

# Company report

Ricky Dyaloyi, (1974 - ) Untitled, 2004, acryli and sand on canvas, 1300 x 1000 mm, Sanlam Art Collection

## Pioneer Resources Ltd

Metals and Mining — Diversified Metals and Mining

### Company description

Pioneer Resources is a junior mineral exploration company focussed on global demand driven commodities. Their existing portfolio covers predominantly lithium (spodumene) tenements in Western Australia (WA) and Canada as well as gold, nickel and base metals tenements in WA.

The company is led by David Crook, an accomplished Geologist with over 30 years experience. He has participated in prior mineral discoveries at Radio Hill Nickel Mine, the Gidgee and Mt Jewell Gold projects.

### Key Investment Highlights

#### Exposure to 'Demand Driven' Commodities; Lithium & Gold

Pioneer has built up an enviable land bank of resource tenements in world class resource regions. The existing portfolio holds tenements spread throughout different regions of WA and in the Ontario province of Canada. Its tenements are mostly prospective for lithium, gold and nickel, which are all currently in strong demand.

#### Imminent Newsflow and Potential Re-rating Events

Pioneer Resources is currently embarking on an aggressive, fully financed exploration campaign. This includes drilling of Lithium projects (Pioneer Dome, Mavis / Raleigh), drilling of Nickel project (Blair Dome) and Gold project (Acra), all scheduled for second half of 2016. Already, first assay results from Pioneer Dome have been released.

#### Strong Management Team and Balance Sheet.

Through successive capital raisings this year the company has amassed a \$5.6M cash position with no debt. Collectively board and management are the 3rd largest shareholder and have a track record of previous mineral discoveries.

Investment View: **Spec BUY**

ASX Code: **PIO**

Date: **28/10/16**

#### Share Price Summary

Shares on Issue	1,035M
Options on Issue	79.5M
Cash est (28/10/16)	\$5.6M
Debt est (28/10/16)	Nil
Market Cap	\$17.6M
Last Trade	1.7c
52 Week high	10.5c
52 Week low	1.0c
3M Avg Daily Value Traded	\$540K

#### Top Shareholders

Steven Gillard	2.15%
Xstrata Nickel Australasia...P/L	2.07%
Pioneer Management Team	1.91%

*Disclosure: Sanlam Private Wealth acted as Lead Manager to a Placement that raised A\$3.27M at \$0.036c for Pioneer Resources in June 2016. It received a fee for this service.*

*In April, 2016, Sanlam Private Wealth acted as Lead Manager to a follow up Placement that raised \$0.458 million at \$0.24c for Pioneer Resources.*

*In March 2016, Sanlam Private Wealth acted as Lead Manager to a Placement that raised \$1.61 million at \$0.01c for Pioneer Resources.*

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# Mak Corporate Lithium Peer Comparison - 24/10/2016

