



Pioneer Resources Limited 05 May 10

PIO

AUD \$0.04



2010 March Quarterly Report

Investors are not rewarding the company for exploration success at the 100% owned Mt Jewell project. The company is probing two prospects, Tregurtha and Hughes where it is getting encouraging drilling results. The two prospects are located on the Lignum Dam Gold Trend, located 27 kilometres north east of the Paddington gold mine and processing facility.

Over the past 12 months the company's share price has recovered from a near death experience of 2 cents. The stock has traded as high as 7 cents but needs the announcement of a resource to spark interest.

Located fairly close to Kalgoorlie and not distant from the Paddington mill, the company has takeover appeal.

SHARE PRICE CHARTS AND COMMENTS:

Fat Prophets initially recommended buying Pioneer at 22.5 cents in November (Fat Mining 50). Our last review of this stock was in February (FAT-MIN-210).

Turning to the charts, Pioneer Nickel has broken below support at 4.2 cents on May 3. In line with the current downtrend in place since August 31, 2009, this would suggest that prices would continue to the downside in the short term. Support is located between the two to three cents region.



The speed of the recent declines has resulted in the relative strength index (RSI) trend towards the oversold region, as depicted by the orange eclipse on the daily chart. This would suggest of some level of buying pressure to emerge over the near term.

From a broader perspective, the weekly chart reveals the depth of the decline since 2007. Although a recovery is evident since early 2009, Pioneer needs to gain ground from these levels and break above the 7.6 cent resistance level in order for a sustained push higher.



Recent drill results whilst not exceptional in grade show consistent and reasonable widths of mineralisation. The latest drill intersections show widths of up to 20 metres with an average grade around 2.4 g/t. There are intersections of higher grade material like 2 metres at 11.72 g/t gold from drill hole LDRC094, which averaged 2.58 g/t over 20 metres.

Of the two deposits, Hughes looks to have the lowest strip ratio of **4:1**, compared with **6:1** for Tregurtha. With the prospects of a head grade of around 2.3 g/t gold and 94% recovery, Mt Jewell would be expected to have a cash operating cost of around A\$600 per ounce. The cash cost is unlikely to exceed A\$700 per ounce so at the current gold price of US\$1,180 (A\$1,269) per ounce, the company would have a robust operating margin.

A RAB drilling program has been completed along 3 kilometres of strike probing the Golden Cities North Trend. Some 165 holes have been drilled into a large gold anomaly which is interpreted as the northern extension of the structural corridor that hosts the Golden Cities and Federal Gold Mines, 2 kilometres south of the company's tenements. This work is expected to define new RC drilling targets.

Pioneer has a market capitalisation of around A\$11.44 million at a share price of 4 cents. The average valuation per resource ounce that is being discounted by the market is US\$97.75.

In the case of Pioneer the market is discounting around 110,000 ounces of gold in resources. The company is targeting ten times this level and is seeking new targets to add tonnes.

Pioneer is spending around \$A800,000 per quarter on exploration and administration. With A\$3.4 million in cash at the end of 1Q10 the company is adequately funded for the medium term.

The next catalyst for a significant re-rating will be the announcement of a JORC resource but there is no specific timing on this, although some time in 3Q10 is likely.

Pioneer has made an important gold discovery at Mt Jewell. Without a resource the company is a high risk play.

However, on a risk to reward basis we see far more upside than downside from a share price of 3.8 cents.

We have a very positive view on the outlook for gold and we are changing our recommendation from HOLD to BUY for all Members.

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\$10.60
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