Mt Jewell pegged for mining

Pioneer Resources continues to advance its Mt Jewell gold project in Western Australia, as exploration activity gets that early feel of development activity. Exploration will continue at Mt Jewell with new gold targets on the tenement under evaluation for future exploration. While Mt Jewell takes the first steps toward development, future exploration efforts will focus on Juglah Dome.

A milestone step toward development at Mt Jewell occurred in the December Quarter, with the pegging of a mining lease over the Tregurtha and Hughes gold deposits. The following figure shows the Tregurtha and Hughes deposits and concept mining infrastructure.

For Members information, the granting of a mining lease will allow the company to undertake infrastructure works at the pegged site. A scoping study on Mt Jewell is now underway.
The Tregurtha and Hughes deposits now form the base for the maiden joint ore reserve code (JORC) compliant mineral resource estimate of 185,600 ounces of gold as detailed in the following table (Au is the symbol for gold).

<table>
<thead>
<tr>
<th>Category</th>
<th>Hughes Tonnes</th>
<th>Au (g/t)</th>
<th>Tregurtha Tonnes</th>
<th>Au (g/t)</th>
<th>Total Tonnes</th>
<th>Grade (g/t)</th>
<th>Au (oz)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Measured</td>
<td>317,000</td>
<td>1.50</td>
<td>328,000</td>
<td>2.71</td>
<td>645,000</td>
<td>2.12</td>
<td>43,500</td>
</tr>
<tr>
<td>Indicated</td>
<td>909,000</td>
<td>1.32</td>
<td>906,000</td>
<td>1.60</td>
<td>1,815,000</td>
<td>1.46</td>
<td>87,700</td>
</tr>
<tr>
<td>Inferred</td>
<td>852,000</td>
<td>1.33</td>
<td>405,000</td>
<td>1.38</td>
<td>1,257,000</td>
<td>1.35</td>
<td>54,400</td>
</tr>
<tr>
<td>Total</td>
<td>2,138,000</td>
<td>1.35</td>
<td>1,639,000</td>
<td>1.77</td>
<td>3,777,000</td>
<td>1.53</td>
<td>185,600</td>
</tr>
</tbody>
</table>

The company’s aims are to further prove-up both the Tregurtha and Hughes deposits to upgrade the resource, and incorporate other deposits in the mineral resource estimate.

Important metallurgical work is being carried out on the Tregurtha and Hughes ore to determine the appropriate method of gold extraction. Although full results have yet to be released to the market, indications are that the gold can be extracted via a carbon in leach (CIL) process.

The company has indicated that ore crushed to a size of 75 micron returned excellent recovery rates in the range 92% to 99%. Further metallurgical testing is ongoing. The metallurgical results in our opinion are very encouraging and we consider CIL extraction is a cost effective processing method.

Exploration on the Mt Jewell tenement has not ceased. The company is currently conducting a gravity survey, covering some 490 square kilometres over primarily the eastern part of the Mt Jewell tenement. The following figure shows the Mt Jewell tenement.
In conjunction with the survey, the company is conducting a major soil sampling programme where some 5,000 samples will be collected. The programme will concentrate on four priority prospects within the tenement.

The analysis of the data from both the survey and sampling programme will be used to plan the next drilling campaign which should commence in the upcoming drill season (April). Approval for 15,000 metres of rotary air blast drilling is being sought. The following figure shows the location of the priority prospects.
The company has indicated it expects to target at least three of the priority prospects in the next round of drilling.

Juglah Dome is starting to gain real traction with recent drilling at the Moonbaker and JWT (John West Tree) prospects intersecting gold. Two holes at the JWT prospect and one at Moonbaker intersected gold. Certainly, the two holes at JWT are very encouraging with the better intersection being one metre showing 1.51 grams per tonne (g/t) gold from 16 metres deep. The following figure shows the Juglah Dome Tenement with the two prospects marked.
The Moonbaker intersection was less impressive at three metres showing 0.917g/t gold from 21 metres deep. The company has set aside funds to undertake a 10,000 metre drill programme at Juglah Dome in the upcoming drill season (April).
Concurrently with the drilling at Juglah Dome, the company is in the midst of a major soil sampling programme of some 4,500 samples. The sampling programme is nearing completion, with the results expected by the end of the month.

Drilling at both Mt Jewell and Juglah Dome, in our opinion has the potential to act as a value catalyst for the stock, given the pedigree of the region. We remind Members that exploration is however a high risk undertaking, where outcomes may differ from the expected.

At 31 December 2011, the company had cash resources of A$3.5 million and forecast cash commitments for the current quarter of A$650,000. We are of the opinion the company is well resourced to meet all its current and planned commitments. Of the $650,000 anticipated expenditure for the current quarter, some A$400,000 will be directed toward exploration and evaluation activities.

A sustained break above the 50 day moving average of 2.4 cents is required to see short term momentum swing to the upside. Should this bullish scenario unfold, expect a move towards the 200 day moving average of 3.1 cents. The rising RSI is indicative of strength brewing in the near term.
With reference to the weekly chart, a broader term descending triangle pattern remains the main theme. Only a convincing break above the confluence of resistance offered at the downtrend line and 200 week moving average of 4.4 cents, would mark the end of the downtrend.

Management is now establishing a visible path to production for Mt Jewell. With Juglah Dome through further exploration likely to expand the resource base, Pioneer’s relative under-valuation will, in our view, not persist.

**We recommend Pioneer as a buy for those Members that are comfortable with the risk associated with a junior gold explorer.**

As a matter of disclosure, Members should be aware that Fat Prophets, through our Wealth Management division, acted as lead manager for a recent placement of shares and for the share purchase plan. Pioneer has paid a fee to Fat Prophets for its services in this regard.

**Snapshot PIO**

**Pioneer Resources**

The company is typical of many quality, junior exploration companies that are doing it tough in the current market environment. The company boasts a strong portfolio of exploration projects and a high quality board to properly evaluate them, but the company has to watch its spending as the ability to replenish its cash reserves dries up. Nevertheless, with modest funding the company is able to keep its exploration programs ticking over, mainly with the help of major shareholder, Xstrata.

| Market Capitalisation | A$10.7m |

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