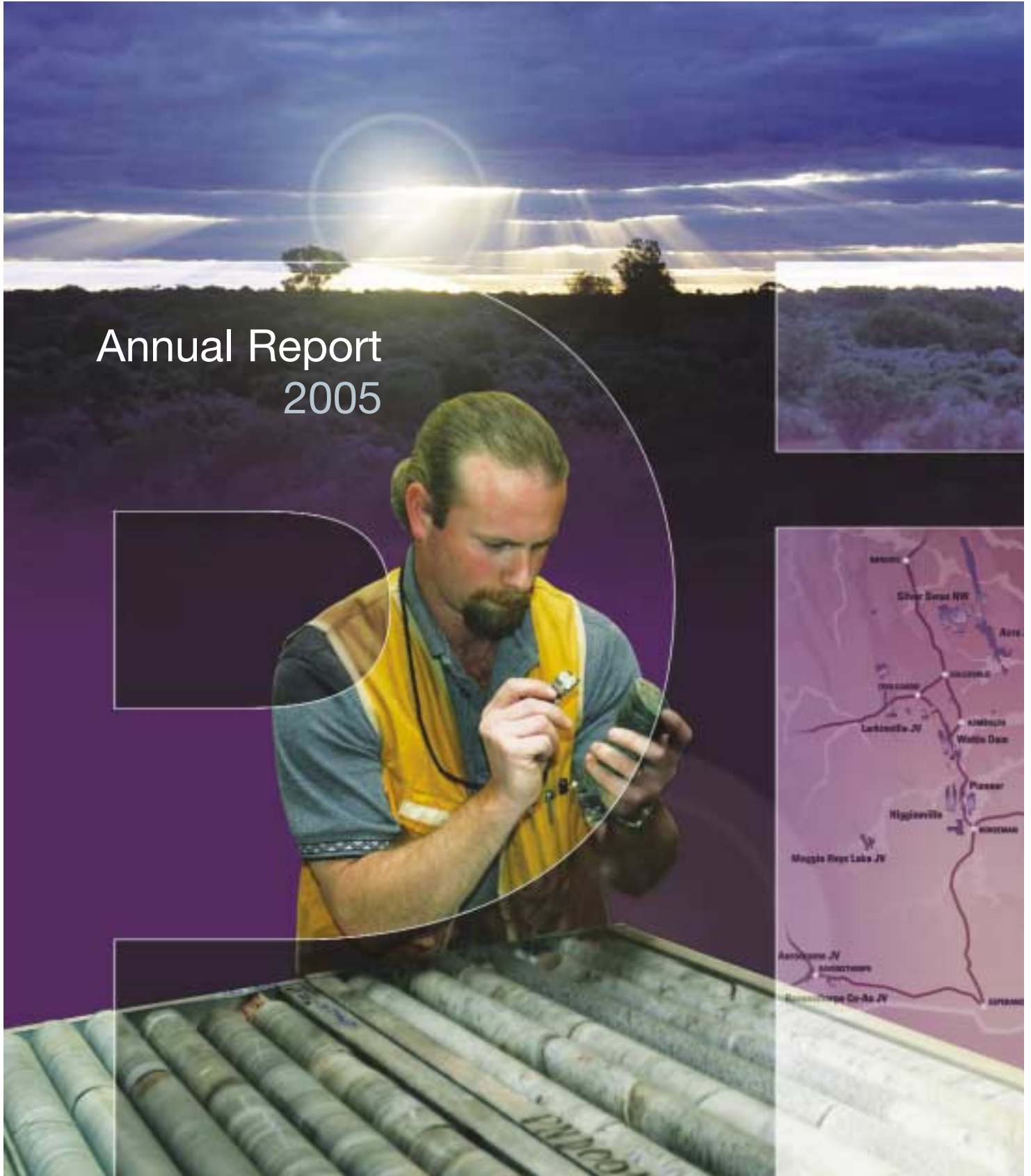


Annual Report 2005



Corporate Directory

DIRECTORS

Reginald N Gillard
NON-EXECUTIVE CHAIRMAN

David J Crook
MANAGING DIRECTOR

Ian J Buchhorn
NON-EXECUTIVE DIRECTOR

Allan Trench
NON-EXECUTIVE DIRECTOR

Peter Langworthy
NON-EXECUTIVE DIRECTOR

COMPANY SECRETARY

Julie A Wolseley

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Butler Settineri Chartered Accountants
35 – 37 Havelock Street
West Perth, Western Australia 6005

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770 Canning Highway
Applecross, Western Australia 6153
Telephone: +61 8 9315 2333
Facsimile: +61 8 9315 2233
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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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Project Locations



Objectives and Strategy

Pioneer's foremost priority is to discover nickel and base metal deposits. Our objective is to be a producer within 3 years.

Aggressive exploration will result in discoveries:

- As a nickel and base metal explorer, we apply best practice geological, geochemical and geophysical techniques to optimise the exploration of advanced targets;
- The majority of our activity is focussed on the highly prospective near-mine environments of Western Australia; and
- We apply best practice scientific, workplace and safety systems to provide the surest possible outcome for employees and investors.

Strategic Joint Ventures will mitigate economic risk:

- A strategic farm-out will ensure that project momentum is maintained; and
- A well-credentialed and commodity-focussed partner will commit to a substantial in-ground exploration programme in return for project equity.

Value Adding Acquisitions will strengthen Pioneer's tenement portfolio:

- Project acquisitions or farm-in joint venture projects must be of an advanced nature, likely to expedite our transition into a miner and add substantially to the value of the Company;
- Investment by acquiring capital in emerging companies provides leverage to prospective land positions; and
- Proactive tenement management and tenement pegging provides low-cost opportunities to complement the Company's current project portfolio.

An investment in aggressive Exploration

Chairman's Letter



The 2004-05 financial year marked an important time for Pioneer, with your Company enjoying significant project advancement, notable diversification to its project portfolio and further market recognition. Your Board is also constantly evaluating opportunities to grow the Company and maximise its market value.

Dear Shareholder

It is with pleasure that I present to you the 2005 Annual Report for Pioneer Nickel Limited.

I joined the Board on 17th March 2005 replacing the retiring Chairman Craig Readhead. I look forward to assisting the Board and management in continuing to develop the Company.

The 2004-05 financial year marked an important time for Pioneer, with your Company enjoying significant project advancement, notable diversification to its project portfolio and further market recognition. Your Board is also constantly evaluating opportunities to grow the Company and maximise its market value.

Highlights of the year's achievements include: the development of new geological models at the Acra, Wattle Dam and Pioneer Projects; securing a farm-in joint venture for the Elverdton-Mt Desmond copper-gold project at Ravensthorpe with its potential for early cash flow; and Jubilee Mines NL increasing its equity in the Company to 17.4%.

I am also pleased to report that we continue to fulfil our stated corporate objectives.

One of our key undertakings was to explore our prospective portfolio of tenements for nickel sulphides using best practice exploration techniques. Our exploration results from this year continue to advance key projects in a very positive manner.

At the Wattle Dam and Pioneer Projects, our exploration team has identified mineralised ultramafic channels, which is the precise geological environment where massive nickel sulphide ore may form. Future drilling will now focus on these very specific targets.

Pioneer also stated that it intended to enter into farm-out joint ventures with well credentialed partners, to ensure that the development of a specific project is maintained.

