



# Pioneer Nickel (ASX:PIO)

Speculative Buy

## Despite the name this is more than a nickel story

ashearer@taylorcollison.com.au  
+61 8 8217 3900

### Financial Summary

Issued Capital	121.108m ordinary 12.35m options
Market Capitalisation (dil.)	\$2.71m
Share Price (27/02/09)	\$0.024
52 week low	\$0.02
52 week high	\$0.15

**Cash** \$ 0.5 m\*

\* The Company recently announced a Capital Raising strategy, including an SPP to improve this position.

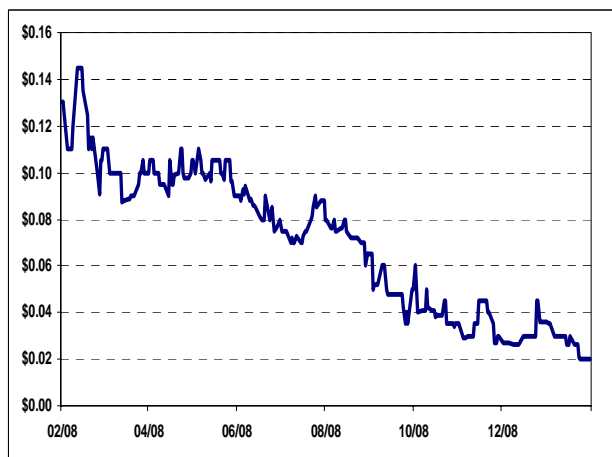
### Directors

Mr Craig McGown	Chairman
Mr David Crook	Managing Director
Mr Allan Trench	Non-Exec Director
Mr Peter Langworthy	Non-Exec Director

### Major shareholders

Xstrata Nickel Pty Ltd	17.5%
Olivier Robert Dupuy	6.2%
Ian Buckhorn	3.7%

### Share Price Graph (A\$)



### Summary

*The company has prospective projects and a proactive management, it just needs cash to undertake exploration. The grade and thickness of gold hits in early drilling at the Lignum Dam (WA) are sufficient to justify a speculative buy.*

*We initiate coverage with a speculative buy for Pioneer Nickel ("Pioneer") based not on only the gold project but the nickel and manganese projects.*

### Key Points

- The team at Pioneer have recently undertaken a strategic review in light of the global financial crisis. Projects and people have been scaled back to reduce expenditure.
- Pioneer's extensive exploration portfolio has been rationalised to focus on the key projects in the portfolio, these are:
  - Lignum Dam (WA) – Gold
  - Mount Chester (WA) – Manganese
  - Acra JV (WA) – Nickel (Funded by Xstrata)
  - Mount Thirsty (WA)- Cobalt-Nickel
- Pioneer is planning a drilling program at its flagship **Lignum Dam Gold Project** to follow up on significant RAB drilling results including **29 metres @ 2.08g/t and 8 metres @ 2.43 g/t gold.**
- The support shown by the multinational mining house Xstrata Nickel in the Acra Joint Venture Project reinforces our judgment of the projects and the people within Pioneer. Xstrata is funding a \$1.2m two year program to earn an 80% interest in the project, with Pioneer managing the project.
- Exploration for minerals can be fickle and high risk but the team at Pioneer are helping their chances by undertaking a sound work approach to exploring their prospective ground.
- The Kalgoorlie District of Western Australia has well proven gold and nickel credentials. It is within this district that Pioneer has the majority of their projects.

### Investment View

The gold and nickel intercepts look promising and the support of a major global company gives a high degree of confidence in management and the projects. The limited cash reserves are however a concern. If the company can raise sufficient funds to continue exploration then there is scope for growth. The Company is currently actively trying to raise funds through an SPP and Professional Investor placements.