ASX Code	Company	Share Market Cap	Industry - Project Stage	Commodities Minerals	Project Locations
GXY	Galaxy Resources Limited	\$ 623,360,732	Mining - Production	Lithium Spodumene/Brine, Tantalum, Potash, Rare Earths	WA, Canada, South America
PLS	Pilbara Minerals	\$ 563,678,038	Mining - Production - Care & Main	Lithium Spodumene, Tantalum, Gold, Platinum	WA
NMT	Neometals	\$ 205,495,316	Mining - Production	Lithium Spodumene, Titanium, Vanadium, Iron, Nickel	WA
KDR	Kidman Resources	\$ 175,325,731	Mining - Production	Gold, Silver, Copper, Lead, Zinc, Lithium Spodumene, Cesium, Tantalum, Uranium	WA, NSW, NT
AJM	Altira Mining	\$ 166,290,030	Mining - Feasibility Study	Lithium Spodumene, Iron Ore, Coal, Zinc, Lead, Gold, Silver, Uranium	WA, Indonesia
PSC	Prospect Resources	\$ 68,547,517	Mining	Graphite, Gold, Lithium Spodumene, Tantalum, Silver, Lead, Tin,	Zimbabwe
EMH	European Metals	\$ 66,915,248	Mining - Prefeasibility Study	Tin, Lithium, Potash By Product, Tungsten, rubidium, scandium, niobium, tantalum	Czech Republic, BVI, Congo & UK
BGS	Birimian Gold	\$ 59,941,070	Mining	Gold, Lithium	West Africa
GSC	Global Geoscience	\$ 58,382,166	Mining	Copper, Gold, Silver, Lithium	USA, South America Peru
LIT	Lithium Australia	\$ 45,041,481	Mining - Prefeasibility Study	Lithium	Czech Republic, WA
TAW	Tawana Resources NL	\$ 34,323,315	Mining - Prefeasibility Study	Iron Ore, Lithium Spodumene, Tantalum, Tin,	Liberia, WA
CXO	Core Exploration	\$ 31,271,787	Mining	Lithium Spodumene, Tantalum, Zinc, Copper, Gold, Silver, Uranium, Tin, Uranium, Lead	NT, SA
PLP	Platyus Minerals	\$ 29,757,798	Mining	Lithium, Copper, Nickel, Tungsten, Porphyry	WA,
LTR	Liontown Resources Limited	\$ 26,858,900	Mining	Lithium Spodumene, Tantalum, Gold	Tanzania, NT, WA
DKO	Dakota Minerals	\$ 24,658,832	Mining	Lithium Spodumene, Tantalum, Gold	NSW, VIC, WA
LPI	Lithium Power International	\$ 24,262,002	Mining	Lithium, Gold, Copper	WA, Argentina
ADV	Aridien Ltd	\$ 21,293,895	Mining	Lithium Spodumene, Tantalum, Graphite, Tin, Coal	Canada
<b>PIO</b>	<b>Pioneer Resources</b>	<b>\$ 20,754,647</b>	<b>Mining</b>	<b>Gold, Lithium Lepidolite/Mica, Copper, Nickel, Iron, Manganese, Cobalt</b>	<b>WA</b>
ZNC	ZENITH Minerals	\$ 20,745,233	Mining	Lithium, Gold, Copper, Zinc, Silver	QLD, Turkey
SYA	Sayona Mining	\$ 18,445,169	Mining	Graphite, Lithium	WA
AGY	Argosy Minerals Inc	\$ 16,763,520	Mining	Lithium Brine/Mica/Spodumene/Hectorite, Tin, Graphite, Gold, Copper, Cobalt	Tas, QLD, Namibia
KAI	Kairos Minerals Limited	\$ 16,577,751	Mining	Lithium Spodumene, Tantalum, Gold, Nickel	WA
CAD	Caeneus Minerals	\$ 15,674,897	Mining	Nickel, Lithium Brine/Hectorite, Copper, Chromium, Cobalt	WA, Nevada USA,
KSN	Kingston Resources	\$ 13,865,670	Mining	Gold, Lithium, Iron Oxide, Copper, Uranium, Tantalum, Tin,	SA, NT
VMC	Venus Metals	\$ 12,534,562	Mining	Lithium, Tantalum, Nickel, copper, zinc, Vanadium, Titanium, Iron, Graphite, Silver	WA
PSM	Peninsula Mines	\$ 11,028,667	Mining	Lithium, Graphite, Tungsten, Gold, Nickel, Iron, Copper, Molybdenum, Zinc,	South Korea
LTX	Lithex Resources	\$ 10,002,892	Mining	Tin, Tantalum, Lithium	WA
EUR	European Lithium	\$ 9,365,752	Mining	Lithium,	
DEG	De Grey Mining	\$ 8,665,958	Mining - Scoping Study	Gold, Lithium, Tantalum, Zinc, Silver, Lead, Copper	WA,
VMS	Venture Minerals Limited	\$ 8,232,515	Mining - Bankable Feasibility Study	Tungsten, Tin, Iron, Gold, Copper, Zinc, Lead, Silver, Lithium, Tantalum	TAS, Thailand, WA
WKT	Walkabout Resources	\$ 8,004,919	Mining	Graphite, Coal, Copper, Platinum, Lithium,	Tanzania, Botswana
SOC	Sovereign Gold Company	\$ 7,052,805	Mining - Scoping Study	Gold, Zinc, Silver, Lead, Copper, Lithium Lepidolite,	NSW, Nevada USA, Canada, WA
BLZ	Blaze International Limited	\$ 6,048,000	Mining	Gold, Copper, Lithium Spodumene/Lepidolite	
MOX	Monax Mining	\$ 5,953,489	Mining	Gold, Copper, Zinc, Nickel, Lithium Lipidolite/Spodumene, Diamonds	SA, NT
ARE	Argonaut Resources	\$ 5,889,063	Mining	Copper, Gold, Lithium Brine/Spodumene, Potash, Zinc	Zambia, SA, Canada, QLD
CUL	Cullen Resources Ltd	\$ 5,704,680	Mining	Lithium, Tantalum, Nickel, Gold, Tungsten, Iron	WA
CAV	Carnavale Resources	\$ 5,507,250	Mining	Gold, Silver, Lead, Zinc, Lithium	USA
MXR	Maximus Resources	\$ 4,882,039	Mining	Lithium Mica/Lepidolite, Gold, Nickel, PGE, Copper	SA, WA
TKL	Traka Resources Ltd	\$ 4,782,005	Mining - Scoping Study	Copper, Nickel, Lithium Spodumene, Tantalum, Gold, Lead, Zinc, Antimony	WA
SCI	Silver City Minerals	\$ 4,281,632	Mining	Silver, Lead, Zinc, Lithium, Tantalum	NSW
ZEU	Zeus Resources	\$ 2,882,400	Mining	Uranium, Thorium, Lithium	WA
ORE	Orocobre Limited	\$ 706,926,585	Mining - Production	Lithium	Argentina

