

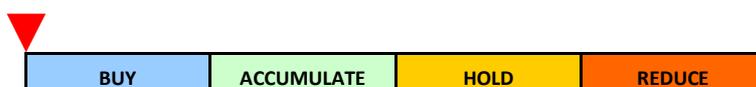
# Locantra's Life

Issue 22

20 Jun 2012

## Pioneer Resources Limited (PIO)

“Reloaded, rejuvenated and risk to the upside!”



Issued Capital: 510.4m

Price at  
20 Jun 2012: 1.5c

Market Capital  
at 20 Jun 2012: \$7.6m

Research  
Indicator: Spec Buy

Since listing to considerable fanfare on 4th December 2003 as Pioneer Nickel, Pioneer Resources (PIO) has been a survivor in the junior resource sector. Not only has the dedicated management team provided a number of trading/profit opportunities for speculators, they also proved **that you can still make virgin gold discoveries within 50km of Kalgoorlie!**

PIO through considerable exploration effort and expenditure announced a maiden JORC resource on 15th August 2011 at the Mt Jewell Project 55km North of Kalgoorlie. The Hughes and Tregurtha deposits came in at 3.78 million tonnes at a grade of 1.53 g/t for 185,600 ounces.

**“Whilst it was a very impressive achievement for a junior explorer, the project was more a “company keeper” than a “company maker” and realising this PIO looked at their commercial options for the project.”**

On 13th March 2012, PIO announced the sale of the Tregurtha and Hughes Gold Deposits and western tenements for \$8m to Carrick Gold Limited (ASX:CRK). At the time of the sale, PIO’s Managing Director, Mr David Crook said:

“This transaction yields much of the return that the company may have received over the initial production years on a risk-free basis. In addition, the immediate injection of

funds enables Pioneer to accelerate drilling and seek further discoveries, and provides real capacity to investigate external opportunities as they arise.”

PIO have already received \$4.5m from the sale and are set to receive the final \$3.5m over 3 years with payments set down as follows:

- Two instalments of \$1.2m each will be due on 6th March 2013 and 6th March 2014.
- A final instalment of \$1.1m will be due on 6th March 2015.

“Having \$3.5m to come into PIO’s bank account over three years puts them in an enviable position for a junior exploration company, considering they will not have to issue shares but can focus either on exploration and/or corporate opportunities. It also serves to provide management and shareholders with piece of mind as the funding tap for the juniors can slow to an annoying trickle.”

**PIO at 1.5c are capped around \$7.7m, yet have cash and receivables >\$10m. Although this contributes to a compelling investment case it is their remaining projects and opportunity to “Do it all again” that should be seen as a major reason to differentiate PIO from a market now littered with undervalued opportunities.**

## Major Projects

### Gindalbie Gold Project (PIO 100%)

### Juglah Dome Gold Project (PIO 100%)

### Golden Ridge Joint Venture (PIO 56%)

**“Pioneer holds a large multi-commodity tenement portfolio that includes an interest in 1,100km<sup>2</sup> spanning 6 projects within 75km of Kalgoorlie Boulder.”**

### Gindalbie Gold Project (PIO 100%)

- Drilling commenced at the Gindalbie Gold Project in early May 2012 following a 490km<sup>2</sup> geophysical gravity survey that covered much of the project.
- A very active first quarter by PIO generated two priority drill targets at Gindalbie.
- Major targets consist of two gold in soil anomalies of 400m and 600m in length respectively at SW002 and SW003.
- **Results are expected in the immediate to near-term.**

### Juglah Dome Gold Project (PIO 100%)

- **Located 58km southeast of Kalgoorlie WA and only 5km southeast of the Majestic Gold Deposit (Integra Mining ASX:IGR).**

Initial gold targets resulted from collaboration between Kalgoorlie prospectors and Pioneer geologists.

- Soil geochemistry with 4,353 samples was completed by PIO in the March 2012 quarter.

**5 new gold targets generated with a structural corridor indicated towards the Majestic Gold Deposit 11km NE.**

**149 RAB holes complete with samples in the lab.**

### Golden Ridge Joint Venture (PIO 56%)

- 100km<sup>2</sup> of highly prospective nickel tenements.
- Favourable ultramafic stratigraphy-hosts the Blair Nickel Mine that produced high tenor nickel ore (>3.5% Ni).

