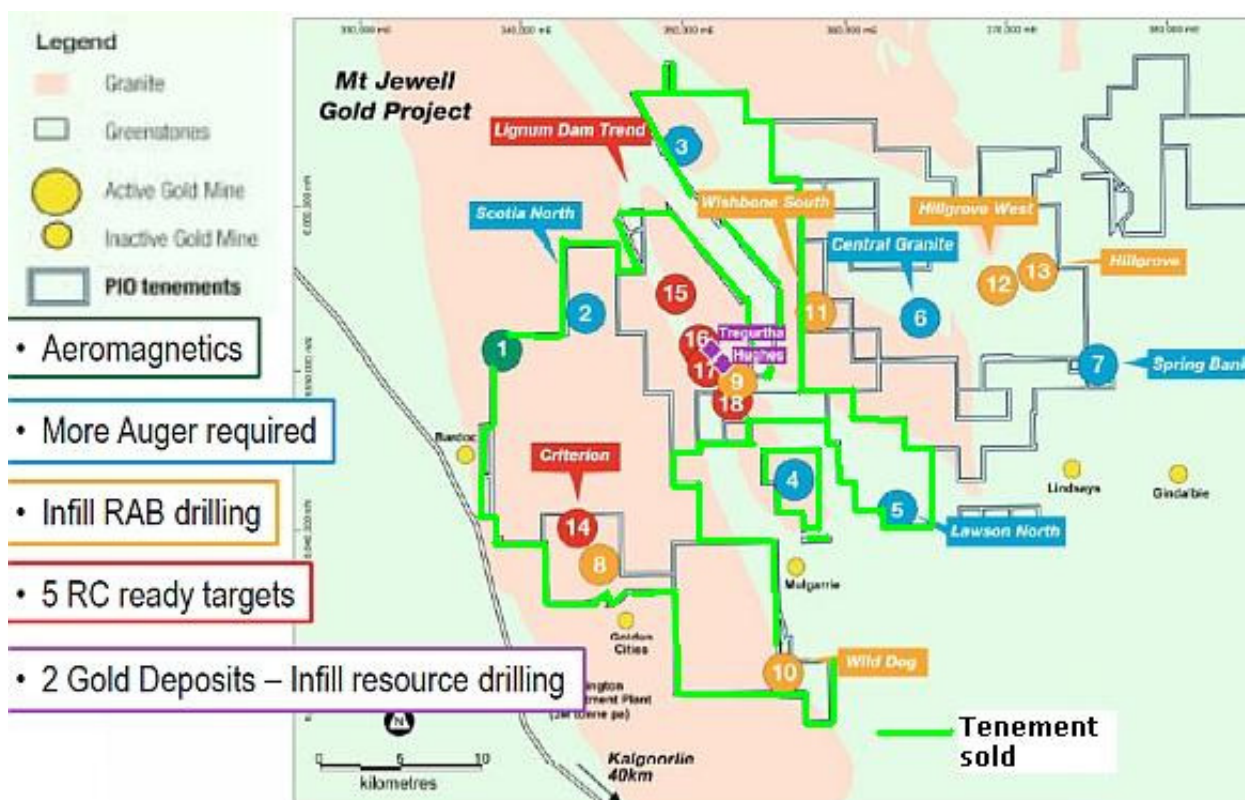




Selling some of the Jewells pulls value forward

Pioneer Resources has announced the sale of the Tregurtha and Hughes gold deposits and the western portion of the Mt Jewell tenement for a consideration of A\$8 million. The following figure shows the portion of the Mt Jewell tenement sold.

