Other comprehensive loss:				
Unrealized holding gain (loss), net of tax effects	<u>(9,550)</u>	<u>(7,443)</u>	<u>(5,015)</u>	<u>27,972</u>
Total comprehensive loss	<u>(54,710)</u>	<u>(181,724)</u>	<u>(497,095)</u>	<u>(388,542)</u>
Net loss per common share:				
Basic	\$ <u>(0.01)</u>	<u>(0.02)</u>	<u>(0.08)</u>	<u>(0.05)</u>
Diluted	\$ <u>(0.01)</u>	<u>(0.02)</u>	<u>(0.08)</u>	<u>(0.05)</u>
Weighted average common shares:				
Basic	<u>5,695,000</u>	<u>7,540,000</u>	<u>5,796,000</u>	<u>7,592,000</u>
Diluted	<u>5,695,000</u>	<u>7,540,000</u>	<u>5,796,000</u>	<u>7,592,000</u>

See independent accountants' compilation report.

PIONEER OIL AND GAS
STATEMENTS OF CASH FLOWS
Nine Months Ended June 30, 2013 and 2012

	2013	2012
Cash flows from operating activities:		
Net loss	\$ (492,080)	(416,514)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation, depletion and amortization	51,376	38,585
(Gain) loss on sale of investments, available for sale	(10,141)	1,012
Accretion expense	1,030	905
Employee benefit plan expense	39,966	38,221
Deferred income taxes	-	(293,000)
Interest income	(5,207)	(6,040)
(Increase) decrease in:		
Receivables	(1,537)	827,469
Resale leases	(23,114)	398,344
Increase (decrease) in:		
Payables and accrued expenses	(31,745)	114,167
Deposits	100,000	-
	(371,452)	703,149
Net cash provided by (used in) operating activities		
Cash flows from investing activities:		
Purchases of investments, available for sale	(49,250)	(17,369)
Proceeds from sale of investments, available for sale	88,287	26,873
Acquisition of property and equipment	(243,257)	(322,294)
	(204,220)	(312,790)
Net cash used in investing activities		
Cash flows from financing activities:		
Payable - common stock repurchase	-	(105,172)
Purchase of treasury stock	(30,080)	(60,000)
Purchase and retirement of common stock	(353,423)	(163,490)
Payment of dividends	-	(4,800)
	(383,503)	(333,462)
Net cash used in financing activities		
Net increase (decrease) in cash	(959,175)	56,897
Cash, beginning of period	2,729,540	3,522,165
Cash, end of period	\$ 1,770,365	3,579,062

See independent accountants' compilation report.

PIONEER OIL AND GAS
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION
Nine Months Ended June 30, 2013 and 2012

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.

During the nine months ended June 30, 2012, the Company:

- Recorded an increase in investments of \$41,972, an increase in unrealized holding gain of \$27,972, and a change in investment related deferred income taxes of \$14,000.
- Sold 414,327 shares of treasury stock to the Company's ESOP at a cost of \$414,307 in exchange for a \$11,619 reduction to ESOP payable and a \$402,688 increase to stock subscription receivable.
- Recorded capitalized asset retirement costs and asset retirement obligation of \$8,268 due to drilling activities.
- Retired 163,490 shares of treasury stock that were purchased for \$1.00 per share.

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