

Pioneer nickel

ABN 44 103 423 981



annual report
2004



Pioneer
nickel

Corporate Directory

DIRECTORS

Craig Leslie Readhead
Non-Executive Chairman

David John Crook
Managing Director

Ian James Buchhorn
Non-Executive Director

Allan Trench
Non-Executive Director

COMPANY SECRETARY

Julie Anne Wolseley

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STOCK EXCHANGE LISTING

The Company's shares are quoted
on the Australian Stock Exchange.
The Home Exchange is Perth.

ASX CODE

PIO - ordinary shares

ABN

44 103 423 981



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Objectives and Strategy

Pioneer Nickel Limited is a dedicated exploration company, working to discover the hidden wealth of mineral resources within its tenement portfolio. An integral part of this strategy is the implementation of best practice scientific, workplace and safety systems to ensure the best possible outcome for investors and employees.

Our exploration philosophy is to focus the majority of our activity on the highly prospective near-mine ultramafic units of Western Australia, whilst constantly reviewing tenement and project opportunities, which could expedite our transition into a miner.

Chairman's Letter

It is with great pleasure that I present to you the first Annual Report for Pioneer Nickel Limited. Pioneer successfully listed on the ASX on 4 December 2003, raising \$5.5 million with the promise "to hit the ground running". As this Annual Report demonstrates, your Company has maintained this commitment by significantly advancing the status of its high quality assets.

Our Prospectus made undertakings to explore a very prospective portfolio of tenements for nickel sulphides, primarily within the Eastern Goldfields of Western Australia. The initial work programmes completed have focussed on updating information, much of which dates back to the 1970s, using the latest scientific technology available.



Since listing, our team and consultants have completed soil and electromagnetic surveys taking advantage of technological advances, generating targets that are mapped and tested in a systematic fashion by drilling.

Pioneer's work at the Acra Project has identified extensions to the disseminated nickel sulphide deposit which is often the first vector to a massive sulphide deposit. The size and nature of the deposit attracted the attention of Jubilee Mines NL with whom we have now established a \$6.9 million joint venture.

At the Wattle Dam and Silver Swan Northwest Projects, our geologists have mapped the prospective "basal contact" and through geochemical modelling, identified areas for further detailed evaluation. The Pioneer Project, where explorers had previously outlined a shallow nickel sulphide resource, will be drilled when granted.

The Company is constantly looking for opportunities to grow and is assessing alternative strategies to maximise our market capitalisation.

As a part of this strategy, Pioneer has acquired a 4.3% stake in unlisted Galaxy Resources Limited, which holds a prospective portfolio of tenements near Ravensthorpe, WA. In addition, Pioneer has farmed in to Galaxy's Aerodrome Nickel Sulphide Project.

Most importantly however, Pioneer achieved additional market recognition when it was recently announced that Jubilee Mines NL has committed to become a cornerstone investor, and will hold approximately 10% of your Company's issued capital.

Looking ahead, Pioneer will continue to generate and test targets, with drilling currently planned at the Wattle Dam, Silver Swan Northwest and Pioneer Projects. Should the exploration risk associated with any project increase, Pioneer will look for a well credentialed partner to ensure that the Project's development is maintained.

Finally, the quality of the work undertaken is predicated by the quality of the team, and Pioneer has been able to put together a team of nickel sulphide specialists, based in Kalgoorlie, who have impressed with their skill and work ethic. My fellow Directors join with me in sincerely thanking our employees and consultants for their outstanding efforts during our inaugural year. In particular I wish to recognise the significant contribution that has been made by David Crook as our Managing Director during the Company's first year of operations. We look forward to building on these efforts in the years ahead.

A stylized, handwritten signature in black ink that reads "Readhead".

Craig Readhead
Chairman

Corporate Overview

On 4 December 2003 Pioneer successfully listed on the ASX, fully oversubscribed, raising \$5.5 million.

Since listing, Pioneer's achievements include:

- Substantially adding to the knowledge and value of its tenement portfolio through generating and testing nickel sulphide targets. This has resulted in a major \$6.9 million farm-out joint venture with Jubilee Mines NL ("Jubilee") for the Acra Project;
- As an adjunct to the joint venture Jubilee will become a significant shareholder in Pioneer and will hold approximately 10% of Pioneer's issued capital;
- Under the terms of the joint venture and a placement to Jubilee, Pioneer will receive \$0.84 million of cash, which will fund exploration on other Pioneer projects;
- The acquisition of a 4.3% stake in unlisted Galaxy Resources Limited ("Galaxy"), which recognises the strategic portfolio of tenements, prospective for a range of commodities, held by Galaxy at Ravensthorpe, Western Australia;
- A \$0.5 million farm-in joint venture with Galaxy at the Aerodrome Nickel Sulphide Project;
- Successful management on behalf of shareholders of the elimination of approximately 1,000 unmarketable parcels of Pioneer shares that were created as a result of the recent in-specie distribution of 15 million Pioneer shares by Heron Resources Limited.



The effect of Jubilee acquiring a strategic 10% investment in Pioneer has been to provide to the market independent recognition that your Company holds an outstanding portfolio of tenements. The agreement also provides Pioneer with access to Jubilee's exploration and mining expertise while developing the Acra project at an accelerated rate.

Jubilee had considered a number of corporate and other opportunities in the nickel sector, and stated that "the agreement with Pioneer Nickel was in line with the Company's focus on organic growth opportunities and represented a strategically important investment in an area considered very prospective for the discovery of high grade nickel sulphides, complementary to Jubilee's existing interests".

Your Company has maintained a strong cash position, which will be further supplemented by the capital raised from Jubilee, ensuring minimal financial risk to Pioneer investors.



Above: Managing Director, David Crook
This photo: Old drill site at Pioneer JH

Operations Overview

Immediately following its ASX listing, Pioneer commenced drilling at the Acra Project. Since then, operations have included aggressive modern exploration programmes using a range of scientific and geological techniques that were not available to earlier nickel sulphide explorers, combined with detailed research and collation of historical information.

Since the 1970s, when many of Pioneer's tenements were last explored specifically for nickel sulphides, many advancements have been made in the understanding of the ore genesis process, which has a fundamental bearing on the exploration methodology used. This is in addition to improvements in analytical techniques and advancements in geophysical technology. Pioneer's management has long established working relationships with Newexco Services Pty Ltd and Southern Geoscience Consultants Pty Ltd, who facilitate Pioneer's geophysical exploration.

Since listing Pioneer's operational achievements include:

- Identifying extensions to both the strike and dip of the Acra disseminated nickel sulphide deposit, with results attracting a partner for a major joint venture. The Acra Joint Venture means that the project will be explored at a greatly accelerated rate;
- Detailed mapping, geochemistry and stratigraphic drilling to identify nickel sulphide targets at Wattle Dam;
- 28.2 square kilometres of electromagnetic surveys completed at Acra, Wattle Dam, Silver Swan Northwest, Jubilee and Lady of the Lake;
- 5,146 geochemical samples assayed;
- 5,213 metres of RC drilling in 34 holes to provide geological information;
- Detailed aeromagnetic surveys at Wattle Dam and Higginsville; and
- Additional drill-ready targets identified at Silver Swan Northwest and Pioneer.

Pioneer has captured much of the historical information for its tenements and complemented this with new mapping, soil geochemistry, electromagnetic surveys and drilling to advance geological understanding. Our period since listing has been very active with four projects, Acra, Wattle Dam, Higginsville and Silver Swan Northwest being the focus of exploration activities.



Brad Daddow mapping Costeans



MLTEM & geochemical sampling



Administration Manager Linda White

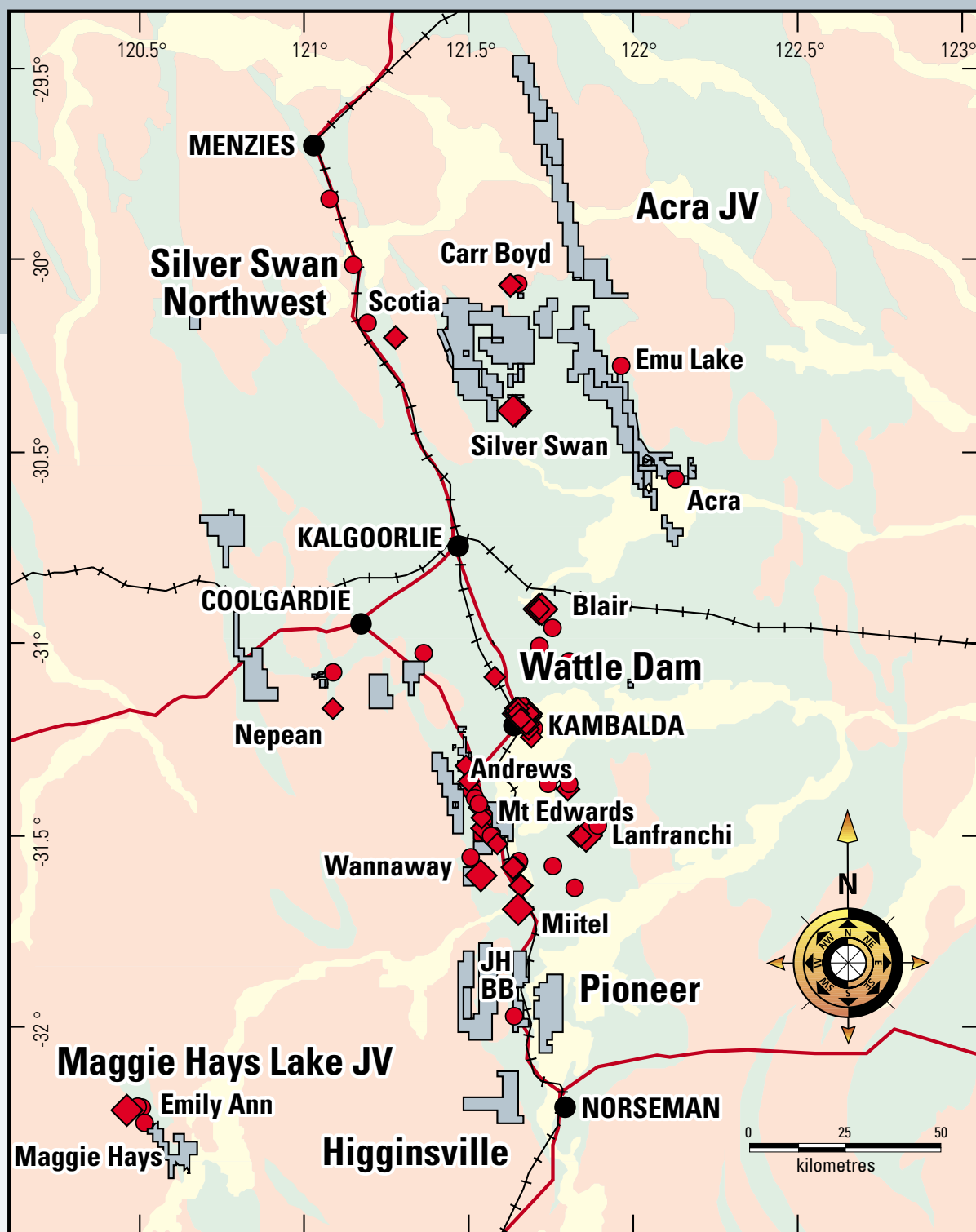
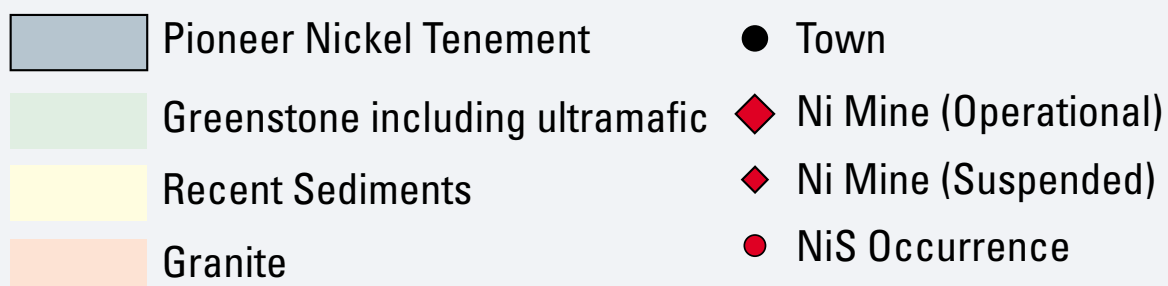


Fig.1 Eastern Goldfields WA Tenement Portfolio



Project Review



DEFINITIONS

Transient Electromagnetic Surveys ("TEM") can either be

- Moving Loop ("MLTEM");
- Fixed Loop ("FLTEM"); or
- Down hole ("DHTEM").

Reverse Circulation ("RC") drilling is a technique which delivers pulverised rock to the surface through an inner drill rod tube.

Ni means nickel and **NiS** means nickel sulphide.

Nickel Boom explorers used "**costeans**" - trenches up to 2m deep – excavated across the basal contact of ultramafic rocks as an exploration tool.

Sulphide minerals found in nickel sulphide deposits include: nickel minerals pentlandite and violarite; copper minerals chalcopyrite and covellite; and iron minerals pyrrhotite and pyrite.

A **Gossan** forms at the surface when massive sulphides oxidise.

The information within this report as it relates to geology and mineralisation was compiled by Mr David Crook who is a member of the Australasian Institute of Mining and Metallurgy and is a competent person with over 20 years experience in the minerals industry, including the activity reported. This person consents to the inclusion of this information in the form and context in which it appears in this report.

Wattle Dam Project

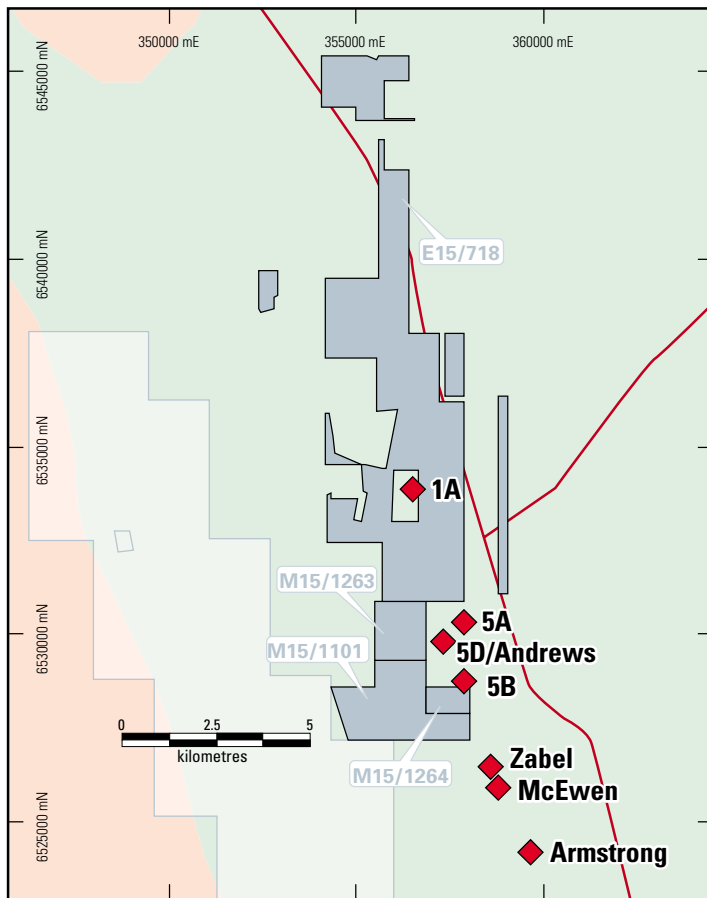
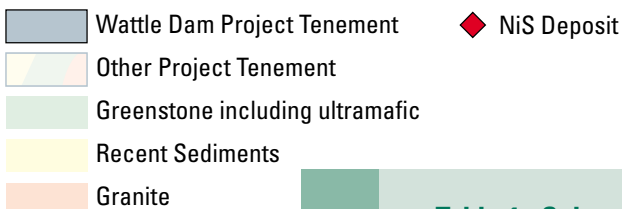


Fig.2 Wattle Dam Tenement Map



WATTLE DAM PROJECT

Pioneer 100% (nickel).

Ramelius Resources Ltd owns certain non-nickel mineral rights.

The Wattle Dam Project is located 20km SW of Kambalda and covers the very prospective northern Mt Edwards-Spargoville section of the Widgiemooltha Greenstone Belt. The project comprises a portfolio of one exploration licence, three prospecting licences, three mining leases and two mining lease applications that cover approximately 64 square kilometres.

Ultramafic units in this area host numerous nickel sulphide mines and deposits in close proximity to, or in excisions within, Pioneer's tenure, including the Armstrong, Zabel and McEwen Deposits held by Titan Resources NL, and the 1A, 5A, 5B and 5D Deposits held by Breakaway Resources Limited.