At the Acra JV Project (a \$6.9 million joint venture with Jubilee Mines NL) a new geological model has been developed and is currently being tested, with initial results confirming the presence of a large mineralised system; and at the Maggie Hays Lake JV Project, LionOre Australia (Nickel) Ltd, has generated a nickel sulphide drill target from recent surface electromagnetic surveys.

We look forward to achieving results from our projects in the near future as drilling proceeds.

Since listing in December 2003, Pioneer has focussed on establishing a culture for success. Your Company has put together an outstanding geological team and an impressive suite of projects which, when combined, will produce corporate success.

My fellow Directors join with me in sincerely thanking our employees and consultants for their outstanding efforts during the year and our shareholders for their ongoing support.

A handwritten signature in black ink, appearing to read 'Reg Gillard', with a long horizontal flourish extending to the right.

Reg Gillard
Chairman
23 September 2005

Corporate Overview



David Crook
Managing Director

Pioneer's second year of operation proved to be busy and important as the Company progressed its objectives and strategy. A great deal of advance has been made by way of successful exploration programmes completed, joint ventures entered into and strategic acquisitions made.

KEY ACHIEVEMENTS

- Substantial increase to project knowledge through testing of nickel sulphide targets;
- Incorporation of a wholly owned subsidiary, Western Copper Pty Ltd, which entered into a \$0.5 million farm-in joint venture with Galaxy Resources Limited ("Galaxy") for the Ravensthorpe Copper-Gold Project;
- Successful capital raisings of \$1.76 million;
- Increase to the Jubilee Mines NL shareholding in Pioneer to 17.4%, reinforcing to the market recognition that Pioneer holds an outstanding portfolio of projects;
- Pioneer increasing its shareholding in unlisted Galaxy to 7.0%, recognising the strategic value of its portfolio of tenements, prospective for a range of commodities, especially at Ravensthorpe, Western Australia; and
- Establishment of the Heazlewood and Whyte River Joint Venture Project, a farm-out with Resource Finance and Investments Limited.

During the year and since year end, the Company completed two capital raisings to ensure that its business objectives are able to be met. Your Company has maintained a strong cash position, ensuring minimal financial risk to Pioneer investors.

Business commitments elsewhere during the year resulted in Mr Craig Readhead resigning as the Company's chairman. The Company was extremely fortunate to attract Mr Reg Gillard to fulfil the role of chairman. Mr Gillard is a professional director and an accountant with more than 30 years experience, now focussing on corporate management and the identification and evaluation of resource project opportunities in Australia and overseas. Mr Gillard has had extensive experience in the successful acquisition and international funding of a number of resource projects, particularly in developing countries, for Australian and international investors.

The Board extends its sincere appreciation to Mr Readhead for his valued contribution to the progress of the Company since its incorporation and subsequent listing on ASX.

Operations Overview



Important milestones have been achieved at the Wattle Dam, Pioneer and Acra JV Projects with the identification of fertile, highly magnesian ultramafic channels at each project.

KEY ACHIEVEMENTS:

Acra JV Project (80km east of Kalgoorlie)

- 5,804m of RC and diamond drilling completed;
- Intersections of multiple nickel sulphide horizons, including:
42m at 0.56% Ni from 141m;
16m at 0.51% Ni from 331m; and
- ML/FLTEM surveys identified two further targets.

Wattle Dam Project (55km south west of Kalgoorlie)

- 3,425m of RAB or aircore drilling and 13 RC drill holes for 2,279m;
- Drilling at 1A South Prospect encountered the geological environment where nickel sulphides are found, and a DHTEM anomaly was detected;
- Drilling at 1H Prospect intersected fresh nickel sulphides on the basal contact including:
1m at 0.64% Ni from 153m; and
- Base line data sets have been interrogated by specialist consultants, resolving new targets for first-pass drilling.

Pioneer Project (125km south east of Kalgoorlie)

- Drilling totalling 8 RC holes for 1,468m and 2 diamond holes for 399.4m;
- Drilling at JH Prospect intersected nickel sulphide mineralisation including:
3.75m at 1.04% Ni from 73.25m; and
2m at 0.87% Ni from 90m.

Pioneer has maintained the momentum of its exploration programmes throughout the year, using a range of modern scientific and geological techniques now available.

Ravensthorpe JV Project (near the town of Ravensthorpe)

- Agreement reached to farm into the Ravensthorpe Copper-Gold Joint Venture Project with Galaxy Resources Limited; and
- New 3D model of old workings has highlighted project prospectivity.

Maggie Hays Lake JV Project (220km south west of Kalgoorlie)

- 3 RC holes completed for 233m; and
- ML/FLTEM surveys have generated a nickel sulphide drill target south along strike from Maggie Hays Mine.

Highly magnesian ultramafic channels have been identified at the Wattle Dam, Pioneer and Acra JV Projects, the specific geological environment where nickel sulphide mineralisation is deposited. The endowment of the channels has been confirmed with drill-intersections of disseminated nickel sulphide mineralisation at each project.

LionOre Australia (Nickel) Ltd has commenced exploration at the Maggie Hays Lake Joint Venture Project. This has immediately resulted in the identification of a TEM target in a geological setting analogous with the Emily Ann Deposit. The new target is 4km south along strike from the Maggie Hays Mine and is a priority nickel sulphide drill target.

During the year Pioneer secured a right to earn an interest in the Ravensthorpe Copper-Gold JV Project. This provides to Pioneer commodity diversity and an advanced exploration project with the potential for an early cash flow.



Project Review

Wattle Dam Project

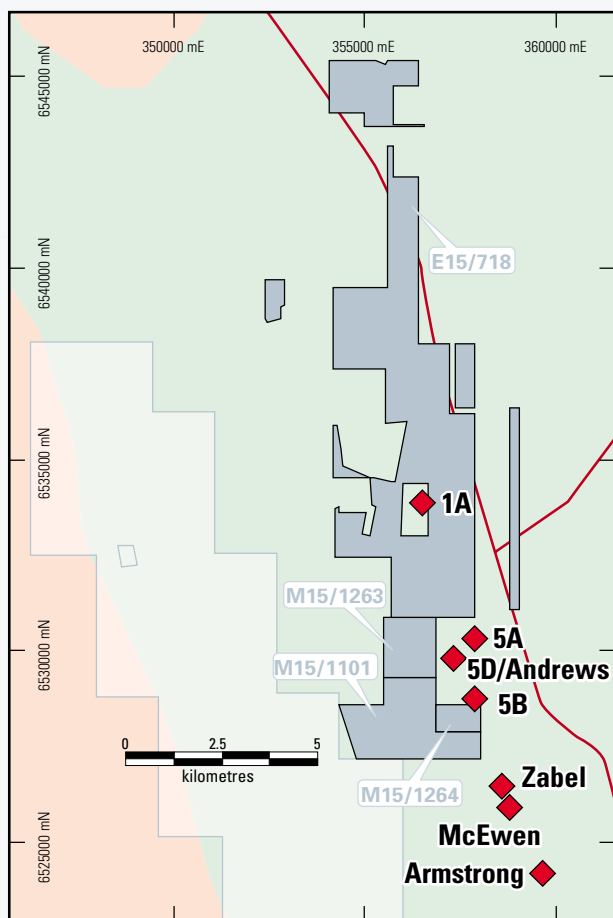


FIG.2 WATTLE DAM TENEMENT MAP

- Wattle Dam Project Tenement
- Other Project Tenement
- Greenstone including ultramafic
- Recent Sediments
- Granite
- Pioneer Prospect
- NiS Deposit

WATTLE DAM PROJECT

- Pioneer 100% (nickel).
- Ramelius Resources Limited holds the gold and tantalum mineral rights.