## Project Overview

### Lignum Dam Project *Pioneer 100%*.

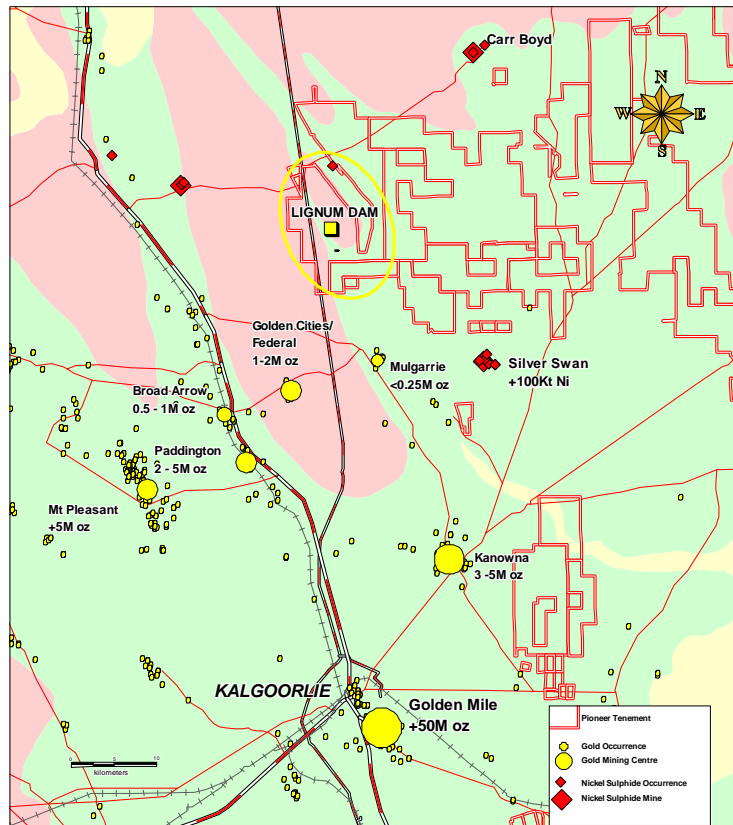
The Lignum Dam project has been elevated to Pioneer's primary project based on the interception of ore grade gold mineralisation during an early stage drilling campaign.

The calibre of intercepts reported over a number of drill holes and the project location warrants more work to be done on the discovery.

The drilling was undertaken in late 2008 as part of a regional RAB program designed to test a soil anomaly. The drilling was completed on traverses between 400m and 100m apart and spaced at 80m or 40m apart along the lines. The results included:

- 29m at 2.08 g/t Au from 36m**
- 4m at 3.13 g/t Au from 12m**
- 2m at 2.11 g/t Au from 40m**
- 8m at 2.43 g/t Au from 36m**

When interpreting these results it is important to bear in mind that the assays are from mostly 4m composite samples, which is standard procedure for this early stage exploration drilling. Drill intercepts of this grade at this shallow depth warrant additional drilling. Now Pioneer needs additional funding to continue the work at Lignum Dam.

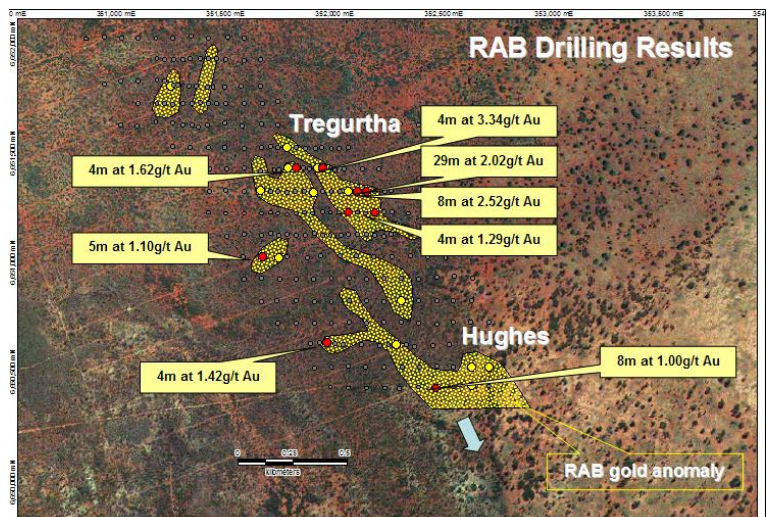


The prospect is located within the mineralised Kalgoorlie region and only 21kms northeast of the operating Paddington Gold Mill and 35km NNW of the operating Kanowna Belle Gold Mill. Having two operational mills within trucking distance provides Pioneer with scope to toll treat ore and hence potentially earlier cash flow.

