

# Pioneer Nickel Limited

(ASX Code PIO)

## COMMENCEMENT OF NICKEL AND COPPER-GOLD DRILLING PROGRAMS POTENTIAL FOR SIGNIFICANT SPECULATIVE UPSIDE IN NEAR TERM

Note: Investment in shares of Pioneer Nickel Limited should be considered Speculative. Investors should seek appropriate advice before making a decision to invest in Pioneer Nickel Limited (see page 4).

### Key Investment Points

- ◆ PIO is undertaking two exciting drilling programs at its two key projects; Golden Ridge Nickel Joint Venture and the Ravensthorpe Copper–Gold project.
- ◆ Both projects are considered exciting exploration prospects with advanced exploration targets recently generated from earlier exploration success.
- ◆ With long term positive price trends for nickel and copper and long term supply strains PIO is well positioned to participate in this current high metal price cycle following any exploration success.

#### Golden Ridge Nickel Project (PIO earning up to 80%)

- ◆ An initial inferred resource has been announced at Blair South prospect of 151,000 tonnes grading 1.43% nickel (2,164 tonnes contained nickel).
- ◆ Though relatively early and currently modest in size, the resource shows similar geological characteristics to other developed nickel sulphide deposits in the region. A scoping study into the resource's mining economics is currently underway.
- ◆ Blair South deposit may not be an isolated occurrence. Regional reconnaissance drilling (140 holes) between the operating Blair Nickel Mine and Blair South has returned significant anomalous nickel results over a 2.8km strike. The results have generated seven basal contact targets which will now be drill tested and EM surveyed.

#### Ravensthorpe Copper-Gold Project (PIO earning up to 85%)

- ◆ Drilling is about to recommence at the historical Mt. Desmond copper-gold mine following encouraging high-grade results from a recent initial 19 hole program.
- ◆ Ravensthorpe was historically Western Australia's largest copper producer up to the 1970's. We note low copper prices forced the closure the mine, not depletion of high-grade reserve potential.
- ◆ To date Pioneer's drilling has successfully tested only 180 metres of the 850 metre copper-gold mineralised strike. The new drilling is planned to test strike and plunge extents of the identified high grade mineralisation with a resource estimation expected soon there after.

#### Other Points

- ◆ Pioneer has now established a significant joint venture portfolio over the majority of its remaining projects, with major mining houses including BHP Billiton, Jubilee Mines NL and LionOre Australia.
- ◆ We are encouraged by Jubilee maintaining a substantial shareholding of 17.4%, including board representation and its continuing investment in the Acra JV.

### Project Locations

#### Projects Overview

##### Golden Ridge (Pioneer)

- New Nickel targets

##### Ravensthorpe (Pioneer)

- Copper Gold system

Balagundi (Pioneer 100%)

##### Acra (JV with Jubilee)

##### Silver Swan (JV with BHP)

##### Alliance (with Ramelius)



### Current Capital Structure

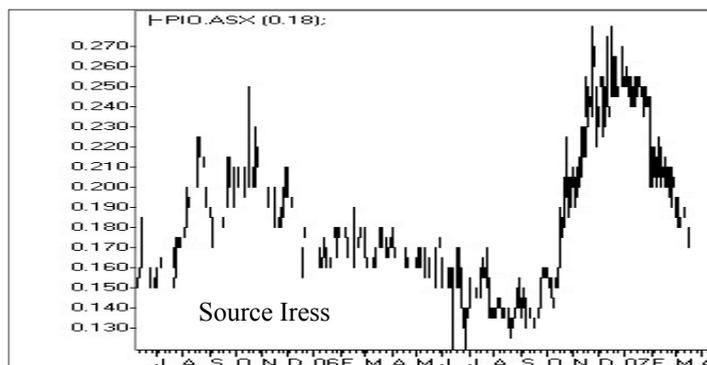
Price of Ordinary Shares (cents)	18.0
No of Ordinary Shares on Issue (million)*	78.1
12 Month Price Range of Ordinary Shares (cents)	12.0 – 28.0
No of Options (unlisted) on Issue (million)**	18.85
Market Capitalisation (\$ million)	14.1
Current Cash Position (Est.\$ million)	2.0

\*Top 4 shareholders currently hold approximately 28.42% of total issued capital.

Largest Shareholders: Jubilee Mines 17.4%, Kurana Pty Ltd 6.09%, Link Traders 3.07%, MBM Corporation Pty Ltd 1.86%.

\*\* Various options exercisable at varying strike prices from 22cents to 30 cents between 31 December 2007 and 8th September 2011.