The Wattle Dam Project was explored by Selcast Exploration Limited ("Selcast") during the 1960s and 70s which resulted in the 5D (Andrews Shaft) Deposit being discovered and mined. Whilst a large amount of the historical geochemical record is not available, Pioneer has obtained results for 24 Selcast drill holes which were collared within the Wattle Dam Project. Significant results from this record are shown in Table 1. Confirmation drilling is planned.

Table 1. Selcast Percussion Drilling: Recorded Significant Results

Hole ID	Prospect	North (m)	East (m)	From (m)	To (m)	Intercept (m)	Ni (%)	Cu (ppm)
PH172	1A(w)	15,722	8,920	15.2	24.4	9.2	0.60	114
				and 38.1	42.7	4.6	0.86	805
PH175	1A(w)	15,672	8,917	68.6	71.6	3.0	0.57	73
PH176	1A(w)	15,623	8,940	4.6	6.1	1.5	0.91	150
				and 12.2	18.3	6.1	0.66	234
PH218	1H	16,563	8,462	22.1	27.4	5.3	0.83	806
				and 36.6	42.1	5.5	0.62	453

NB: All measurements are conversions from imperial data and are approximate.



Senior Geologist Clayton Davy's sampling at Wattle Dam

Geophysical Surveys

In consultation with Southern Geoscience Consultants Pty Ltd, Pioneer has completed a detailed aeromagnetic survey over the entire project and wide-spread MLTEM surveys over much of the project. Data acquired was interpreted to determine facings of ultramafic units and possible accumulations of magnetic or conductive sulphides.

Geochemical Surveys

Medium and high density soil geochemistry programmes, combined with detailed geological mapping, have been completed.

This has resulted in drill targets being generated at the 1A west, 1H, 5B south, 5J and 5K Prospects. In addition, a nickel sulphide gossan found by a prospector at 1M is also the location of detailed work.

Reverse Circulation Drilling

Pioneer completed seven reverse circulation drill holes for a total of 1,084m. Holes were designed to identify the geological nature of conductive rocks at each location.

Pioneer drill hole WRC008, which was collared at the 5J Prospect, encountered a high-magnesian ultramafic unit, locally described as "Spotted Dunite", which is the host unit at all the Spargoville nickel sulphide mines. Anomalous nickel results, of up to 0.45% Ni from this hole, are consistent with a nickel sulphide-endowed environment.

Outlook

Pioneer ranks the Wattle Dam Project very highly due to its proximity to known nickel sulphide mines. Further work programmes are planned, including ongoing geological mapping, geochemistry and drilling. Deeper drill holes will be used as a platform for down-hole geophysical surveys, to locate conductors that may indicate massive sulphide mineralisation.

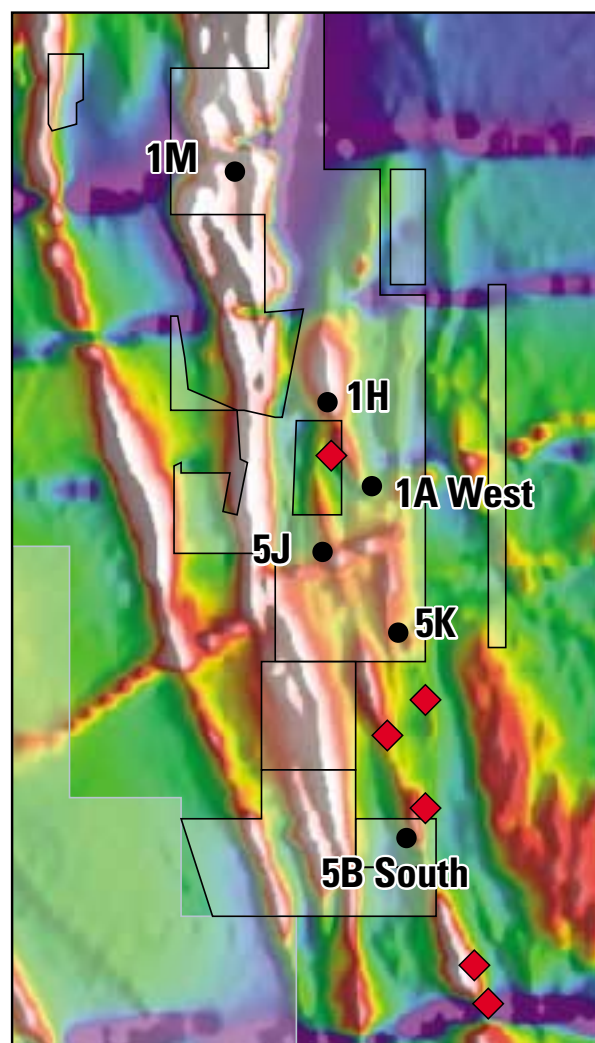
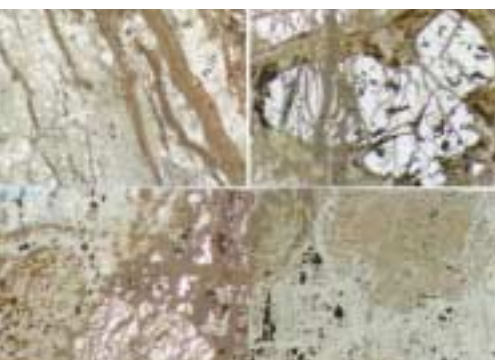
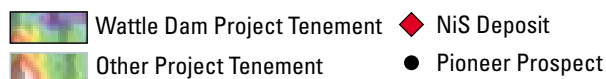


Fig.3 Wattle Dam Magnetic Image



Photomicrograph of gossan sample from 1M

"Remnant sulphides consist of supergene pyrite pseudomorphing pyrrhotite. Former primary pentlandite (10%) as 2.0mm sized grains are thinly disseminated throughout the pyrrhotite and also form as narrow veinlets within the groundmass. A small number of remnant violarite patches up to 0.5mm in size are preserved within the sulphidic zone. Minor very fine aggregates of covellite after former chalcopyrite are associated with the violarite." Crossley, R, 2004

Acra Joint Venture Project

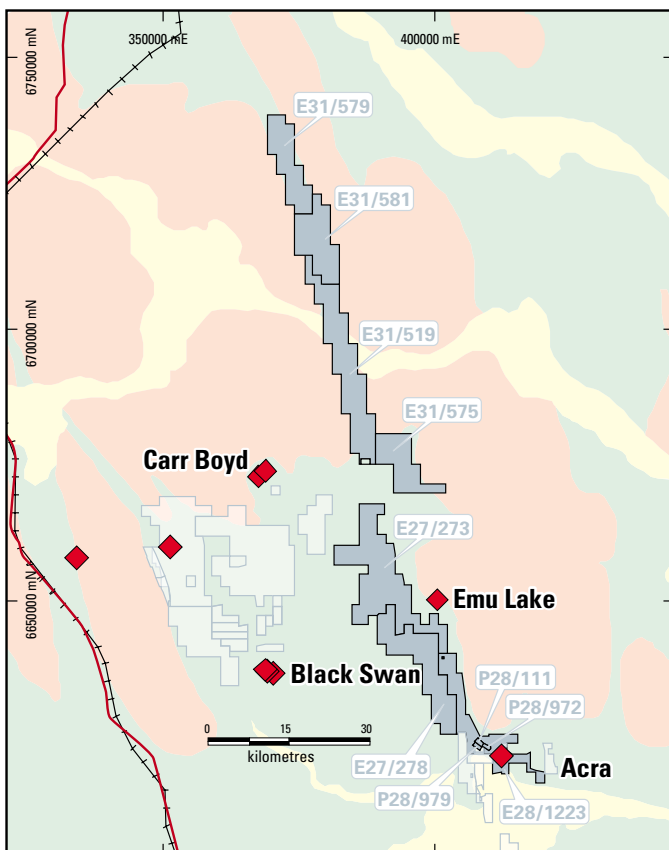
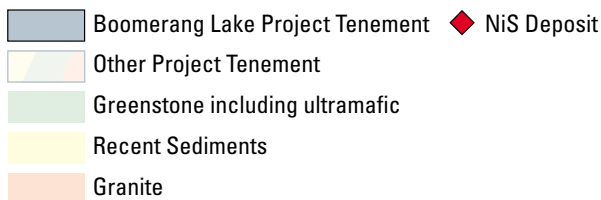


Fig.4 Acra Joint Venture Tenement Map



ACRA JOINT VENTURE PROJECT

(including Boomerang Lake and Jubilee Projects)

Pioneer 100% (nickel and gold).

Jubilee Mines NL right to earn 75%.

Heron Resources Limited retains a right to nickel laterite ore.

The Acra Joint Venture Project comprises a portfolio of seven exploration and five prospecting licences that cover approximately 786 square kilometres with a north-south extent of 140 kilometres. The tenements contain ultramafic rocks of the Emu Fault system.

Pioneer has recently announced the formation of a joint venture with Jubilee Mines NL, who will manage the ongoing development of the Acra Joint Venture Project.

The terms of the joint venture with Jubilee include:

- Reimbursement of \$230,000 of past exploration expenditure;
- Jubilee to manage a two-stage joint venture where it must initially spend \$3 million on exploration over three years to acquire a 60% interest in the project;
- Jubilee must incur a minimum of \$1.2 million expenditure before it may withdraw from the joint venture;
- Jubilee to have the right to move to a 75% interest by paying a further \$200,000 in cash to Pioneer plus expending a further \$3.5 million on exploration over the next three years (extendable to four years); and
- Once Jubilee has earned its 75% interest, Pioneer will be free carried to a decision to mine at which time Pioneer must decide whether to contribute to project development or sell its share to Jubilee.

The Acra Joint Venture Project includes a large disseminated nickel sulphide system, with the boundaries of known mineralisation exceeding 600m in strike length while remaining open at a depth of 250m. Within the overall deposit, mineralisation is evident as three discrete plunging zones, with many intercepts between 15m and 40m in thickness at a grade comparable with the Mt Keith and Black Swan disseminated nickel sulphide mines.



Drilling ahead at Acra

Mineralisation at the Acra Joint Venture Project has been identified within serpentinised channel facies, olivine cumulate rocks that have undergone localised talc-carbonate alteration. The geology at Acra is complex, and the ultramafic basal contact with footwall felsic and sedimentary rocks is overturned.

Geophysical Surveys

The entire Acra and Jubilee ultramafic structures were surveyed with 21 kilometres of MLTEM survey lines for 361 stations. The survey highlighted three anomalous zones which were confirmed in detail by FLTEM.

Down-hole geophysical surveys were completed for 19 drill holes. Off-hole anomalies are recorded, which require further investigation.

Geochemical Surveys

A 361 soil geochemistry sample programme was completed. The results indicated an extension to the known strike of the disseminated nickel sulphide zone, which was confirmed by drilling.

Reverse Circulation Drilling

Pioneer completed 23 reverse circulation drill holes, testing for the presence of nickel sulphides. Significant results from this round of drilling are presented in Table 2.

Mineralised nickel drill intersections with coincident, anomalous copper and platinum group metal values confirm that the nickel sulphides are of magmatic origin.

A second mineralised zone, located to the west of the disseminated nickel sulphide zone, contains evidence of thin massive sulphide intersections, including a number of recorded gossans.

Table 2. Reverse Circulation Drilling: Significant Results

Hole ID	East (m)	North (m)	From (m)	To (m)	Intercept (m)	Ni (%)	Cu (ppm)
ARC015	413,656	6,621,828	169	177	8	0.59	181
		and	204	241	37	0.55	370
		Including	235	236	1	1.07	530
ARC016	413,739	6,621,773	154	159	5	0.50	210
		and	182	198	16	0.56	64
		and	241	256	15	0.55	386
ARC017	413,571	6,621,880	201	225	24	0.62	380
		Including	201	203	2	1.40	945
ARC019	413,300	6,621,830	32	47	15	0.60	301
ARC020	413,484	6,621,705	5	41	36	0.66	392
		Including	9	15	6	1.12	1573
ARC021	413,411	6,621,663	0	43	43	0.70	48
ARC023	413,548	6,621,663	6	20	14	0.61	420
		and	81	114	33	0.56	330
ARC024	413,516	6,621,610	3	39	36	0.54	179
ARC027	413,720	6,621,582	95	99	4	0.74	416
		Including	97	98	1	1.15	400
ARC031	414,060	6,621,190	15	33	18	0.54	446
ARC032	413,885	6,621,233	16	41	25	0.48	164
ARC033	413,738	6,621,290	80	82	2	0.87	713
		Including	81	82	1	1.23	1020
ARC034	413,050	6,621,855	176	178	2	0.87	78

NB: Grid coordinates are GDA94-51

Outlook

Pioneer and Jubilee both regard the Acra Joint Venture Project to be of considerable strategic importance given the fact that both massive and disseminated nickel sulphides have already been identified. The Project is seen by Jubilee as a focal point for their next phase of exploration which will commence immediately.

Pioneer Project

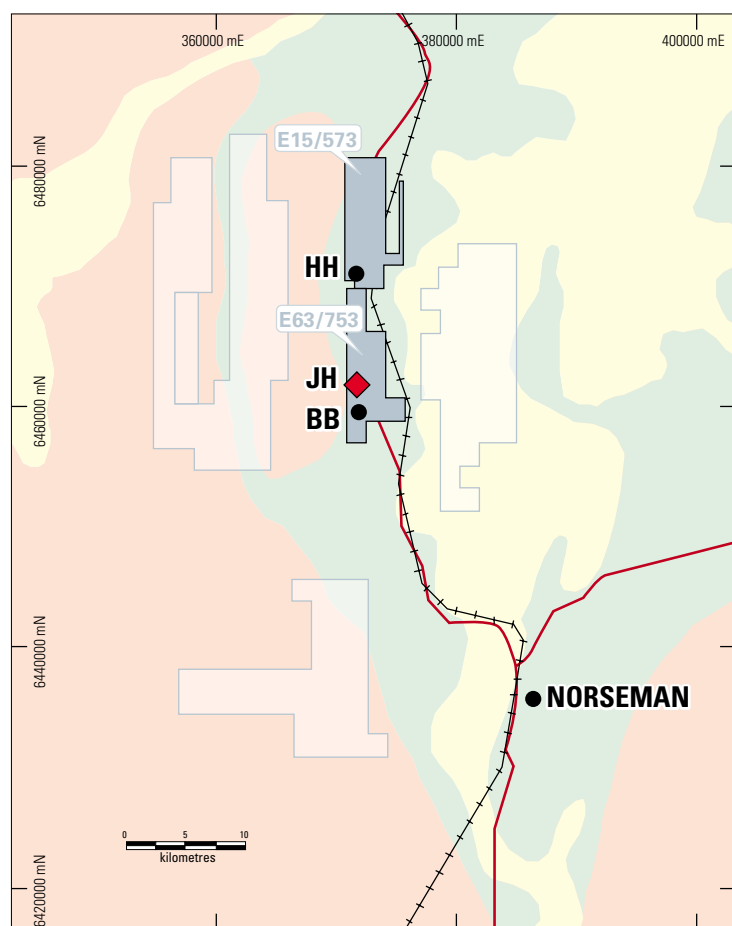
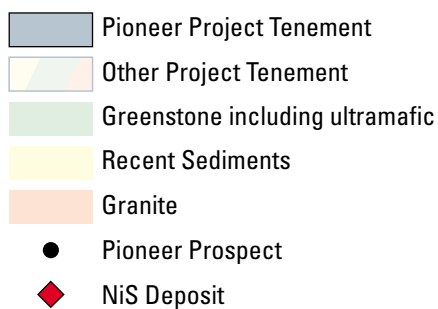


Fig.5 Pioneer JH Tenement Map



PIONEER PROJECT

Pioneer 100% (nickel and gold).

The Pioneer Project is located 125km SSE of Kalgoorlie and comprises two exploration licences with two mining lease applications, for an area of approximately 70 square kilometres. The Pioneer Project covers repetitions of ultramafic units considered to be the equivalent of the Widgiemooltha Greenstone Belt, where they occur on the eastern flank of the Pioneer Dome.

A previous explorer, Newmont Pty Ltd, intersected nickel sulphide mineralisation within the Pioneer Project during the 1970s, reporting the intercepts shown in Figure 6 from the JH prospect.

Pioneer is planning to complete MLTEM over specific targets including detailed orientation surveys of the BB and JH nickel sulphide deposits.

Outlook

A confirmation diamond drill hole at JH is a high priority, to provide mineralogical and structural data for use when planning future work programmes.