The Wattle Dam Project is located 20km south west of Kambalda and includes the very prospective northern Spargoville section of the Widgiemooltha Greenstone Belt. The project is approximately 64 square kilometres in area.

Ultramafic units in this area are intensely mineralised, hosting a number of nickel sulphide mines and deposits in close proximity to, or in excisions within, Pioneer's tenure. These include the Armstrong, Zabel and McEwen Deposits held by Titan Resources Limited, the 1A, 5A, 5B and Andrews (5D) Deposits held by Breakaway Resources Limited and the Hilditch Prospect identified by Ramelius Resources Limited.

The Wattle Dam Project was explored by Selcast Exploration Limited during the 1960s and 70s resulting in the discovery and development of the Andrews (5D) deposit. Despite a large amount of the historical geochemical record having been lost, Pioneer has re-established a detailed geological and geochemical database using modern analytical and interpretive technology.

PROJECT STATUS

Detailed geological mapping and geochemical sampling of a number of priority areas has now been completed, which has generated nickel sulphide drill targets and identified areas for more detailed appraisal.

DRILLING

Drilling for the project totalled 3,425m of RAB or aircore and 13 RC drill holes for 2,279m.

Geological targets were drilled to test for highly magnesian ultramafic channel rocks, which are the specific environment where nickel sulphides may deposit. RC holes were drilled to test prospective surfaces at depth and as platforms for DHTM surveys to locate nearby conductive rock units, including massive nickel sulphide mineralisation.



Ultramafic channels were identified within Pioneer's tenement, both to the north and south along strike of the exhausted 1A nickel sulphide mine (owned by Breakaway Resources Limited). One hole at the 1A South Prospect registered an off-hole DHTM conductor and a second hole at 1H encountered disseminated nickel sulphide mineralisation on the basal contact, including:

WRC020, 153 to 154m, 1m at 0.64% Ni and 2,200ppm Cu.

OUTLOOK

Three nickel sulphide targets have now been resolved at Wattle Dam for immediate drilling, with other areas identified for first pass work:

- The **1H Prospect**, located 300m north of the 1A Mine, where RC drilling encountered anomalous nickel results.
- The **1A South Prospect**, which is located approximately 350m south of the 1A Mine, where a DHTM anomaly has been identified within highly magnesian ultramafic channel rocks.
- The **1M Prospect**, where a mineralised horizon extends from a nickel sulphide discovery by Ramelius Resources Limited (2m at 2.4% Ni). The mineralised drill hole was collared 200m south of Pioneer's tenement boundary. Pioneer controls approximately 10km of this fertile ultramafic unit, located both north and south of the discovery location.
- Seven new areas of anomalism have been identified by Pioneer's geochemical consultants Io-Geochemistry, who have been engaged to provide on-going advice regarding soil sample methodology.

Sampling and drilling programmes will be completed at the Wattle Dam Project during the forthcoming year, including the next phase of follow-up drill testing at the 1H, 1A South and 1M Prospects. Importantly, contingency funding is available for additional success-based drilling, which will target geological and geochemical anomalies as they are identified.

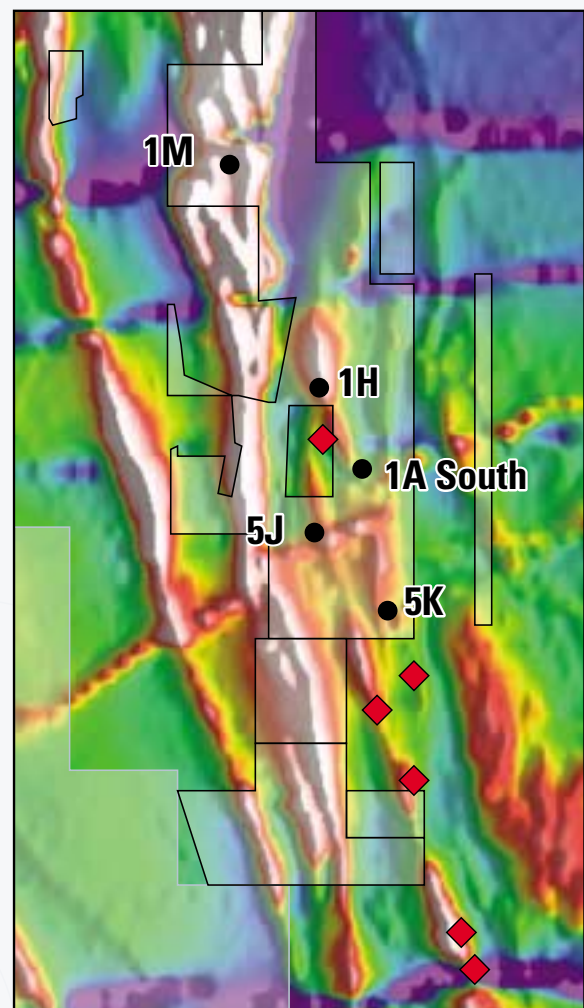
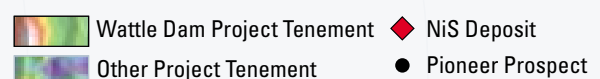


FIG.3 WATTLE DAM MAGNETIC IMAGE



Project Review

Acra Joint Venture Project



ACRA JOINT VENTURE PROJECT

(including Boomerang Lake and Jubilee Projects)

- Pioneer 100% (nickel, gold, base metals).
- Jubilee Mines NL ("Jubilee") right to earn 75% through cash and sole funding exploration totalling \$6.9 million.
- Heron Resources Limited retains nickel laterite ore.

The Acra Joint Venture Project comprises a portfolio of tenements that cover approximately 786 square kilometres. The project provides Pioneer with a dominant tenement position along the Emu Fault, covering a 140km strike length of highly prospective ultramafic units that have been demonstrated to host both high tenor massive and disseminated nickel sulphides at a number of locations. Areas of the project are also considered prospective for gold and base metals.

Pioneer and Jubilee have agreed to terms that will see the Lady of the Lake Project included into the Acra Project, adding a further 73 square kilometres of tenure.

PROJECT STATUS

Baseline data sets for the project have been compiled, with new geological, geochemical and geophysical data collected. This has culminated in the construction of a revised geological model for the

project area including the Acra and Jubilee Prospects. Exploration activities have since focussed on testing the model using reverse circulation and diamond drilling, to locate highly magnesian ultramafic channels and the position of the basal ultramafic contact. To facilitate drill hole targeting, a three dimensional geochemical model has also been developed.

SURFACE SURVEYS

Programmes of soil sampling, MLTEM and geological mapping were undertaken at the Tassie Well (Zinc), Boomerang Lake and Acra-Jubilee Prospects.

Surface geochemistry and MLTEM surveys have in-filled and extended earlier Pioneer surveys, highlighting areas for further work, particularly in the Jubilee and Acra Prospect areas.

Samples of old drill hole spoil were collected from RAB holes at the Jubilee Prospect, located approximately 3.5km north west of Acra, that were previously assayed for gold. Results have outlined a significant coincident Ni and Cu anomaly in the vicinity of the Jubilee Gossan with four very anomalous samples returning between **0.49 and 1.19% Ni**, with between **212 and 815ppm Cu**.