Directors: Mr. Reginald N. Gillard *Non Executive Chairman*  
Mr. David J. Crook *Managing Director*  
Dr. Allan Trench *Non Executive Director*  
Mr. Peter J. Langworthy *Non Executive Director*



## Company Background

**Pioneer Nickel Limited** (the Company) is a junior explorer listed since early December 2003. The Company owes its existence to Heron Resources Limited which at that time spun out all of its projects prospective for nickel sulphides into Pioneer, leaving Heron to concentrate on its extensive nickel laterite exploration activities.

A significant portion of the current asset base is the result of a number of years of careful project selection and acquisition by Heron before the current upturn in the resources sector.

Initial primary focus was on the **Acra Nickel Project**, which subsequently attracted the attention of Jubilee Mines NL both to the Company's register and as a Joint Venture partner to the Project itself (discussed later in the report).

Over the past 12 months the Company, recognising two advanced exploration opportunities which arose, acquired new joint ventures at **Golden Ridge** and **Ravensthorpe** (both discussed in detail later).

## A Respectable Portfolio of Project Joint Ventures with three Major Mining Houses Providing Adequate Funding and Potential for Significant Upside Exposure upon Exploration Success

The Company now has interests in approximately 2,900km<sup>2</sup>. Recognising a need to focus exploration effort on the Golden Ridge and Ravensthorpe advanced JV prospects but acknowledging the Company's limited cash and resources, the Company has farmed out a significant portion of its tenement portfolio.

The quality of the projects has attracted the interest of several parties and has allowed Pioneer to secure a number of attractive JV deals with partners of choice including:

- ◆ **Jubilee Mines NL** earning up to 75% interest in the Acra Project.
- ◆ **BHP Billiton Minerals Pty Ltd** earning up to 80% interest in the Silver Swan Northwest Project.
- ◆ **LionOre Australia (Nickel) Ltd** 80% interest in Maggie Hays Lake Project.
- ◆ **Ramelius Resources Limited** earning up to 75-80% interest in Wattle Dam, Larkinville and Bullabulling Projects.
- ◆ **Bass Metals Ltd** earning up to 70% interest in Hazelwood and Whyte River projects in Tasmania.
- ◆ **Kinsha Exploration Pty Ltd** where the Company retains a royalty in the New South Wales Royalty Project.

We view the Company's strategy of joint venturing its non-core projects positively. This is allowing exploration to be undertaken on these projects which may not have otherwise have occurred for several years under normal wholly owned and funded circumstances. The consequent exposure to share price upside should exploration success occur is significantly increased.



Left: Headframe of the Elverdton Copper Gold Mine forming part of the Ravensthorpe Joint Venture Project.

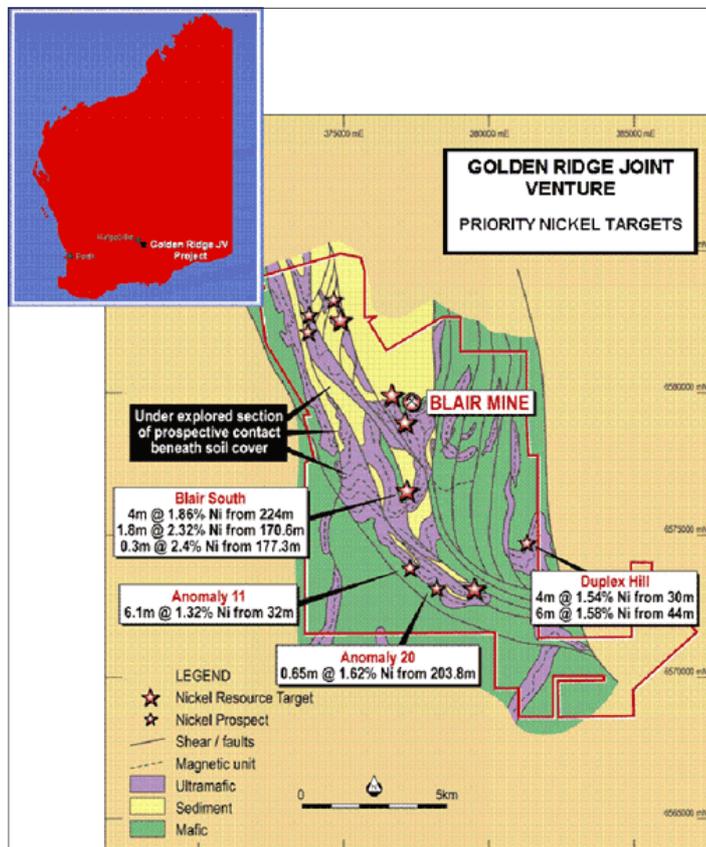
Drilling in late 2006 testing un-mined strike and depth extensions of the main lodes returned several high grade copper-gold intercepts. Drilling is about to recommence.

