

Pioneer Nickel

Buy PIO around 24 cents

Encouraging initial copper-gold results

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SYMBOL DEFINITIONS			
	EXPLORER		HIGH RISK
			MARKET CAP
			\$19 million
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Pioneer Nickel has this week reported highly encouraging initial drilling results from its new Ravensthorpe Joint Venture exploration project in Western Australia. The first 16 holes of the drilling program returned significant copper and gold intersections from just shallow depths. We anticipate the release of more results almost immediately, but even at this early stage, we can confidently say that the Ravensthorpe is living up to our confident predictions and there is real potential for development of an open-pit mining operation, in our view.

"We are so pleased that Pioneer's initial exploration efforts have justified our Buy recommendation."

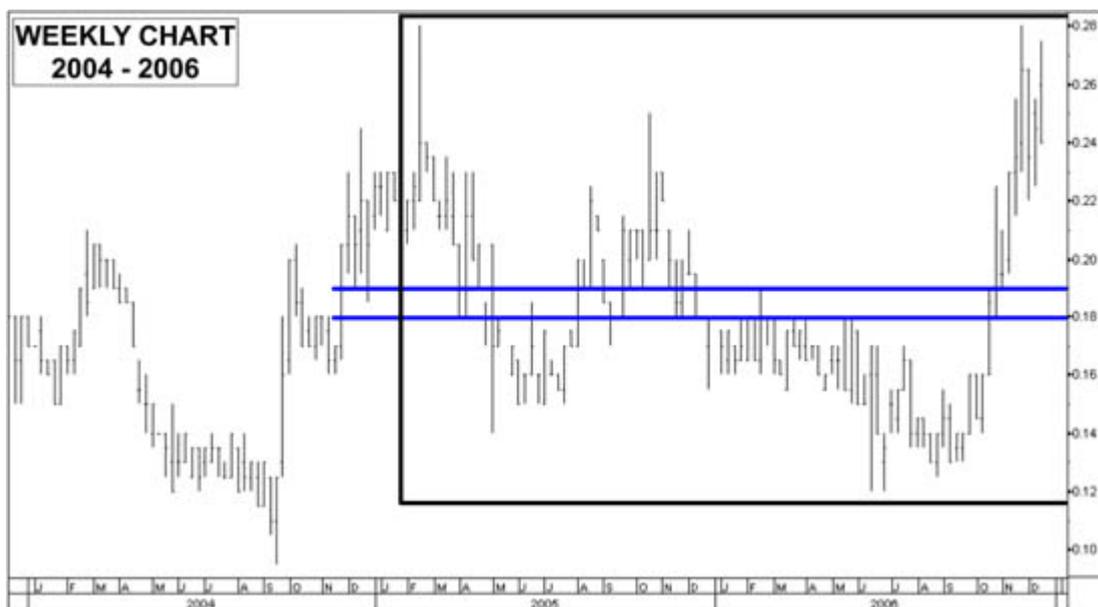
Fat Prophets first recommended buying Pioneer at 22.5 cents in November (FatMin50).



During Pioneer's short time in the Fat Prophets Mining & Resources Portfolio, price action for the stock has been constructive. From our initial recommendation of 22.5 cents in November, Pioneer equalled its all-time high of 28 cents later that month.

Over the past few weeks however, the stock has paused to consolidate. This is not surprising considering the shares have more than doubled since September. In our view, the current consolidation should only prove a temporary interruption to the overall bullish trend.

In our opinion, support between 19 and 18 cents underpins the shares. Once upward momentum resumes, we believe levels beyond 28 cents will be achievable in time.



Although we have followed the activities of Pioneer Nickel now for several years, we elected to introduce the story to our Members for the first time only a few weeks. We felt the timing was right, due to the prospectivity and favourable timing of the company's exploration programs on two of its key exploration projects.

We are pleased to report that initial results from the first of the programs, involving the company's Ravensthorpe Joint Venture Project, are most encouraging and fully justify the Buy recommendation in our previous report.

To remind Members, Pioneer Nickel is a junior Western Australian nickel explorer that maintains a portfolio of very promising exploration projects. Of these, two are of immediate interest for Members, due to their prospectivity and the fact that there is currently active exploration work underway on them. These projects comprise the Golden Ridge and Ravensthorpe joint venture projects.

We like to remind our Members, particularly the newer ones, that pure exploration companies like Pioneer Nickel present investors with a higher level of risk than a mining company with production and earnings. Nevertheless, we believe the potential pay-off from an exploration company like Pioneer Nickel is significant enough to justify the higher risk profile to our Members.

Pioneer has just released highly encouraging exploration results from its Ravensthorpe Joint Venture Project. As a reminder to Members, Ravensthorpe is located in the southern portion of Western Australia and encompasses a 23.5 sq km project area that we think is highly prospective for gold and copper mineralization.

