

Flagship sale breaks shackles

Thursday, 11 October 2012

SOME forward thinking and shrewd decision-making has Pioneer Resources poised to break new ground in Western Australia's prolific Eastern Goldfields region. By Alex Paull - RESOURCESTOCKS*

Hark back to August 2011, and it seemed unlikely that Pioneer Resources would contemplate parting with the jewel in its crown, its flagship Western Mount Jewell project 50km north of Kalgoorlie.

But selling Western Mt Jewell to Carrick Gold in June 2012 proved to be a critical move in shoring up Pioneer's immediate and long-term future.

"We drilled out and proved up reserves on Western Mt Jewell, but we were mindful that Carrick was building a portfolio and presence in that area," Pioneer managing director David Crook said.

"We had discussions with a number of miners in the area and started to form a development plan ourselves, but then Carrick came to us with a very compelling offer. Conscious of the market at the time and our ability to raise money, we thought it was prudent to accept Carrick's offer and advance our other prospective, high-potential projects."

Crook said selling the project was not so much a sacrifice but a commercial decision that was now starting to pay significant dividends.

"We had started generating targets elsewhere, so we were going to move away from Western Mt Jewell anyway," he said. "Now, we've been able to turn a large amount of money that we might have made on a fairly high risk basis over the next seven years into a very low risk amount of cash over the next few years."

Pioneer shareholders approved the sale of the Western Mt Jewell project tenements for a total of \$8 million, of which \$4.5 million was paid upfront while the remaining \$3.5 million will be received in instalments over the next three years.

The sale has had a major impact on Pioneer, as it now has the funds to pursue its other interests in the area.

"When the shackles of capital constraints are released, the difference is amazing," Crook said.

"Now, we can look seriously at opportunities that come our way, with a bit more weight and capacity behind us."

One of those opportunities is the Golden Ridge gold and nickel project, an area 28km southeast of Kalgoorlie in which Pioneer acquired 100% interest in all the minerals and the non-operating Blair nickel mine.

The project counts a number of noteworthy gold mines as its neighbours, such as the Super Pit, New Celebration and Silver Lake Resources' Daisy Milano mine.

Crook said the excitement surrounding the project was building now that Pioneer had the funds to make it happen, and he envisaged that the project would be extremely important to Pioneer's future.

"The project has three parts: gold rights, the Blair mine and nickel rights around the mine," Crook said.

"It's a piece of ground that is located in an extremely prospective part of the goldfields. It was last explored systematically for gold by the Western Mining Corporation in the 1990s, which then outgrew the project. So currently, there are a number gold targets waiting for follow-up drilling, which means the project is going to be incredibly important to us."



Soil sampling at Moonbaker

Crook highlighted that because the nickel price was in the doldrums, it would make more economic sense to focus on the gold prospects at the Golden Ridge project, which look very promising.

But the fortunes of explorer Sirius Resources, which soared into the ASX record books in July with discoveries of nickel-copper at its Fraser Range project, caught Crook's eye, and he said while the Blair nickel mine wouldn't re-open in the short-term, it was still a valuable asset.

"We saw what happened to Sirius in July, demonstrating that a nickel sulfide discovery can be immensely valuable. We have a firm eye on the nickel prospects, but nickel exploration is incredibly expensive and we need some very compelling targets before we launch into that," he said.

"On the other hand, gold is quite manageable for a junior company like Pioneer, and there are some great targets within the project which we are keen to get stuck into for potential gold."

Pioneer is already highlighting a number of promising targets at Golden Ridge, including Flying Squirrel, with an intercept of 10.43 grams of gold per tonne from 3m, while at the Flying Ant prospect 5.44 gpt was intercepted from 5m.

Active exploration in Pioneer's other tenements in the area is also producing strong early indications, especially the Juglah Dome and Gindalbie gold projects.

Rotary air blast drilling at Juglah Dome unearthed two priority targets in Moonbaker and John West.

"John West was a nugget patch that a Kalgoorlie prospector drew to our attention. We've completed some soil geochemistry this year using a technique new to us, and we've drilled these and immediately got good results," Crook said, acknowledging that the same geochemistry technique was also used to uncover drill targets at Gindalbie.

"We plan to identify half a dozen RAB targets including the Moonbaker, John West, Gindalbie 3 and probably two or three at Golden Ridge for drilling later this year. At the moment, these prospects look pretty promising," he said.

But Crook said that amid all the activity, most of it would not have been possible without the funds from the sale of the Western Mt Jewell project.

"The Gindalbie and the Juglah Dome projects would have gone ahead regardless of the sale, but probably not Golden Ridge because that requires a more substantial amount of cash," Crook said.

"However, most importantly, without the sale we would have needed to go back to the market for a capital raising, and at the moment the market simply isn't receptive to junior resources companies raising money, so the sale definitely provided the opportunity for us to continue our aggressive exploration efforts.

"We still watch every penny but at least we can be a bit more expansive about the work we're doing, and that freedom is important."

And there is every chance that gold will be Pioneer's primary focus heading into 2013.

"We will be firmly looking for gold, particularly at Golden Ridge, but there will also be work completed at Juglah Dome and Gindalbie projects, because I think these could be a relatively quick value-add proposition for the company," Crook said.

While recognising nickel is at a very low price currently, Crook said Pioneer was still mindful of nickel's value.

"It will be too late if we wait until the next nickel boom. Golden Ridge provides us with a counter-cyclical nickel exposure, and it is an important piece of nickel ground in Western Australia, so we'll continue to evaluate nickel prospects – but really, our focus for 80 per cent of our funds will be gold at Golden Ridge."

With the potential to acquire additional tenements in the Kalgoorlie goldfields, along with possible joint venture opportunities, it seems that Pioneer is going from strength to strength since the sale of the Western Mount Jewell project, a decision which has set it up for long-term gain.

***A version of this report, first published in the September 2012 edition of RESOURCESTOCKS magazine, was commissioned by Pioneer Resources**



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