## Project Summary Highlights

### Golden Ridge Nickel Joint Venture (PIO earning up to 80%)

The Golden Ridge Nickel Joint Venture project is located 25km southeast of Kalgoorlie in Western Australia and linked by a 40km long haul road to the mining centre of Kambalda to the south.

The Joint Venture consists of 14 granted mining Leases, totaling approximately 91km<sup>2</sup> which incorporate approximately 20 line kilometers of the highly prospective Golden Ridge ultramafic units which also host nickel sulphide mineralisation in nearby Blair and Carnilya Hill nickel mines.



Pioneer is earning an initial 51% interest in the Project from Australian Mines Limited (AUZ) by expenditure of \$2.25million within 3 years. At that stage, should AUZ not wish to participate in further exploration expenditure, Pioneer is able to increase its interest to up to 80% free carrying AUZ to feasibility study.

Historical drilling and exploration on the Golden Ridge JV Project has outlined an initial eleven prospects which have known anomalous occurrences of nickel sulphides in drilling intercepts. Of these Pioneer considers five to be *walk up drill targets* namely Blair South, Anomaly 11, Anomaly 20SW, Marshall and Duplex Hill.

#### Blair South – Initial Resource Recently Announced

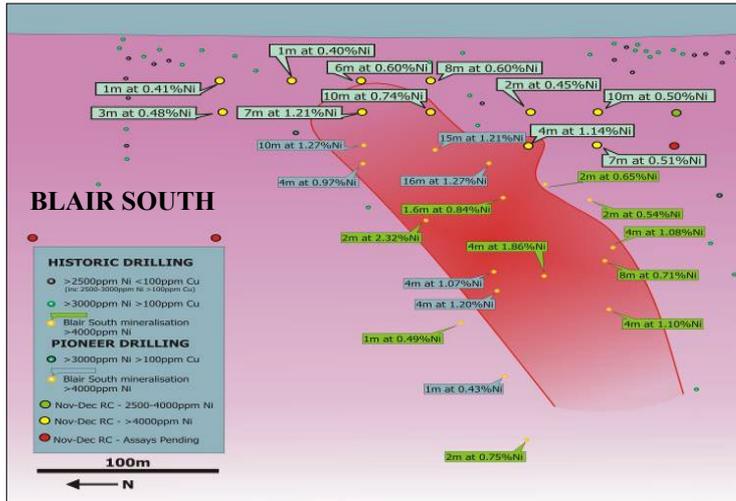
Blair South, located approximately 2.8km south of AUZ's Blair Nickel Mine, is interpreted as lying on the same geological basal komatiite lava contact as the Blair Mine.

Historical drilling (several campaigns) by previous operators have delineated a large shallow zone of low grade disseminated nickel sulphide mineralisation and a deeper plunging higher grade zone above the sediment-lava contact.

Drilling undertaken by Pioneer in late 2006 confirmed and further defined this mineralisation with several holes returning several metres of mineralisation grading >1% nickel and extending the mineralisation towards the surface. Selected 2006 drilling results included:

- 15 metres grading 1.12% nickel & 0.13% copper from 98 metres
- 9 metres grading 1.20% nickel & 0.12% copper from 86 metres
- 17 metres grading 1.16% nickel & 0.12% copper from 99 metres
- 5 metres grading 1.48% nickel & 0.17% copper from 64 metres
- 4 metres grading 1.14% nickel & 0.11% copper from 100 metres

The mineralisation defined in the main 'shoot' shows similar early characteristics to other developed nickel sulphide deposits in the region, i.e. a relatively steeply plunging shoot with limited strike extent, open in more than one direction particularly at depth (shown below).

