



Solid exploration progress on various key projects

In our most recent coverage we highlighted that the company is typical of many high quality junior companies that have been doing it tough in a difficult resource market over the past six months. Encouragingly, we are pleased to report that the company has achieved immediate results with respect to evaluation work on its Lignum Dam gold project in WA, with exciting high-grade, near-surface gold intercepts.

Fat Prophets initially recommended buying Pioneer at 22.5 cents in November (Fat Mining 50). Our last review of this stock was in August (Fat Mining 186).



Turning to the charts, and it is evident that Pioneer Nickel has attracted increased investor support over recent weeks. Accompanied by a significant increase in daily trading volumes, prices have lifted firmly higher, from around the 3 cent region, to a high of 6.6 cents. Following close to 12 months of trading below 5 cents, this revival in upward momentum is an encouraging sign.

From a broader perspective, the weekly chart reveals the depth of the decline since 2007. Nevertheless, with a significant low now in place and investor support beginning to build, we believe there is potential for a sustained push higher over the coming months.



In true Aussie-battler-style, in the face of real market adversity, the company has managed, with the support of its major shareholder, Xstrata, to continue exploration work on a few select projects. Pioneer has refocused and is now primarily active on just two projects, one wholly-owned and the other in joint venture and fully-funded by Xstrata.

Over the past half-year or more, the company has made a strategic decision to scale back its exploration activity and reduce its exploration commitments. This has involved selling equity in some projects and deferring discretionary expenditure on others.

The company's strategic review of its project portfolio has resulted in a focus on two primary projects, comprising its 100%-owned Lignum Dam gold project and its Acra JV nickel project with Xstrata. The company's other projects will receive either sufficient expenditure to keep them in good standing, or will be divested.

Pioneer's priority in-house project is its 100%-owned Lignum Dam gold project, located near Kalgoorlie. The project is well situated for development of any commercial gold discovery, situated 21km northeast of the Paddington gold mill and 35km north-northwest of the Kanowna Belle gold mill.

The company had previously reported a 1.2km long geochemical corridor based on RAB drilling, encompassing the Tregurtha and Hughes prospects. During the June quarter, the company completed a program of 88 RAB holes for 3,538 metres of drilling, infilling and extending the Tregurtha and Hughes prospects.

Importantly, the company believes the Lignum Dam project has the hallmarks of a moderate-sized gold system, with a number of features analogous to the nearby Golden Cities gold camp. Pioneer plans to advance the project with the objective of securing a decision to develop and mine within the next two to three years.