In fact, the project area has a history of mining, hosting four historic copper mines that produced copper between 1899 and 1971. Historic mining occurred to shallow depths of no greater than 300 metres, as evidenced by the Elverdton-Mt Desmond workings, which were also the biggest of the workings, with mining over a strike length of around 850 metres.

Under a farm-in deal, Pioneer can earn an initial 75% stake in the Ravensthorpe Project and can potentially increase this by a further 10% to an eventual 85% stake.

As far as recent exploration activity is concerned, since mine production ceased on the tenements in 1971, there has been very little exploration work undertaken, which presents a real opportunity for Pioneer to fully assess this promising and relatively untouched exploration play.

The first 16 holes of Pioneer's drilling program released this week have returned significant copper and gold intersections from shallow depths of no greater than 100 metres below surface around the old Elverdton and Mt Desmond workings. Some of the standout intercepts in our view include 15 metres @ 2.32% copper and 1.04g/t gold from 34 metres depth; and 7 metres @ 2.0% copper and 1.48g/t gold from

11 metres depth.

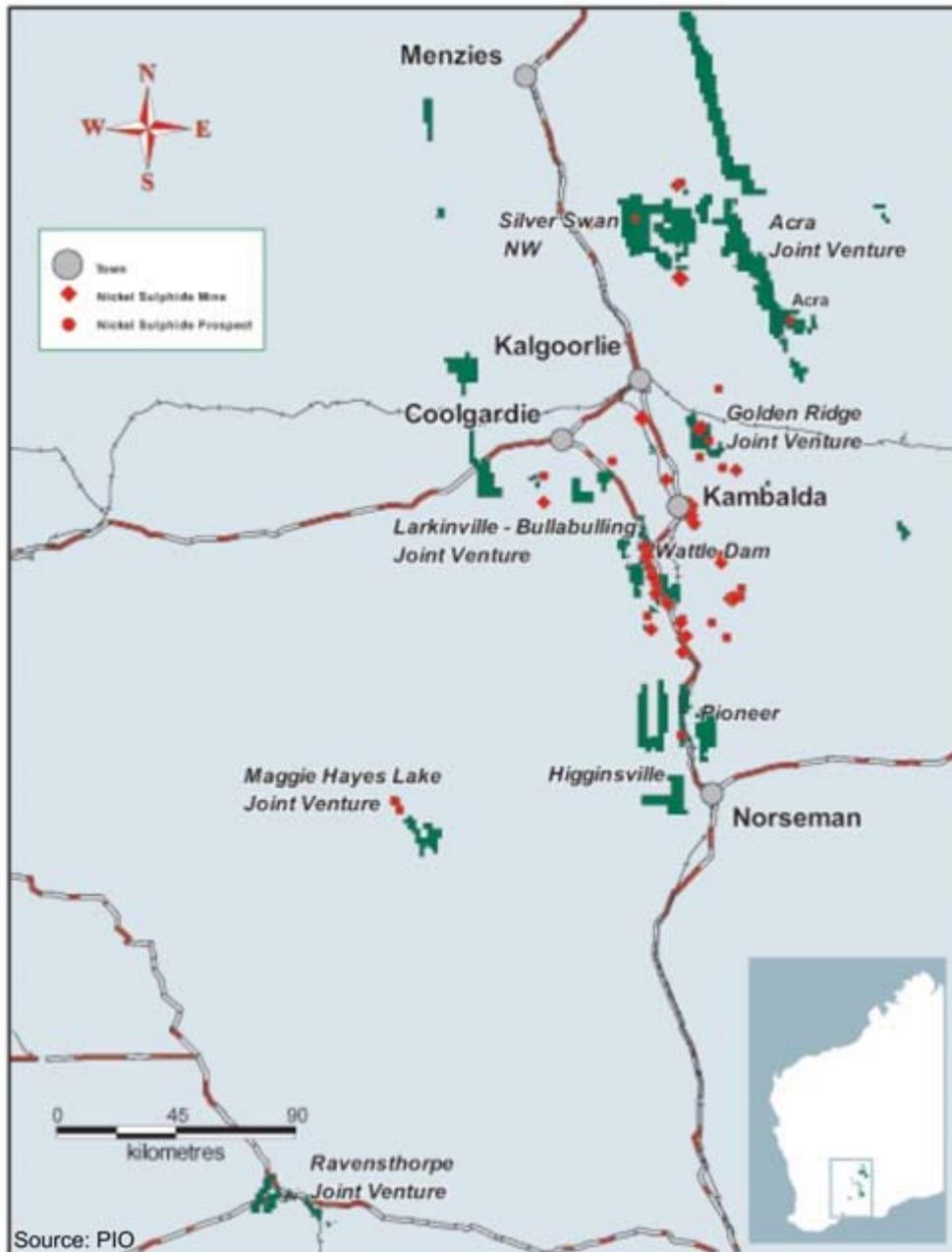
Previous surface sampling and drilling recorded on old mine plans indicate that a halo of mineralisation could be present over a significant proportion of the mine. Pioneer's exploration results appear to confirm this theory, suggesting a halo envelopes the narrower high-grade shoots that would have been the targets of the early miners, because they would have been the most lucrative to exploit.