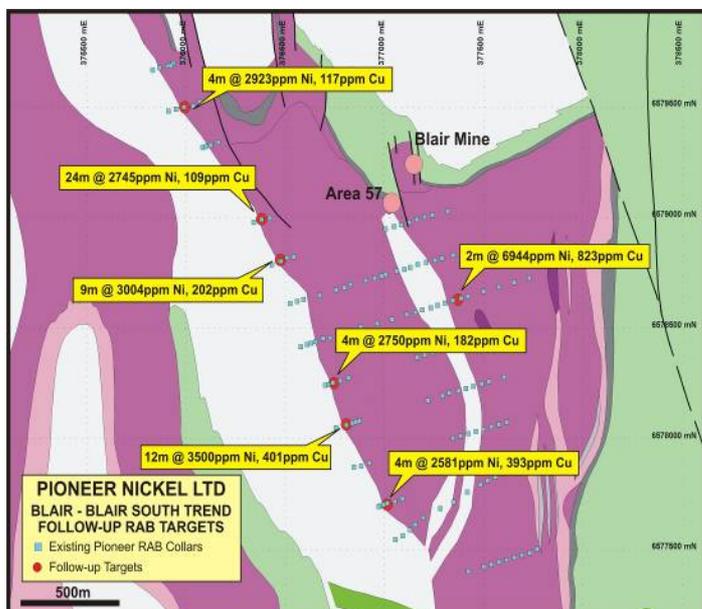


An initial inferred resource for Blair South has been calculated and reported as **151,000 tonnes grading 1.43% nickel for 2,164 tonnes contained nickel.**

We note that whilst its size is not large, there remains significant scope for the resource to grow and even at this stage the resource is of economic interest, particularly at current nickel prices. The Company is undertaking a scoping study on the deposit designed to evaluate its current economic potential and assist the Company in targeting future drill holes chasing extensions to the shallow and deeper mineralisation. Drilling is planned to commence in a few days initially cleaning out some earlier holes to allow down hole EM to occur designed to look for off hole conductors which will be quickly drill tested.

**Blair South Nickel Deposit Likely Not an Isolated Occurrence**

We note that mineralisation of this Kambalda-style frequently forms in clusters. A substantial reconnaissance Rotary Air Blast (RAB) drilling program undertaken in late 2006 has generated some encouraging results over a 2km strike length between Blair Mine and Blair South. The drilling (140holes) has outlined seven areas of elevated nickel and copper values over the western contact of the Blair Mine ultramafic unit. These anomalous zones, demonstrating the high prospectivity of this unit, are now currently the subject of drill target generation to be tested in the near term.

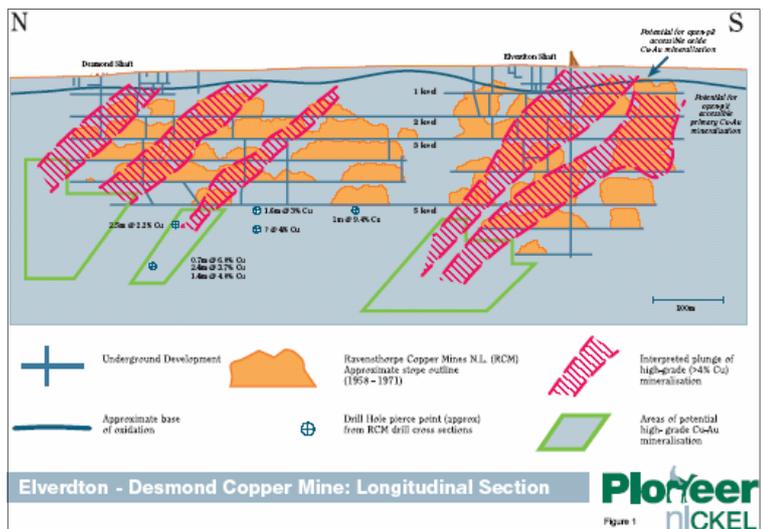


**Ravensthorpe Copper-Gold Project (PIO earning up to 85%)**

The Ravensthorpe JV Project is located 10km south east of Ravensthorpe in WA. It encompasses the historical Elverdtton and Mt. Desmond Copper Gold Mines which produced a substantial amount copper and gold from high-grade ore won from a series of underground workings up to 1971.

Pioneer is earning an initial 75% interest in the Project from Galaxy Resources Limited by sole funding \$500,000 of expenditure on the tenements encompassing the historical mining areas.

Despite a substantial production profile, the Project had, until late 2006, seen negligible modern day exploration since the closure of the mine due to low copper prices.



During the December 2006 quarter Pioneer assessed a series of available mine level plans and drilled a series of holes (19 in total) designed to target the upper 100 metres of the Mt. Desmond and Elverdtton workings where the previously worked lodes were thought to extend into unmined areas.

The drilling programme was very successful with several high grade intercepts announced including:

- 11metres grading 1.06% copper and 0.57gpt gold
- 1 metre grading 9.56% copper and 1.15gpt gold
- 5 metres grading 1.27% copper and 0.36gpt gold
- 7 metres grading 1.11% copper and 53.8gpt gold
- 7 metres grading 2.00% copper and 0.34gpt gold
- 3 metres grading 13.8% copper and 4.30gpt gold
- 15 metres grading 2.32% copper and 2.02gpt gold
- 3 metres grading 3.78% copper and 0.31gpt gold

The copper-gold mineralisation has been identified over an 850 metre strike length. The recent drilling has confirmed the nature of the mineralisation as being dominantly of two types: narrow vein high-grade copper-gold mineralisation enveloped in a lower grade halo of more disseminated copper gold mineralisation. The Company has indicated that the lower grade disseminated mineralisation which remains unmined at shallow levels may potentially be amenable to open pit mining methods.