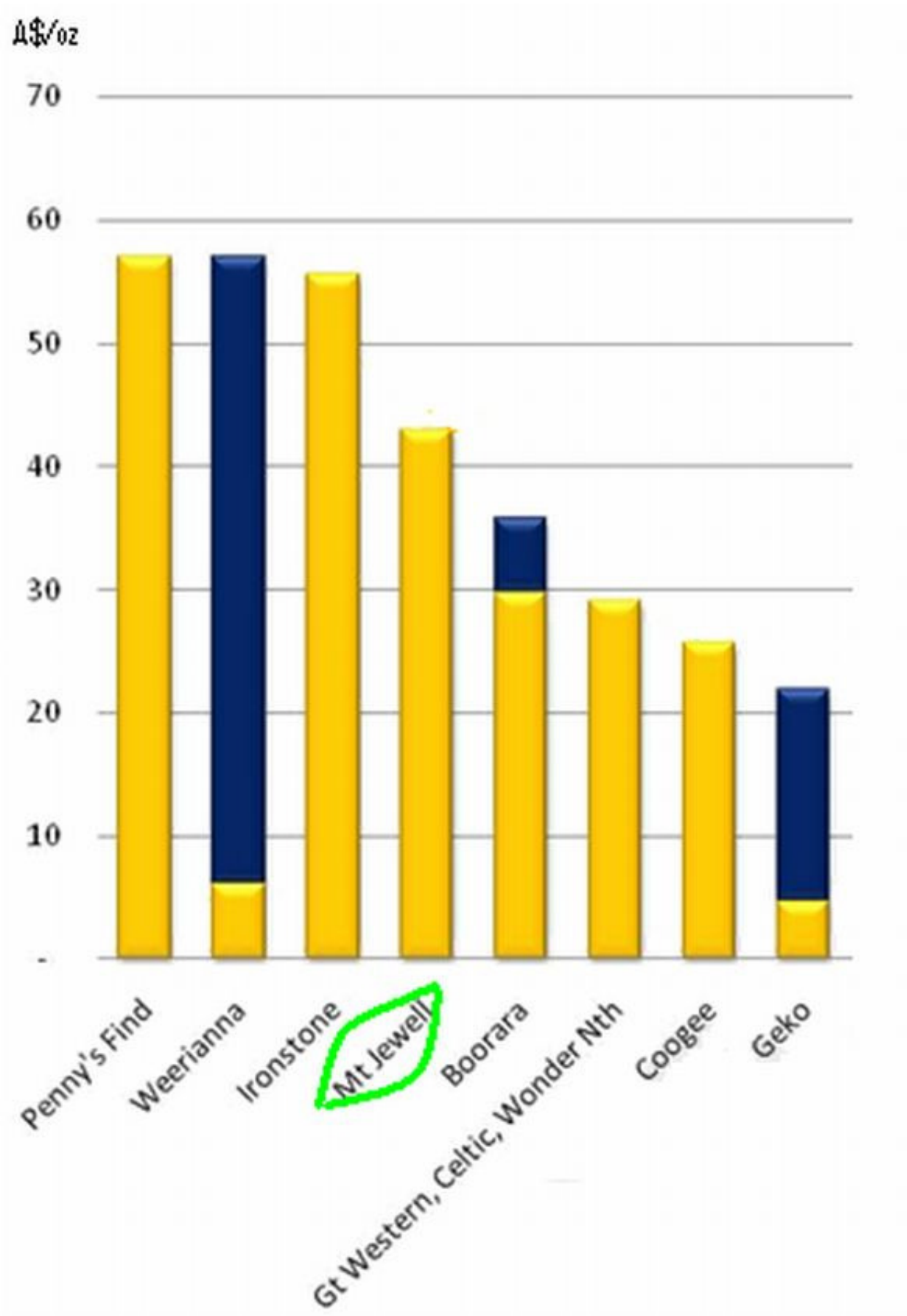


The consideration is all cash with A\$50,000 already paid to Pioneer as a non-refundable deposit. The remaining consideration will be paid in four instalments, with the first being A\$4.45 million on 30 April 2012. The remaining consideration will be received in instalments of A\$1.2 million on 6th March 2013 and 2014 and the final instalment of A\$1.1 million on 6th March 2015.

To secure the payment stream, Pioneers will have a first mortgage over that part of the Mt Jewell tenement sold and the Tregurtha and Hughes gold deposits. We consider the security to be more than adequate to cover the outstanding consideration.

Applying a net present value (NPV) discount to the instalments to be made over the life of the plan and using the current annual inflation rate in Australia of 3.1% as the discount factor; the value today is \$3.3 million. We determine the NPV value of the transaction today is circa A\$7.8 million.

Importantly, the in-ground consideration received per ounce of resource is A\$42 per ounce, based on our NPV calculation. We consider the A\$42 received per ounce of gold resource is fair. The following chart shows comparable gold deposit transactions (Pioneer’s Mt Jewell is highlighted).



The A\$42 per ounce in-ground value received, brings forward the future value of both the Tregurtha and Hughes deposits and eliminates development risk and associated costs.

We are comfortable with the structure of the transaction as it allows Pioneer to carryout an extensive exploration programme immediate, while allowing cash to flow-in in the coming years. The company's current cash position is approximately A\$2.9 million. Add the A\$4.45 million to come immediately and the future payments; near-term calls on shareholders should be minimal. Calls on fresh capital will always however be dependent on exploration success.

Going forward we consider the company is well positioned to continue to explore the remaining part of the Mt Jewell tenement retained and also Juglah Dome. We have highlighted the early potential at Juglah Dome with the company already in a position to explore priority anomalies on the tenement. We are aware that the company will focus on Juglah Dome in the first instance and also the remaining part of the Mt Jewell tenement in its possession.

We recommend Pioneer as a buy for those Members who do not already have exposure to the stock and are comfortable with the risk associated with a junior gold explorer.

As a matter of disclosure, Members should be aware that Fat Prophets, through our Wealth Management division, acted as lead manager for a recent placement of shares and for the company's share purchase plan. Pioneer has paid a fee to Fat Prophets for its services in this regard.

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.

Market Capitalisation	A\$11.2m
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