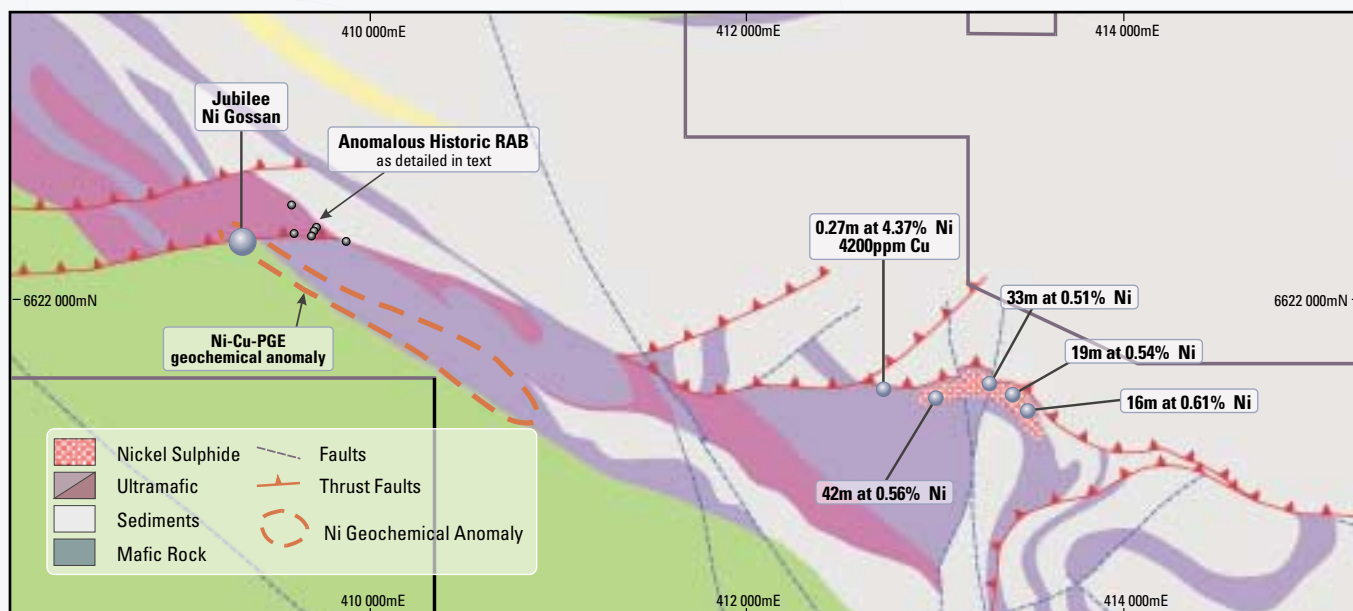


FIG.4 ACRA-JUBILEE REVISED GEOLOGICAL MODEL & SIGNIFICANT INTERSECTIONS



REVERSE CIRCULATION AND DIAMOND DRILLING

Programmes of RC drilling and diamond drilling were completed for the project, comprising 19 RC holes for 4,256m and 6 pre-collared diamond holes for 1,548.2m.

Drill holes were primarily of a stratigraphic nature, designed to test aspects of the new geological model and provide a number of tests of the prospective basal contact.

Results have been received from all RC and diamond drilling completed to date and are considered encouraging. The extent of known nickel sulphide mineralisation has been increased, as has the understanding of key structural and stratigraphic controls, which is critical for targeting future drilling.

Significant nickel intercepts are presented in Table 1 and gold intercepts in Table 2.

TABLE 1: SIGNIFICANT Ni RESULTS FROM RC AND DIAMOND DRILLING: ACRA - JUBILEE PROSPECTS

HOLE ID	NORTH (m)	EAST (m)	FROM (m)	TO (m)	INTERCEPT (m)	Ni (%)	Cu (ppm)
ACRC005	6,621,775	413,100	141.00	183.00	42.00	0.56	239
ACRC006	6,621,771	413,200	189.00	205.00	16.00	0.45	258
ACRC010	6,621,150	413,770	32.00	50.00	18.00	0.44	161
ACRC011	6,621,100	413,660	12.00	56.00	44.00	0.48	245
ACDD003	6,621,879	413,198	306.00	315.75	9.75	0.57	275
ACDD005	6,621,878	413,398	331.00	347.00	16.00	0.51	209
ACDD008	6,621,520	412,975	110.50	120.50	10.00	0.40	289

NB - all intervals have been calculated using a lower cut-off of 0.35% Ni
Grid coordinates are AGD84-51

TABLE 2: SIGNIFICANT Au RESULTS FROM RC DRILLING: ACRA - JUBILEE PROSPECTS

HOLE ID	NORTH (m)	EAST (m)	FROM (m)	TO (m)	INTERCEPT (m)	Au (g/t)
JBRC001	6,622,225	410,245	34.00	41.00	7.00	1.40
JBRC001	6,622,225	410,245	53.00	65.00	12.00	0.83
JBRC002	6,622,340	410,075	87.00	94.00	7.00	0.72
JBRC003	6,622,340	410,075	155.00	156.00	1.00	2.19
JBRC003	6,623,266	408,787	206.00	208.00	2.00	0.94

NB - all intervals have been calculated using a lower cut-off of 0.50 g/t Au
Grid coordinates are AGD84-51

OUTLOOK

The Acra Joint Venture Project is regarded by both Pioneer and Jubilee to have considerable potential for the discovery of significant massive nickel sulphide deposits. Both companies are impressed by the geology intersected in drilling and tenor of nickel sulphides identified to date.

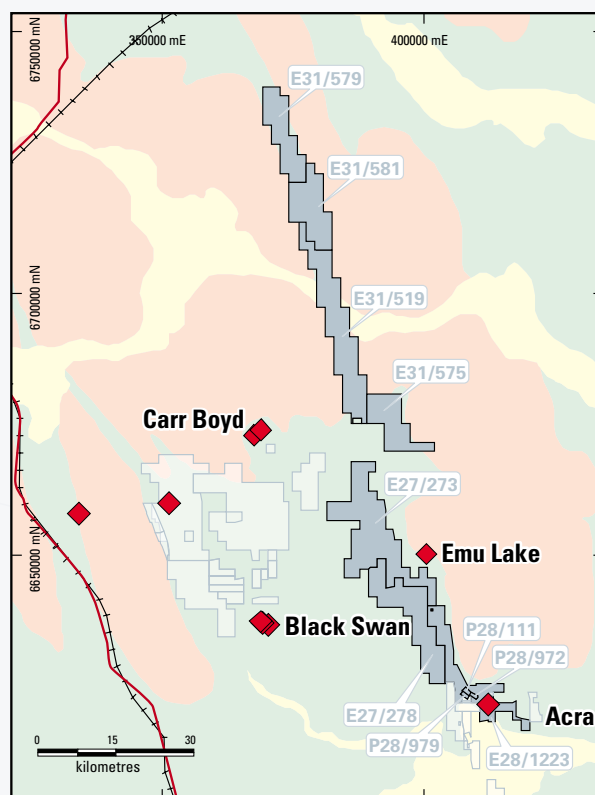


FIG.5 ACRA JOINT VENTURE TENEMENT MAP

- Acra Joint Venture Project Tenement
- Other Project Tenement
- Greenstone including ultramafic
- Recent Sediments
- Granite
- Pioneer Prospect
- ◆ NiS Deposit

Project Review

Ravensthorpe Joint Venture Project



FIG.6 ELVERDTON-DESMOND MINE WORKINGS WITH COPPER METAL CONTOURS

RAVENSTHORPE JOINT VENTURE PROJECT

- Galaxy Resources Limited 100% (copper, gold).
- Pioneer right to earn 75% in all minerals through spending \$0.50 million.