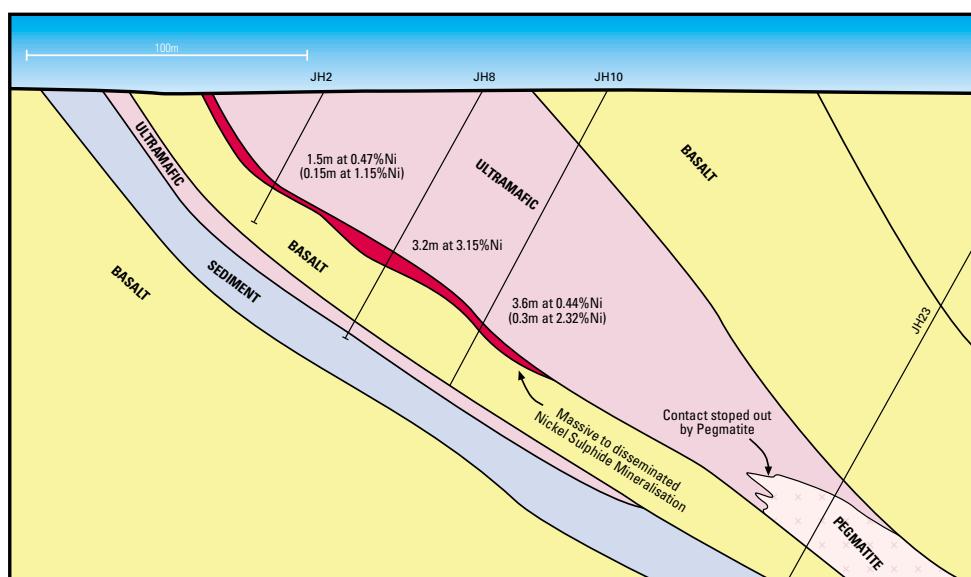


Fig.6 Pioneer JH Prospect section looking North

Silver Swan Northwest

SILVER SWAN NORTHWEST

Pioneer 100% (nickel and gold).

Heron Resources Limited retains a right to nickel laterite ore.

The Silver Swan Northwest Project is located approximately 70km NE of Kalgoorlie and 6km NW of the Black Swan nickel sulphide mine. The Silver Swan Northwest Project comprises a portfolio of eight exploration licences, thirteen mining lease applications and one prospecting licence that cover approximately 492 square kilometres.

Pioneer, in conjunction with its consultant Newexco Services Pty Ltd, is undertaking an interpretation for the Silver Swan Northwest Project, which includes reviews of geological mapping and historical drilling records. To date this has resulted in two locations, the Rainbow Dam East Prospect and the Scotia East Prospect, being identified for further investigation.

Geophysical Surveys

MLTEM surveys have been completed at the Rainbow Dam East and Scotia East Prospects, totalling 21 line kilometres or 440 stations.

At the Rainbow Dam East and Scotia East Prospects a total of five conductors have been identified, which occur in close proximity to ultramafic units and warrant further work.

Geochemical Surveys

Pioneer has completed a geochemical survey comprising 418 samples. Multi-element analysis has produced anomalies which are coincident with some of the conductors at the Rainbow Dam East and Scotia East Prospects.

Outlook

Five moderate to strong conductors have been identified from the MLTEM survey at the Silver Swan Northwest Project. Geological interpretations and coincident geochemical anomalism highlight at least three of the anomalies as priority drill targets.

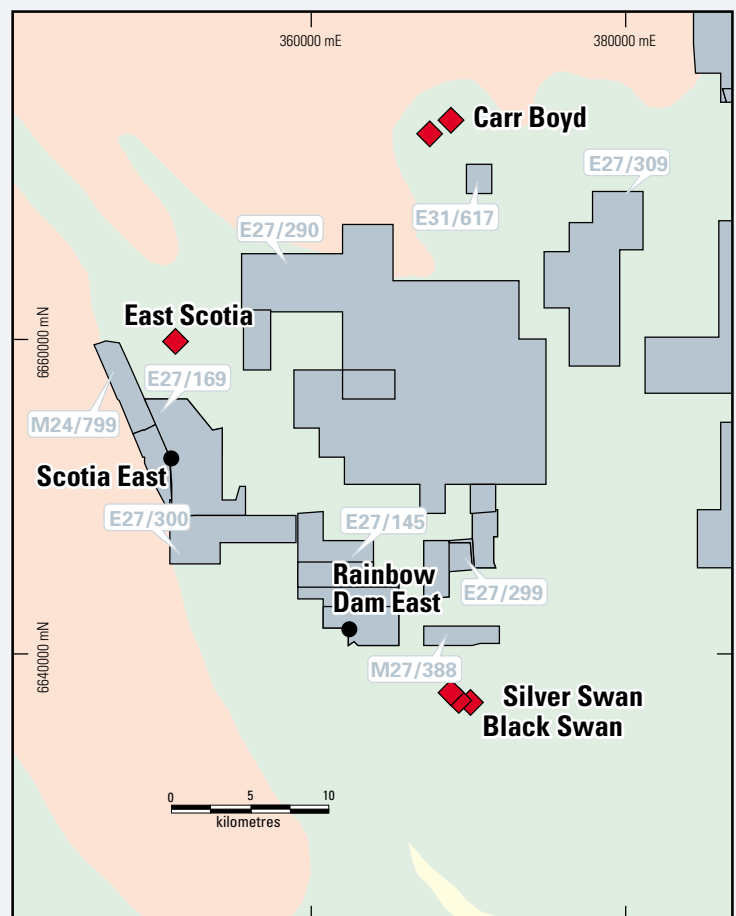
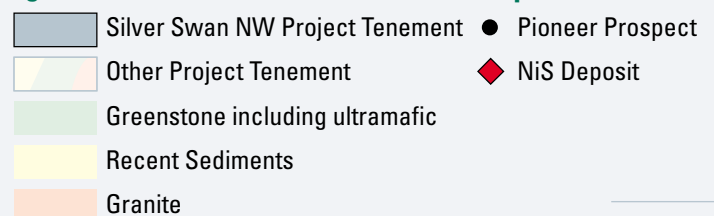


Fig.7 Silver Swan Northwest Tenement Map



Regional Western Australia Projects

HIGGINSVILLE PROJECT

Pioneer 100% (nickel and gold).

The Higginsville Project is located 125km SSE of Kalgoorlie and comprises six exploration licences and two prospecting licences, with an area of approximately 485 square kilometres. The project covers repetitions of ultramafic units considered to be the equivalent of the Widgiemooltha Greenstone Belt, on the western and southern flanks of the Pioneer Dome.

Pioneer has completed a detailed aeromagnetic survey which covers ultramafic units at the southern Higginsville Project near the Jimberlana Dyke. The data generated will be used to assist correlation of ultramafic units with the nickel sulphide-endowed units of the Widgiemooltha Greenstone Belt to the north. Southern Geoscience Consultants Pty Ltd is currently undertaking this interpretation.

Geological plans of the area are currently being collated and historical drilling data compiled.

A MLTEM survey was completed at the Spinifex Prospect, which is defined by anomalous nickel-copper-platinum group metal values in soil sampling. No near-surface conductors were evident in this survey.

Outlook

Regional geochemistry and regolith studies will be completed for preliminary targeting.

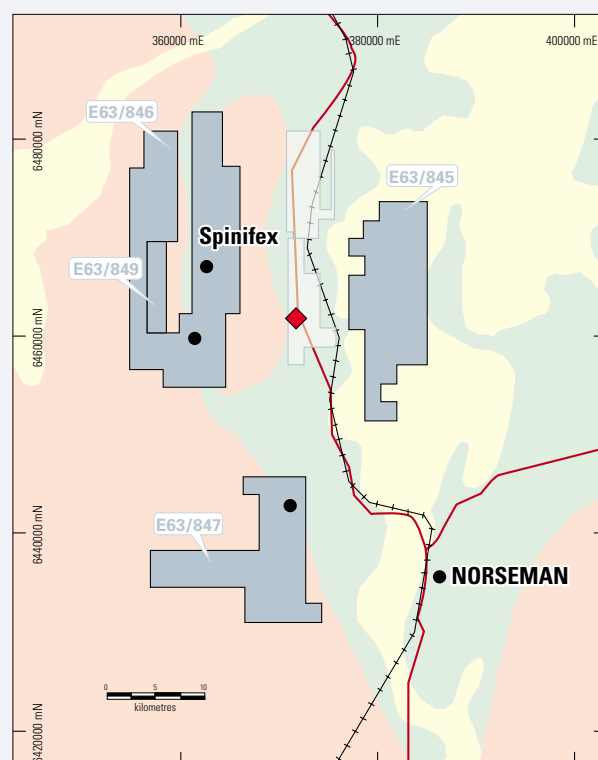


Fig.8 Higginsville Tenement Map

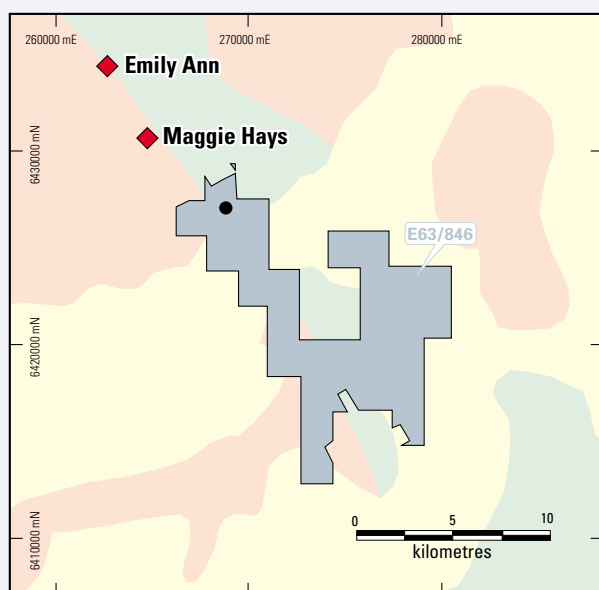
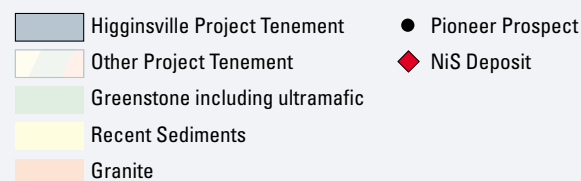
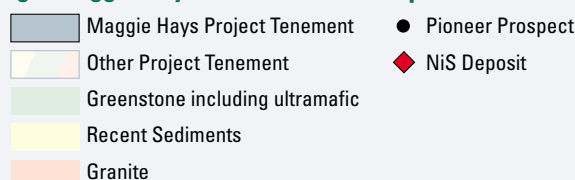


Fig.9 Maggie Hays Lake Tenement Map



MAGGIE HAYS LAKE JOINT VENTURE PROJECT

Pioneer 100% (nickel and gold).

LionOre Australia Pty Ltd right to earn 70% in all minerals.

The Maggie Hays Lake Project is located approximately 220km SW of Kalgoorlie, and 4km SE along strike of the Maggie Hays nickel sulphide mine. The project comprises a single exploration licence that covers approximately 81 square kilometres.

LionOre will fully fund the initial \$0.20 million of exploration expenditure and is responsible for keeping the tenement in good standing.

Outlook

Work by a previous explorer identified a deep, untested conductor south along strike from the Maggie Hays nickel sulphide mine, which will be tested by LionOre Australia Pty Ltd.

LADY OF THE LAKE PROJECT

Pioneer option to purchase 100% (nickel).
Mr RW Allen retains all rights to gold.

KURNALPI SOUTH PROJECT

Pioneer 100% (nickel and gold).

Pioneer has entered into a 12 month option to acquire the Lady of the Lake Project, located 80km E of Kalgoorlie. The project comprises four exploration licences with an area of 53.2 square kilometres.

The Kurnalpi South Project comprises two exploration licences covering an additional 39.2 square kilometres. The combined project covers a sequence of mafic and ultramafic rocks parallel to and south of the Acra Project. The area is within a salt lake and sand dune environment with little geological outcrop, rendering surface geochemical sampling over large areas ineffective.

Geophysical Surveys

A 505 station MLTEM survey to test highly magnetic features interpreted as ultramafic units was completed, identifying two conductors.

Reverse Circulation Drilling

Two RC drill holes for 331m were completed, however neither hole intersected conductive mineralisation. Following drilling, a down-hole geophysical survey was completed for one hole, which located a shallow off-hole conductor, which requires further investigation.

Outlook

Pioneer has planned geological and geochemical studies to identify other ultramafic units within the project.

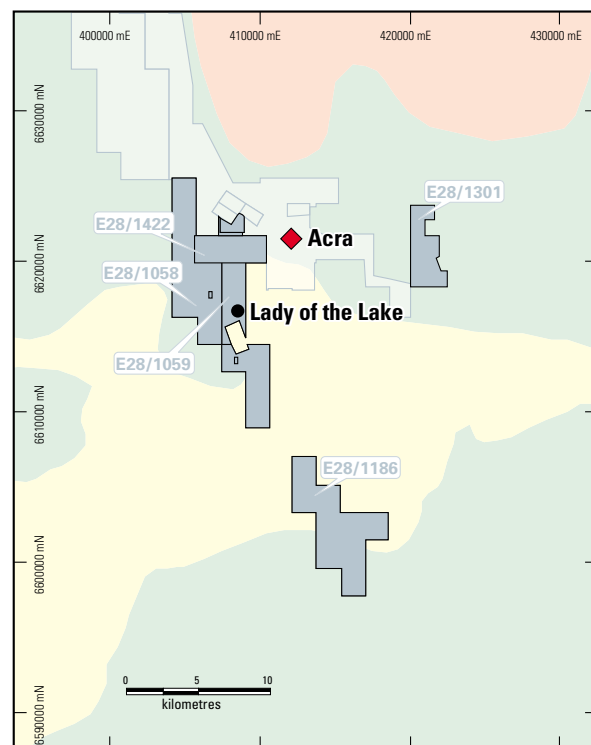
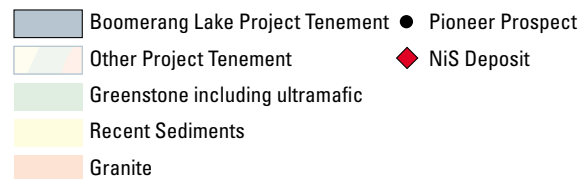


Fig.10 Lady of the Lake & Kurnalpi South Tenement Map



AERODROME JOINT VENTURE PROJECT

Galaxy Resources Limited 100% (nickel and gold).
Pioneer right to earn 75% in all minerals.

The Aerodrome project is located approximately 5km W of Ravensthorpe. The Project comprises a single exploration licence of approximately 46 square kilometres that covers twelve kilometres of the Aerodrome ultramafic unit.

Pioneer has agreed to the terms of a joint venture with Galaxy Resources Limited whereby Pioneer may earn a 75% interest in the tenement through spending \$0.50 million.

The Aerodrome ultramafic is in a similar geological setting to the host of the RAV 8 nickel sulphide mine, located 30km to the east. The project is far less explored than the eastern ultramafic belt, although soil geochemical sampling by Falconbridge in 1974 returned many anomalous assays in excess of 1,500ppm nickel.

Outlook

First pass mapping and soil geochemistry has been planned.



Eastern States Projects

NEW SOUTH WALES - LACHLAN FOLD BELT PROJECT

Pioneer 100% (gold).

As a result of a nation-wide nickel study Pioneer has applied for three gold and base metal prospects in the Lachlan Fold Belt of New South Wales, with a combined area of 435 square kilometres.

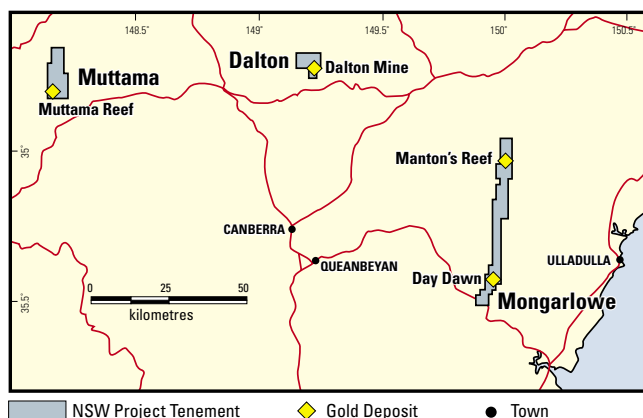


Fig.11 NSW Tenement Map

The Mongarlowe, Dalton and Muttama Projects are in historical gold fields, which contain gold-bearing veins and stockworks with historical mine workings, although much of the recorded production has been from associated alluvial gold workings.

Pioneer considers that these gold fields are under-explored, with some having had little attention since their initial discovery. Within Pioneer's tenements, the Day Dawn Mine, which operated from 1880 to 1908, is reported to have been mined to the 122m level, with a shaft to 147m. Production was "estimated at 40,000oz" and it "ceased working because of depth of water".

Outlook

Pioneer's Eastern State tenements provide a future option to participate in gold, in well mineralised areas that have received comparatively little modern exploration.

TASMANIA - THE HEAZLEWOOD PROJECT

Pioneer 100% (nickel, gold and platinum group metals).

