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Pioneer Resources – maiden JORC resource announcement at Mt Jewell goldfields project

I first covered Pioneer Resources (ASX: PIO, Share Price: \$0.034, Market Cap: \$13m) in the Daily Bulletin back on 21st June, when I commented on the fact that the company had recommenced exploration drilling on one of its key Western Australian gold projects, Mt Jewell.



The plan has been quite simple – to establish an economic gold resource base at the project.

Encouragingly, the resource-definition drilling that Pioneer was about to undertake in our previous coverage would focus on the Tregurtha and Hughes gold deposits, where high-grade gold intercepts had been received from previous drilling. So there was every chance in my view of an encouraging result.

And my optimism has been justified, with Pioneer today announcing a maiden JORC-compliant Mineral Resource estimate of 3.78 million tonnes at a grade of 1.53g/t Au for 185,600oz of contained gold at its Mt Jewell Project. Of this total, 131,600oz Au (or 71%) is categorised as Measured or Indicated, which is a very encouraging start.

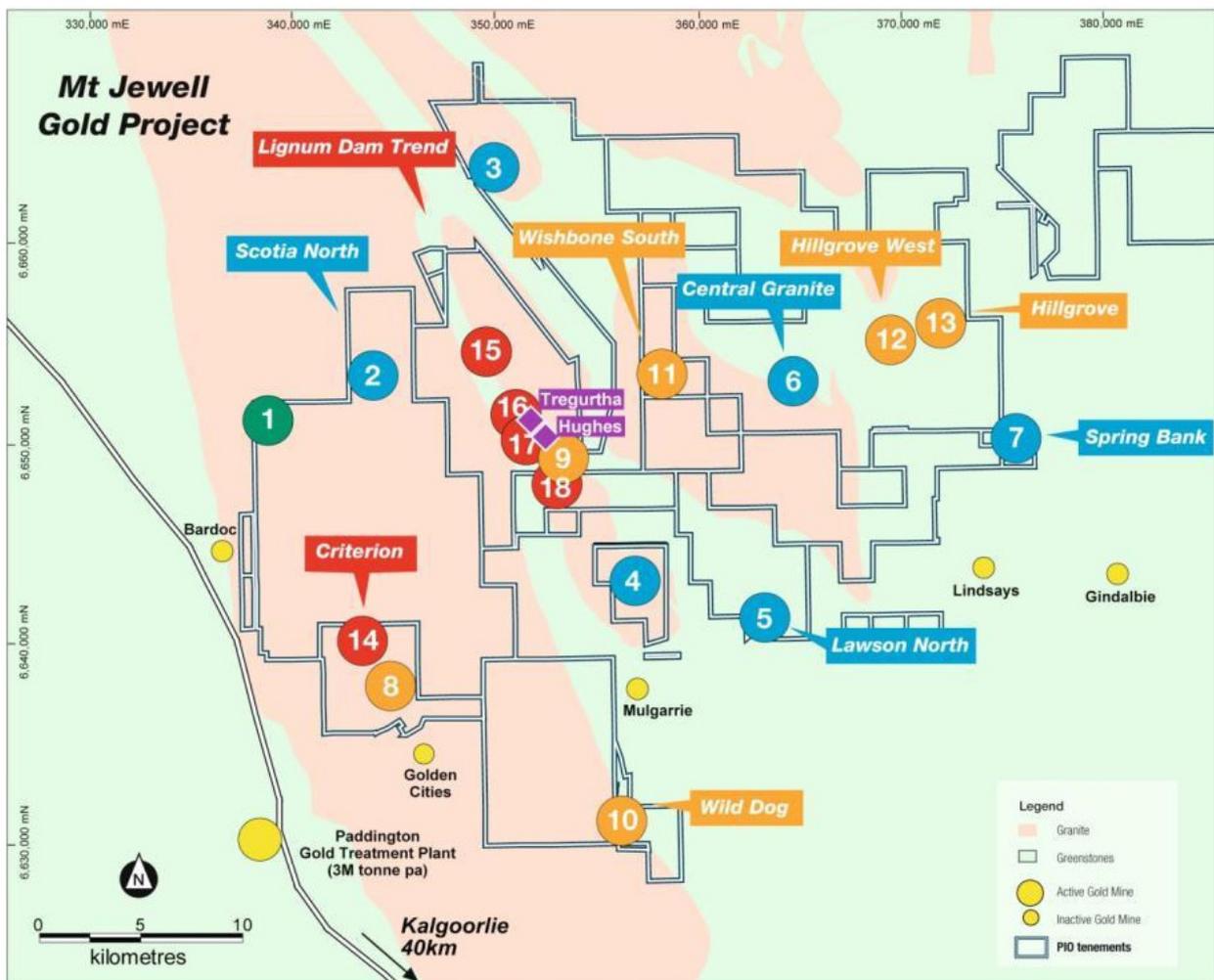
Within this initial resource block is a higher-grade component comprising 1.3 million tonnes at 2.39g/t for 99,500oz Au. Whilst this may sound modest, it's an important stepping stone in Pioneer's plan to incrementally build ounces to sustain either a toll-treatment or stand-alone mine development at Mt Jewell.