The adjacent image shows the position of the recent anomalous drill holes and also highlights that the region (yellow shading area) of interest is not only the intercepts, but also the strike length of the anomalous area, approximately 1,200m long and open to the south.

The Company is encouraged by both the length of the RAB geochemical anomaly and the elevated grades returned from shallow, wide spaced drilling.

With gold at all time price highs in Australian dollar terms, and many commentators forecasting higher prices to come, Pioneer has given this project a high priority. Subject to a successful capital raising a program of exploration and resource definition drilling is planned.



The Lignum Dam Project occurs within granodiorite, an environment analogous to the setting of the Federal and Golden Cities Deposits (currently being mined by Norton Gold Fields Limited) located 15km SSW, which had a combined in-ground mineral resource exceeding 1 million ounces of gold.

The Company believes that the Lignum Dam Project has the hallmarks of a moderately sized gold system.

Pioneer plans to advance the project with the objective of securing a decision to develop and mine within the next two to three years.

## Mt Chester Manganese Prospect

*Pioneer 75%, Galaxy Resources Limited 25%, contributing interest.*

The Mt Chester Manganese Prospect is located within granted mining lease M74/163, approximately 9km from Ravensthorpe, Western Australia and 180km from the Port of Esperance.

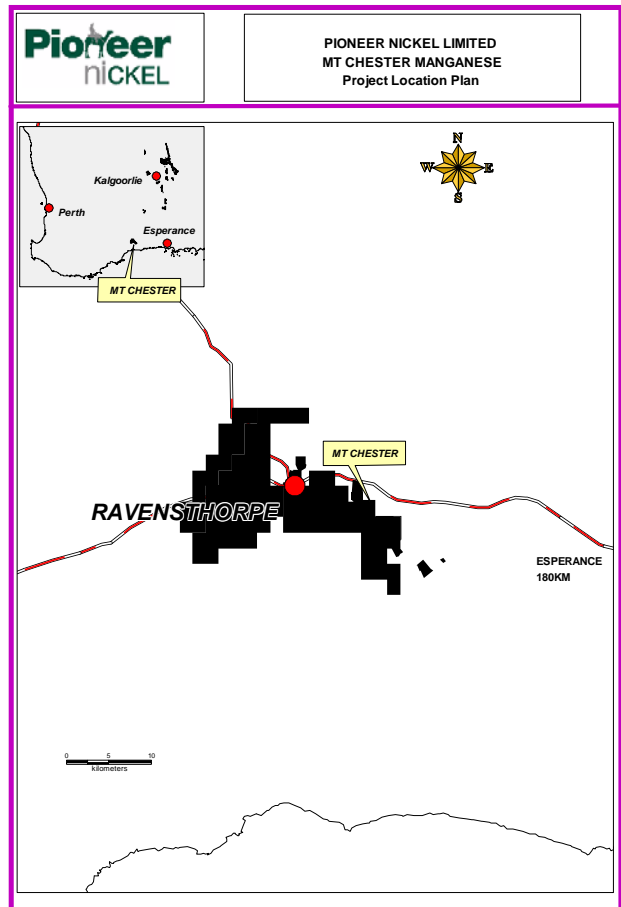
Manganese mineralisation was initially discovered in about 1903 and an adit was completed prior to 1909 to intersect the deposit. This generated a small amount of material for testing as a fluxing agent for a nearby copper smelter.

The Mt Chester Prospect has significant infrastructure advantages over some manganese operations on mainland Australia being 10km from an established town (with an abundant workforce) and 180km from a deep water port.