The Heazlewood Project consists of a single exploration licence located 20km W of Waratah in north-western Tasmania and covers approximately 148 square kilometres.

The licence contains the Heazlewood Ultramafic Complex which was the world's major source of Osmiridium (an Osmium / Iridium alloy) at the turn of the 20th century.

Previous geochemical surveys have consisted of stream sediment sampling, rock chip sampling, trenching and soil sampling on local grids. Best rock chip results have returned, at Brassy Hill, nickel values up to 4.7% nickel and at Fenton's Knob up to 6m at 6.7g/t platinum from trenching.

TASMANIA - WHYTE RIVER PROJECT

The Whyte River Project consists of a single exploration licence application totalling approximately 44 square kilometres, located approximately 13km S of Savage River in north-western Tasmania.

The tenement includes a number of alluvial mines which were most actively worked between 1880 and 1910. Studies of alluvial gold morphology concluded that there was a nearby source for the gold, likely to be within the area of Pioneer's tenement.

Outlook

Initial exploration will consist of compilation of previous work, a geological review focused on potential host rocks for nickel, gold and platinum group metal deposits and reprocessing the available geophysics.

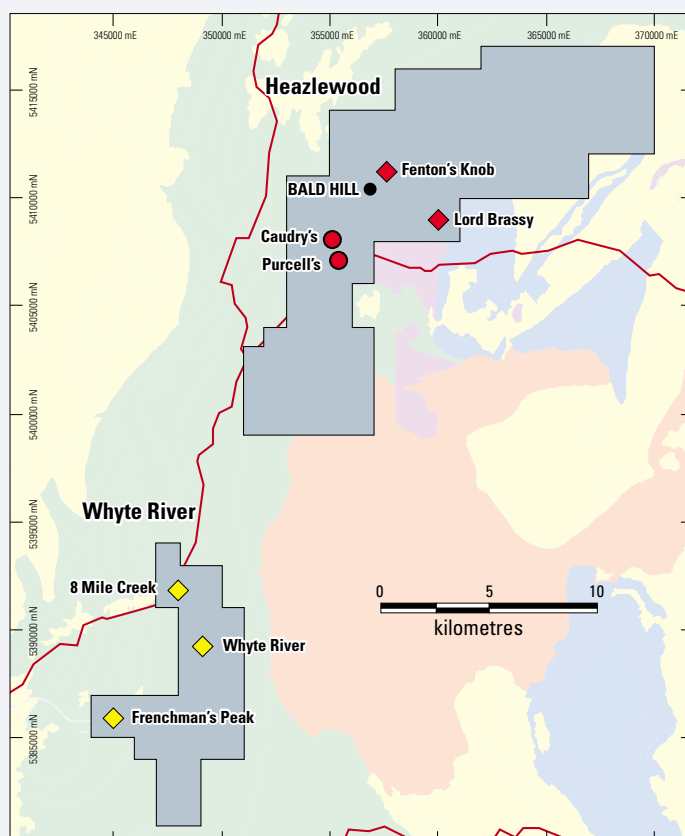


Fig.12 Tasmania Tenement Map

Summary of Tenements

Project	Tenement Identifier	Registered Holder	Status	Interest (%)	Notes
WESTERN AUSTRALIA Acra Regional	E28/1301	Peter Romeo Gianni	G	100	
	E28/1507	Pioneer Nickel Ltd	P	100	
	E28/1508	Pioneer Nickel Ltd	P	100	
	E31/679	Pioneer Nickel Ltd	P	100	
	P25/1811	Pioneer Nickel Ltd	P	100	
	P25/1812	Pioneer Nickel Ltd	P	100	
	E28/1186	Red Field Pty Ltd	P	100	
	E28/1055	Royce William Allen	G	0	3
	E28/1058	Royce William Allen	G	0	3
	E28/1059	Royce William Allen	G	0	3
	E28/1422	Royce William Allen	P	0	3
Higginsville	E15/807	Heron Resources Ltd	B2	100	2
	E15/804	Heron Resources Ltd	P	100	2
	E63/847	Pioneer Nickel Ltd	G	100	2
	E63/849	Pioneer Nickel Ltd	G	100	2
	E63/846	Pioneer Nickel Ltd	G	100	2
	P26/3287	Pioneer Nickel Ltd	P	100	2
	P26/3288	Pioneer Nickel Ltd	P	100	2
	E63/845	Pioneer Nickel Ltd	P	100	2
Pioneer	E63/753	Heron Resources Ltd	P	100	2,8
	E15/573	Pioneer Nickel Ltd	G	100	2,8
	M15/1464	Pioneer Nickel Ltd	P	100	2,8
	M63/560	Pioneer Nickel Ltd	P	100	2,8
Silver Swan Northwest	E27/294	Heron Resources Ltd	P	100	2
	M27/388	Heron Resources Ltd	P	100	2
	E27/145	Pioneer Nickel Ltd	G	100	2
	E27/169	Pioneer Nickel Ltd	G	100	2
	M27/423	Pioneer Nickel Ltd	P	100	2
	M27/424	Pioneer Nickel Ltd	P	100	2
	M27/425	Pioneer Nickel Ltd	P	100	2
	M27/426	Pioneer Nickel Ltd	P	100	2
	M27/427	Pioneer Nickel Ltd	P	100	2
	M27/428	Pioneer Nickel Ltd	P	100	2
	M24/799	Pioneer Nickel Ltd	P	100	2
	M24/800	Pioneer Nickel Ltd	P	100	2
	M24/901	Pioneer Nickel Ltd	P	100	2
	M24/902	Pioneer Nickel Ltd	P	100	2
	M27/439	Pioneer Nickel Ltd	P	100	2
	M27/440	Pioneer Nickel Ltd	P	100	2
	P27/1647	Pioneer Nickel Ltd	P	100	2
	E27/300	Regent Resources Ltd	P	100	2
	E27/290	Regent Resources Ltd	P	100	2
	E27/299	Regent Resources Ltd	P	100	2
	E27/309	Regent Resources Ltd	P	100	2
	E31/617	Regent Resources Ltd	P	100	2

Summary of Tenements (continued)

Project	Tenement Identifier	Registered Holder	Status	Interest (%)	Notes
Wattle Dam	P15/4479	Killoran NL	P	100	2,9
	P15/3767	Ramelius Resources Ltd	G	100	2,9
	P15/3873	Ramelius Resources Ltd	G	100	2,9
	E15/718	Ramelius Resources Ltd	G	100	2,9
	M15/1101	Ramelius Resources Ltd	G	100	2,9
	M15/1263	Ramelius Resources Ltd	G	100	2,9
	M15/1264	Ramelius Resources Ltd	G	100	2,9
	M15/1323	Ramelius Resources Ltd	P	100	2,9
	M15/1338	Ramelius Resources Ltd	P	100	2,9
Regional	E16/311	Pioneer Nickel Ltd	P	100	
	E15/805	Heron Resources Ltd	P	100	2
	E15/842	Pioneer Nickel Ltd	P	100	
Acra Joint Venture	E31/579	Heron Resources Ltd	G	100	1,4
	E31/519	Heron Resources Ltd	G	100	1,4
	E27/273	Heron Resources Ltd	P	100	1,4
	E27/278	Heron Resources Ltd	P	100	1,4
	E31/575	Heron Resources Ltd	P	100	1,4
	E31/581	Heron Resources Ltd	P	100	1,4
	P28/979	Pioneer Nickel Ltd	G	100	4
	P28/972	Pioneer Nickel Ltd	G	100	1,4
	E28/1223	Pioneer Nickel Ltd	G	100	1,4
	P28/991	Pioneer Nickel Ltd	G	100	1,4
	P28/1013	Pioneer Nickel Ltd	P	100	1,4
	P31/1707	Pioneer Nickel Ltd	P	100	1,4
Aerodrome Joint Venture	E74/205	Chaytor, Dowling etc	G	0	5
Larkinville Joint Venture	E16/269	Avoca Resources Ltd	P	100	2,6
	E15/679	Heron Resources Ltd	P	100	2,6
	E15/689	Heron Resources Ltd	P	100	2,6
	E15/742	Heron Resources Ltd	P	100	2,6
	P15/4435	Heron Resources Ltd	P	100	2,6
	P15/4436	Heron Resources Ltd	P	100	2,6
	P15/4437	Heron Resources Ltd	P	100	2,6
	P15/4438	Heron Resources Ltd	P	100	2,6
	P15/4439	Heron Resources Ltd	P	100	2,6
	P15/4440	Heron Resources Ltd	P	100	2,6
	P15/4213	Pioneer Nickel Ltd	G	100	2,6
	P15/4214	Pioneer Nickel Ltd	G	100	2,6
	P15/4464	Pioneer Nickel Ltd	G	100	2,6
	M15/1449	Pioneer Nickel Ltd	P	100	2,6
Maggie Hays Lake JV	E63/625	Heron Resources Ltd	G	100	7
NEW SOUTH WALES					
Mongarlowe	ELA2305	Pioneer Nickel Ltd	P	100	
Dalton	ELA2310	Pioneer Nickel Ltd	P	100	
Muttama	ELA2312	Pioneer Nickel Ltd	P	100	
TASMANIA					
Heazlewood	E31/2003	Pioneer Nickel Ltd	G	100	
Whyte River	E36/2003	Pioneer Nickel Ltd	G	100	

Status

G Granted

P Pending

B2 Ballot in which Pioneer came second.

1. Heron Resources Limited retains a right to nickel laterite ore.
2. Heron Resources Limited retains a pre-emptive right to nickel laterite ore.
3. Pioneer Nickel Limited has an option to purchase 100% in all minerals except gold.
4. Jubilee Mines NL has a right to earn up to a 75% interest in all minerals except nickel laterite ore.
5. Pioneer Nickel Limited has a right to earn a 75% interest in all minerals.
6. Ramelius Resources Limited has a right to earn a 75% interest in all precious metals and tantalite.
7. LionOre Australia Pty Ltd has a right to earn a 70% interest in all minerals.
8. WMC Resources Limited retains a right to negotiate an ore off-take agreement.
9. Pioneer Nickel Limited owns the rights to all minerals except gold and tantalite.

Corporate Governance Statement

The **CONCISE FINANCIAL REPORT** has been derived from Pioneer Nickel Limited's 2004 full financial report. The financial statements included in the concise financial report cannot be expected to provide as full an understanding of Pioneer Nickel Limited's financial performance, financial position and financing and investing activities as provided by the full financial report. A copy of the 2004 full financial report, together with the independent audit report, is available to all shareholders. Shareholders wishing to receive a full financial report and independent audit report may obtain a copy by contacting the Company (refer contact details in the Corporate Directory).

The Board of Directors of Pioneer Nickel Limited is responsible for its corporate governance, that is, the system by which the Company is managed.

1. BOARD OF DIRECTORS

1.1 Role of the Board and Management

The Board's role is to govern the Company. In governing the Company, the Directors must act in the best interests of the Company as a whole. It is the role of senior management to manage the Company in accordance with the direction and delegations of the Board and the responsibility of the Board to oversee the activities of management in carrying out these delegated duties.

In carrying out its governance role, the main task of the Board is to drive the performance of the Company. The Board must also ensure that the Company complies with all of its contractual, statutory and any other legal obligations, including the requirements of any regulatory body. The Board has the final responsibility for the successful operations of the Company.

To assist the Board to carry out its functions, it has developed a Code of Conduct to guide the Directors and key executives in the performance of their roles. The Code of Conduct is detailed in Section 3.1 and is contained on the Company's website.

The Board represents shareholders' interests in developing and then continuing a successful mineral business, which seeks to optimise medium to long-term financial gains for shareholders. By not focusing on short-term gains for shareholders, the Board believes that this will ultimately result in the interests of all stakeholders being appropriately addressed when making business decisions.

The Board is responsible for ensuring that the Company is managed in such a way to best achieve this desired result. Given the size of the Company's exploration and development activities, the Board currently undertakes an active, not passive role.

The Board is responsible for evaluating and setting the strategic directions for the Company, establishing goals for management and monitoring the achievement of these goals. The Managing Director is responsible to the Board for the day-to-day management of the Company.

The Board has sole responsibility for the following:

- Appointing and removing the Managing Director and any other executive director and approving their remuneration;
- Appointing and removing the Company Secretary/Chief Financial Officer and approving their remuneration;
- Determining the strategic direction of the Company and measuring performance of management against approved strategies;
- Reviewing the adequacy of resources for management to properly carry out approved strategies and business plans;
- Adopting operating and exploration expenditure budgets at the commencement of each financial year and monitoring the progress by both financial and non-financial key performance indicators;
- Monitoring the Company's medium term capital and cash flow requirements;
- Approving and monitoring financial and other reporting to regulatory bodies, shareholders and other organisations;
- Determining that satisfactory arrangements are in place for auditing the Company's financial affairs;
- Reviewing and ratifying systems of risk management and internal compliance and control, codes of conduct and compliance with legislative requirements; and
- Ensuring that policies and compliance systems consistent with the Company's objectives and best practice are in place and that the Company and its officers act legally, ethically and responsibly on all matters.

The Board's role and the Company's corporate governance practices are being continually reviewed and improved as the Company's business develops.

The Board convenes regular meetings with such frequency as is sufficient to appropriately discharge its responsibilities (not less than one per month).

The Board may from time to time, delegate some of its responsibilities listed above to its senior management team.

The Managing Director is responsible for running the affairs of the Company under delegated authority from the Board and

CORPORATE GOVERNANCE STATEMENT (continued)

implementing the policies and strategy set by the Board. In carrying out his responsibilities the Managing Director must report to the Board in a timely manner and ensure all reports to the Board present a true and fair view of the Company's operational results and financial position.

The role of management is to support the Managing Director and implement the running of the general operations and financial business of the Company, in accordance with the delegated authority of the Board.

1.2 Composition of the Board

To add value to the Company, the Board has been formed so that it has effective composition, size and commitment to adequately discharge its responsibilities and duties. The names of the Directors and their qualifications and experience are disclosed in the Directors' Report. Directors are appointed based on the specific governance skills required by the Company and on the independence of their decision-making and judgment.

The Company recognises the importance of Non-Executive Directors and the external perspective and advice that Non-Executive Directors can offer. Messrs Readhead, Buchhorn and Trench are all Non-Executive Directors and are not considered to be independent.

The Board considers that the current structure is sufficient despite not complying with the ASX Corporate Governance Council Recommendation 2.1 and as further detailed in the Company's explanation on departures from best practice recommendations disclosed at the end of this Statement.

At present the Board considers that the Company is not currently of a size, nor are its affairs of such complexity to justify the expense of the appointment of independent Non-Executive Directors.

If the Company's activities increase in size, nature and scope the size of the Board will be reviewed and the optimum number of directors required for the Board to properly perform its responsibilities and functions will be re-assessed.

The Board acknowledges that a greater proportion of independent Directors is desirable over the longer term and will be seeking to demonstrate that it is monitoring the Board's composition as required.

The membership of the Board, its activities and composition is subject to periodic review. The criteria for determining the identification and appointment of a suitable candidate for the Board shall include the quality of the individual's background, experience and achievement, compatibility with other Board members, credibility within the Company's scope of activities, intellectual ability to contribute to Board duties and physical ability to undertake Board duties and responsibilities.

Directors are initially appointed by the full Board subject to

election by shareholders at the next Annual General Meeting. Under the Company's Constitution the tenure of Directors (other than Managing Director) is subject to re-appointment by shareholders not later than the third anniversary following his last appointment. Subject to the requirements of the *Corporations Act*, the Board does not subscribe to the principle of retirement age and there is no maximum period of service as a Director. A managing director may be appointed for any period and on any terms the Directors think fit and, subject to the terms of any agreement entered into, the Board may revoke any appointment.

1.3 Responsibilities of the Board

In general, the Board is responsible for, and has the authority to determine, all matters relating to the policies, practices, management and operations of the Company. It is required to do all things that may be necessary to be done in order to carry out the objectives of the Company.

Without intending to limit this general role of the Board, the principal functions and responsibilities of the Board include the following:

1. Leadership of the Company - overseeing the Company and establishing codes that reflect the values of the Company and guide the conduct of the Board, management and employees.
2. Strategy Formulation - working with senior management to set and review the overall strategy and goals for the Company and ensuring that there are policies in place to govern the operation of the Company.
3. Overseeing Planning Activities - overseeing the development of the Company's strategic plans (including exploration programmes and initiatives) and approving such plans as well as the annual budget.
4. Shareholder Liaison - ensuring effective communications with shareholders through an appropriate communications policy and promoting participation at general meetings of the Company.
5. Monitoring, Compliance and Risk Management - overseeing the Company's risk management, compliance, control and accountability systems and monitoring and directing the operational and financial performance of the Company.
6. Company Finances - approving expenses in excess of those approved in the annual budget and approving and monitoring acquisitions, divestitures and financial and other reporting.
7. Human Resources - appointing, and where appropriate, removing the Managing Director as well as reviewing the performance of the Managing Director and monitoring the performance of senior management in their implementation of the Company's strategy.
8. Ensuring the Health, Safety and Well-Being of Employees - in conjunction with the senior management team,

Corporate Governance Statement

developing, overseeing and reviewing the effectiveness of the Company's occupational health and safety systems to ensure the well-being of all employees.