The Ravensthorpe Joint Venture Project is located near the town of Ravensthorpe, Western Australia. The project covers approximately 23.5 square kilometres.

The project presents an excellent opportunity for Pioneer to diversify into copper and gold exploration and adds an advanced project to Pioneer's tenement portfolio.

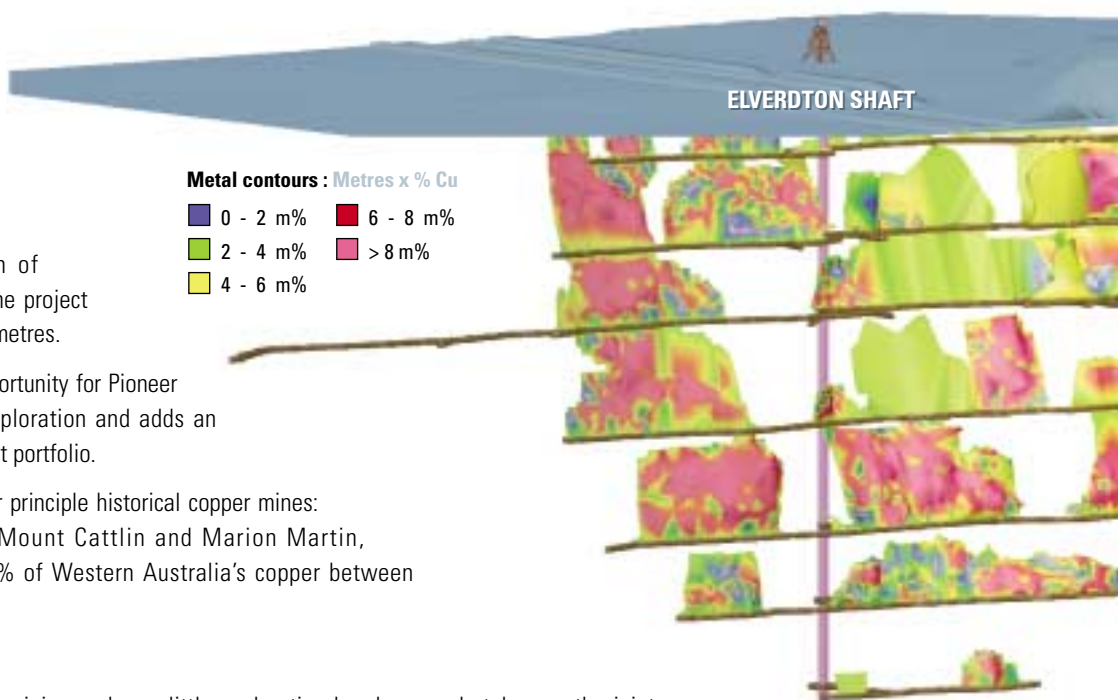
The project contains the district's four principle historical copper mines: the Elverdton, Mount Desmond, Mount Cattlin and Marion Martin, which together produced nearly 50% of Western Australia's copper between 1899 and 1971.

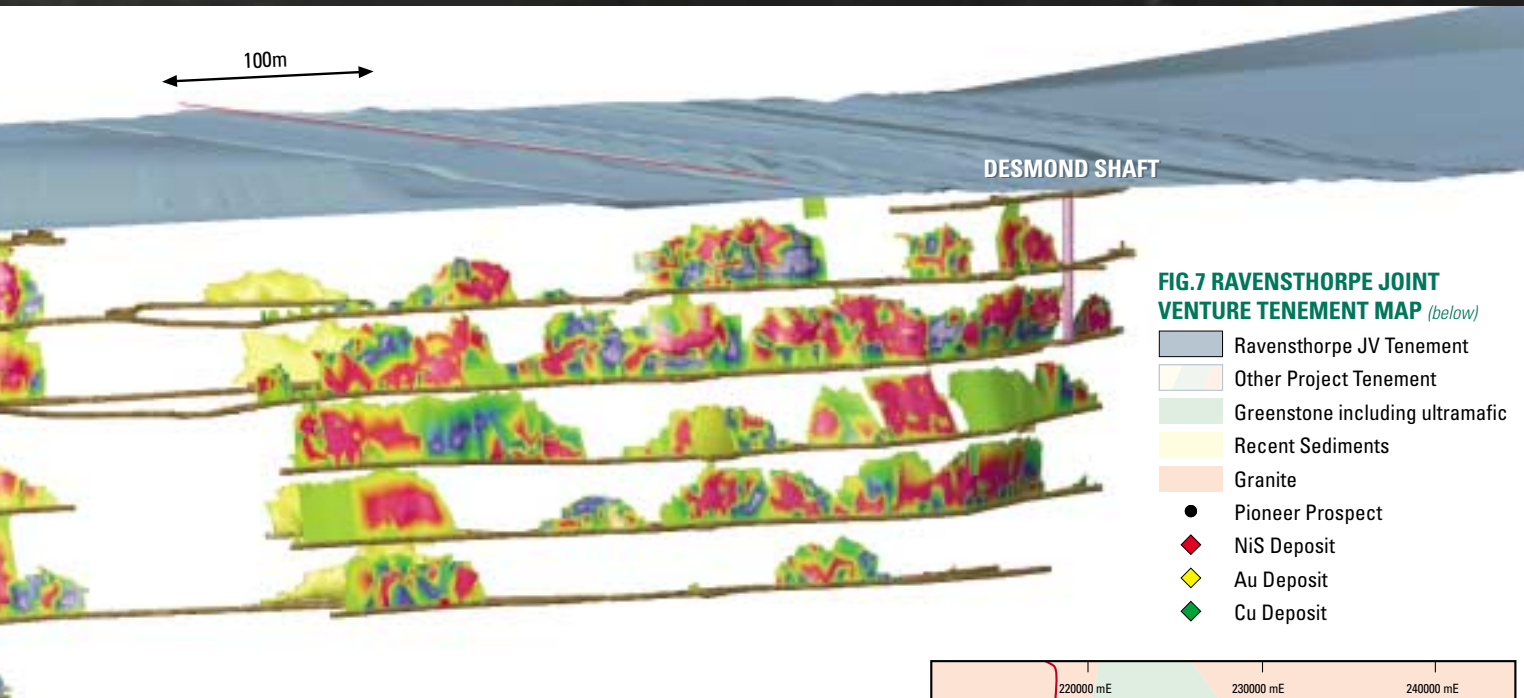
PROJECT STATUS

Since production ceased in 1971, no mining and very little exploration has been undertaken on the joint venture tenements, however there is currently a mining renaissance occurring in Ravensthorpe. BHP-Billiton is constructing its \$1.8 billion Ravensthorpe Nickel Operations nickel laterite facility and Tectonic Resources NL is conducting a feasibility study for its 605,000oz Phillips River Gold Project. Pioneer's operations at Ravensthorpe will benefit from the revitalised mining culture and new infrastructure.