\* Market Capitalization is sourced from IRESS and does not include restricted shares, performance shares or options.

Source: Mak Corporate <https://www.makcorp.net.au/>

# Pioneer Dome Lithium Project

## The Caesium Kicker?

<b>Announcement Date</b>	Inception
<b>Working Interest</b>	100% ownership
<b>Partner</b>	-
<b>Size Km2</b>	284 km <sup>2</sup>
<b>Region</b>	Norseman Region, Western Australia
<b>Targeting</b>	Lithium, caesium, tantalum
<b>Status</b>	1 granted exploration licence and 4 exploration licence applications.

A 14km pegmatite corridor was identified from earlier soil sampling and geological mapping that is prospective for lithium. Currently underway is priority target drilling where lithium anomalies were highest, while further soil sampling continues. Encouragingly, first drill results confirm the presence of a lithium-caesium-tantalum (LCT) system. The grades were good; however intersections are not as wide relative to historical results from Pioneer's Mavis and Raleigh projects. We eagerly await further assay results from the next drilling programme.

Of potential significance is the high grade caesium intersected, 6m at 27.7% Cs<sub>2</sub>O. Caesium, also known as Cesium in the United States is a little known, high value, scarce element used in limited quantities. Beginning in the 1990's caesium main use has been as formate brine in drilling fluid for oil and gas, where it offers overall cost savings as well as safety and environmental advantages. Caesium does however have much wider potential applications.

Cabot Corporation (NYSE: CBT) operates the Tanco Mine in Bernic Lake, Manitoba, Canada. The mine is estimated to contain the majority of the world's known reserves of caesium and acts as the sole supplier to the oil and gas industry. As at August 2013, Cabot Corporation estimated that Tanco mine life *'based on known reserves and production rates, is five to ten years'* while evaluating options to extend it. Given cae-

## Caesium Known Global Reserves

Source: U.S. Geological Survey 2015, <http://minerals.usgs.gov/minerals/pubs/commodity/cesium/mcs-2015-cesiu.pdf>

Country (project)	Reserves
Canada (Bernic Lake)	120,000
Namibia (Karibib)	30,000
Zimbabwe (Bikita)	60,000
Other countries	NA
World total (rounded)	210,000

## Lithium Intersections from September 2016

Source: Pioneer Resources, <http://www.pioneerresources.com.au/downloads/asx/pio2016101701.pdf>

- PDRC020: 3m at 1.11% Li<sub>2</sub>O from 44m
- PDRC021: 12m at 1.37% Li<sub>2</sub>O from 54m; and 10m at 408ppm Ta<sub>2</sub>O<sub>5</sub> from 54m
- PDRC056: 6m at 1.79% Li<sub>2</sub>O from 48m\*
- PDRC057 12m at 1.41% Li<sub>2</sub>O from 60m\*
- PDRC059: 5m at 2.08% Li<sub>2</sub>O from 37m
- PDRC015: 7m at 1.52% Li<sub>2</sub>O from 52m; and 6m at 27.7% Cs<sub>2</sub>O from 47m

# Canadian Lithium Projects

## Jewels in the Pioneer Crown

	<b>Mavis Project</b>	<b>Raleigh Project</b>
<b>Announcement Date</b>	15/03/2016	13/07/2016
<b>Working Interest</b>	51% initial earn in / up to 80%	51% initial earn in / up to 80%
<b>Partner</b>	International Lithium Corp (TSXV: ILC)	International Lithium Corp (TSXV: ILC)
<b>Size Km2</b>	26.24 km2	4.4 km2
<b>Region</b>	North western Ontario, Canada	North western Ontario, Canada
<b>Targeting</b>	Lithium (spodumene)	Lithium (spodumene)
<b>Status</b>	Diamond drilling in Nov 2016	Diamond drilling following Mavis

Mavis and Raleigh we view as the flagships projects of Pioneer Resources. Rather than take a directional view on the price of lithium, we are ideally looking for a mineral project that can withstand the boom / bust cycles of commodities. Important to us are grade, scale and infrastructure. Mavis and Raleigh are thus attractive to us for these reasons. Both are located in a stable jurisdiction (Ontario, Canada), historical drilling suggests grade is there and scale therefore remains the only variable. Both are within close proximity to infrastructure and end user markets.