9. Delegation of Authority - delegating appropriate powers to the Managing Director to ensure the effective day-to-day management of the Company and establishing and determining the powers and functions of the Committees of the Board.

Full details of the Board's role and responsibilities are contained in the Board Charter, a summary of which is contained on the Company's website.

1.4 Board Policies

1.4.1 Conflicts of Interest

Directors must:

- disclose to the Board actual or potential conflicts of interest that may or might reasonably be thought to exist between the interests of the Director and the interests of any other parties in carrying out the activities of the Company; and
- if requested by the Board, within seven days or such further period as may be permitted, take such necessary and reasonable steps to remove any conflict of interest.

If a Director cannot or is unwilling to remove a conflict of interest then the Director must, as per the *Corporations Act*, absent himself from the room when discussion and/or voting occurs on matters about which the conflict relates.

1.4.2 Commitments

Each member of the Board is committed to spending sufficient time to enable them to carry out their duties as a Director of the Company.

1.4.3 Confidentiality

In accordance with legal requirements and agreed ethical standards, Directors and key executives of the Company have agreed to keep confidential, information received in the course of the exercise of their duties and will not disclose non-public information except where disclosure is authorised or legally mandated.

1.4.4 Independent Professional Advice

The Board collectively and each Director has the right to seek independent professional advice at the Company's expense, up to specified limits, to assist them to carry out their responsibilities.

1.4.5 Related Party Transactions

Related party transactions include any financial transaction between a Director and the Company. Unless there is an exemption under the *Corporations Act* from the requirement to obtain shareholder approval for the related party transaction, the Board cannot approve the transaction.

1.4.6 Trading in the Company Shares

The Company's share trading policy imposes basic trading restrictions on all employees of the Company with 'inside information', and additional trading restrictions on the Directors of the Company. A summary of the Company's Share Trading Policy is available on the Company's website.

'Inside information' is information that:

- is not generally available; and
- if it were generally available, it would, or would be likely to influence investors in deciding whether to buy or sell the Company's securities.

If an employee possesses inside information, the person must not:

- trade in the Company's securities;
- advise others or procure others to trade in the Company's securities; or
- pass on the inside information to others – including colleagues, family or friends – knowing (or where the employee or Director should have reasonably known) that the other persons will use that information to trade in, or procure someone else to trade in, the Company's securities.

This prohibition applies regardless of how the employee or Director learns the information (eg. even if the employee or Director overhears it or is told in a social setting).

In addition to the above, Directors must notify the Company Secretary as soon as practicable, but not later than 2 business days, after they have bought or sold the Company's securities or exercised options. In accordance with the provisions of the *Corporations Act* and the *ASX Listing Rules*, the Company on behalf of the Directors must advise the ASX of any transactions conducted by them in the securities of the Company.

Breaches of this policy will be subject to disciplinary action, which may include termination of employment.

1.4.7 Attestations by Managing Director and Company Secretary

In accordance with the Board's policy, the Managing Director and the Company Secretary/Chief Financial Officer made the attestations recommended by the ASX Corporate Governance Council as to the Company's financial condition prior to the Board signing this Annual Report.

2. BOARD COMMITTEES

The Board considers that the Company is not currently of a size, nor are its affairs of such complexity to justify the formation of separate or special committees at this time. The Board as a whole is able to address the governance aspects of the full scope of the Company's activities and to ensure that it adheres to appropriate ethical standards.

CORPORATE GOVERNANCE STATEMENT (continued)

The Board has however established a framework for the management of the Company including a system of internal controls, a business risk management process and the establishment of appropriate ethical standards.

The full Board currently holds meetings at such times as may be necessary to address any general or specific matters as required.

If the Company's activities increase in size, scope and nature, the appointment of separate or special committees will be reviewed by the Board and implemented if appropriate.

2.1 Audit Committee

The Company does not have an audit committee because it would not be a more efficient mechanism than the full Board for focusing the Company on specific issues and an audit committee cannot be justified based on a cost-benefit analysis.

In the absence of an audit committee, the Board when required sets aside time at Board meetings to deal with the issues and responsibilities usually delegated to the audit committee so as to ensure the integrity of the financial statements of the Company and the independence of the external auditor.

The Board in its entirety reviews the audited annual and half-yearly financial statements and any reports which accompany published financial statements.

The Board in its entirety considers the appointment of the external auditor and reviews the appointment of the external auditor, their independence, the audit fee and any questions of resignation or dismissal.

The Board is also responsible for establishing policies on risk oversight and management.

2.2 Remuneration Committee

The Company does not have a remuneration committee because it would not be a more efficient mechanism than the full Board for focusing the Company on specific issues.

The responsibilities of the Board in its entirety include setting policies for senior officers' remuneration, setting the terms and conditions of employment for the Managing Director, reviewing the Pioneer Nickel Limited Directors, Officers, Employees and Other Permitted Persons Option Plan, reviewing superannuation arrangements, reviewing the remuneration of Non-Executive Directors and undertaking an annual review of the Managing Director's performance, including, setting with the Managing Director goals for the coming year and reviewing progress in achieving those goals.

The Company is committed to remunerating its senior executives in a manner that is market competitive and consistent with best practice as well as supporting the

interests of shareholders.

Consequently, the remuneration of a senior executive may be comprised of the following:

- fixed salary that is determined from a review of the market and reflects core performance requirements and expectations;
- statutory superannuation; and
- participation in the Pioneer Nickel Limited Directors, Officers, Employees and Other Permitted Persons Option Plan.

By remunerating senior executives through performance and long-term incentive plans, in addition to their fixed remuneration, the Company aims to align the interests of senior executives with those of shareholders and increase Company performance.

The objective behind using this remuneration structure is to drive improved Company performance and thereby increase shareholder value as well as aligning the interests of executives and shareholders.

Non-Executive Directors are paid their fees out of the maximum aggregate amount approved by shareholders for the remuneration of Non-Executive Directors. Non-Executive Directors do not receive performance based bonuses.

Non-Executive Directors are entitled to statutory superannuation.

The annual aggregate amount of remuneration paid to Non-Executive Directors was approved by shareholders on 25 September 2003 and is currently \$200,000. A table detailing the remuneration received by all of the Company's Directors is disclosed in the Directors' Report.

2.3 Nomination Committee

The Company does not have a nomination committee because it would not be a more efficient mechanism than the full Board for focusing the Company on specific issues.

The responsibilities of the Board in its entirety include devising criteria for Board membership, regularly reviewing the need for various skills and experience on the Board and identifying specific individuals for nomination as Directors for review by the Board. The Board also oversees management succession plans including the Managing Director and his direct reports, and evaluates the Board's performance and makes recommendations for the appointment and removal of Directors.

Directors are appointed based on the specific governance skills required by the Company. Given the size of the Company and the business that it operates, the Company aims at all times to have at least one Director with experience in the mining and exploration industry, appropriate to the Company's

Corporate Governance Statement

market. In addition, Directors should have the relevant blend of personal experience in:

- accounting and financial management;
- legal skills; and
- Managing Director – appropriate business experience.

3. ETHICAL STANDARDS

The Board acknowledges the need for continued maintenance of the highest standard of corporate governance practice and ethical conduct by all Directors and employees of the Company.

3.1 Code of Conduct for Directors and Key Executives

The Board has adopted a Code of Conduct for Directors and key executives to promote ethical and responsible decision-making. The code is based on a code of conduct for Directors prepared by the Australian Institute of Company Directors. A summary of the Company's Code of Conduct is also available on the Company's website.

In accordance with legal requirements and agreed ethical standards, Directors and key executives of the Company:

- will act honestly, in good faith and in the best interests of the whole Company;*
- owe a fiduciary duty to the Company as a whole;
- have a duty to use due care and diligence in fulfilling the functions of office and exercising the powers attached to that office;*
- will undertake diligent analysis of all proposals placed before the Board;
- will act with a level of skill expected from directors and key executives of a publicly listed company;
- will use the powers of office for a proper purpose, in the best interests of the Company as a whole;*
- will demonstrate commercial reasonableness in decision making;
- will not make improper use of information acquired as Directors and key executives;*
- will not disclose non-public information except where disclosure is authorised or legally mandated;†
- will keep confidential, information received in the course of the exercise of their duties and such information remains the property of the Company from which it was obtained and it is improper to disclose it, or allow it to be disclosed, unless that disclosure has been authorised by the person from whom the information is provided, or is required by law;*
- will not take improper advantage of the position of Director* or use the position for personal gain or to compete with the Company;†
- will not take advantage of Company property or use such

property for personal gain or to compete with the Company; †

- will protect and ensure the efficient use of the Company's assets for legitimate business purposes; †
- will not allow personal interests, or the interests of any associated person, to conflict with the interests of the Company;*
- have an obligation to be independent in judgment and actions, and Directors will take all reasonable steps to be satisfied as to the soundness of all decisions of the Board;*
- will make reasonable enquiries to ensure that the Company is operating efficiently, effectively and legally towards achieving its goals;
- will not engage in conduct likely to bring discredit upon the Company;*
- will encourage fair dealing by all employees with the Company's suppliers, competitors and other employees;†
- will encourage the reporting of unlawful/unethical behaviour and actively promote ethical behaviour and protection for those who report violations in good faith;†
- will give their specific expertise generously to the Company;
- have an obligation, at all times, to comply with the spirit, as well as the letter of the law and with the principles of this Code.*

(*From the *AICD Code of Conduct*)

(†From the ASX Corporate Governance Council's *Principles of Good Corporate Governance*)

3.2 Code of Ethics and Conduct

The Company has implemented a Code of Ethics and Conduct, which provides guidelines aimed at maintaining high ethical standards, corporate behaviour and accountability within the Company. A summary of the Company's Code of Ethics and Conduct is also available on the Company's website.

All Directors and employees are expected to:

- respect the law and act in accordance with it;
- respect confidentiality and not misuse Company information, assets or facilities;
- value and maintain professionalism;
- avoid real or perceived conflicts of interest;
- act in the best interests of shareholders;
- by their actions contribute to the Company's reputation as a good corporate citizen which seeks the respect of the community and environment in which it operates;
- perform their duties in ways that minimise environmental impacts and maximise workplace safety;

CORPORATE GOVERNANCE STATEMENT (continued)

- exercise fairness, courtesy, respect, consideration and sensitivity in all dealings within their workplace and with customers, suppliers and the public generally; and
- act with honesty, integrity, decency and responsibility at all times.

An employee that breaches the Code of Ethics and Conduct may face disciplinary action. If an employee suspects that a breach of the Code of Ethics and Conduct has occurred or will occur, he or she must advise that breach to management. No employee will be disadvantaged or prejudiced if he or she reports in good faith a suspected breach. All reports will be acted upon and kept confidential.

As part of its commitment to recognising the legitimate interests of stakeholders, the Company has established the Code of Ethics and Conduct to guide compliance with legal and other obligations to legitimate stakeholders. These stakeholders include employees, government authorities, creditors and the community as whole. This Code includes the following.

Responsibilities to Shareholders and the Financial Community Generally

The Company complies with the spirit as well as the letter of all laws and regulations that govern shareholders' rights. The Company has processes in place designed to ensure the truthful and factual presentation of the Company's financial position and prepares and maintains its accounts fairly and accurately in accordance with the generally accepted accounting and financial reporting standards.

Employment Practices

The Company endeavours to provide a safe workplace in which there is equal opportunity for all employees at all levels of the Company. The Company does not tolerate the offering or acceptance of bribes or the misuse of Company assets or resources.

Responsibilities to the Community

As part of the community the Company:

- is committed to conducting its business in accordance with applicable environmental laws and regulations and encourages all employees to have regard for the environment when carrying out their jobs;
- encourages all employees to engage in activities beneficial to their local community; and
- supports community charities.

Responsibility to the Individual

The Company is committed to keeping private information confidential which has been provided by employees and investors and protect it from uses other than those for which it was provided.

Conflicts of Interest

Employees and Directors must avoid conflicts as well as the appearance of conflicts between personal interests and the interests of the Company.

How the Company Monitors and Ensures Compliance with its Code

The Board, management and all employees of the Company are committed to implementing this Code of Ethics and Conduct and each individual is accountable for such compliance.

Disciplinary measures may be imposed for violating the Code.

4. DISCLOSURE OF INFORMATION

4.1 Continuous Disclosure to ASX

The continuous disclosure policy requires all executives and Directors to inform the Managing Director or in their absence the Company Secretary of any potentially material information as soon as practicable after they become aware of that information. The Company's Continuous Disclosure Policy is available on its website.

Information is material if it is likely that the information would influence investors who commonly acquire securities on ASX in deciding whether to buy, sell or hold the Company's securities.

Information is not material and need not be disclosed if:

- (a) A reasonable person would not expect the information to be disclosed or it is material but due to a specific valid commercial reason is not to be disclosed; and
- (b) The information is confidential; or
- (c) One of the following applies:
 - i. It would breach a law or regulation to disclose the information;
 - ii. The information concerns an incomplete proposal or negotiation;
 - iii. The information comprises matters of supposition or is insufficiently definite to warrant disclosure;
 - iv. The information is generated for internal management purposes;
 - v. The information is a trade secret;
 - vi. It would breach a material term of an agreement, to which the Company is a party, to disclose the information;
 - vii. It would harm the Company's potential application or possible patent application; or
 - viii. The information is scientific data that release of which may benefit the Company's potential competitors.

Corporate Governance Statement

The Managing Director is responsible for interpreting and monitoring the Company's disclosure policy and where necessary informing the Board. The Company Secretary is responsible for all communications with ASX.

4.2 Communication with Shareholders

The Company places considerable importance on effective communications with shareholders. The Company's Shareholder Communications Strategy is available on the Company's website.

The Company's communication strategy requires communication with shareholders and other stakeholders in an open, regular and timely manner so that the market has sufficient information to make informed investment decisions on the operations and results of the Company. The strategy provides for the use of systems that ensure a regular and timely release of information about the Company is provided to shareholders. Mechanisms employed include:

- Announcements lodged with ASX;
- ASX Quarterly Reports;
- Half Yearly Report and Annual Report; and
- Presentations at the Annual General Meeting/General Meetings.

The Board encourages full participation of shareholders at the Annual General Meeting to ensure a high level of accountability and understanding of the Company's strategy and goals.

The Company also posts all reports, ASX and media releases and copies of significant business presentations on the Company's website.

5. RISK MANAGEMENT

5.1 Identification of Risk

The Board is responsible for the oversight of the Company's risk management and control framework. Responsibility for control and risk management is delegated to the appropriate level of management within the Company with the Managing Director and Company Secretary having ultimate responsibility to the Board for the risk management and control framework.

Areas of significant business risk to the Company are highlighted in the Business Plan presented to the Board by the Managing Director each year.

Arrangements put in place by the Board to monitor risk management include monthly reporting to the Board in respect of operations and the financial position of the Company.

5.2 Integrity of Financial Reporting

Commencing 30 June 2004, the Company's Managing Director and Company Secretary report in writing to the Board that:

- the financial statements of the Company for each half and full year present a true and fair view, in all material aspects, of the Company's financial condition and operational results and are in accordance with accounting standards;
- the above statement is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board; and
- the Company's risk management and internal compliance and control framework is operating efficiently and effectively in all material respects.

5.3 Role of Auditor

The Company's practice is to invite the auditor to attend the Annual General Meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report.

6. PERFORMANCE REVIEW

The Board has adopted a self-evaluation process to measure its own performance during each financial year. This process includes a review in relation to the composition and skills mix of the Directors of the Company.

Arrangements put in place by the Board to monitor the performance of the Company's executives include:

- a review by the Board of the Company's financial performance; and
- annual performance appraisal meetings incorporating analysis of key performance indicators with each individual to ensure that the level of reward is aligned with respective responsibilities and individual contributions made to the success of the Company.

ASX CORPORATE GOVERNANCE COUNCIL'S PRINCIPLES OF GOOD CORPORATE GOVERNANCE AND BEST PRACTICE RECOMMENDATIONS

The Company is committed to implementing the highest standards of corporate governance. In determining what those high standards should involve, the Company has turned to the ASX Corporate Governance Council's *Principles of Good Corporate Governance and Best Practice Recommendations*. The Company is pleased to advise that its practices are largely consistent with those of the ASX guidelines. As consistency with the ASX guidelines has been a gradual process, where the Company did not have certain policies or committees recommended by the ASX Corporate Governance Council ("the Council") in place for the entire reporting period, the Company has identified when such policies or committees were introduced.