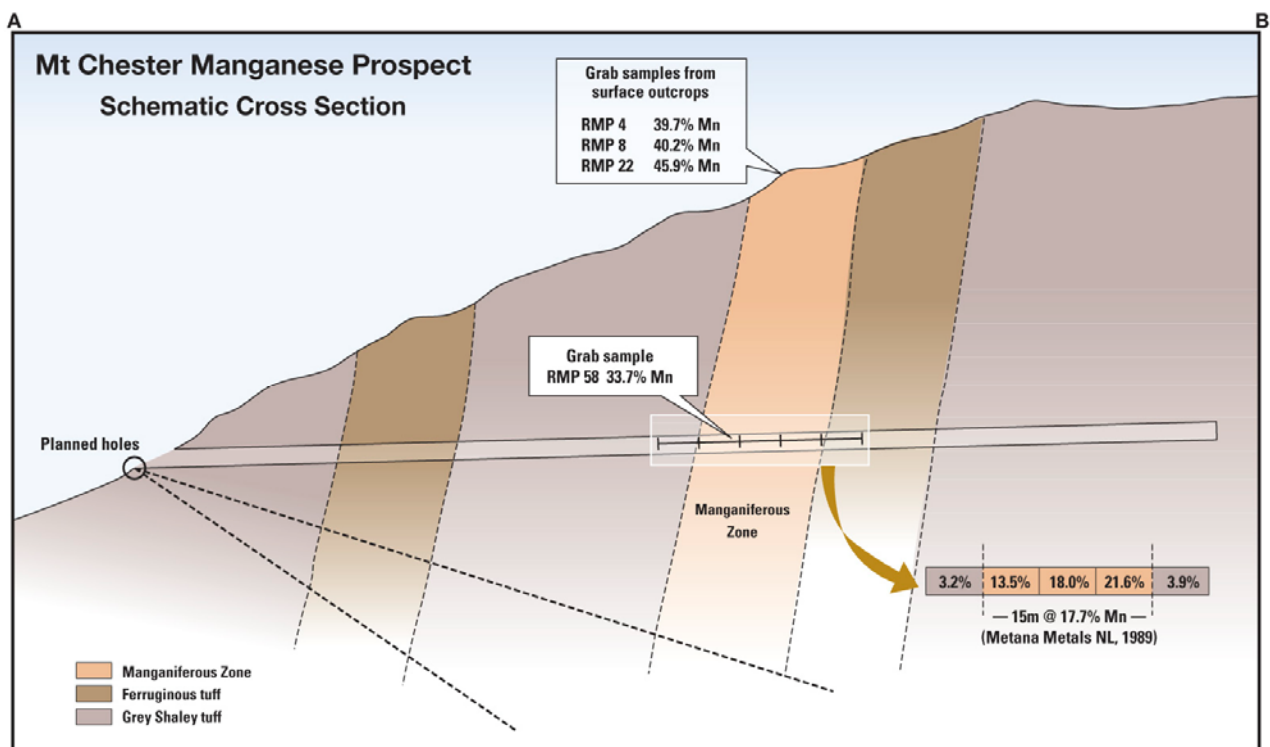
The Company has reported a target based on a 600m long rock chip and soil geochemical anomaly. The outcropping manganiferous horizon has been identified in a historic surface costean and subsurface adit, with an indicated width of 10-15m. Results of rock chip sampling range between 30% and 49% manganese. The manganese mineralisation remains open to both the north and south of the area sampled.

Pioneer had earlier completed XRD determinations of manganese samples from the adit to identify the mineral species. This work has confirmed that the dominant manganese minerals are the highly sought-after pyrolusite and cryptomelane.

A further eighteen samples returned assays above 50% Iron, thought to be a parallel haematite mantle overlying regionally extensive pyrite (FeS<sub>2</sub>) beds.



The Joint Venture has received permits to complete up to 12 initial drillholes to test the prospect.



Schematic Cross Section fro the Mount Chester Manganese Prospect

## NICKEL PROJECTS

The Company's strategic plan has seen an increased emphasis for its gold projects. However, the Company maintains the view that the nickel market is cyclic, and with lower nickel supply now forecast following mine closures and construction delays, the market may see some recovery in the medium term. Pioneer's major shareholder, Xstrata Nickel Australasia Pty Ltd, remains supportive of the Company, recognising its in-house nickel sulphide expertise by transferring management of the Acra JV back to Pioneer but continuing to fund the project.