Pioneer has compiled data from mine plans into a digital database and 3D-computerised model. Analysis is ongoing, however it is evident that the project has potential for several styles of mineralisation including:

- Down plunge extensions to the copper-bearing structures;
- Mineralisation along strike from current workings;
- Lower grade mineralisation that envelopes high grade shoots;
- Near-surface copper carbonate resources; and
- Gold co-mineralisation.



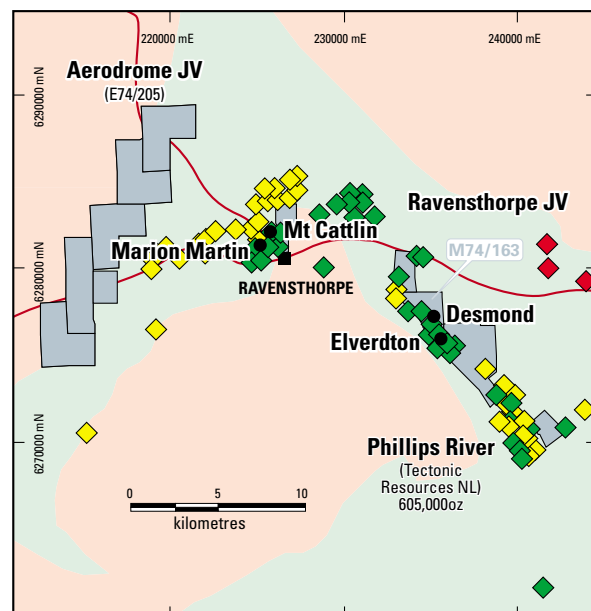


In addition, the ground surrounding the old workings has not been subjected to systematic modern geophysical and geochemical exploration techniques. These areas are considered highly prospective for further discoveries.

OUTLOOK

Pioneer believes that the Ravensthorpe Joint Venture Project has a strong possibility of providing an early cash flow, and has requested that the Department of Industry and Resources fast track a key mining lease application towards grant. Negotiations with key stakeholders to facilitate the tenement grant and on-going exploration processes are in progress.

With the completion of the data review and construction of a 3D geological model, drill testing of targets can commence immediately upon grant of the mining lease.



Project Review

Pioneer Project

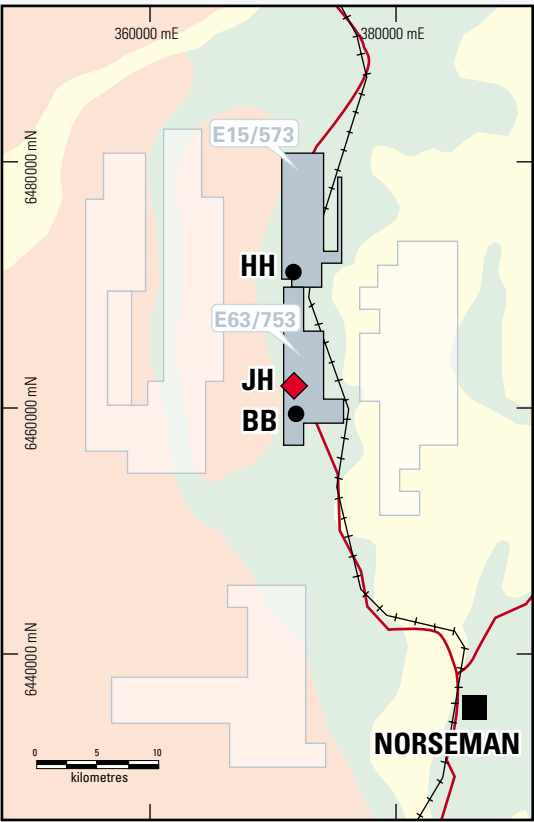


FIG.8 PIONEER JH TENEMENT MAP

- Pioneer JH Project Tenement
- Other Project Tenement
- Greenstone including ultramafic
- Recent Sediments
- Granite
- Pioneer Prospect
- NiS Deposit

PIONEER PROJECT

- Pioneer 100% (nickel, gold).

The Pioneer Project is located 125km south east of Kalgoorlie and covers an area of approximately 70 square kilometres. The project includes 22 strike kilometres of ultramafic units, interpreted by Pioneer to be the southern equivalent of the Widgiemooltha Greenstone Belt, which hosts many nickel sulphide mines and deposits.

Within Pioneer's tenement area, nickel sulphide mineralisation was first identified at the JH and BB Prospects during the 1970s.

PROJECT STATUS

Pioneer has completed drilling to test the nature of nickel sulphide mineralisation present at the JH and BB Prospects. Structurally remobilised, disseminated and massive nickel sulphide mineralisation was intersected in several zones.

REVERSE CIRCULATION AND DIAMOND DRILLING

Pioneer has completed drilling totalling 8 RC holes for 1,468m and 2 diamond holes for 399.4m during the year. Whilst some holes intersected nickel sulphide mineralisation, other drill holes encountered flanking sheet flow ultramafic and intercalated sedimentary units, effectively delineating the margin of the prospective ultramafic channel. Significant results are included in Table 3.

TABLE 3: SIGNIFICANT Ni RESULTS FROM RC AND DIAMOND DRILLING: PIONEER PROJECT

HOLE ID	PROSPECT	NORTH (m)	EAST (m)	FROM (m)	TO (m)	INTERCEPT (m)	Ni (%)	Cu (ppm)
PND001	JH	6,461,814	371,674	68.88	69.00	0.12	2.08	22,700
				and	73.25	3.75	1.04	758
				including	75.87	0.38	3.91	3,160
PNR001	JH	6,461,555	371,796	172.00	174.00	2.00	0.46	157
PNR002	JH	6,461,406	371,861	90.00	92.00	2.00	0.87	293
PNR003	BB	6,460,655	371,949	68.00	72.00	4.00	0.47	113

GRID COORDINATES ARE GDA94-51



OUTLOOK

Pioneer rates the outlook for its namesake Pioneer Project very highly. The geometry of the nickel sulphide-bearing channel at the JH Prospect is now indicated by drilling, resulting in a very specific target to test. Future drilling will focus on the down-plunge projection of the identified mineralisation.

Concurrently, Pioneer is undertaking regional target generation work. Geological consultants Lithofire Pty Ltd are producing a detailed regolith map of the Pioneer Project to characterise soil geochemistry assays, prior to multi-element data analysis by consultants lo-Geochemistry.