Most encouragingly of all, the company believes such a broad zone of mineralization could be amenable to open pit mining if sufficiently well developed.

Pioneer will continue to utilise drilling to confirm the existence of this possible halo, in the process targeting gold mineralisation that could provide an early cash flow.

So far, the company has completed 19 holes in the overall 7,000-metre drilling program, although it has only tested 180 metres of the total 850-metre mineralized strike extent indicated from underground workings. We await the release of further results with great interest.

In addition, regional exploration work will try to establish an accurate model of the greater project area. We therefore believe that Ravensthorpe has the potential to generate cashflow and production in the vicinity of old workings within the near term, while over the medium to longer terms there may be potential for new regional discoveries that could dramatically increase the scale of a mining and treatment operation.



Pioneer Nickel's second major exploration project is Golden Ridge. The company has entered into a joint venture with ASX-listed junior nickel producer, Australian Mines, to explore the Golden Ridge Project.

The project encompasses more than 100 sq km of highly prospective nickel ground, situated just 30km southeast of Kalgoorlie and 30km north of Kambalda in Western Australia. The project lies in the heart of one of the world's most prolific nickel and gold producing belts, so its address is first class.

Under the terms of the farm-in deal, Pioneer has the opportunity to earn at least a 51% stake in the project and can increase its overall interest to 80%.

Pioneer is targeting ultramafic units of the Golden Ridge Greenstone Belt, which host Australian Mines' nearby Blair nickel mine. As a brief explanation to Members, ultramafic rocks are a particular rock type that typically host nickel mineralization, so nickel explorers always try to identify and explore in this rock type. The joint venture ground excludes the Blair nickel mine and all gold rights.

Greatly enhancing the company's knowledge of the project are the backgrounds of two of its directors, Peter Langworthy and Allan Trench, who were associated with the project during the 1990s when employed by WMC Resources. WMC was the dominant player in the Kambalda region for around four

decades.

Five occurrences of nickel sulphide mineralisation exist within the project area and a review of exploration data has shown that each occurrence is in an area where rocks have either shallow or no alluvial cover.

Pioneer believes that much of the project area has sufficient alluvial cover to have rendered ineffective many of the previous forms of surface exploration. However, by utilizing techniques that are more appropriate in areas of alluvial cover, we firmly believe that further exciting nickel sulphide discoveries are possible.

Pioneer's exploration has so far targeted three advanced prospects, with important results received from the Blair south prospect, where the company has established an initial Indicated Resource. This resource comprises 151,331 tonnes @ 1.43% Ni for 2,164 tonnes of contained nickel. Blair South lies just 2.7km south of Australian Mines' Blair nickel mine.

A recent 80-hole drilling program has identified the presence of two ultramafic contacts that occur between the Blair mine and the Blair South prospect. Pioneer considers these to be very prospective for a new nickel sulphide discovery and further work is targeting target this high priority zone. Pioneer has now completed 140 holes on the project.

Pioneer recommenced its drilling program during November, with a 3,000-metre program underway that includes an initial 14 holes that will test for extensions to the Blair South resource, as well as a further seven holes to systematically test beneath anomalous shallow drilling to the north and south of the Blair nickel resource.

As the project tenements comprise predominantly granted mining leases, crossed by a 40km haul road, we believe that Pioneer could quickly commercialise a nickel sulphide discovery for a minimal capital outlay. This would allow the company to take almost immediate advantage of record nickel prices that have more than doubled during 2006.

Nickel is currently trading at its highest level since at least 1987, as dwindling supply has created a shortfall of the metal. Its primary use is in stainless-steel production. Nickel stockpiles monitored by the London Metal Exchange have plunged by 82% so far this year and represent less than two days of global consumption.

Exacerbating the situation is the fact that two of the world's largest nickel-mine developments have been delayed, prolonging the supply shortfall. BHP Billiton Ltd said last week that its Ravensthorpe nickel mine in Western Australia will take up to a year longer to develop, while Brazil's CVRD said last month that it will start up its new Goro mine in New Caledonia in 2008, a year later than previously planned.

Pioneer Nickel currently holds cash reserves of around \$3.5 million.

We anticipate further positive exploration news from both the Ravensthorpe and Golden Ridge projects that could significant advance their near-term development prospects.

Accordingly, Pioneer Nickel will remain held within the Fat Prophets Mining & Resources portfolio, but for Members with no current exposure we recommend the stock as a Buy around 24 cents.

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