### Acra Joint Venture Project.

*Xstrata earning 80%, Pioneer diluting to 20%, free carried.*

The discovery of nickel sulphide mineralisation in a basal ultramafic setting has greatly enhanced the prospectivity of the Acra Project. Massive nickel sulphide deposits in the region are typically found along the basal contact of ultramafic lava flows. Deposits of sulphides are also typically concentrated in troughs or channels within the lava flows. Drilling undertaken during mid 2008 reported a 0.1m lens of massive sulphides grading 2.58% Ni from 553.72m at an intact basal contact. The significance of this result has prompted Xstrata to increase their holding in PIO and further fund exploration.

Under the terms of the Joint Venture Pioneer have resumed technical management of the Acra JV Project. With a budget of \$1,200,000 for the next two years, to be fully funded by Xstrata. On completion, Xstrata will have earned an 80% interest in the project. Pioneer will continue to be free carried for further exploration.

The work program for 1H 09 includes deepening an existing shallow hole in an effort to test an off-hole conductor. Additional surface electrical geophysics will be undertaken in conjunction with soil sampling and surface mapping to define new targets.

### Mt Thirsty South Cobalt-Nickel Norseman

*Pioneer 100%*

Drilling undertaken by Pioneer confirmed the presence of mineralised cobalt-nickel lateritic material. Results included 6m at 0.15% Cobalt (Co), 0.35% Nickel (Ni), 1.04% Manganese (Mn), and 3m at 0.46% Co, 0.26% Ni, 5.80% Mn.

The mineralisation occurs along strike from the Mt Thirsty deposit currently being advanced by Barra Resources Ltd and Fission Energy Ltd. The deposit currently has JORC Inferred and Indicated resource of 29 million tonnes at 0.56% Ni, 0.14% Co and 0.88% Mn, at a 0.06% Co cutoff.

Barra and Fission are currently undertaking metallurgical, economic and engineering studies for the Mt Thirsty Project and both have reported very encouraging results. Given the continuous nature of the Mt Thirsty and Mt Thirsty South mineralisation the characteristics for both occurrences should be similar.

We believe that as Barra and Fission advance their project there maybe a positive increase in strategic value of Pioneer's adjacent project.

### Golden Ridge Joint Venture.

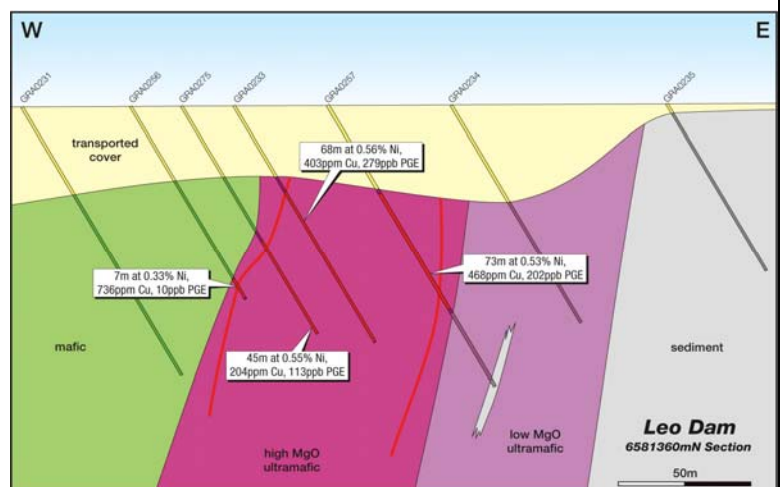
*Pioneer 54%, Australian Mines Limited 46%, contributing interest.*

Based on anomalous nickel, copper and PGE assay results returned from shallow drilling completed last year Pioneer has generated a number of targets within the Golden Ridge Joint Venture.

Results from drilling at the Leo Dam Prospect include:

- 70m at 0.60% Ni, 658ppm Cu and 344ppb Pd+Pt,
- 44m at 0.70% Ni, 1095ppm Cu and 452ppb Pd+Pt,
- 73m at 0.53% Ni, 468ppm Cu and 202ppb Pd+Pt.