Pioneer's strategy to build a 500,000 ounce resource inventory at Mt Jewell, which could support a minimum seven-year operating life. The Mt Jewell Project is considered to be an open-pit development proposition, utilizing conventional carbon-in-leach gold extraction methods.

And the initial JORC resource is an important milestone. Not surprisingly, Pioneer's initial mining studies will focus on this higher-grade material and shallower parts of the in-situ Mineral Resource, which would be more attractive from a mining start-up point of view.

Importantly, the project's close proximity to Kalgoorlie, just 55km away, means it has access to established mining infrastructure. There are several major operating gold treatment facilities within a 75km radius, including those at Paddington, Kanowna Belle, Kalgoorlie and Coolgardie.

The map below shows how 'busy' Pioneer's Mt Jewell project area actually is. So in terms of future development options, it's hard to think of a better place to be.



The Mt Jewell gold project is a major holding comprising more than 750 sq km of tenements. As the map above clearly demonstrates, Pioneer’s substantial gold exploration activity since then has identified numerous prospects and anomalies that will be the subject of ongoing exploration activity.

The Tregurtha and Hughes deposits are interesting in terms of their regional setting. For starters they’re situated along a NNW-trending shear zone in the southwest corner of what’s known as the Rainbow Dam Granodiorite. This feature is a teardrop-shaped body, bound to the east by the Ringlock Dam greenstone belt and to the west by the Scotia Greenstone Belt. Further west is the nearby Scotia Dam Granodiorite, which hosts the Golden Cities and Federal Gold Mines.

The Mineral Resource was estimated by independent consultants CSA Global using data from 22,000 metres of resource definition drilling undertaken by Pioneer since the Tregurtha gold discovery was first made back in September 2009.

The estimate is based on 88 RC holes in Hughes and 78 RC holes in Tregurtha, with drilling primarily on 20 x 20m and 40 x 40m drilling patterns, expanding to a 50 x 50m patterns at depth.

Mineral Resource by Resource Category (0.8g/t Lower Cut-off Grade)							
	Hughes		Tregurtha		Total		
Category	Tonnes	Au (g/t)	Tonnes	Au (g/t)	Tonnes	Grade (g/t)	Au (oz)
Measured	317,000	1.50	328,000	2.71	645,000	2.12	43,900
Indicated	969,000	1.32	906,000	1.60	1,875,000	1.46	87,700
Inferred	852,000	1.33	405,000	1.38	1,257,000	1.35	54,400
Total	2,138,000	1.35	1,639,000	1.77	3,777,000	1.53	185,600

Pioneer estimates that around 85% of its 2011 budget will be spent at Mt Jewell, infill-drilling and expanding known mineralization, as well as targeting new discoveries. The company is reasonably well-funded for the time being, with around \$2.2 million cash in the bank.

Pioneer boasts a well credentialed exploration team led by industry stalwart David Crook. The company also maintains a vast array of other Western Australian exploration projects, most of which are joint-ventured out to other players. This allows Pioneer to concentrate strongly on Mt Jewell, which is by far its flagship project.

I’ll continue to follow the progress of the company’s drilling program and resource enhancement program at Mt Jewell very closely. The establishment of an initial JORC-compliant gold resource is a major first tick as far as being able to demonstrate the potential commerciality of Mt Jewell is concerned. Pioneer’s market value remains extremely modest at just \$13m, which means further significant resource growth will have potentially a big impact on the company’s share price.

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