Where the Company's corporate governance practices do not correlate with the practices recommended by the Council, the Company does not consider that the practices are appropriate for the Company due to the size of the Company and its current operations.

CORPORATE GOVERNANCE STATEMENT (continued)

To illustrate where the Company has addressed each of the Council's recommendations, the following summary cross-references each recommendation with sections of the Corporate Governance Statement. Details of all of the recommendations can be found on the ASX Corporate Governance Council's website at http://www.asx.com.au/about/CorporateGovernance_AA2.shtm

Introduction

Pioneer Nickel Limited has adopted systems of control and accountability as the basis for the administration of corporate governance. Some of these policies and procedures are summarised below.

The following additional information about the Company's corporate governance practices is set out on the Company's website at www.pioneenickel.com.au:

- Corporate Governance Statement including disclosures and explanations;
- Board Charter;
- Summary of Code of Conduct for Directors and Key Executives;
- Summary of Share Trading Policy;
- Summary of Continuous Disclosure Policy;
- Summary of Shareholder Communications Strategy; and
- Summary of Company Code of Ethics and Conduct.

Explanations for Departures from Best Practice Recommendations

During the financial year the Company has complied with the majority of the Ten Essential Corporate Governance Principles and the corresponding Best Practice Recommendations as published by the ASX Corporate Governance Council ("ASX Principles and Recommendations"), and as detailed below:

1. ROLE OF THE BOARD AND MANAGEMENT

Council Principle 1:

Lay solid foundations for management and oversight

Council Recommendation 1.1:

Formalise and disclose the functions reserved to the Board and those delegated to management.

The Company complies with this recommendation. Refer Section 1.1 of the Corporate Governance Statement.

2. COMPOSITION OF THE BOARD

Council Principle 2:

Structure the Board to add value

Council Recommendation 2.1:

A majority of the Board should be independent directors.

The Board considers that a majority of its Board is not independent and it does not comply with Recommendation 2.1. Refer Section 1.2 of the Corporate Governance Statement.

While the Board strongly endorses the position that boards need to exercise independence of judgment, it also recognises (as does ASX Corporate Governance Council Principle 2) that the need for independence is to be balanced with the need for skills, commitment and a workable board size. The Board believes it has recruited members with the skills, experience and character to discharge its duties and that any greater emphasis on independence would be at the expense of the Board's effectiveness.

Currently none of the Non-Executive Directors are considered independent within the ASX Corporate Governance Council's guidelines.

Messrs Readhead, Buchhorn and Trench are Non-Executive Directors of the Company, and are also Directors of Heron Resources Ltd who was until recently a major shareholder of the Company and as such does not meet the Company's criteria for independence.

Mr Readhead is also a principal at Pullinger Readhead Lucas, the major legal providers for the Company. Mr Readhead has been directly involved in the provision of legal services by Pullinger Readhead Lucas, and does not meet the Company's criteria for independence. However, Mr Readhead does not participate in the discussions regarding the provision of legal services and his knowledge of the law is a skill that the Board considers necessary to have on the Board.

Mr Buchhorn is also substantial shareholder of the Company and was an initial founding Director of the Company. He has been a major force in the Company's success and his technical and commercial experience and knowledge of the Company makes his contribution to the Board such that it is appropriate for him to remain in his position.

At present the Company believes that the individuals on the Board can make, and do make, quality and independent judgments in the best interests of the Company on all relevant issues. Directors having a conflict of interest in relation to a particular item of business must absent themselves from the Board Meeting before commencement of discussion on the topic.

The Board considers that the Company is not currently of a size, nor are its affairs of such complexity to justify the expense of appointing additional independent Non-Executive Directors.

Council Recommendation 2.2:

The chairperson should be an independent director.

The Company's Chairman, Mr Craig Readhead, is considered by the Board not to be independent in terms of the ASX Corporate Governance Council's definition of independent director. However the Board believes that the Chairman is able and does bring quality and independent judgment to all relevant issues falling

Corporate Governance Statement

within the scope of the role of a Chairman.

The Board considers that the Company is not currently of a size, nor are its affairs of such complexity to necessitate the appointment of an independent Non-Executive Chairman.

Refer Section 1.2 of the Corporate Governance Statement.

Council Recommendation 2.3:

The roles of chairperson and chief executive officer (Managing Director) should not be exercised by the same individual.

The Company complies with this recommendation. Refer Section 1.2 of the Corporate Governance Statement.

Council Recommendation 2.4:

The Board should establish a nomination committee.

The Board considers that the Company is not currently of a size to justify the formation of a nomination committee. The Board as a whole undertakes the process of reviewing the skill base and experience of existing Directors to enable identification or attributes required in new Directors. Where appropriate independent consultants are engaged to identify possible new candidates for the Board.

The Board acknowledges this does not comply with Recommendation 2.4 of the ASX Corporate Governance Guidelines. If the Company's activities increase in size, scope and nature, the appointment of a nomination committee will be reviewed by the Board and implemented if appropriate.

Refer Section 2 of the Corporate Governance Statement.

3. ETHICAL AND RESPONSIBLE DECISION-MAKING

Council Principle 3:

Actively promote ethical and responsible decision-making

Council Recommendation 3.1:

Establish a code of conduct to guide the Directors, the chief executive officer (or equivalent), the chief financial officer (or equivalent) and any other key executives as to:

- 3.1.1 *the practices necessary to maintain confidence in the Company's integrity;*
- 3.1.2 *the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.*

The Company complies with this recommendation and has a Code of Conduct to guide the Directors and key executives. Refer Sections 1.1, 3.1 and 3.2 of the Corporate Governance Statement.

Council Recommendation 3.2:

Disclose the policy concerning trading in Company securities by Directors, officers and employees.

The Company complies with this recommendation. Refer Section 1.4.6 of the Corporate Governance Statement.

4. INTEGRITY OF FINANCIAL REPORTING

Council Principle 4:

Safeguard integrity in financial reporting

Council Recommendation 4.1:

Require the chief executive officer (or equivalent) and the chief financial officer (or equivalent) to state in writing to the board that the Company's financial reports present a true and fair view, in all material respects, of the Company's financial condition and operational results and are in accordance with relevant accounting standards.

The Company complies with this requirement. Refer Section 5.2 of the Corporate Governance Statement.

Council Recommendation 4.2:

The Board should establish an audit committee.

The Board considers that the Company is not of a size, nor are its financial affairs of such complexity to justify the formation of an audit committee. The Board as a whole undertakes the selection and proper application of accounting policies, the identification and management of risk and the review of the operation of the internal control systems.

The Board acknowledges this does not comply with Recommendation 4.2. If the Company's activities increase in size, scope and nature, the appointment of an audit committee will be reviewed by the Board and implemented if appropriate. Refer Section 2.1 of the Corporate Governance Statement.

Council Recommendation 4.3:

Structure the audit committee so that it consists of:

- *only non-executive directors;*
- *a majority of independent directors;*
- *an independent chairperson, who is not chairperson of the board;*
- *at least three members.*

Refer Council Recommendation 4.2.

Council Recommendation 4.4

The audit committee should have a formal operating charter.

Refer Council Recommendation 4.2.

5. MAKE TIMELY AND BALANCED DISCLOSURE

Council Principle 5:

Promote timely and balanced disclosure of all material matters concerning the Company

Council Recommendation 5.1:

Establish written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior management level for that compliance.

The Company complies with this recommendation. Refer Section 4.1 of the Corporate Governance Statement.

CORPORATE GOVERNANCE STATEMENT (continued)

6. RESPECT THE RIGHTS OF SHAREHOLDERS

Council Principle 6:
Respect the rights of shareholders and facilitate the effective exercise of those rights

Council Recommendation 6.1:

Design and disclose a communications strategy to promote effective communication with shareholders and encourage effective participation at general meetings.

The Company complies with this recommendation. Refer Section 4.2 of the Corporate Governance Statement.

Council Recommendation 6.2:

Request the external auditor to attend the annual general meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report.

The Company complies with this recommendation. Refer Section 5.3 of the Corporate Governance Statement.

7. RECOGNISE AND MANAGE RISK

Council Principle 7:
Establish a sound system of risk oversight and management and internal control

Council Recommendation 7.1:

The Board or appropriate board committee should establish policies on risk oversight and management.

The Company complies with this recommendation. Refer Section 5.1 of Corporate Governance Statement.

Council Recommendation 7.2

The chief executive officer (or equivalent) and the chief financial officer (or equivalent) should state in writing that:

7.2.1 *the statement given in accordance with best practice recommendation 4.1 (the integrity of financial statements) is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board;*

7.2.2 *the Company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.*

The Company complies with this recommendation. Refer Sections 5.1 and 5.2 of the Corporate Governance Statement.

8. ENCOURAGE ENHANCED PERFORMANCE

Council Principle 8:
Fairly review and actively encourage enhanced board and management effectiveness

Council Recommendation 8.1:

Disclose the process for performance evaluation of the board, its committees and individual directors, and key executives.

The Company complies with this recommendation. Refer Section 6 of the Corporate Governance Statement.

9. REMUNERATE FAIRLY AND RESPONSIBLY

Council Principle 9:
Ensure that the level and composition of remuneration is sufficient and reasonable and that its relationship to corporate and individual performance is defined

Council Recommendation 9.1:

Provide disclosure in relation to the Company's remuneration policies to enable investors to understand (i) the costs and benefits of those policies and (ii) the link between remuneration paid to directors and key executives and corporate performance.

The Company complies with this recommendation. Refer Sections 2.2 and 6 of the Corporate Governance Statement.

Council Recommendation 9.2

The Board should establish a remuneration committee.

The Board considers that the Company is not currently of a size, nor are its affairs of such complexity to justify the formation of a remuneration committee. The Board as a whole is responsible for the remuneration arrangements for Directors and executives of the Company.

The Board acknowledges this does not comply with Recommendation 9.2. If the Company's activities increase in size, scope and nature, the appointment of a remuneration committee will be reviewed by the Board and implemented if appropriate.

Refer Section 2.2 of the Corporate Governance Statement.

Council Recommendation 9.3

Clearly distinguish the structure of non-executive directors' remuneration from that of executives.

The Company complies with this recommendation. Refer Section 2.2 of the Corporate Governance Statement.

Council Recommendation 9.4

Ensure that payment of equity-based executive remuneration is made in accordance with thresholds set in plans approved by shareholders.

The Company complies with this recommendation as the Pioneer Nickel Limited Directors, Officers, Employees and other Permitted Persons Option Plan was approved by shareholders on 25 September 2003.

10. RECOGNISE THE LEGITIMATE INTERESTS OF STAKEHOLDERS

Council Principle 10:
Recognise legal and other obligations to all legitimate stakeholders

Council Recommendation 10.1:

Establish and disclose a code of conduct to guide compliance with legal and other obligations to legitimate stakeholders.

The Company complies with this recommendation. Refer Section 3.2 of the Corporate Governance Statement.

The Directors present their report on Pioneer Nickel Limited at the end of, or during the year ended 30 June 2004.

DIRECTORS

The names and details of the Directors of Pioneer Nickel Limited during the financial year and until the date of this report are:

Craig L Readhead – *B.Juris. LL.B.*

Non-Executive Chairman

Mr Readhead was appointed a Director on 17 January 2003. Mr Readhead is a lawyer with over 25 years legal and corporate advisory experience, with specialisation in the resources sector. Mr Readhead is a principal in the law firm Pullinger Readhead Lucas and is a director of a number of listed and unlisted public companies involved in mining and exploration in Australia. Mr Readhead is the past vice president of the Association of Mining and Exploration Companies (AMEC), and past president of the Australian Mining and Petroleum Law Association (AMPLA).

David J Crook – *B.Sc, MAIMM*

Managing Director

Mr Crook was appointed a Director on 11 August 2003. Mr Crook is a geologist with over 24 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.

Ian J Buchhorn – *B.Sc (Hons), Dipl. Geosci (Min. Econ), MAIMM*

Non-Executive Director

Mr Buchhorn was appointed a Director on 17 January 2003. Mr Buchhorn is a mineral economist and geologist. Mr Buchhorn has worked on nickel, bauxite and industrial mineral mining and exploration, gold and base metal project generation, gold mine operations and corporate evaluations. He has 30 years experience as an economic geologist, has commissioned several open cut gold mines, and has operated as a Registered Mine Manager. Mr Buchhorn is the Managing Director of Heron Resources Limited.

Allan Trench – *B.Sc (Hons), Ph.D, M.Sc (Min. Econ), MBA (Oxon)*

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 subsequently joined McKinsey and

Company serving a number of major minerals companies with corporate strategy, development and operations improvements. Dr Trench is Adjunct Professor in Mineral Economics at the Western Australian School of Mines.

Mr Ross Arancini was a Director appointed on 17 January 2003 and who resigned on 11 August 2003.

PRINCIPAL ACTIVITIES

The principal activities of the Company during the financial year consisted of mineral exploration and development in Western Australia.

There have been no significant changes in these activities during the financial year.

RESULTS OF OPERATIONS

The net loss after income tax for the Company for the financial year was \$311,337 (2003: \$7,708).

DIVIDENDS

No dividend has been paid since the end of the previous financial year and no dividend is recommended for the current year.

REVIEW OF ACTIVITIES

A detailed review of the Company activities during the financial year is set out in the sections titled "Operations Overview" and "Project Review" in this Annual Report.

During the financial year the Company has used its cash reserves in a way consistent with its business objectives as detailed in its Initial Public Offer Prospectus dated 17 October 2003.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

In the opinion of the Directors there were no significant changes in the state of affairs of the Company that occurred during the financial year under review except for:

- On 15 October 2003 shareholders of Heron Resources Limited ("Heron") approved the demerger of the Company from Heron Resources Limited for the purpose of transferring certain nickel sulphide assets to the Company. In satisfaction for the acquisition of the nickel sulphide interests from Heron, the Company issued 15,000,000 ordinary shares and 3,500,000 unlisted options to Heron at an ascribed value of \$360,000 (being the historic exploration costs incurred by Heron on the nickel sulphide tenements transferred).

A total of 15,000,010 ordinary shares issued to Heron were held in trust and were distributed to Heron shareholders on 10 September 2004 for no cost as a distribution in specie on a pro rata basis of approximately one Company share for every eight Heron shares held.

The 3,500,000 unlisted options will be retained by Heron and are exercisable by 31 December 2007 at an exercise

DIRECTORS' REPORT (continued)

price of \$0.25 per share. The unlisted options are not transferable and are subject to escrow conditions imposed by the Australian Stock Exchange Limited ("ASX").

- On 17 October 2003 the Company lodged a Prospectus with the Australian Securities and Investments Commission. The Company was admitted to the Official List of the Australian Stock Exchange Limited on 1 December 2003. The Company raised a total of \$5,500,000 pursuant to the Prospectus from the issue of 27,500,000 ordinary shares at 20 cents each. Trading in the Company's securities on the ASX commenced on 4 December 2003.

OPTIONS OVER UNISSUED CAPITAL

Unlisted Options

During the financial year the Company granted the following unlisted options over unissued shares to Heron Resources Limited, employees of Heron Resources Limited, Directors, executive officers, and an employee:

Number of Options Granted	Exercise Price	Expiry Date
3,500,000 (i)	25 cents each	31 December 2007
3,000,000 (ii)	25 cents each	31 December 2007
250,000 (iii)	25 cents each	31 December 2007
(i) unlisted options issued to Heron Resources Limited have a 24 month vesting period prior to exercise which can occur after 14 October 2005.		
(ii) unlisted options have a 24 month vesting period prior to exercise which can occur after 14 October 2005.		
(iii) unlisted options have a 24 month vesting period prior to exercise which can occur after 31 March 2006.		

Subsequent to the end of the financial year a further 250,000 unlisted options exercisable at 25 cents on or before 31 December 2007 were issued to two employees.

As at the date of this report unissued ordinary shares of the Company under option are:

Number of Options Granted	Exercise Price	Expiry Date
3,500,000 (i)	25 cents each	31 December 2007
3,000,000 (ii)	25 cents each	31 December 2007
250,000 (iii)	25 cents each	31 December 2007
250,000 (iii)	25 cents each	31 December 2007
(i) unlisted options issued to Heron Resources Limited have a 24 month vesting period prior to exercise which can occur after 14 October 2005.		
(ii) unlisted options have a 24 month vesting period prior to exercise which can occur after 14 October 2005.		
(iii) unlisted options have a 24 month vesting period prior to exercise which can occur after 31 March 2006.		
(iv) unlisted options have a 24 month vesting period prior to exercise which can occur after 31 August 2006.		

The above options represent unissued ordinary shares of the Company under option as at the end of the financial year and as at the date of this report. These unlisted options do not entitle the holder to participate in any share issue of the Company. The holders of unlisted options are not entitled to any voting rights until the options are exercised into ordinary shares.

The names of all persons who currently hold options granted are entered in a register kept by the Company pursuant to Section 168(1) of the Corporations Act 2001, and the register may be inspected free of charge.

