Pioneer Resources Limited (PIO)

“The Juglah and the thief?”

Pioneer’s share price has performed strongly moving from 1.5c (20th June 2012) to a recent high of 2.3c in a weak market for the junior exploration sector. Following Locantro’s Life first note “Reloaded, rejuvenated and risk to the upside!” (refer to Issue 22 dated 22nd June 2012) PIO has made two major announcements with each significantly enhancing their fundamental outlook.

Golden Ridge Gold and Nickel Project

PIO announced on 10th July 2012 they had acquired all gold and remaining nickel interests in the Golden Ridge Project. Key points included,

- Golden Ridge Project, which covers 120km² in total, contains advanced, highly prospective gold and nickel targets as well as the Blair Nickel Mine (non-operational). Importantly the area includes 82km² of granted mining leases.
- Located 28km southeast of Kalgoorlie and 30km north of Kambalda.
- Total acquisition consideration of $700,000 cash. PIO will also replace existing performance bonds with a value of $207,000 and assume an existing gold royalty.
- PIO remains focused on gold discovery and has no current intention to re-open the Blair Nickel Mine. Wholly controlling the nickel interests will allow PIO greater flexibility to attract potential joint venture partners.
- Portfolio of advanced gold and nickel sulphide targets, many with mineralised drill holes that are ready for follow-up drilling.

Gold Targets

- Golden Ridge Project is close in proximity to a number of Kalgoorlie’s major gold deposits - including the Superpit (18km northwest), New Celebration (8km southwest), Golden Ridge (2.5km north) and Daisy Milano (25km east).
- Gold exploration undertaken by WMC in the 1990’s with limited work undertaken by AUZ during the 2000’s. Historical programs produced a number of very encouraging gold prospects.
Gold database- predominately generated by WMC - provides an excellent basis for new exploration.

8,500 additional soil samples recently taken.

Targets include soils, RAB and RC making this PIO’s most advanced gold project.

Nickel Targets

- Exploration was initiated by AMAX in joint ventures during the nickel boom (1969-1975). During this time the “Locality 2” nickel prospect (now Blair Nickel Mine) was identified.

- WMC acquired tenements thereafter and identified a number of areas with nickel sulphide mineralisation. Follow-up drilling resulted in the delineation of the Blair Nickel Mine which began production in 1990.

- The vendor, AUZ, acquired the Blair Nickel Mine in 2003 and mining continued between early 2004 and December 2008 when the mine closed due to the prevailing low nickel price.

- Total mine production is recorded as 32,900 tonnes of contained nickel, which was treated at Kambalda, located 30km south of the project.

- Mineralisation is known to extend below the mine and nickel sulphides have also been intersected in drilling at Marshall, Blair South, Duplex Hill and Anomalies 11 and 14 Prospects.

Juglah Dome Gold Project

On 20th July 2012, PIO announced that rotary air blast (RAB) drilling at Juglah Dome had hit high grade gold and had successfully identified two new prospects for further drilling.
• **Moonbaker**: 3m at 18 g/t Au from 9m, within a broader intercept of 12m at 5.4 g/t Au. This hole was drilled to a depth of 21m with the last assay being 3m at 2.2 g/t Au.

• **John West**: The combination of geochemistry and mineralised drill holes has defined a target with a strike length of 900m. Previously, gold nuggets and gold-bearing quartz veins had been located at the John West Prospect.

The Juglah Dome Gold Project is located 58km southeast of Kalgoorlie and some 5km southeast of the Majestic Gold Deposit, owned by Integra Mining Ltd (IGR). The Project is also 25km east of PIO’s Golden Ridge Gold and Nickel Project.

Managing Director, Mr David Crook said:

“Intersecting 3m of 18 g/t gold close to the surface is an exceptional outcome, but all results above 0.5 g/t gold are very significant from this type of work. Pioneer continues to be active and focused, with more RAB drilling to be undertaken in the current quarter to outline the full extent of these anomalies. At that point we can plan a more targeted and systematic reverse circulation (RC) drilling program with a view to defining a commercial gold deposit.”

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<td>Target Generation</td>
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<td>Gindalbie: 3,600 soil samples taken</td>
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<td>COMPLETED</td>
<td>IN PROGRESS</td>
<td>Second pass Juglah Dome</td>
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**Figure 4: Active 2012 Work Program**

**Figures 2 & 3: Previous gold intercepts at Golden Ridge and nickel intersected in drilling and targets**
2012 has been a brutal year for the junior resource sector with only the graphite movers providing any real excitement. It was very pleasing to note that on Thursday 26th July 2012, junior explorer Sirius Resources (SIR) reported a major nickel-copper discovery (the Nova Deposit in WA) with an intersection of 4m @ 3.8% nickel and 1.42% copper. A step out hole drilled 55 metres up-dip from the discovery hole has since intersected 15 metres of similar matrix to massive style sulphide mineralisation (assays awaited).

Rather than the usual subdued response from the market, SIR at one stage rocketed 724% (5.7c to 47c) which has not only given hope to the entire sector but also PIO in particular based on their nickel sulphide potential at Golden Ridge. This isn’t to say that PIO will be an instant five-bagger but it is extremely relevant when you consider that we have been in a depressed market where juniors were being discounted below cash backing and nickel has been as popular as a pimple of late. The SIR result and market reaction could be an early sign that “risk” could be making a long awaited return to the junior resource sector.

PIO has already proved its model of discovering and on-selling resources through the sale of the Tregurtha and Hughes Gold Deposits (186,500 ounces) to Carrick Gold (CRK) for $8m. PIO were able to achieve a sale price of just under $43 per ounce with PIO’s Managing Director David Crook stating (see ASX announcement 10th July 2012):

“The Company’s immediate objective is to replace the gold resources recently sold, and Pioneer’s geologists believe that the Golden Ridge Prospect has the potential to do this and more”.

Although early days and conceptual in nature there is the potential for both Juglah Dome and Golden Ridge to host gold resources in excess of 250,000 ounces and it could again be a case of PIO using the proceeds of smaller deposits to chase a much bigger gold deposit that could justify a stand-a-alone gold operation.

At 2c PIO’s market capitalisation is still around cash and receivables with the final $3.5m from the sale to CRK to be received over 3 years from 6th March 2013.

Despite the share price moving away from 1.5c the risk/reward profile remains very attractive considering the major exploration effort now underway in a prolific gold and nickel province.
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About the Author

Tony Locantro is the founding and Managing Director of Locantro Capital Pty Ltd, Locantro Asset Management Pty Ltd and Gold Australia Pty Ltd.

He entered the stockbroking industry in 1998 following a career in the NSW and QLD Police Services and prior to founding the above companies was an Associate Director at Patersons Securities Limited. During his stockbroking career, Tony was actively involved in the junior resource sector and undertook major roles in the successful IPOs of Independence Group (IGO) and Medusa Mining (MML).

Over many years Tony has assisted a number of companies with IPO’s, capital raisings, on-market support and corporate advice whilst serving a diverse client base. He has also written a number of educational articles for the securities industry through Tribeca, Kaplan and more recently Pinnacle (IFA Magazine). During his service he carried out his own diligent research and completed numerous written client reports, conducted regular site visits and based his stock selection principle on management and the people that drove the investment opportunities.

He has been quoted extensively in the financial press, Dow Jones Newswires and has written articles for Kitco and other sites, and is often quoted on Sky Business Channel.

He is well known as a passionate and well respected supporter of the junior resource industry.

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Please note

Gold Australia Pty Ltd will be paid a fee for the production of two research reports for Pioneer Resources Limited

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