

# Pioneer Nickel Limited PIO (\$0.20 Issue)

## Prospectus Summary

Analyst: Andrew Driscoll



### Investment Highlights

- ▲ Pioneer Nickel is offering for subscription 22.5m shares at an issue price of \$0.20 per share to raise \$4.5m. The company will apply the funds to the exploration of high grade nickel sulphide deposits predominantly in Western Australia. Following the issue, the company will have a market capitalisation of \$7.8m, with about \$3.7m in cash.
- ▲ The Pioneer tenement portfolio provides a large landholding of 2,433km<sup>2</sup>, predominantly over one of the best documented Eastern Goldfields komatiite Nickel Sulphide provinces, the Pioneer - Widgiemooltha - Depot Domes. These structures are easily accessed and are associated with excellent infrastructure.
- ▲ The two key projects for initial drilling are Acra and Pioneer. The sulphide bearing channel at Acra has been identified in drilling over a strike of 200m, and is open at depth. Better drill results include 18m at 0.6% Ni and 21m at 0.5% Ni. The Pioneer project contains stratigraphy that correlates with the mine sequence at Miitel, Redross and Mt Edwards. Better drill results include 3.2m at 3.2% Ni and 0.6m at 3.9% Ni.
- ▲ There has been limited modern nickel sulphide exploration completed on Pioneer's tenement portfolio. Pioneer will be the first company to complete systematic surface Electro Magnetic (EM) surveying with follow up drilling and down-hole EM. Of the funds raised \$3.1m is proposed in the exploration budget, with \$1.6m earmarked for drilling.
- ▲ The Pioneer Board comprises Mr Craig Readhead as the Non-Executive Chairman, Mr David Crook as the Managing Director, and Mr Ian Buchhorn and Dr Allan Trench as Non-Executive Directors.

**Paterson Ord Minnett has been appointed Lead Manager to the Initial Public Offer of Pioneer Nickel Limited, and will receive a fee for this service.**

Company & Offer Statistics			
Ordinary Shares	38.9m	Daily Vol.	na
Market Cap (issue)	\$7.8m	Debt	\$0.0m
52 Week Range	na	Cash (est)	\$3.7m
<b>Indicative Dates</b>			
Offer opens		24 October 2003	
Record Date for Heron Shareholders' Entitlement		28 October 2003	
Closing Date for Heron Shareholders' Priority Allocation		12 November 2003	
Offer closes		21 November 2003	
Expected date for quotation on ASX		5 December 2003	
<b>Offer Statistics</b>			
Heron Vendor, Other Vendor, & Managing Director Shares		16.4m	
Initial Public Offer (\$4.5m)		22.5m	
<b>Total Shares</b>		<b>38.9m</b>	
Pioneer Directors, Management & Heron Employees Options		3.5m	
Heron Vendor Options		3.5m	
<b>Total Options (ex \$0.25, Dec 2007)</b>		<b>7.0m</b>	

Investment Summary		
<b>Directors</b>		
Craig Readhead		Non Executive Chairman
David Crook		Managing Director
Ian Buchhorn		Non Executive Director
Allan Trench		Non Executive Director
<b>Key Projects</b>		<b>Comment</b>
Acra Project		Nickel sulphides identified over a 200m strike
Pioneer Project		Correlates with the Miitel mine sequence
Wattle Dam Project		Immediate strike extension of Spargoville
Higginsville Project		Ultramafics along W & S margin of Pioneer Dome
Heazlewood Project		Ultramafic complex historical alluvial PGM production

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## Business Summary

- ▲ Pioneer Nickel has evolved through a demerger process with Heron Resources Limited, following the transfer of all the defined nickel sulphide assets of Heron. Consideration for the transfer includes 15m shares, which will be distributed in specie to Heron shareholders between 6 to 24 months following the listing of Pioneer, and 3.5m options. Heron Shareholders will have a priority right to apply for Pioneer shares on a 1 for 5 entitlement basis.
- ▲ Pioneer Nickel is an exploration company seeking to develop nickel sulphide deposits in the region of the Pioneer, Widgiemooltha and Depot Domes south of Kambalda, and the Acra-Silver Swan region north-east of Kalgoorlie, Western Australia.
- ▲ Pioneer's aim is to leverage off its long established expertise in nickel project acquisition, by employing a modern, well funded exploration strategy involving systematic EM and drill exploration of the acquired projects, to explore for Nickel Sulphides.