No person entitled to exercise any option has or had, by virtue of the option, a right to participate in any share issue of any other body corporate. Up until the date of this report no options have been exercised during the financial year or since 30 June 2004 in respect of ordinary shares.

EVENTS SUBSEQUENT TO BALANCE DATE

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Company to affect substantially the operations of the Company, the results of those operations or the state of affairs of the Company in subsequent financial years other than market announcements released to the Australian Stock Exchange since balance and including the following:

Galaxy Resources Limited

On 7 September 2004 the Company subscribed for 1,000,000 ordinary shares in unlisted public company Galaxy Resources Limited ("Galaxy") at an issue price of \$0.10 per share, totalling \$100,000. In addition Galaxy Resources Limited granted to the Company 500,000 free attaching options each exercisable at \$0.10 on or before 30 September 2008.

In addition the Company has commenced exploration within a joint venture with Galaxy at the Aerodrome Project located 5 km west of Ravensthorpe to explore for nickel sulphides. The Company can earn a 75% interest in the Aerodrome Project through expending \$500,000 on exploration within 5 years.

Joint Venture and Placement of Securities with Jubilee Mines NL

On 21 September 2004 the Company entered into a joint venture at the Acra Project with Jubilee Mines NL ("Jubilee").

The terms of the joint venture entitle Jubilee to earn up to a 75% interest in the Acra Project by expending up to a total of \$6.93 million as follows:

- Jubilee paying an initial cash payment of \$230,000;
- Jubilee having the right to earn a 60% interest in the Acra Project by expending \$3 million over three years.

Jubilee must expend a minimum of \$1.2 million on exploration expenditure prior to any withdrawal from the Acra Project. Jubilee will act as Manager of the Acra Project during the course of the farm in;

- (iii) Upon earning a 60% interest Jubilee can elect to earn a further 15% interest by paying \$200,000 and agreeing to expend a further \$3.5 million over a further 3 year period. Contemporaneously upon making the \$200,000 payment the Company will be required to issue 1 million options to Jubilee for no consideration at an exercise price of 25 cents each and exercisable over a period of 5 years; and
- (iv) Upon Jubilee earning a 75% interest in the Acra Project the Company will be free carried through to the decision to mine upon which the Company will have the option to contribute to costs in proportion to its 25% interest, or sell.

In addition Jubilee has also agreed to subscribe for 4,077,623 ordinary shares in the Company at an issue price of 15 cents per share and will receive 3,750,000 free attaching five year options exercisable at 25 cents each.

The share placement will raise a total of \$611,643. The issue of a total of 4,077,623 ordinary shares and a total of 4,750,000 options will be subject to the Company seeking shareholder approval which will be sought at the Company's Annual General Meeting to be held in November 2004.

Jubilee has also agreed to acquire 672,377 existing ordinary shares in the Company which were classified as "unmarketable" at a price of up to 15 cents per share. The unmarketable shares arose as a result of the in specie share distribution by Heron Resources Limited which occurred on 10 September 2004.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

Likely developments in the operations of the Company are included elsewhere in this Annual Report. Disclosure of any further information has not been included in this report because, in the reasonable opinion of the Directors to do so would be likely to prejudice the business activities of the Company.

ENVIRONMENTAL REGULATION AND PERFORMANCE

The Company holds various exploration licences to regulate its exploration activities in Australia. These licences include conditions and regulations with respect to the rehabilitation of areas disturbed during the course of its exploration activities. So far as the Directors are aware, all exploration activities have been undertaken in compliance with all relevant environmental regulations.

INFORMATION ON DIRECTORS

As at the date of this report the Directors' interests in shares and options of the Company are as follows:

Director	Directors' Interests in Ordinary Shares	Directors' Interests in Unlisted Options
Craig L Readhead Non-Executive Chairman Appointed on 17 January 2003	82,127	500,000
David J Crook Managing Director Appointed on 11 August 2003	442,625	1,000,000
Ian J Buchhorn (i) Non-Executive Director Appointed on 17 January 2003	5,892,960	300,000
Allan Trench Non-Executive Director Appointed on 8 September 2003	20,156	300,000

- (i) Mr I J Buchhorn is the Managing Director of Heron Resources Limited and via his direct and indirect interests is a substantial shareholder of Heron Resources Limited. In addition to the above disclosed securities, Heron Resources Limited holds 846 ordinary shares in the Company and 3,500,000 unlisted options exercisable at 25 cents each expiring on 31 December 2007.

DIRECTORS' MEETINGS

The number of meetings of the Company's Directors held in the period each Director held office during the financial year and the number of meetings attended by each Director were:

Director	Board of Directors' Meetings		Short Notice Meetings	
	Held	Attended	Held	Attended
C L Readhead	10	10	13	13
D J Crook (Note A)	10	10	13	13
I J Buchhorn	10	10	13	13
A Trench (Note B)	9	7	11	11
R J Arancini (Note C)	1	1	-	-

Note A – Mr D J Crook was appointed as Managing Director on 11 August 2003.

Note B – Dr A Trench was appointed as a Director on 8 September 2003.

Note C - Mr R J Arancini was appointed as a Director on 17 January 2003 and resigned on 11 August 2003.

During the financial year there were ten general Directors' meetings for which formal notice of meeting was given. In addition, there were thirteen Directors' meetings called for specific purposes.

DIRECTORS' & SENIOR EXECUTIVES' EMOLUMENTS

The Board of Directors is responsible for determining and reviewing compensation arrangements for the Directors and the executive team. The Board of Directors assesses the appropriateness of the nature and amount of emoluments of such officers on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum benefit from the retention of a high quality

DIRECTORS' REPORT (continued)

Board and executive team. Such officers are given the opportunity to receive their base emolument in a variety of forms including cash and fringe benefits such as motor vehicles.

Remuneration of Non-Executive Directors is determined by the Board with the maximum amount approved by the shareholders from time to time.

Details of the nature and amount of each element of the emoluments of each Director of Pioneer Nickel Limited are as follows:

Director	Base Emolument \$	Superannuation/ Salary Sacrifice Contributions \$	Other Benefits \$	Consultancy Fees \$	Options \$	Total \$
C L Readhead (i) (Non-Executive Chairman)	26,758	2,408	-	20,000	6,650	55,816
D J Crook (ii) (Managing Director)	75,097	6,759	5,000	-	13,300	100,156
I J Buchhorn (i) (Non-Executive Director)	-	14,583	-	-	3,990	18,573
A Trench (i) (Non-Executive Director)	13,379	1,204	-	-	3,990	18,573
R J Arancini (iii) (Non-Executive Director)	-	-	-	-	3,990	3,990

- (i) Non-Executive Directors did not receive Directors' fees until the Company's admission to the Official List of the Australian Stock Exchange Limited on 1 December 2003.
- (ii) Mr Crook was employed as the Managing Director of the Company under a Service Agreement which commenced on 1 January 2004. Prior to this he was employed by Heron Resources Limited and was recharged to the Company under the terms of the management fee between the Company and Heron Resources Limited. Refer Note 17 to the Company's full financial report for further details.

- (iii) Mr Arancini resigned as a Director on 11 August 2003.

Pullinger Readhead Lucas an entity associated with Mr CL Readhead provided legal services to the Company further details of which are disclosed in Note 17 to the Company's full financial report. Related entities associated with Mr I J Buchhorn also provided services to the Company during the financial year. Further details are disclosed in Note 17 to the full financial report.

Heron Resources Limited an entity associated with Messrs Readhead, Buchhorn and Trench received management fees in relation to preparing the Company for its Initial Public Offer and listing on ASX. Further details are disclosed in Note 17 to the Company's full financial report.

Included in the above remuneration are unlisted options which were approved at the Company's Annual General Meeting held on 25 September 2003 and were granted as follows:

Director	Number of Options Issued	Exercise Price	Expiry Date
C L Readhead	500,000	25 cents each	31 December 2007
D J Crook	1,000,000	25 cents each	31 December 2007
I J Buchhorn	300,000	25 cents each	31 December 2007
A Trench	300,000	25 cents each	31 December 2007
R J Arancini	300,000	25 cents each	31 December 2007

The amount disclosed for remuneration relating to the above options granted to a Director during the financial year, was assessed as the fair value of the options. The fair value was independently determined using the Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the vesting period, the impact of dilution, the current price and expected price volatility of the underlying share and the risk free interest rate for the term of the option.

Other than the Directors disclosed above there were no other executive officers who received emoluments during the financial year ended 30 June 2004.

INDEMNIFYING OFFICERS AND AUDITOR

During or since the end of the financial year, the Company has not given an indemnity or entered into an agreement to indemnify, or paid or agreed to pay an insurance premium for Officers and Auditors indemnity. The Constitution of the Company allows for an indemnity in respect of legal liability for damages and legal costs arising from claims made by reason of any omissions or acts (other than dishonesty) by them, whilst acting in their individual or collective capacity as Directors or Officers of the Company.

CORPORATE GOVERNANCE

In recognising the need for the highest standards of corporate behaviour and accountability, the Directors of the Company support and have adhered to the principles of corporate governance. The Company's corporate governance statement is contained in the Annual Report.

DATED at Perth this 29th day of September 2004.

Signed in accordance with a resolution of the Directors.



D J Crook
Managing Director

Statement of Financial Performance

For the year ended 30th June 2004

	NOTE	2004 \$	2003 \$
Other revenues from ordinary activities	2	132,220	76
Total revenue	2	132,220	76
Employee expenses		(194,318)	-
Depreciation expenses		(18,601)	-
Rental expense on operating leases		(12,601)	-
Non-Executive Directors' fees		(78,333)	-
Management fee and salaries recharged by Heron Resources Limited		(106,735)	(4,840)
Corporate expenses		(69,308)	-
Employee costs recharged to exploration		173,493	-
Other expenses from ordinary activities		(137,154)	(2,944)
Loss from ordinary activities before related income tax expense		(311,337)	(7,708)
Income tax relating to ordinary activities		-	-
Net loss attributable to members of the Company	3, 4	(311,337)	(7,708)
Total revenues, expenses and valuation adjustments attributable to members of the Company and recognised directly in equity	4	(362,633)	-
Total changes in equity other than those resulting from transactions with owners as owners attributable to members of the Company		(673,970)	(7,708)
Basic earnings/(loss) per share (cents per share)	6	(1.1)	
Diluted earnings/(loss) per share (cents per share)	6	(1.1)	

The statement of financial performance is to be read in conjunction with the accompanying discussion and analysis and the notes to the concise financial report.

Pioneer Nickel Limited

STATEMENT OF FINANCIAL POSITION

As at 30th June 2004

	NOTE	2004 \$	2003 \$
CURRENT ASSETS			
Cash assets		3,506,525	32,753
Receivables		73,624	-
Other financial assets		13,165	-
TOTAL CURRENT ASSETS		3,593,314	32,753
NON-CURRENT ASSETS			
Property, plant and equipment and motor vehicles		160,314	-
Capitalised mineral exploration and evaluation expenditure		1,714,640	67,494
TOTAL NON-CURRENT ASSETS		1,874,954	67,494
TOTAL ASSETS		5,468,268	100,247
CURRENT LIABILITIES			
Payables		207,250	107,945
Provisions		4,686	-
TOTAL CURRENT LIABILITIES		211,936	107,945
TOTAL LIABILITIES		211,936	107,945
NET ASSETS/(LIABILITIES)		5,256,332	(7,698)
EQUITY			
Contributed equity		5,575,377	10
Accumulated losses		(319,045)	(7,708)
TOTAL EQUITY/(DEFICIENCY)	4	5,256,332	(7,698)

The statement of financial position is to be read in conjunction with the accompanying discussion and analysis and the notes to the concise financial report.

Statement of Cash Flows

For the year ended 30th June 2004

	2004 \$ Inflows/(Outflows)	2003 \$ Inflows/(Outflows)
CASH FLOWS FROM OPERATING ACTIVITIES		
Interest received	118,333	76
Payment to Heron Resources Limited for management fees	(100,000)	-
Payments to suppliers and employees	(276,597)	(7,784)
NET CASH USED IN OPERATING ACTIVITIES	(258,264)	(7,708)
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for exploration and evaluation	(1,111,403)	(67,494)
Payments for plant and equipment and motor vehicles	(170,415)	-
Payments for tenement bonds	(16,500)	-
NET CASH USED IN INVESTING ACTIVITIES	(1,298,318)	(67,494)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from the issue of shares	5,528,000	10
Payments for transactions costs relating to the Initial Public Offer	(352,633)	-
Loan from Heron Resources Limited	20,000	107,945
Repayment of loan to Heron Resources Limited	(165,013)	-
NET CASH PROVIDED BY FINANCING ACTIVITIES	5,030,354	107,955
NET INCREASE IN CASH HELD	3,473,772	32,753
CASH AT THE BEGINNING OF THE FINANCIAL YEAR	32,753	-
CASH AT THE END OF THE FINANCIAL YEAR	3,506,525	32,753

The statement of cash flows is to be read in conjunction with the accompanying discussion and analysis and the notes to the concise financial report.

DISCUSSION AND ANALYSIS

For the year ended 30th June 2004

STATEMENT OF FINANCIAL PERFORMANCE

The Company reported an operating loss after tax of \$311,337, compared to a loss of \$7,708 for the period 17 January 2003 (the date of incorporation) to 30 June 2003. The current year loss included salaries and associated on-costs from engaging new employees to implement the Company's business strategy as per its Initial Public Offer Prospectus dated 17 October 2003. In addition management fees and salaries were recharged by Heron Resources Limited totaling \$106,735 which related to the Company's preparation for listing on the Australian Stock Exchange and ongoing maintenance of the Company's exploration tenements. The Company was admitted to the Official List of the Australian Stock Exchange Limited on 1 December 2003 and trading of its securities commenced on 4 December 2003.

STATEMENT OF FINANCIAL POSITION

The cash position remained strong at the end of the financial year at \$3,506,525. This cash position will be further supplemented by \$0.84 million following the recent announcement of the share placement and joint venture with Jubilee Mines NL (refer Note 8 for further details).

Capitalised exploration and development expenditure incurred during the year was \$1,647,146.

This expenditure included acquisition costs of \$481,414 which comprised the deemed consideration and stamp duty of \$376,490 relevant to the transfer of Heron Resources Limited's nickel sulphide interests under the Tenement Sale Agreement, \$30,000 of vendor consideration with respect to acquiring nickel sulphide rights at the Wattle Dam Project and forming part of the Initial Public Offer, \$40,000 of vendor consideration with respect to acquiring three tenements at the Jubilee South Project and \$34,924 for various applications to secure tenements located primarily in the Eastern Goldfields.

Project exploration of \$1,165,732 included extensive geophysical and geochemical surveys at the Acra Project which also included the completion of a 23 reverse circulation drill hole program. The exploration work has successfully extended the size of the disseminated nickel sulphide deposit and as a result since balance date Jubilee Mines NL has committed to establish a joint venture which entitles Jubilee Mines NL to earn up to a 75% interest in the Acra Project by expending up to \$6.93 million.

Exploration expenditure was also incurred on the Company's Wattle Dam Project whereby aeromagnetic surveys over the entire project and wide spread moving loop transient electromagnetic surveys were completed along with geochemical work. Drill targets have now been generated and will be the focus of ongoing work.

Ongoing exploration expenditure was also incurred at the Company's Silver Swan Northwest Project which entailed detailed geophysical and geochemical surveys which has identified a number of conductors which have been classified as priority drill targets.

Current liabilities increased at the end of 30 June 2004 due to increased exploration and operational activity at the Company's various exploration projects compared to the prior year.

Share capital increased by \$5,575,367 during the financial year due to the issue of the following shares reduced by the Initial Public Offer expenses of \$362,633:

- 15,000,000 ordinary shares issued to Heron Resources Limited (and subsequently distributed to Heron Resources Limited shareholders on 10 September 2004) as consideration for acquiring the nickel sulphide tenements and interests under the Tenement Sale Agreement, at a deemed issue price of 2.4 cents each **\$360,000**
- 1,000,000 ordinary shares issued to Kurana Pty Ltd at an issue price of 3 cents each as vendor consideration for the nickel sulphide interests at the Wattle Dam Project as disclosed in the Initial Public Offer Prospectus **\$ 30,000**
- 400,000 ordinary shares issued to related parties associated with Mr DJ Crook at an issue price of 7 cents each for working capital as disclosed in the Initial Public Offer Prospectus **\$28,000**
- 27,500,000 ordinary shares issued under the Initial Public Offer Prospectus at an issue price of 20 cents each **\$5,500,000**
- 100,000 ordinary shares issued to P Gianni as part consideration for acquiring three Jubilee South tenements at an issue price of 20 cents each **\$ 20,000**

As at the end of the financial year the Company had on issue 44,000,010 ordinary shares compared to the 10 ordinary shares on issue at the end of the prior year.