**7 priority targets are currently having EM surveys completed as a detailed follow up to generate high priority drill targets.**

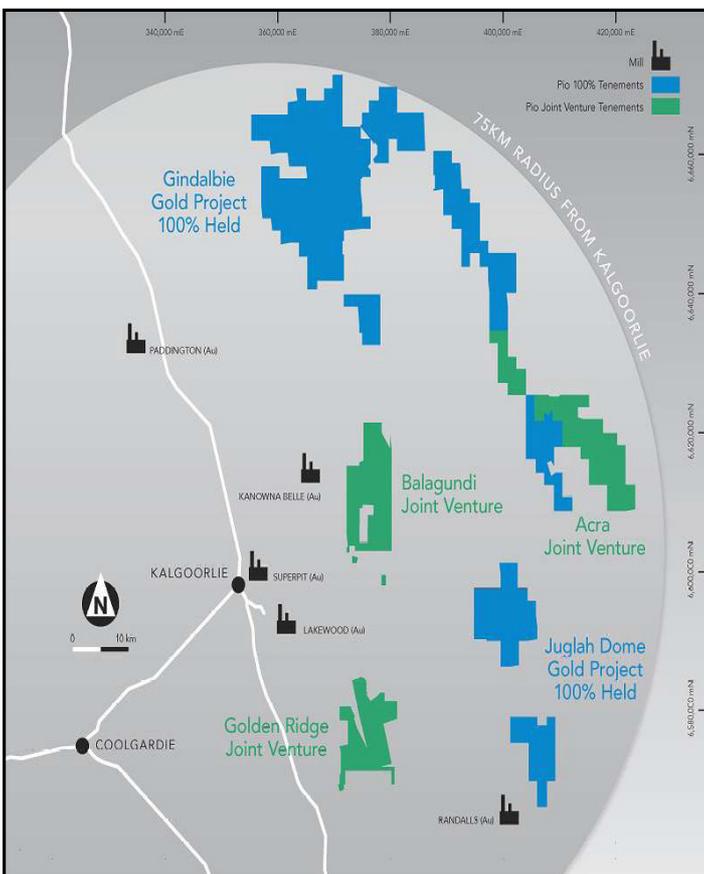


Figure 1: PIO Tenement Map



Figure 2: Soil sampling at Juglah

	March Quarter	June Quarter	September Quarter	December Quarter
<b>Key Activities</b>	Gravity survey completed	Geophysical model completed	Mineralisation confirmation drilling	Mineralisation confirmation drilling
	Juglah: 4,500 soil samples taken*	Active tenement consolidation	First test drilling Gindalbie targets 3-8	Initial resource drilling Juglah
	Gindalbie: 3,600 soil samples taken	Mapping, soil sampling Golden Ridge	Infill Geophysics	Initial resource drilling Gindalbie
	Geophysical model developed*	First test drilling** Gindalbie targets 1-2	Expansive soil sampling Gindalbie	Expansive soil sampling new targets
	Drill targeting completed*	First test drilling Juglah targets 1-5	* Completed	** Underway

Figure 3: Active 2012 Work Program

## Management

### Mr Craig McGown Chairman

BComm, FCA, ASIA

### Mr David Crook Managing Director

BSc, MAusIMM, MAICD

### Dr Allan Trench Non-Executive Director

BSc (Hons), PhD, MSc (Min. Econ.), MBA (Oxon), ARSM, AWASM, MAusIMM, GAICD

### Mr Wayne Spilsbury Non-Executive Director

BSc (Hons), MSc (Geology), P. Geology (B.C.), FAusIMM, MAIG, GAICD

**PIO possesses a board with the experience and expertise to see them work towards achieving the goals, whilst providing shareholders with the opportunity to participate in the company's growth.**

The following has been taken from the Company's website:

### Mr Craig McGown

Mr McGown is an investment banker with over 35 years of experience consulting to companies in Australia and internationally, particularly in the natural resources sector. He holds a Bachelor of Commerce degree, is a Fellow of the Institute of Chartered Accountants and an Affiliate of the Financial Services Institute of Australasia. Mr McGown is an executive director of the corporate advisory business New Holland Capital Pty Ltd and prior to that appointment was the chairman of DJ Carmichael Pty Limited. Mr McGown has had extensive experience in the corporate finance sector, including mergers and acquisitions, capital raisings in both domestic and international financial markets, asset acquisitions and asset disposals, initial public offerings and corporate restructurings.

He holds directorships in Bass Metals Ltd and Peel Mining Limited and is also the Vice President – Corporate Development for Marengo Mining Limited.

Mr McGown brings to the Board a comprehensive knowledge of equity and debt markets and financing of resource projects.

During the three year period to the end of the financial year, Mr McGown held directorships in Bass Metals Ltd, Peel Mining Limited and Entek Energy Ltd.

### Mr David Crook

Mr Crook was appointed the inaugural Managing Director of the Company on 11th August 2003. Mr Crook is a geologist with over 30 years of experience in exploration, mining and management, predominantly within WA, where he has investigated gold, nickel sulphide, nickel laterite and other commodities in teams with an excellent discovery record. He has held senior management roles including exploration management, project acquisitions, JV negotiations and capital raisings.

In Australia Mr Crook's operational experience has included tenement identification to ore reserve calculations for gold and base metal projects; and a decade engaged in operating gold mines. Prior to being employed by the Company his career highlights included participation in the discovery of the Radio Hill Nickel Mine, ore generation and early production and at the Gidgee Gold Mine during the 1980-1990s and for 7 years was the exploration manager at Heron Resources Limited.