**Table 1: Capital Structure**

Shares	
Heron Subscriber and Vendor Shares <sup>1</sup>	15.0m
Other Vendor Shares <sup>2</sup>	1.0m
Managing Director Shares <sup>2</sup>	0.4m
Initial Public Offer (\$4.5m)	22.5m
<b>Sub Total</b>	<b>38.9m</b>
Oversubscriptions	5.0m
<b>Total Shares</b>	<b>43.9m</b>
Pioneer Directors, Management & Heron Employees Options	3.5m
Heron Vendor Options	3.5m
<b>Total Options (ex \$0.25, Dec 2007)</b>	<b>7.0m</b>

*Source: Company*

<sup>1</sup> For In Specie Distribution to Heron Shareholders

<sup>2</sup> Other Vendor Shares issued at \$0.03, Managing Director Shares at \$0.07

## The Projects

- ▲ **ACRA PROJECT** – The channel has nickel sulphide mineralisation identified in drilling over a strike of 200m, which is open at depth. Down-hole EM has detected a very strong response in ARC-02, considered consistent with the presence of massive sulphides, located 100m along strike of drilling which intersected 74m of disseminated nickel sulphides. Better drill results include:
  - 21m at 0.5% Ni in AD-013;
  - 18m at 0.6% Ni in ARC-003; and
  - 0.27m of massive sulphide at 4.36% Ni in AD-004

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▲ **PIONEER PROJECT** – The Pioneer project contains ultramafic stratigraphy that correlates with the mine sequences at Miitel, Redross and Mt Edwards Nickel Sulphide mines. Better drill results include:

- 0.6m at 3.9% Ni in JH4;
- 3.2m at 3.2% Ni in JH8;

The JH Deposit is reported to contain 32,500 tonne at 1.1% Ni (not JORC standard).

In addition to testing for down plunge extensions to the JH and BB Deposits, aeromagnetic interpretation by Pioneer has located additional discrete zones of thickening within the ultramafic stratigraphy, consistent with the presence of further komatiite channels.

▲ **WATTLE DAM PROJECT** – The Spargoville mine sequence komatiite unit at Wattle Dam includes the immediate strike extensions of the Spargoville 1A, 5A, 5B, Andrews and Mt Edwards Nickel Sulphide mines. Soil geochemistry shows Wattle Dam to be highly anomalous, with coincident nickel and copper values over the Spargoville Mine sequence, providing immediate targets for surface TEM and drilling.

▲ **HIGGINSVILLE PROJECT** – The Higginsville project targets the Pioneer ultramafic unit along the western and southern margin of the Pioneer Dome. The project includes the Spinifex Nickel Sulphide prospect, with excellent coincident Ni-Cu-PGM soil anomalism, and the 399 Prospect, with high order Ni-Cu anomalism adjacent to the Jemberlana Dyke. Neither anomaly has previously been drill tested. Aeromagnetic interpretation by Pioneer indicates the presence of discrete komatiite channels associated with the soil anomalies, which will form the focus of Pioneer's exploration.

▲ **MAGGIE HAYS LAKE JOINT VENTURE PROJECT** – Pioneer has entered into a joint venture with LionOre Australia (Nickel) Pty Ltd to explore the Maggie Hays Lake prospect, whereby LionOre may earn a 70% interest in the project through expending \$200,000.

▲ **SILVER SWAN NORTHWEST PROJECT** – Silver Swan Northwest project covers komatiite sequences on the east limb of the Scotia Kanowna Anticline, 6.5km NW along strike of the Silver Swan Nickel Sulphide mine. Regional aeromagnetic studies confirm the association of ultramafic channels to the known deposits at Silver Swan and Scotia, respectively immediately South and West of the project area.

▲ **BOOMERANG LAKE PROJECT** – The Boomerang Lake project covers 66km of strike of the Emu Fault, with associated ultramafic channel units. At Binti Binti immediately south of the project, previous drilling has been reported as returning 0.3m at 7.6% Ni and 1.0m at 2.3% Ni.

**Table 2: Allocation of Funds (\$4.5m IPO)**

	Year 1	Year 2	Total
	(\$m)	(\$m)	(\$m)
Exploration Expenditure	1.43	1.69	3.12
Corporate Administration	0.30	0.30	0.60
Offer Costs	0.58	0.00	0.58
Repayment of Loan / Management Fee to Heron	0.20	0.00	0.20
<b>Total</b>	<b>2.51</b>	<b>1.99</b>	<b>4.50</b>

*Source: Company*

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## Management

- ▲ **Craig Readhead (Non Executive Chairman)** – a lawyer with 25 years legal and corporate advisory experience, with specialisation in the resources sector. Mr Readhead is a partner of a law firm and is a director of a number of listed and unlisted public companies involved in mining and exploration in Australia.
- ▲ **David Crook (Managing Director)** – a geologist with 24 years experience in relevant 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.
- ▲ **Ian Buchhorn (Non-Executive Director)** – a mineral economist and geologist with 30 years experience. Mr Buchhorn has worked on nickel, bauxite and industrial mineral mining and exploration, gold and base metal project generation, gold mine operation and in corporate evaluations.
- ▲ **Allan Trench (Non-Executive Director)** – 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.

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