We believe the Ravensthorpe Project provides Pioneer with an excellent opportunity to define substantial amounts of copper-gold mineralisation along what is a substantial and highly prospective strike length (850metres). In addition, excellent potential for defining additional high grade mineralisation on unmined lodes below existing workings has now been demonstrated, being potentially amenable to underground mining in the short to medium term. We understand that the Company is planning to undertake an initial resource evaluation following the current round of drilling.

## Other Key Projects in the Pioneer Portfolio to Note

### Acra Nickel Project JV, (Jubilee earning up to 75%)

The Acra Project located 60km ENE of Kalgoorlie WA is currently under joint venture whereby Jubilee Mines NL may earn up to a 75% interest in the Project by spending \$6.5 million. Pioneer is free carried to “decision to mine”.

The Project initially attracted Jubilee by the presence of a 700 metre long disseminated nickel sulphide occurrence within ultramafics believed to be an indicator of buried massive nickel sulphides.

Subsequent drilling has intersected massive nickel sulphides in a southern basal ultramafic contact position with best results to date reported as **2metres grading 1.04% nickel**. The drilling has highlighted highly prospective mineralised embayments on this basal contact which is now the exploration focus.

### Silver Swan Northwest Nickel Project JV (BHP Billiton earning up to 80%, PIO 20% free carried to decision to mine)

The Silver Swan JV is located 70km NE of Kalgoorlie WA and only 6.5km northwest of the Black Swan Nickel Mine. BHP Billiton is earning an 80% interest in the Project by spending US\$5 million. The Project is attractive to BHP Billiton due to the presence of several untested geological targets located within thick sequences of ultramafics located along strike of the high-grade Silver Swan Nickel Mine.

### Balagundi Copper-Gold-Base Metals Project (PIO 100%)

Located 30km NE of Kalgoorlie the 123km<sup>2</sup> Balagundi Project is believed prospective for volcanic hosted massive sulphide (VHMS) deposits such as Golden Grove and Teutonic Bore in WA. Drilling by previous operators has returned **4metres grading 3.2% Copper**. Field work is underway to establish the prospectivity of the Project for further drilling activities. Results from reconnaissance augering are expected imminently.

## Director Profiles

### Mr. Reginald N. Gillard, *Non Executive Chairman*

Mr. Gillard is an accountant with over 30 years of experience initially in public practice and now in an advisory capacity focusing on corporate management and the identification and evaluation of resource project opportunities in Australia and overseas. Mr. Gillard has had extensive experience in the successful acquisition and international funding of a number of resource projects particularly in developing countries for Australian and international companies. Mr. Gillard also holds a number of Board positions on ASX listed companies with particular focus on the resources sector.

### Mr. David J. Crook, *Managing Director*

*BSc, MAusIMM*

Mr. Crook is a geologist with over 26 years experience in exploration, mining and management, predominantly within Western Australia. Mr. Crook has significant experience in nickel sulphide, nickel laterite, gold, and other commodities. He has held senior exploration and mining operations roles, including contract negotiation and management and corporate evaluations.

### Dr. Allan Trench, *Non Executive Director*

*BSc, PhD, MAusIMM*

Dr. Trench is a mineral economist, geophysicist and business management consultant with minerals experience including nickel, gold, vanadium and mineral sands. Dr Trench 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, a major petroleum company, and now a London based resource research unit.

### Mr. Peter J. Langworthy, *Non Executive Director*

*BSc, MAusIMM*

Mr. Langworthy is presently the General Manager - Exploration for Jubilee Mines NL where he has been responsible for exploration and mine development activities. Mr. Langworthy has had extensive experience in nickel sulphide exploration extending to regional exploration and operating mines.

## Risks Associated with Investment In Pioneer Nickel Limited

Potential investors need to be aware that investment in Pioneer Nickel Limited, like all investments in junior resource companies, is of a highly speculative nature. Normal share market risk conditions apply including commodity prices, currency fluctuations, sentiment, supply and demand and general economic outlook. Normal exploration, development and production risks also apply as well as operating, environmental, and native title risks.

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Report compiled by  
Ian Spence

BSc. (Joint Hons) Geology & Petroleum Geology, MSc. Mineral Exploration & Mining Geology, MBA  
Resource Consultant