As at 30 June 2004 the following unlisted options are outstanding:

Number of Options Granted	Exercise Price	Expiry Date
3,500,000 (i)	25 cents each	31 December 2007
3,000,000 (ii)	25 cents each	31 December 2007
250,000 (iii)	25 cents each	31 December 2007

- (i) unlisted options issued to Heron Resources Limited have a 24 month vesting period prior to exercise which can occur after 14 October 2005.
- (ii) unlisted options have a 24 month vesting period prior to exercise which can occur after 14 October 2005.
- (iii) unlisted options have a 24 month vesting period prior to exercise which can occur after 31 March 2006.

Subsequent to the end of the financial year a further 250,000 unlisted options exercisable at 25 cents on or before 31 December 2007 were issued to two employees.

STATEMENT OF CASH FLOWS

Cash Flows From Operating Activities

The net cash outflows from operating activities of \$258,264 comprised interest earned on cash reserves following the Initial Public Offer funds, offset by the operating outflows in relation to the Company establishing its operational activities.

Cash Flows From Investing Activities

Exploration and evaluation cash flows of \$1,111,403 related primarily to exploration programs at the Acra, Wattle Dam, Silver Swan Northwest and Pioneer Projects.

Payments for asset acquisitions of \$170,415 related to motor vehicles, office and field exploration plant and equipment.

Cash Flows from Financing Activities

During the year the Company raised cash proceeds of \$5,500,000 pursuant to an Initial Public Offer Prospectus dated 17 October 2003, whereby the Company issued 27,500,000 ordinary shares at 20 cents each.

Working capital of \$28,000 was raised prior to the IPO by the issue of 400,000 ordinary shares at 7 cents per share.

Following the completion of the Initial Public Offer, outflows of \$352,633 were incurred comprising lead manager advisory and management fees paid to Paterson Ord Minnett Limited, fees for preparing independent experts' reports and expenses related to printing, despatch and regulatory compliance fees associated with the Company's listing on the Australian Stock Exchange.

During the financial year and prior to the Company's listing on the Australian Stock Exchange, Heron Resources Limited loaned \$20,000 to the Company for the purpose of funding the Company's ongoing activities. In addition Heron Resources Limited charged a management fee of \$100,000 in relation to preparation for the Company's listing as well as reimbursement for various salaries recharged, exploration and administration costs.

The loan was unsecured and provided interest free.

Upon completion of the Initial Public Offer all monies owed to Heron Resources Limited were repaid as full and final settlement totaling \$165,013 in relation to a prior year loan and various salaries recharged, exploration and administration costs. In addition the management fee of \$100,000 was also paid. As at 30 June 2004 the Company owed no amounts in relation to the loan with Heron Resources Limited.

NOTES TO THE CONCISE FINANCIAL REPORT

For the year ended 30th June 2004

1. BASIS OF PREPARATION OF CONCISE FINANCIAL REPORT

The concise financial report has been prepared in accordance with the requirements of the Corporations Act 2001, Accounting Standard AASB 1039: Concise Financial Reports and applicable Urgent Issues Group Consensus Views.

The financial statements and specific disclosures required by AASB 1039 have been derived from the Company's full financial report for the financial year. Other information included in the concise financial report is consistent with the Company's full financial report. The concise financial report does not, and cannot be expected to, provide as full an understanding of the financial performance, financial position and financing and investing activities of the Company as the full financial report.

It has been prepared on the basis of historical costs and except where stated, does not take into account changing money values or fair values of non-current assets.

These accounting policies are consistent with those of the previous year.

The Company was incorporated on 17 January 2003 hence the comparatives relate to the period from incorporation to 30 June 2003.

A full description of the accounting policies adopted by the Company may be found in the Company's full financial report.

2. REVENUE/DIVIDENDS

(a) Revenue from ordinary activities

	2004 \$	2003 \$
Sales revenue	-	-
Interest revenue	132,220	76
	132,220	76

(b) Dividends paid or proposed

Dividends paid or proposed	-	-
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3. ACCUMULATED LOSSES

Accumulated losses at the beginning of the year	7,708	-
Net loss attributable to members	311,337	7,708
Accumulated losses at the end of the year	319,045	7,708

4. TOTAL EQUITY/(DEFICIENCY) RECONCILIATION

Total equity/(deficiency) at the beginning of the year	(7,698)	-
Add: Contributions of equity	5,938,000	10
Less: Cost of contributions of equity	(362,633)	-
Add: Share of operating loss	(311,337)	(7,708)
Total equity/(deficiency) at the end of the year	5,256,332	(7,698)

5. SEGMENT INFORMATION

The Company operates predominantly in one segment involved in the mineral exploration and development industry. Geographically the Company is domiciled and operates in one segment being Australia.

Notes to the Concise Financial Report

6. EARNINGS/(LOSS) PER SHARE

The following reflects the loss and share data used in the calculations of basic and diluted earnings/(loss) per share:

Earnings/(loss) used in calculating basic and diluted earnings/(loss) per share

2004
\$

2003
\$

(311,337)

(7,708)

Number of
Shares
2004

Number of
Shares
2003

Weighted average number of ordinary shares used in calculating basic earnings/(loss) per share:

27,149,190

5

Effect of dilutive securities

Share options

-

-

Adjusted weighted average number of ordinary shares used in calculating diluted earnings/(loss) per share

27,149,190

5

7. CONTINGENT LIABILITIES

There were no contingent liabilities not provided for in the financial statements of the Company as at 30 June 2004 other than:

Native Title and Aboriginal Heritage

Native title claims have been made with respect to areas which include tenements in which the Company has an interest. The Company is unable to determine the prospects for success or otherwise of the claims and, in any event, whether or not and to what extent the claims may significantly affect the Company or its projects. Agreement is being or has been reached with various native title claimants in relation to Aboriginal Heritage issues regarding certain areas in which the Company has an interest.

8. EVENTS SUBSEQUENT TO BALANCE DATE

There has not arisen since the end of the financial year any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Company to affect substantially the operations of the Company, the results of those operations or the state of affairs of the Company in subsequent financial years, other than market announcements released to the Australian Stock Exchange since balance date and the following:

Galaxy Resources Limited

On 7 September 2004 the Company subscribed for 1,000,000 ordinary shares in unlisted public company Galaxy Resources Limited ("Galaxy") at an issue price of \$0.10 per share, totalling \$100,000. In addition Galaxy Resources Limited granted to the Company 500,000 free attaching options each exercisable at \$0.10 on or before 30 September 2008.

In addition the Company has commenced exploration within a joint venture with Galaxy at the Aerodrome Project located 5 km west of Ravensthorpe to explore for nickel sulphides. The Company can earn a 75% interest in the Aerodrome Project through expending \$500,000 on exploration within 5 years.

Joint Venture and Placement of Securities with Jubilee Mines NL

On 21 September 2004 the Company entered into a joint venture at the Acra Project with Jubilee Mines NL ("Jubilee").

The terms of the joint venture entitle Jubilee to earn up to a 75% interest in the Acra Project by expending up to a total of \$6.93 million as follows:

- (i) Jubilee paying an initial cash payment of \$230,000;

NOTES TO THE CONCISE FINANCIAL REPORT (continued)

For the year ended 30th June 2004

- (ii) Jubilee having the right to earn a 60% interest in the Acra Project by expending \$3 million over three years. Jubilee must expend a minimum of \$1.2 million on exploration expenditure prior to any withdrawal from the Acra Project. Jubilee will act as Manager of the Acra Project during the course of the farm in;
- (iii) Upon earning a 60% interest Jubilee can elect to earn a further 15% interest by paying \$200,000 and agreeing to expend a further \$3.5 million over a further 3 year period. Contemporaneously upon making the \$200,000 payment the Company will be required to issue 1 million options to Jubilee for no consideration at an exercise price of 25 cents each and exercisable over a period of 5 years; and
- (iv) Upon Jubilee earning a 75% interest in the Acra Project the Company will be free carried through to the decision to mine upon which the Company will have the option to contribute to costs in proportion to its 25% interest, or sell.

In addition Jubilee has also agreed to subscribe for 4,077,623 ordinary shares in the Company at an issue price of 15 cents per share and will receive 3,750,000 free attaching five year options exercisable at 25 cents each.

The share placement will raise a total of \$611,643. The issue of a total of 4,077,623 ordinary shares and a total of 4,750,000 options will be subject to the Company seeking shareholder approval which will be sought at the Company's Annual General Meeting to be held in November 2004.

Jubilee has also agreed to acquire 672,377 existing ordinary shares in the Company which were classified as "unmarketable" at a price of up to 15 cents per share. The unmarketable shares arose as a result of the in specie share distribution by Heron Resources Limited which occurred on 10 September 2004.

International Financial Reporting Standards

For reporting periods beginning on or after 1 January 2005, the Company must comply with International Financial Reporting Standards ("IFRS") as issued by the Australian Accounting Standards Board.

This financial report has been prepared in accordance with Australian accounting standards and other financial reporting requirements (Australian GAAP). The differences between Australian GAAP and IFRS identified to date as potentially having a significant effect on the Company's financial performance and financial position are summarised below. The summary should not be taken as an exhaustive list of all the differences between Australian GAAP and IFRS. No attempt has been made to identify all disclosure, presentation or classification differences that would affect the manner in which transactions or events are presented.

The Company has not quantified the effects of the differences discussed below. Accordingly, there can be no assurances that the financial performance and financial position as disclosed in this financial report would not be significantly different if determined in accordance with IFRS.

The key potential implications of the conversion to IFRS on the consolidated entity are as follows:

- financial instruments must be recognised in the statement of financial position and all derivatives and most financial assets must be carried at fair value,
- equity-based compensation in the form of shares and options will be recognised as expenses in the periods during which the employee provides related services,
- the impairment of assets test may require that capitalised exploration and evaluation expenditure may need to be recognised on a different basis which may require such expenditure to be written off as incurred,
- changes in accounting policies will be recognised by restating comparatives rather than making current year adjustments with note disclosure of prior year effects.

At this stage the Company has not commenced its conversion and implementation of IFRS.

The financial effect of these events have not been brought to account at balance date.

9. FULL FINANCIAL REPORT

Further financial information can be obtained from the full financial report which is available from the Company, free of charge, on request. A copy may be requested by calling the Company on (08) 9091 6974.

Director's Declaration

In the opinion of the Directors of Pioneer Nickel Limited the accompanying concise financial report of Pioneer Nickel Limited for the year ended 30 June 2004, set out on pages 33 to 40.

(a) has been derived from or is consistent with the full financial report for the financial year; and

(b) complies with Accounting Standard AASB 1039: *Concise Financial Reports*.

This declaration is made in accordance with a resolution of the Directors.

Signed at Perth this 29th day of September 2004.



D J Crook
Managing Director

INDEPENDENT AUDIT REPORT

TO THE MEMBERS OF PIONEER NICKEL LIMITED

Scope

We have audited the concise financial report of Pioneer Nickel Limited for the financial year ended 30 June 2004 as set out on pages 33 to 41, in order to express an opinion on it to the members of the Company. The Company's directors are responsible for the concise financial report.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the concise financial report is free of material misstatement. We have also performed an independent audit of the full financial report of Pioneer Nickel Limited for the year ended 30 June 2004. Our audit report on the full financial report was signed on 29 September 2004 and was not subject to any qualification.

Our procedures in respect of the audit of the concise financial report included testing that the information in the concise financial report is consistent with the full financial report, and examination on a test basis, of evidence supporting the amounts, discussion and analysis, and other disclosures which were not directly derived from the full financial report. These procedures have been undertaken to form an opinion whether, in all material respects, the concise financial report is presented fairly in accordance with Accounting Standard AASB 1039 "Concise Financial Reports".

The audit opinion expressed in this report has been formed on the above basis.

Audit Opinion

In our opinion, the concise financial report of the Company complies with Accounting Standard AASB 1039: Concise Financial Reports".



BUTLER SETTINERI

Chartered Accountants



PAUL J CHABREL

Partner

Perth

Date: 29 September 2004

ASX Additional Information

Pursuant to the Listing Requirements of the Australian Stock Exchange Limited, the shareholder information set out below was applicable as at 27 September 2004.

A. Distribution of Equity Securities

Analysis of numbers of shareholders by size of holding:

Distribution	Number of Shareholders
1 – 1,000	72
1,001 – 5,000	177
5,001 – 10,000	164
10,001 – 100,000	588
More than 100,000	67
Totals	1,068

There were 170 holders of less than a marketable parcel of ordinary shares.

B. Substantial Shareholders

An extract of the Company's Register of Substantial Shareholders (who hold 5% or more of the issued capital) is set out below.

Shareholder Name	Issued Ordinary Shares	
	Number of Shares	Percentage of Shares
I J Buchhorn and related entities	5,892,960	13.39%

C. Twenty Largest Shareholders

Shareholder Name	Issued Ordinary Shares	
	Number	Percentage Quoted
Kurana Pty Ltd <Buchhorn Unit Fund>	4,614,646	12.03%
OMG Cawse Pty Ltd	1,854,329	4.83%
MBM Corporation Pty Ltd	1,350,086	3.52%
Mr John Samuel Williams	848,198	2.21%
Ms Marian Letcher	770,000	2.01%
Patocoa Nominees Pty Ltd	692,377	1.81%
Chaos Investments Pty Limited <Alexandrou Family A/c>	657,222	1.71%
Sheerwater Pty Ltd	517,504	1.35%
Hazurn Pty Ltd <Buchhorn Super Fund A/C>	446,678	1.16%
Patocoa Nominees Pty Ltd <Settlement A/C>	424,890	1.11%
UBS Nominees Pty Ltd <Prime Broking A/c>	400,000	1.04%
Marshall Investments Pty Ltd	400,000	1.04%
Baracus Pty Ltd	390,034	1.02%
Resource Capital Fund II LP	385,995	1.01%
Koltai Holdings Pty Ltd	322,663	0.84%
Mr William Brook <Brooks Superannuation A/C>	314,182	0.82%
Sancoast Pty Ltd	300,000	0.78%
Grosvenor Pirie Management Ltd <13A A/C – Roslyn No 1 S/F A/C>	300,000	0.78%
Edindeen Pty Ltd	300,000	0.78%
Mr Ian James Buchhorn	285,654	0.74%
	15,574,458	40.59%

Pioneer Nickel Limited

ASX ADDITIONAL INFORMATION (continued)

D. Unquoted Equity Securities

Shares

Shareholder Name	Number of Shares	Escrow Expiry Date
Kurana Pty Ltd <Buchhorn Unit Fund>	3,614,646	3 December 2005
Kurana Pty Ltd	1,000,000	3 December 2005
Ian James Buchhorn	285,654	3 December 2005
Manorina Mining Pty Ltd	212,187	3 December 2005
Pamela Jean Buchhorn	177,377	3 December 2005
Jennifer Anne Crook	131,459	3 December 2005
DJ Crook & JA Crook <Parkway Superannuation Fund>	131,166	3 December 2005
Hazurn Pty Ltd <Buchhorn Superannuation Fund A/C>	46,678	3 December 2005
Hengolo Pty Ltd	30,262	3 December 2005
Dr A Trench	7,256	3 December 2005
Daphne Mina Buckhorn	6,418	3 December 2005
Heron Resources Limited	846	3 December 2005
	5,643,949	

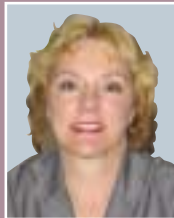
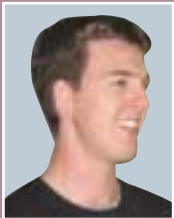
Unlisted Options

Optionholder Name	Number of Unlisted Options	Escrow Expiry Date
Heron Resources Limited – exercisable at 25 cents each – vesting period 24 months	3,500,000	3 December 2005
DJ Crook & JA Crook <Parkway Superannuation Fund> 25 cents each – vesting period 24 months	500,000	3 December 2005
Jennifer Anne Crook 25 cents each – vesting period 24 months	500,000	3 December 2005
Hengolo Pty Ltd 25 cents each – vesting period 24 months	300,000	3 December 2005
Kurana Pty Ltd 25 cents each – vesting period 24 months	300,000	3 December 2005
Dr A Trench 25 cents each – vesting period 24 months	300,000	3 December 2005

E. Voting Rights

In accordance with the Company's Constitution, voting rights in respect of ordinary shares are on a show of hands whereby each member present in person or by proxy shall have one vote and upon a poll each share shall have one vote.

“ An
investment
in aggressive
nickel sulphide
exploration ”



Meet the Pioneer Nickel team... (L to R) Engineering Student Corin Arcaro, Geologist Brad Daddow, Senior Geologist Clayton Davy's, Administration Manager Linda White, Managing Director David Crook, Data Assistant Jenny Crook, Consultant Geologist Haydn Hadlow & Tenement Manager Alan Rudd.



Pioneer Nickel Limited

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