PND001 Nickel Sulphide Intersection (0.38m at 3.91% Ni)

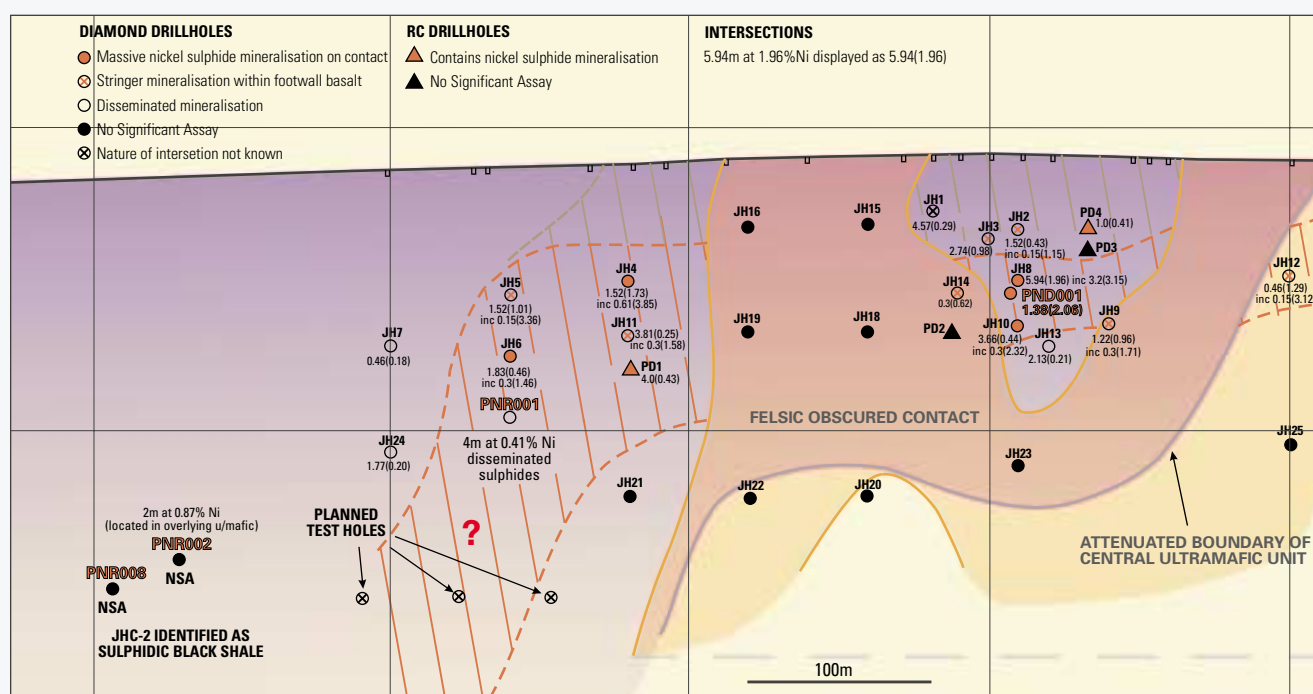


FIG.9 PIONEER JH LONG SECTION OF BASAL CONTACT LOOKING WEST

Regional Western Australian Projects

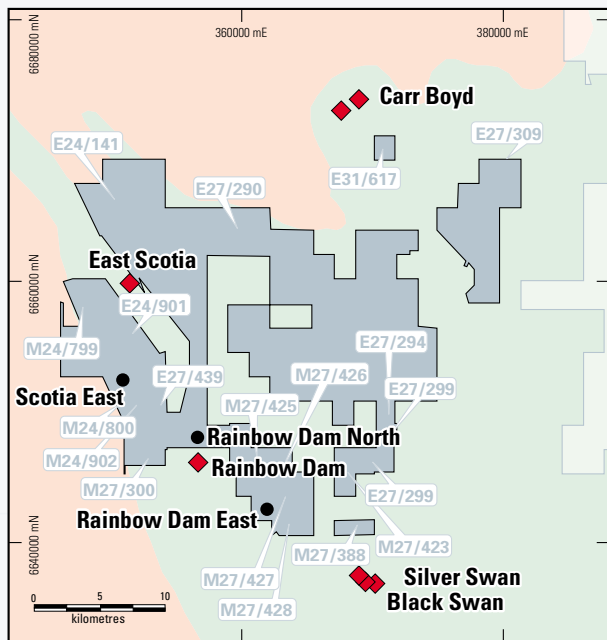


FIG.10 SILVER SWAN TENEMENT MAP

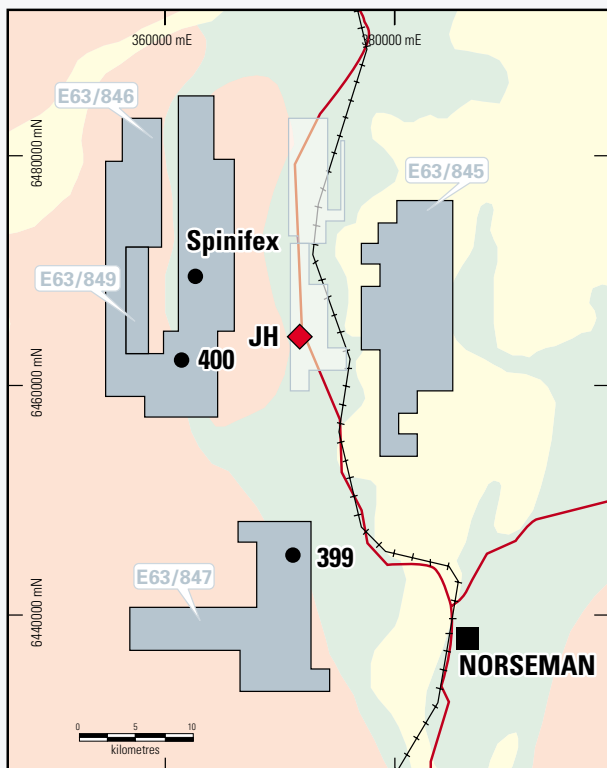


FIG.11 HIGGINSVILLE TENEMENT MAP

SILVER SWAN NORTHWEST

- Pioneer 100% (nickel, gold).

The Silver Swan Northwest Project is located approximately 70km north east of Kalgoorlie and 6km north west of the Black Swan nickel sulphide mine. The Silver Swan Northwest Project covers approximately 435 square kilometres.

PROJECT STATUS

Pioneer's geophysical consultant for the project, Newexco Services Pty Ltd, has completed an interpretation of geology based on detailed aeromagnetic data and existing drilling. The interpretation shows that the geological units that host nickel sulphide mineralisation at nearby East Scotia and Rainbow Dam continue into Pioneer's tenements.

OUTLOOK

Mapping and detailed geochemistry is planned to confirm five MLTEM targets identified at the Rainbow Dam East and Scotia East Prospects.

HIGGINSVILLE PROJECT

- Pioneer 100% (nickel, gold, PGE).

The Higginsville Project is located 35km north west of Norseman with an area of approximately 485 square kilometres.

PROJECT STATUS

The project covers a number of ultramafic units, some of which are interpreted by Pioneer to be the lateral equivalent of the Widgiemooltha Greenstone Belt where it occurs on the western and southern flanks of the Pioneer Dome. The project also includes parts of the Mt Thirsty and Mission Sills, which are considered prospective for gold and PGE, in addition to nickel.

RC drilling at the Spinifex Prospect, located on the western flank of the Pioneer dome, intersected sulphidic black shale. Other identified anomalies, including the '399' and '400', remain untested for nickel sulphide mineralisation.

At the 399 Prospect an earlier explorer returned an 8m sulphide intercept from drilling, with one interval of 0.76m at >10g/t Au.

OUTLOOK

Pioneer has retained consultants Lithofire Pty Ltd to generate a regolith map to determine soil sampling effectiveness and to appraise a large geochemical database held for the Higginsville Project.



MAGGIE HAYS LAKE JOINT VENTURE PROJECT

- Pioneer 100% (nickel, gold).
- LionOre Australia (Nickel) Ltd right to earn 70% in all minerals through spending \$0.20 million.

The Maggie Hays Lake Joint Venture Project is located approximately 220km south west of Kalgoorlie, and 4km south east along strike of the Maggie Hays nickel sulphide mine. The project has an area of approximately 81 square kilometres.

