



**Pioneer Resources Limited** 08 Dec 10

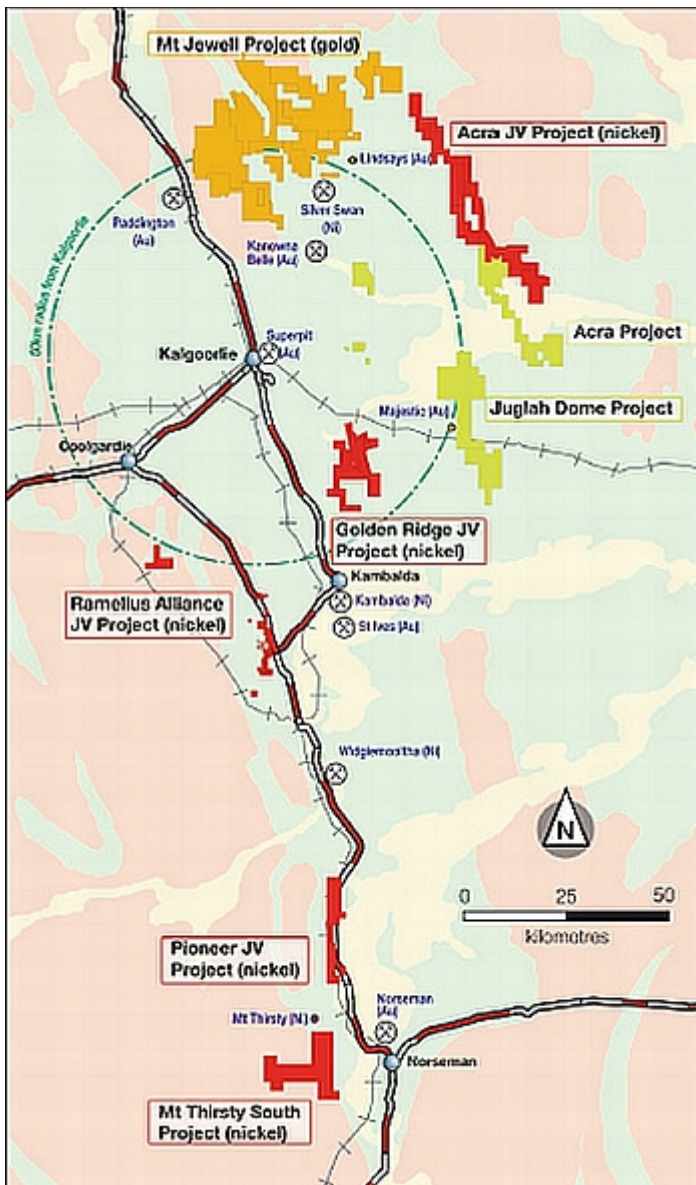
PIO

AUD \$0.04



### **Too many jewels at Mt Jewell; nick-one and bring it to market**

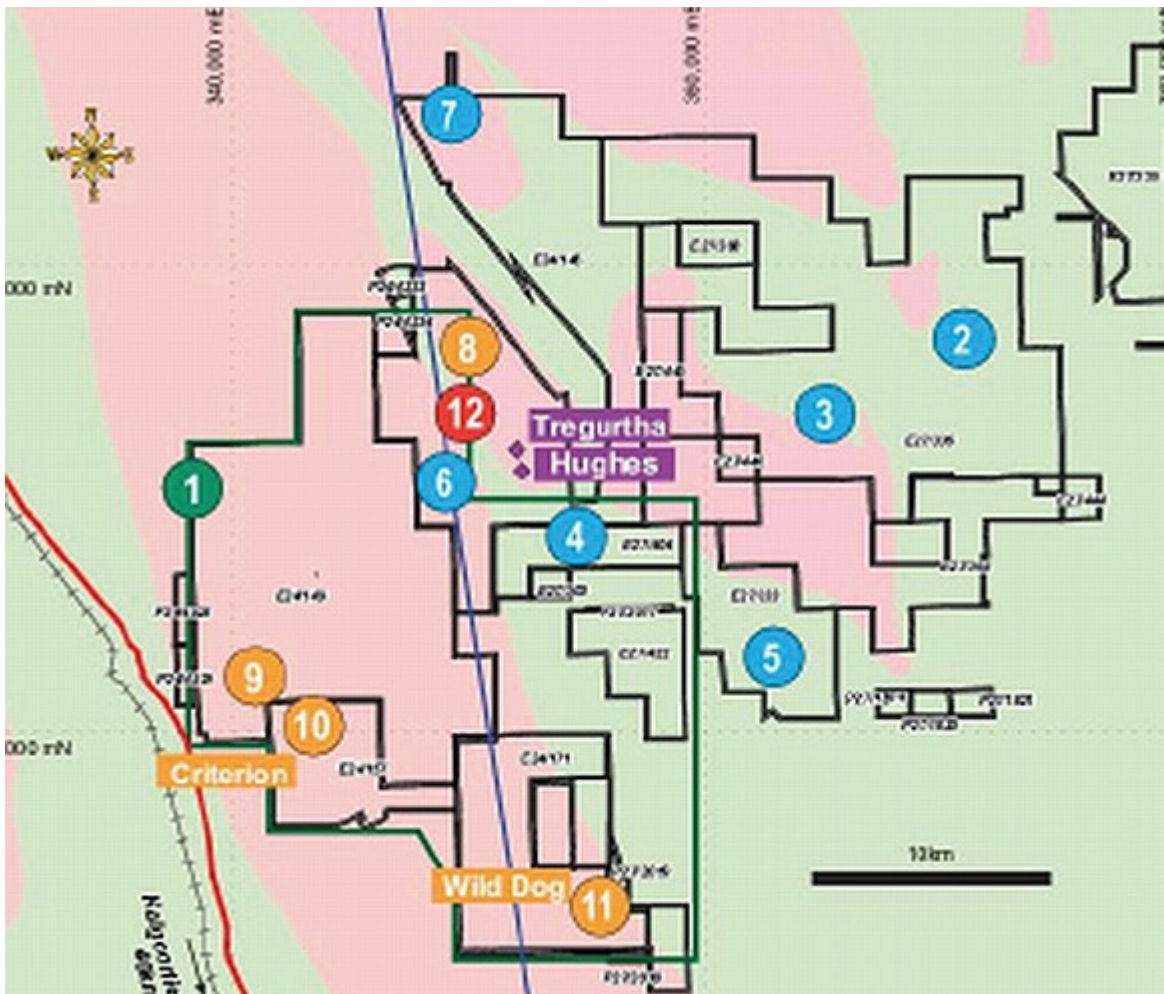
Pioneer Resources Ltd (Pioneer) continues to explore at its flagship Mt Jewell gold project in Western Australia. Having identified two gold anomalies at Mt Jewell (the Tregurtha and Hughes prospects), the company's recent focus has been on its Criterion prospect and Wild Dog prospect. Apart from the exploration work being undertaken at Mt Jewell, the company has also been actively completing advanced exploration work at a number of its other project sites, including the Acra joint venture project (Pioneer 20%), Mt Thirsty South project and the Pioneer joint venture project (Pioneer 20%). The following figure shows the company's project sites represented by the various coloured blocks.



