



Determined to fight another day

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.

Fat Prophets initially recommended buying Pioneer at 22.5 cents in November 2007 (Fat Mining 50). Our last review of this stock was in June (Fat Mining 130).



From a share price perspective, the performance of Pioneer Nickel remains disappointing. As evident on the daily chart, prices continue to drift lower, recently trading at 2 cents.

Given the decline over the past 18 months, it is likely to take some time for investor support to turnaround. As such, we anticipate several months of consolidation at the lows, until an upward trend is likely to emerge.



In true Aussie battler-style in the face of real market adversity, the company has battened down the proverbial hatches, cut its expenditure and engaged in a series of modest fund-raising with the support of its major shareholder, Xstrata. This has provided the company with an appropriate level of funding to continue exploration work on a few select projects.

The company has refocused and is now primarily active on just two projects, one wholly-owned and the other in joint venture and fully-funded by major shareholder Xstrata. This decision was taken in the light of current economic circumstances, with Pioneer recently completed a strategic review of its project portfolio.

Like many of its peers, Pioneer has also implemented other cost-cutting measures including staff retrenchments, salary and director fee reductions and downsizing of the Kalgoorlie office.

Over the past six months the company 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.

This has included the company's flagship Acra joint venture with Xstrata, which has been restructured with Xstrata taking a \$170,000 placement in Pioneer, as well as providing funding of \$150,000 per quarter over a two-year period (for a total of \$1.2 million) to implement exploration programs at Acra.

In return, Xstrata will boost its stake in Acra from 75% to 80%. Xstrata now has a 19.8% stake and is the largest shareholder in Pioneer Nickel.

Pioneer has also disposed of an 80% stake in the Pioneer Dome project to Panoramic Resources for \$100,000, but will retaining a 20% free-carried interest.

The company's strategic review of its project portfolio has resulted in the 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 sufficient expenditure to keep them in good standing, or will be divested.

Now let's turn our attention to the company's recent exploration activity, beginning with the

Acra nickel joint venture.

By recently assuming management of the Acra JV with full funding from Xstrata, Pioneer is able to utilise its in-house nickel sulphide expertise to continue with project advancement, without chewing up its own cash reserves. In actual fact the structure of the deal is a tribute to Pioneer, with Xstrata obviously recognising the company's nickel exploration expertise.

As outlined earlier, an exploration budget of \$1.2 million has been agreed for the next two years, to be fully funded by Xstrata. On completion, Xstrata will have earned an 80% interest in the project, whilst Pioneer will continue to be free-carried for further exploration.

Last year the joint venture announced the discovery of an intact, nickel sulphide-mineralised, basal ultramafic contact, which greatly enhances the prospectivity of the project. Work scheduled for completion this year includes a detailed review of the prospect geology in light of the nickel discovery, followed by ground EM surveys and drilling later in the year.

With Acra exploration fully-funded by Xstrata, the company's second project priority is now its 100%-owned Lignum Dam gold project, located near Kalgoorlie. The project is well situated for development of any commercial gold discovery, located 21km northeast of the Paddington gold mill and 35km north-northwest of the Kanowna Belle gold mill.

Previously reported work by Pioneer identified a 1.2km long geochemical corridor based on RAB drilling, encompassing the Tregurtha and Hughes prospects. Some of the drill results from Tregurtha include 29 metres @ 2.03g/t Au, 8 metres @ 2.52g/t Au and 4 metres @ 3.34g/t Au.

The company is encouraged by both the length of the RAB geochemical anomaly and the elevated grades returned from shallow, wide-spaced drilling. The next planned phase of work will be resource identification RC drilling at the Tregurtha prospect, with additional RAB drilling to better define a number of other anomalies already identified within the project area.

Encouragingly, 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.

Importantly, the exploration work planned for the Lignum Dam project funded by Pioneer, and the Acra JV project funded by Xstrata, will allow the company to continue to grow and provide news flow to investors as milestones are met. This will provide Pioneer with a big advantage over many of its junior exploration peers, many of which will have to eliminate all exploration in order just to survive.

Whilst things will obviously be tough, retains core quality projects and a supportive major shareholder and exploration partner in Xstrata. **Pioneer Nickel will remain held within the Fat Prophets Mining & Resources Portfolio.**

Snapshot PIO

Pioneer Nickel

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Market Capitalisation	A\$2m
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