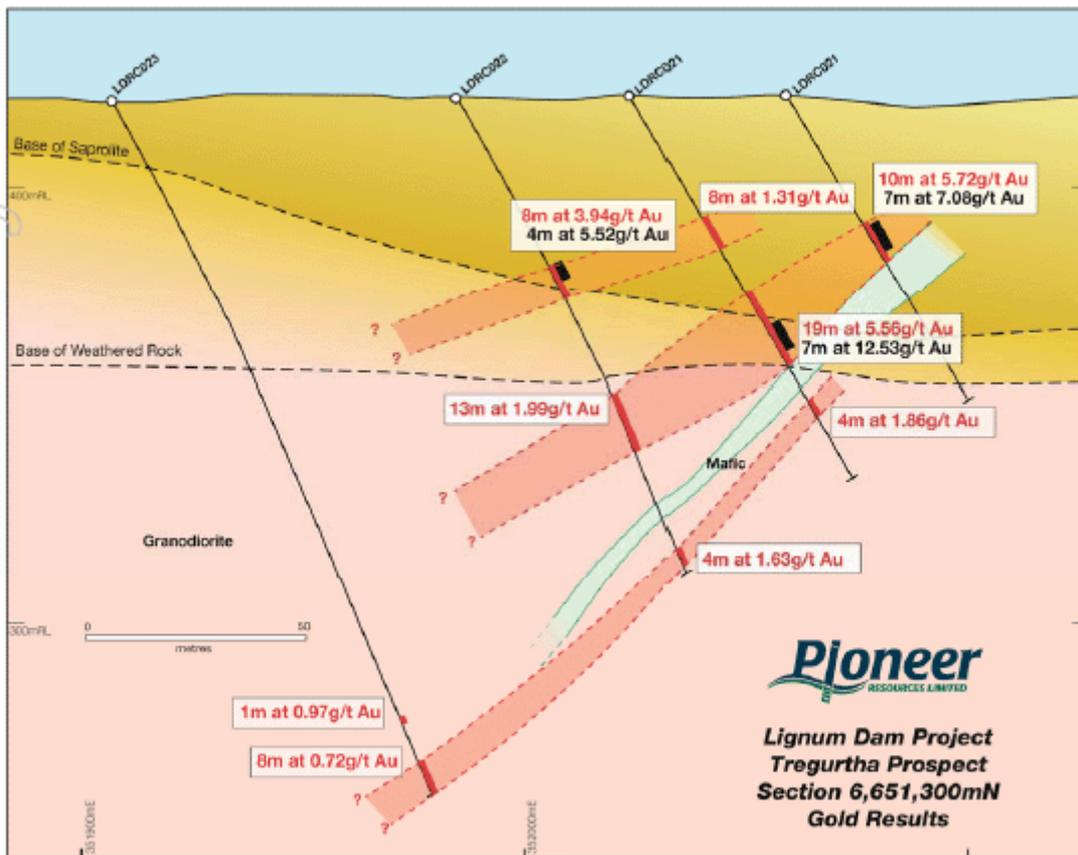


Figure 1: Reverse Circulation Drilling cross section through the Tregurtha Prospect.

And the company has every reason to feel confident, given the immediate and encouraging results from assay work on the first six RC drill holes from the Lignum Dam drilling program. The RC drilling program has comprised 26 completed holes for 2,549 metres, testing previously defined RAB drilling anomalies at the Tregurtha and Hughes prospects, with drilling completed on a 40 x 40 metre pattern.

So far results are available from six of the holes, with five of the holes, drilled on two traverses at the Tregurtha prospect, returning strong gold mineralisation close to surface. In addition, the sixth hole has defined a mineralised structure.

The results from the various holes include:

- LDRC015: 11 metres at 5.63g/t from 40 metres, including 4 metres at 13.37g/t
- LDRC020: 10 metres at 5.72g/t from 34 metres, including 7 metres at 7.08g/t
- LDRC021: 19 metres at 5.56g/t from 52 metres, including 7 metres at 12.53g/t
- LDRC022: 8 metres at 3.94g/t from 44 metres, including 4m at 5.52g/t
- LDRC022: 13 metres at 1.99g/t from 76 metres

The results so far have reinforced the prospectivity of the company's Lignum Dam project, with the remaining results anticipated to be available within the next fortnight.

Lignum Dam is located entirely within areas of sheared and altered granodiorite, an environment is analogous to the setting of the Federal and Golden Cities deposits, hosted within the Scotia Granodiorite, 15km to the south-southwest.

The Federal and Golden Cities deposits, currently owned by ASX-listed Norton Gold Fields Limited, had a pre-mining Mineral Resource exceeding 1,000,000 ounces and are currently being mined as ore feed for the Paddington gold treatment mill.

Pioneer Nickel retains a series of high-quality exploration projects and a supportive major shareholder and exploration partner in Xstrata. Members can read about the company's other projects in our most recent coverage in *Fat Mining 186 on 5 August 2009*.

We think there is every likelihood of further good exploration results from Lignum Dam, hence we are recommending the company as a Buy to Members without current exposure at around 5.5 cents. The company will remain firmly held within the Fat Prophets Mining & Resources Portfolio.

Snapshot PIO

Pioneer Nickel

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\$12m
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