The company has through extensive exploration had success at its Mt Jewell project. Both the Tregurtha prospect and Hughes prospect have returned significant gold intercepts. At Tregurtha the best of the gold intercepts were, eight metres showing 8.55g/t, 13 metres showing 7.73g/t and 10 metres showing 5.72g/t. While at its Hughes prospect the best intercepts were, eight metres showing 8.75g/t, eight metres showing 4.65g/t and 13 metres showing 3.06g/t. **These results are significant intercepts.**

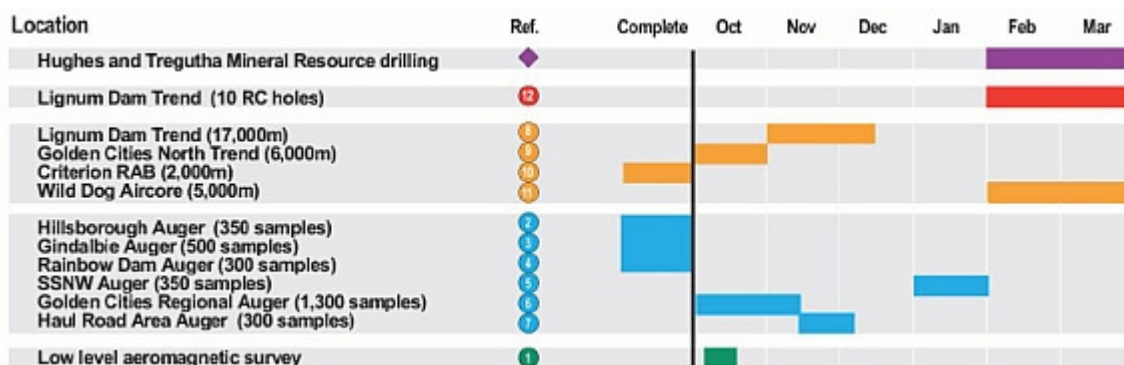
With both Tregurtha and Hughes prospects indicating such high gold grades, **we have no doubt surrounding the prospectivity at Mt Jewell**, from just these two prospects alone. The company has indicated at least 55 targets have been identified within the Mt Jewell tenement.

