Pioneer Resources is offering shareholders the opportunity to be involved in the ongoing development of the company through a Share Purchase Plan (SPP). The shareholder offering comes at a time when the company is to commence active exploration of its recently acquired Mavis lithium project in Canada. The following figure shows the locations of the company’s assets (Li – lithium, Ni – nickel and Au – gold):

Source: Pioneer Resources

The SPP will raise approximately A$2.5 million and is not underwritten. The company retains the right to scale-back applications in the event the SPP is over subscribed. The funds will be used to accelerate
exploration activities at the company’s new Mavis lithium project and provide general working capital.

To be eligible to participate in the SPP offering, Members had to own Pioneer Resources shares on 24 June 2016. Other matters pertaining to eligibility are contained in the Share Purchase Plan Offer document. The company forwarded the SPP offer document to eligible shareholders on or about 29 June 2016.

Under the SPP the company plans to issue approximately 69.4 million shares. The issue price has been set at A3.6 cents per share. At the time of writing, Pioneer Resources share price was trading at A3.3 cents. Under the SPP, eligible shareholders may purchase a maximum of A$15,000 in shares.

The SPP allows eligible shareholders to purchase shares at predetermined dollar values, commencing at A$900 and ranging up to A$15,000. Including the floor and ceiling participation levels, shareholders can select from eight predetermined dollar value levels within the prescribed range. The following table shows the different subscription levels available:

<table>
<thead>
<tr>
<th>TOTAL SUBSCRIPTION AMOUNT @ $0.636 PER SHARE</th>
<th>NUMBER OF SHARES</th>
<th>TOTAL SUBSCRIPTION AMOUNT @ $0.636 PER SHARE</th>
<th>NUMBER OF SHARES</th>
</tr>
</thead>
<tbody>
<tr>
<td>A $ 900</td>
<td>25,000</td>
<td>B $ 1,800</td>
<td>50,000</td>
</tr>
<tr>
<td>C $ 2,700</td>
<td>75,000</td>
<td>D $ 3,600</td>
<td>100,000</td>
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<tr>
<td>E $ 5,400</td>
<td></td>
<td>F $ 9,000</td>
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<td>G $ 13,500</td>
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<td>H $ 15,000</td>
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</table>

Source: Pioneer Resources

Eligible shareholders may select only one of the above predetermined dollar values. The SPP is currently open for shareholders to lodge applications and will close on 13 July 2016. The allotment of SPP shares is expected to occur on 20 July 2016 and holding statements updated on the same day.

We recommend Members who are eligible participate in the SPP and take up shares. Member participation should be to the maximum capacity appropriate to the value of Pioneer Resources in their portfolio. Members should complete the required form and forward it to the company prior to the close date of 13 July 2016. We are pleased that the company is providing an opportunity for existing shareholders to participate in its ongoing development.

The company also successfully raised A$3.2 million through a placement of 89.3 million shares at A3.6 cents per share to institutional and sophisticated investors. The placement shares carried the right to one free option for every three placement shares subscribed for. The option is exercisable at A6 cents and will expire on 31 July 2018. The funds raised from the placement will also be used to accelerate exploration of the Mavis project.
On the daily chart, the share price is in flirtation-mode with the 50-day moving average of $0.03. Should prices lift from current levels, then resistance is expected at the $0.05 level being the 14th June high. A definitive break above this level would give rise to a broader term ascent towards the May high of $0.10.

We believe the ownership dilution factor is warranted, given the potential value that could be unlocked with exploration success at the company’s Mavis project. The company is now well funded to undertake a serious exploration programme across its Mavis project. The following figure shows the regional location of the Mavis project:
In FAT-MIN-517, we reviewed the farm-in consideration and work schedule required by the company to reach the maximum 81% interest in the Mavis project, and considered the terms to be fair and reasonable. Moreover, a common director of the two companies, with experience on the ground in Canada, was a valuable asset in the negotiations.

The company has, we believe, with the completion of the current fund raising initiatives the opportunity to turn Mavis into a real company changer.

The Mavis project hosts a number of spodumene in lithium-cesium-tantalum (LCT) pegmatite targets that will be the focus of the company’s exploration efforts. The following figure shows the Mavis project site with the exploration targets highlighted:

Source: Pioneer Resources
Past drilling results have returned significant lithium intersection, from near-surface, with the better being seven metres graded at 1.83% lithium from four metres, three metres graded at 2.15% lithium from 24 metres and 16.4 metres graded at 1.86% lithium from 161.9 metres. These intersections are significant as to grade, seam widths and surface proximity and could indicate a major mineralised system. We certainly believe the approach by the company to raise funds and have a serious tilt at Mavis is warranted; given these past results. We are looking forward to the results of the company’s first exploration foray at Mavis.

Source: Pioneer Resources
With reference to the weekly chart, a surge in share price has led to a recent high of $0.10 printed on the 12\textsuperscript{th} May. Since then, a correction in price has since followed. Should the bears continue to take control, dynamic support is expected at the 50-week moving average of $0.02. Long-term momentum remains favoured to the upside as backed by the bullish moving average crossover (50-week moving average crosses above the 200-week moving average) which recently emerged in May.

With the company soon to embark on a new exploration programme across its Mavis project, we will be looking to a positive news flow in the months ahead. We expect this news flow will act as a positive catalyst on the share price.

As a consequence, we have changed our recommendation on Pioneer Resources to a buy for Members with no exposure to the stock.

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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: $32.7m

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