This style of result, with elevated PGE assays, occur over two sections of drilling 80m apart. Elevated PGE's are an indicator of a potential nickel sulphide source within the weathered ultramafic rock anomaly.



The Company's Joint Venture partner is currently suspended from the ASX therefore Pioneer is limiting expenditure to the minimum required to keep the tenements in good standing.

## Risks

Whilst the main projects within the Pioneer portfolio have returned encouraging results to date, as yet there is no defined resource present and significant work will need to be done to see the projects advance. The largest impediment to successfully evaluating the mineral potential of Pioneer's tenements will be the sourcing of available cash. The risk associated with the company not being able to sufficiently fund exploration is present and as such makes the stock speculative.

As with any exploration company the underlying inherent risk is that as the concentration of minerals in the earth's crust are non uniform and as such the probability of discovery and development is low.

## Board and Management

### Directors

#### David J Crook – Managing Director

Mr Crook is a geologist with over 27 years experience in exploration, mining and management, predominantly within Western Australia. Mr Crook has investigated nickel sulphide, nickel laterite, gold, and other commodity resources and has an excellent discovery record. He has held senior exploration and mining operations roles, including contract negotiation and management and corporate evaluations.

#### Craig Ian McGown – Non-Executive Chairman

Mr McGown is an investment banker with over 35 years experience consulting to companies in Australia and internationally, particularly in the natural resources sector. He holds a Bachelor of Commerce degree, is a Fellow of the Institute of Chartered Accountants and an Affiliate of the Financial Services Institute of Australasia. Mr McGown is an executive director of the corporate advisory business New Holland Capital Pty Ltd and prior to that appointment was the chairman of DJ Carmichael Pty Limited. Mr McGown has had extensive experience in the corporate finance sector, including mergers and acquisitions, capital raisings in both domestic and international financial markets, asset acquisitions and asset disposals, initial public offerings and corporate restructurings. During the three year period to the end of the financial year, Mr McGown held directorships in Bass Metals Ltd (7 July 2004 to present), Peel Exploration Limited (1 February 2008 to present) and Entek Energy Ltd (18 July 2008 to present).

#### Allan Trench – Non-Executive Director

Dr Trench was appointed a Director on 8 September 2003. 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 1990's. He has subsequently worked with McKinsey and Company, KCGM Pty Ltd and is now with CRU, an independent business analysis and consultancy group, based in London. During the three year period to the end of the financial year, Dr Trench also held a directorship in Navigator Resources Ltd (14 November 2005 to present) and Heron Resources Limited (8 December 2003 to 5 February 2007).

#### Peter Langworthy – Non-Executive Director

Mr Langworthy was appointed a Director on 29 November 2004. Mr Langworthy is presently the General Manager – Exploration for Xstrata Nickel Australasia Pty Ltd (formerly 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. This experience was gained from 11 years with WMC Resources Ltd, which included being Geology Manager for the Leinster Nickel operation and prior to this was Exploration Manager for all nickel exploration in the Mount Keith Leinster belt for WMC. During the three year period to the end of the financial year, Mr Langworthy also held a directorship in Northern Star Resources Ltd (16 June 2006 to present) and Falcon Minerals Ltd (18 February 2008 to present).

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**Analyst:** Andrew Shearer

**Release Authorised by:** David Whiting

Taylor Collison Limited  
Sharebrokers and Investment Advisers  
A.B.N. 53 008 172 450 AFSL No. 247083

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[www.taylorcollison.com.au](http://www.taylorcollison.com.au)

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Level 16, 211 Victoria Square  
Adelaide, South Australia, 5000  
G.P.O. Box 2046, Adelaide, South Australia, 5001  
Telephone: 08 8217 3900 Facsimile: 08 8231 3506  
Email: [broker@taylorcollison.com.au](mailto:broker@taylorcollison.com.au)

Level 10, 167 Macquarie Street  
Sydney, New South Wales, 2000  
G.P.O. Box 4261, Sydney, New South Wales, 2001  
Telephone: 02 9232 1688 Facsimile: 02 9232 1677  
Email: [sydney1@taylorcollison.com.au](mailto:sydney1@taylorcollison.com.au)