Pioneer has however continued to shore-up the prospective potential at Mt Jewell with a comprehensive drilling programme of 15,304 metres at its Grand, Criterion and Wild Dog prospects. The following figure shows a schematic of the Mt Jewell project (the numbered dots represent the use of various exploration methods; green – aeromagnetic, blue – auger sites, yellow – rotary air blast drilling and red – reverse circulation (RC) drill targets).



The company has indicated only 50% of the current phase of the target generation drilling programme has been completed. The remainder of the programme will be finalised in calendar 1Q11. The company will also undertake further auger sampling of some 75km<sup>2</sup>, comprising around 2,500 holes. **The potential for positive news flow emanating from this programme going forward remains very high.**

In the current drilling programme the company intends to complete RC and diamond drilling at both its Tregurtha and Hughes prospects. This next phase of resource drilling is expected to be finalised by April 2011. **We are excited by the fact the company will undertake resource drilling over the early months of 2011. This activity we believe, will define the real value in the Mt Jewell project.** The following figure shows the current work schedule the company has in place over the remainder of 2010 and into calendar 1Q11.



The intense exploration programme undertaken by the company at Mt Jewell has not been reflected in the company's share price performance overtime, which has been a disappointment. As we indicated in FAT-MIN-236 however, the declaration of a resource at Mt Jewell may be the catalyst to change that performance. The company at 30 September 2010 has cash and cash equivalents of A\$5.4 million. **The importance of the purple bar in the above schedule and this cash are in our view, paramount to Pioneer declaring a joint ore reserve code resource (JORC) in 2011.** The company is currently in a strong position to deliver a JORC resource in terms of knowledge of the Mt Jewell deposits, cash and a debt free balance sheet. **We say "BRING IT ON".**

Our report on the company should end here. However, it does hold a number of other interesting projects. The market appears to have currently placed a value of zero on these tenements so the upside could be significant. **Most are in their infancy and are therefore high risk.**

The Golden Ridge project (Pioneer 56%) is a nickel sulphide deposit, where exploration to date has identified a number of mineralised anomalies. Completion of an electromagnetic (EM) survey has allowed the modelling of a number of targets so a programme of selective drilling can commence in 2011.

Mt Thirsty is a nickel project where environmental approvals are being sought to undertake shallow drilling. The drilling will test the extension of the nickel mineralisation discovered on a tenement abutting Mt Thirsty. An EM will be conducted over selected sites in 2011.

The Acra joint venture project is a nickel joint venture with Xstrata Nickel Australia (Xstrata). Xstrata will fully fund all exploration costs and undertakes all exploration activities to earn an 80% interest. Xstrata has exceeded the trigger conditions and will proceed to 80% ownership. A drilling intersection of 9.55 metres showing 0.98% nickel and 362 parts per million copper were detected. An electromagnetic survey has been completed to better model the deposit for future possible drilling.

Mt Chester is a manganese and iron ore project near Ravensthorpe in Western Australia. Pioneer has entered into an arrangement with Mineral Resources where-by Mineral Resources will fully fund all exploration to determine if a manganese and iron ore mining operation is feasible at Mt Chester. Mineral Resources will also fully fund development should it the decision be made to do so. In return Mineral Resources will receive exclusive rights to mine and treat manganese and iron ore and pay to Pioneer a royalty per tonne of manganese and iron ore removed. A rock chip sampling programme conducted in 2008 assayed 49% manganese over a 500 metre strike zone. Adjust iron-rich rocks assayed between 50% and 61% iron over a six kilometre strike zone. The company regards the region as highly prospective for both manganese and iron ore.

The Pioneer joint venture project is a nickel deposit where Pioneer has a 20% free carry to mine decision. Em surveys drilling have identified a number of nickel anomalies. Of interest is the BB and JH prospects, where drilling at JH has intersected grades showing three metres at 4.0% nickel and 0.21% copper plus 1,556 parts per. The operator Panoramic is preparing a drilling programme for calendar 1Q11 2011.



Pioneer Nickel has just recently broken the July 7 low of 3 cents. A sustained break of this support level will likely result in a move lower towards the May 2009 low of 2 cents. Whilst support at current levels could potentially result in a rebound in price towards resistance at the 50 period moving average (green line) at 3.8 cents.<share price graphs and comments>



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

The company has A\$5 million in the bank and what we believe to be an undervalued gold resource in the ground at Mt Jewell. With a current market capitalisation of approximately A\$12 million, **we believe there is far more potential for upside, on a risk to reward ratio. We recommend Pioneer Resources as a BUY for members without exposure.**

## 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.

<b>Market Capitalisation</b>	<b>\$9.77m</b>
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