### Dr Allan Trench

Dr Trench is a mineral economist, geophysicist and business management consultant with minerals experience including

nickel, gold, vanadium and mineral sands. He led nickel sulphide exploration teams for WMC Resources in the Widgiemooltha-Pioneer and Leinster-Mt Keith regions of WA in the mid 1990s. He has subsequently worked with McKinsey and Company, KCGM Pty Ltd and is now with CRU, an independent business analysis and consultancy group.

During the three year period to the end of the financial year, Dr Trench also held directorships in Navigator Resources Ltd, Venturex Resources Limited, Hot Chili Ltd and Kimberley Rare Earths Limited.

#### Mr Wayne Spilsbury

Mr Spilsbury is a geologist who received his B.Sc. (Honors Geology) in 1973 from the

University of British Columbia and his M.Sc. (Applied Geology) in 1982 from Queens University in Ontario. He brings over 35 years of experience in mineral exploration and management, including 28 years with Teck Cominco Limited and was their former General Manager, Exploration, Asia Pacific. In this role, he held responsibility for managing an extensive exploration portfolio including large-scale gold and base metal projects in Australia and China. He has worked throughout Western Canada, the United States, Asia and Australia.

Mr Spilsbury currently holds directorships in Minco Silver Corporation, GGL Resources Corp and International Lithium Corp. (all TSX listed).

## Risk and Reward Analysis

After some promising signs in late 2011/early 2012 the junior resource sector in Australia has been decimated due to on-going concerns over the European Debt Crisis (EDC) and mixed economic signals from the US. What has also compounded the situation has been the fixation with China and how a slowdown will affect base metals prices and the viability of junior explorers.

These factors has seen investor lethargy turn to fear and as a result the mining pages are now littered with companies trading close to or even below cash backing with zero valuations applied to even some of the more highly prospective precious and base metals targets.

Pioneer Resources (PIO) on their current market capitalisation relative to their cash backing and receivables is **trading below even the most pessimistic valuation** yet has already proven that they are capable of not only finding gold resources but also achieving a commercial outcome that has set them up for the next phase of their exciting growth path.

The junior resource sector is in dire need of some exploration success and having teams prepared to prudently spend available cash to advance their project portfolio whilst working in the interests of shareholders. PIO are well-funded, well managed and have built an

enviable tenement package within 75km of a prolific gold mining district (Kalgoorlie). **It should also be noted that PIO's Golden Ridge Joint Venture is in a world-class nickel district that hosts numerous mines in the Kambalda District.**

As fear turns to the "fear of missing out" the valuation gaps will close and investors will be then focussed on juniors with highly prospective projects close to infrastructure and hungry processing plants. PIO has already proven to be an extremely liquid trading stock and buying at/or near the bottom has always been a critical aspect of successful speculation.

Although in a skittish market there is always the chance of short-term downside, it could be argued that if the management team are successful in their exploration programs then **the risk with Pioneer is to the upside when you consider the AUD gold price is still at a very healthy \$1606 (at the time of writing) and a lack of major virgin discoveries could well trigger further M & A activity in the sector.**

**Highly speculative but offers an attractive risk/reward profile for those looking for share price upside driven by exploration success.**

## Analyst

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### About Gold Australia

Gold Australia Pty Ltd is the publisher of Locantro's Life and looks forward to adding further publications in the future.

Gold Australia Pty Ltd is an Authorised Representative of AustAsia Financial Planning Pty Ltd (ACN 080 213 378, AFSL 229454).

### About the Author

Tony Locantro is the founding and Managing Director of Locantro Capital Pty Ltd, Locantro Asset Management Pty Ltd and Gold Australia Pty Ltd.

He entered the stockbroking industry in 1998 following a career in the NSW and QLD Police Services and prior to founding the above companies was an Associate Director at Patersons Securities Limited. During his stockbroking career, Tony was actively involved in the junior resource sector and undertook major roles in the successful IPOs of Independence Group (IGO) and Medusa Mining (MML).

Over many years Tony has assisted a number of companies with IPO's, capital raisings, on-market support and corporate advice whilst serving a diverse client base. He has also written a number of educational articles for the securities industry through Tribeca, Kaplan and more recently Pinnacle (IFA Magazine). During his service he carried out his own diligent research and completed numerous written client reports, conducted regular site visits and based his stock selection principle on management and the people that drove the investment opportunities.

He has been quoted extensively in the financial press, Dow Jones Newswires and has written articles for Kitco and other sites, and is often quoted on Sky Business Channel.

He is well known as a passionate and well respected supporter of the junior resource industry.

**Subscription enquiries should be made via our website, <http://locantro.com>.**

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**Subscribers should ensure they consider their risk profile as speculation is the highest risk investment.**

### Please note

**Gold Australia Pty Ltd will be paid a fee for the production of two research reports for Pioneer Resources Limited**

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