In 2011, joint venture partner International Lithium Corp undertook a small exploration program drilling 20 holes for a total of 1,753m. Of these 20 drill holes, 13 *'intersected pegmatites greater than 2 metres thick and returned notable lithium grades'*. This included drill hole MF-11-12 which intersected 16m at 1.53% Li<sub>2</sub>O from 125m and a further 26.25m at 1.55% Li<sub>2</sub>O from 152m. In neighbouring Quebec province Nemaska Lithium (TSX: NMX) best exemplifies a successful Canadian that has been able to identify a world class lithium deposit at Whabouchi.

The Mavis and Raleigh Lithium Projects are located 19 and 80 kilometres east from Dryden township in Ontario. Both Projects are close to the Trans-Canada highway and to a major rail line. Major US auto manufacturers are within reasonable distance with General Motors, Ford, Chrysler and Honda assembly plants are all within a 2,000km radius. Currently drilling is due to commence as soon as permitted.

### 'Mavis' Intersections from 2011 + 2012 Drilling

Source: Pioneer Resources <http://www.pioneerresources.com.au/downloads/asx/pio2016042001.pdf>

MF-11-08: 7m at 1.83% Li <sub>2</sub> O from 4m	MF-12-24: 16.4m at 1.86% Li <sub>2</sub> O from 161.9m
MF-11-09: 7.8m at 1.86% Li <sub>2</sub> O from 18.85m	MF-12-25: 5.15m at 1.75% Li <sub>2</sub> O from 130.7m
MF-11-12: 16m at 1.53% Li <sub>2</sub> O from 125m	MF-12-28: 6m at 2.53% Li <sub>2</sub> O from 6m
MF-11-12: 26.25m at 1.55% Li <sub>2</sub> O from 152m	MF-12-30: 6.95m at 1.45% Li <sub>2</sub> O from 32.25m
MF-11-13: 5m at 1.44% Li <sub>2</sub> O from 19m	MF-12-33: 3m at 2.26% Li <sub>2</sub> O from 22m
MF-11-14: 3m at 2.15% Li <sub>2</sub> O from 24m	MF-12-34: 5m at 1.5% Li <sub>2</sub> O from 24m
MF-11-15: 5.35m at 1.51% Li <sub>2</sub> O from 78.4m	MF-12-36: 6m at 1.48% Li <sub>2</sub> O from 31m

*\*Drill core lengths have not been converted into true width. Appropriate rounding of Li<sub>2</sub>O (lithia) values applied*

### 'Raleigh' Intersections from 2010 Drilling

Source: Pioneer Resources [http://www.pioneerresources.com.au/project\\_raleigh.php](http://www.pioneerresources.com.au/project_raleigh.php)

RL10-1: 2.7m at 2.02% Li <sub>2</sub> O from 29.3m; &	RL10-3: 5.95m at 1.64% Li <sub>2</sub> O from 103.05m
RL10-1: 7.8m at 1.49% Li <sub>2</sub> O from 153.2m	Includes 5m at 0.032% Ta <sub>2</sub> O <sub>5</sub> from 104m
RL10-2: 8.5m at 2.38% Li <sub>2</sub> O from 84m,	RL10-5: 5m at 1.31% Li <sub>2</sub> O from 26m
Includes 2.5m at 3.99% Li <sub>2</sub> O from 87.5m	Includes 5m at 0.022% Ta <sub>2</sub> O <sub>5</sub> from 27m
	RL10-6: 14.2m at 1.07% Li <sub>2</sub> O from 114m

*\*Drill core lengths have not been converted into true width. Appropriate rounding of Li<sub>2</sub>O (lithia) values applied*

# Acra Gold Project

## Free carried in gold exploration

<b>Announcement Date</b>	21/10/2016
<b>Working Interest</b>	80% ownership / earn out to 25%
<b>Partner</b>	Northern Star Resources (ASX: NST)
<b>Size Km2</b>	370 km <sup>2</sup>
<b>Region</b>	Kalgoorlie region, Western Australia
<b>Targeting</b>	Gold
<b>Status</b>	

On 21 October 2016, Northern Star Resources (ASX: NST) entered into a binding agreement to purchase a 20% stake in the Acra project for A\$ 500,000 and the right to earn an additional 55% working interest for \$3M in exploration expenditure over the next 3 years. The Acra project is located within 40Km of Northern Star's Kanowna Belle processing hub, with has 1.8Mtpa capacity, so should a commercial deposit be identified it could a source of feed stock .

