Friday 20th July, 2012

Pioneer Resources – cashed-up with strong initial gold drilling results from Juglah Dome

We added Pioneer Resources (ASX: PIO, Share Price: $0.021, Market Cap: $11m) to our MineLife Portfolio Watch-list during June last year based on the exploration potential of the company’s Mt Jewell gold project in Western Australia. During the second half of 2011 Pioneer proved up a maiden JORC-compliant resource comprising 3.78 million tonnes @ 1.53g/t Au for 185,600 ounces of contained gold.

Pioneer realized that the deposit in itself wasn’t enough to justify a stand-alone development, so it made a sensible commercial decision in March this year to sell the Western Mt Jewell project to ASX-listed regional gold producer Carrick Gold (ASX: CRK) for consideration of $8 million. The sale was subject to shareholder approval at a General Meeting during May 2012, which was successfully received.

Pioneer Resources has therefore successfully differentiated itself from the vast majority of its junior peers in the resource space, by cashing itself up. By my calculations the company will have immediate cash of around $7 million and receivables of $3.5 million available over the next three years. All this in a company that’s currently valued at around $11 million.
What I find encouraging in terms of future direction is that Pioneer still retains a very large tenement portfolio within the Kalgoorlie area, including a 100% stake in the eastern Mt Jewell Gold Project tenements (now renamed the Gindalbie Gold Project). Work undertaken during the March 2012 quarter included a 490 sq km gravity survey that covered most of the project area. The survey provided data about large, deeply-rooted geological structures that might be related to gold mineralising events. The company also undertook a 3,480 soil sample survey.

Pioneer has also recently acquired a beneficial right to exploration Licence E27/384, which represents a natural adjunct to the Gindalbie project in a highly prospective location south of the Lindsay’s Find gold deposit owned by Carrick Gold (ASX: CRK) and the recent Lindsay’s South drill intersections reported by Hawthorn Resources (ASX: HAW).

Pioneer’s focus is on regional exploration, with the recent completion of the first drill holes at Gindalbie. A program of reconnaissance RAB drilling was recently undertaken that tested two gold targets, with very encouraging results returned. I understand additional drilling is planned for the current quarter.
The company’s second major exploration focus area is its 100%-owned Juglah Dome Gold Project, which lies 58km southeast of Kalgoorlie in Western Australia. The project is situated around 5km southeast of Integra Mining’s (ASX: IGR) Majestic gold deposit and 25km east of Pioneer’s Golden Ridge Gold and Nickel Project.

Encouragingly, Pioneer has just today announced that a recent RAB drilling program at Juglah Dome has successfully identified two new prospects for further drilling. Work earlier this year included a 4,500-ample soil geochemistry program, resulting in the identification of the two priority targets referred to as the Moonbaker and John West prospects.
During June 2012, Pioneer drill-tested these targets and three other anomalies with a total of 149 RAB drill holes for 3,197 metres to average drill-hole depth of 21 metres. The initial results from both prospects are highly encouraging and include; 3 metres at 18.0g/t Au from 9 metres depth at Moonbaker (within a broader intercept of 12 metres at 5.4g/t Au); and 3 metres @ 1.31g/t Au from 24 metres depth at John West.

Interestingly, the combination of geochemistry and mineralised drill holes at John West has defined a target with a strike length of 900 metres, supported by previously encountered gold nuggets and gold-bearing quartz veins.

I understand that Pioneer will undertake more RAB drilling during the current September 2012 quarter in order to try and define the full extent of these anomalies, along with more targeted and systematic RC drilling to outline an initial JORC-compliant resource.

I'll be speaking with Pioneer’s Managing Director David Crook on Monday, so hopefully I'll be able to present an even clearer picture of the company's immediate exploration prospects and targets following our discussion. Pioneer clearly represents a strong value play, which is generating encouraging results and plenty of news-flow for investors from its current in-house project portfolio. Importantly though given its cashed-up status, it also has the flexibility to be able to contemplate other project opportunities.
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