Pioneer Nickel has continued to report highly encouraging drilling results from its Ravensthorpe and Golden Ridge joint venture exploration projects in Western Australia. Both projects are living up to our confident predictions and given the strong price environment for gold, copper and nickel, further encouraging exploration results could justify two separate small-scale mining operations.

"Pioneer is making solid progress on its two main Western Australian joint venture projects."

Fat Prophets initially recommended buying Pioneer at 22.5 cents in November (Fat Mining 50). Our last review of this stock was in December (Fat Mining 54).

From a charting perspective, price movements in Pioneer Nickel have been volatile since its inclusion in the Fat Prophets Mining and Resources Portfolio. Over the past five months, prices have swung between a high of 28 cents and a low of 17 cents.
Encouragingly, prices have moved steadily higher since mid-March with a substantial increase in average trading volumes during the past week. This signals growing investor support for the stock, in our opinion.

While we cannot rule out further volatility in the near term, we believe that continued support will see prices extend the rally above 24 cents in the months ahead. Such a move will target a retest of the all-time high of 28 cents, with further gains above here achievable in time.

We believe the timing is right to revisit Pioneer Nickel, one of the junior base metal exploration plays in our portfolio. The company has just released its March quarter activity report in which it indicates an extremely busy exploration period.

To remind Members, Pioneer Nickel is a junior Western Australian nickel explorer that maintains a portfolio of very promising exploration projects.

Two projects are however of particular interest in our view due to their prospectivity and high levels of exploration activity. These projects comprise the Golden Ridge and Ravensthorpe joint venture projects.

In our previous report, we commented that we were pleased with the initial exploration results from the company’s Ravensthorpe Joint Venture Project.

Ravensthorpe is located in the southern portion of Western Australia. The company now boasts a regional tenement holding of more than 260 sq km, within which its Ravensthorpe Joint Venture area encompasses 23.5 sq km.

The joint venture ground 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 Elverdon-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 could earn an initial 75% stake in the Ravensthorpe Project by spending $0.5 million on exploration and potentially increase this by a further 10% to an eventual 85% stake. During the March quarter, Pioneer completed its 75% earn-in commitment.

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.

Pioneer completed 12 drill holes during the quarter, with assay results awaited. We do however know that the holes intersected varying widths of the targeted disseminated copper sulphide mineralisation before drilling through the old workings.

Old timers mined high-grade copper ore to depths of up to 200 metres below surface, but below this level is
entirely untouched and unexplored. Pioneer has however encountered high grade copper in two previous drill holes, ELV002 that encountered 1 metre @ 9.56% Cu and ELV012 that intersected 3 metres @ 13.8% Cu.

We understand that drilling to target massive copper sulphide mineralisation below the old workings will commence in around six weeks time.

Meanwhile, regional exploration work is trying to establish an accurate model of the company’s greater Ravensthorpe project area. The company has flown geophysical surveys covering a 290 sq km area, that have provided geological information on ultramafic units prospective for nickel sulphides and structural controls for the Ravensthorpe copper-gold mineralisation.

In addition, it has taken grab samples from old copper-gold workings north of the nearby historic Mt Desmond mine, which have returned highly anomalous copper and gold results. Pioneer believes that these sampling results demonstrate the prospectivity of the greater Ravensthorpe project area, away from the main historical workings.

We maintain our view that Ravensthorpe has the potential to generate production and cashflow in the vicinity of old workings within the near term. Meanwhile 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 junior nickel producer, Australian Mines, to explore the project. Pioneer can earn an initial 51% stake, which it can increase to 80%.

Golden Ridge encompasses more than 100 sq km of highly prospective nickel ground, respectively 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.

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 55-hole drilling program has identified the presence of an ultramafic basal contact that occurs between the Blair mine and the Blair South prospect. Pioneer considers this to be a very prospective for a new nickel sulphide discovery and further work will target this high priority zone. Pioneer will now undertake downhole EM (electromagnetic) surveying to better define the target, ahead of further drilling.

As the Golden Ridge project comprises predominantly granted mining leases crossed by a 40km haul road, we believe Pioneer could quickly commercialise a nickel sulphide discovery for a relatively modest capital outlay. Current record nickel prices would make such a development even more attractive.

In order to fund its aggressive ongoing exploration programs, Pioneer Nickel raised an additional $2 million in exploration funding. This boosted pioneer's cash and marketable equities position as at 30 April 2007 to $5.7 million.

With an active work program, we anticipate further positive exploration news from both the Ravensthorpe and Golden Ridge projects that could significant advance their near-term development prospects. Its modest market capitalisation of just $19 million means it is highly leveraged to exploration success.

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 22 cents.
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