We regard Northern Star Resources (market capped at AUD \$2.4B ) as the pre-eminent Australia gold producer and their association with project is an endorsement of Acra and also of Pioneer's enviable land bank. It is of material benefit to Pioneer to have NST's technical expertise involved in the project and allows Pioneer to concentrate mainly on lithium exploration, with no drain on company finances or personnel until potential mining commences.

## Acra Intersections from 2013-2015 Drilling

Source: Pioneer Resources <http://pioresources.com.au/downloads/asx/pio2016021501.pdf>

ACRB145 12m at 1.39g/t from 45m	JERC038 2m at 9.03g/t from 43m
ACRB146 9m at 1.71g/t from 45m	JERC038 8m at 2.14g/t from 52m
CSAC018 6m at 4.39g/t from 57m	JERC048 8m at 1.99g/t from 69m
CSAC028 6m at 3.77g/t from 96m	KSRC004 10m at 6.38g/t from 61m
CSRC003 3m at 4.34g/t from 45m	KSRC004 8m at 1.45g/t from 85m
CSRC012 4m at 2.48g/t from 60m	KSRC005 9m at 5.31g/t from 36m
EGRC009 2m at 4.57g/t from 21m	KSRC007 13m at 3.31g/t from 94m
EGRC010 3m at 4.53g/t from 42m	KSRC010 3m at 5.44g/t from 128m
JERC002 13m at 2.84g/t from 27m	KSRC010 8m at 1.41g/t from 85m
JERC003 2m at 12.42g/t from 57m	KSRC018 18m at 1.98g/t from 97m
JERC007 4m at 8.1g/t from 34m	KSRC031 9m at 6.17g/t from 60m
JERC010 7m at 2.6g/t from 101m	KSRC032 7m at 1.93g/t from 106m
	KSRC025 2.2m at 12.17g/t from 145.42m

## Other Mineral Projects

Source: Pioneer Resources <http://www.pioneerresources.com.au/projects.php>

Project	Working Interest	Location	Commodity
Blair Dome	100%	SE Kalgoorlie Region	Nickel-Gold
Fairwater	75%	Albany Fraser Range	Nickel-Gold
Juglah Dome	100%	SW Kalgoorlie Region	Gold-Base Metals
Donnelly	Option to acquire 90%	Greenbushes, WA	Lithium
Phillips River	100%	Ravensthorpe, (Mt Cattlin) WA	Lithium
Bogardi	90%	SE Gascoyne Junction	Lithium



## Key Investment Risks

**Exploration Risk:** valuation will dependent upon exploration success. Historical drill intersections from 'Mavis' (e.g. MF11-12 26.25M at 1.86%) and 'Raleigh' (e.g. RL10-2 8.5M at 2.38% Li<sub>2</sub>O) indicate a strong presence of lithium, the market will be looking to build upon this earlier success.

**Commodity price risk:** Though still in the early exploration stage, Pioneer Resources is leveraged to lithium spodumene price, and also overall sentiment to sector. Exposure to gold is decreasing through the earn out with Northern Star into the Acra project.

**Key Person Risk:** Managing Director, David Crook has been instrumental in positioning the company towards global demand driven commodities and holds relevant technical experience in discovering mineral resources. He has been with the company from inception and any departure would have a negative impact upon valuation.

**Dilution Risk:** Pioneer Resources is currently well capitalized to finance its aggressive drilling campaign. We view the probability of a near-term (next 6 months) equity capital raise as low given the current cash position is \$5.1M with \$500K to be received from Northern Star.

## Investment Thesis

We initiate coverage of Pioneer Resources with a speculative buy recommendation. The company was an early mover 'land banking' highly prospective tenements before the rush for lithium during the middle of 2016. The Canadian projects have potential for scale and grade while the West Australian Pioneer Dome (though early) has shown interesting caesium results.

Around May of 2016, bullish sentiment towards lithium reached fever pitch, subsequently Pioneer Resources share price momentarily traded above 10c giving it a market cap greater than \$90M. In our view, this move up and valuation was excessive and has contributed to significant overhang in the stock. Conversely, with the share price falling back to below 2c and with a current market cap below \$20M, we believe the valuation to be attractive relative to other lithium peers.

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