PROJECT STATUS

The Maggie Hays Lake Prospect contains the same assemblage of greenschist-facies ultramafic and mafic volcanic, felsic volcanoclastic and banded iron formation rocks that host the Maggie Hays and Emily Ann Mines, respectively approximately 4km and 8km north west along strike.

Anomalous nickel, copper and PGE assays from RAB drilling combined with a possible ML/FLTEM anomaly were recognised by Pioneer from work conducted by an earlier explorer, which highlighted the prospectivity of this project.

Recently completed reconnaissance MLTEM and follow up FLTEM surveys have confirmed the presence of a number of conductors and of particular interest a conductor occurring to the east of the main banded iron formation. This conductor sits within the footwall dacitic volcanic package in a geological setting analogous to the location of the Emily Ann nickel sulphide deposit.

OUTLOOK

Future work on the tenement will include diamond drilling to test the principal ML and FLTEM conductor.

AERODROME JOINT VENTURE PROJECT

- Galaxy Resources Limited 100% (nickel, gold).
- Pioneer right to earn 75% in all minerals through spending \$0.50 million.

The Aerodrome Project is located approximately 5km west of Ravensthorpe, Western Australia. The project covers 12 strike kilometres of the Aerodrome Ultramafic Unit.

PROJECT STATUS

The Aerodrome Ultramafic Unit occurs within a geologically analogous

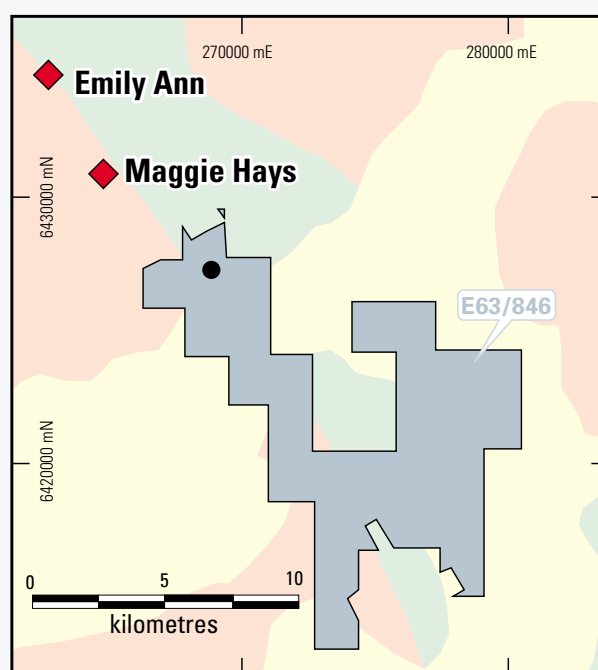


FIG.12 MAGGIE HAYS LAKE TENEMENT MAP

- Featured Project Tenement
- Other Project Tenement
- Greenstone including ultramafic
- Recent Sediments
- Granite
- Pioneer Prospect
- NiS Deposit

setting to the Bandalup Ultramafic Unit, which hosts the RAV 8 nickel sulphide deposit located 30km to the east of Pioneer's project. Research has shown that the western Aerodrome Ultramafic Unit has been explored far less than the Bandalup Ultramafic Unit.

Initial mapping and sampling at the Aerodrome Prospect has identified a west facing ultramafic sequence containing thickened zones of highly magnesian ultramafic rock and a nickel sulphide gossan containing 4,880ppm Ni, 2,900ppm Cu and 84ppb PGE. Pioneer believes that the rocks observed are prospective for nickel sulphide mineralisation. In addition, several samples taken show evidence of the formation of nickeliferous laterite over cumulate ultramafic rocks.

OUTLOOK

First pass soil geochemistry and further mapping has been planned.

Project Review

Eastern States Projects



NEW SOUTH WALES LACHLAN FOLD BELT PROJECT

- Pioneer 100% (gold).

Pioneer's Lachlan Fold Belt gold projects are located in central NSW.

Rock samples collected by Pioneer and an earlier property developer confirmed that significant, and in some cases spectacularly high grade, gold mineralisation is present.

PROJECT STATUS

Mongarlowe

The southern project area has 4 deposits which were mined to the water table. These are apparently part of a single, 1km strike-length system, with historical production grading in the order of 15g/t Au. The host shale is sheared and silicified.

Dalton

The Dalton Mine comprises 3 adits that occur over 100m of strike, accessing a sheared, silicified shale. Historic records suggest the grade of ore from the Dalton exceeded 30g/t Au.

Muttama

The area has several workings accessing quartz reefs in granodiorite. Gold was assayed from muck pile samples from the Muttama Reef and New Years Gift.

**TABLE 4: SIGNIFICANT Au ASSAY RESULTS
FROM ROCK SAMPLES - NSW PROJECTS**

SAMPLE ID	TENEMENT NUMBER	LOCATION	Au (g/t)
ARC19108	E6306	Mongarlowe 3 (Alma Mine)	35.8
ARC19111	E6306	Mongarlowe 5 (Alma Mine)	123.0
ARC19130	E6306	Mongarlowe 7 (Alma Mine)	5.1
ARC19114	E6308	Muttama 2 (New Years Gift)	11.9
ARC19116	E6308	Muttama 7 (Muttama)	3.1
ARC19128	E6307	Dalton Mine1	1630.0
ARC19129	E6307	Dalton Mine2	1700.0

OUTLOOK

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

Definitions

TASMANIA

HEAZLEWOOD AND WHYTE RIVER JOINT VENTURE PROJECT

- Pioneer 100% (nickel, gold, PGE, iron).
- Resource Finance and Investment Ltd ("RFI") right to earn 70% in all minerals through spending \$0.30 million.

The Heazlewood and Whyte River Projects are located near Savage River in north western Tasmania, with an area of approximately 192 square kilometres.

The Heazlewood tenement contains the Heazlewood Ultramafic Complex which was the world's main source of Osmiridium (a naturally occurring PGE metal alloy) during the 1800s. Occurrences of nickel sulphides have also been identified within the project.

There are a number of alluvial gold mines of the Corinna Goldfield within the Whyte River Project. These were most actively worked between 1880 and 1910, with estimated gold production between 600kg and 900kg. Iron mineralisation of the Savage River magnetite-pyrite style has also been identified within the project.

PROJECT STATUS

Pioneer has farmed out its Heazlewood and Whyte River Projects to RFI, subject to RFI successfully listing on ASX. RFI has acquired rights to the largest land position in Tasmania's Mt Read Volcanics, which is regarded as one of the most mineralised geological provinces in the world.

RFI has formed a strategic alliance with Geoinformatics Exploration Inc., a specialist geoscientific data compilation and processing consultancy. Geoinformatics, in conjunction with Mineral Resources Tasmania, has recently created a 3D geological model of Tasmania to facilitate targeting of exploration sites. RFI has started contributing new data sets to Geoinformatics to be incorporated into the model. As a result of this process a very large, high-gravity anomaly has been recognised at the Heazlewood Project, which is coincident with an elevated zinc and silver aureole evident from open file stream sediment geochemistry results.

OUTLOOK

The project is considered prospective for a range of commodities given its proximity to the Meredith Granite, the project's alluvial gold and iron endowment, the presence of sheared and mineralised ultramafic rocks and the lack of any prolonged systematic exploration programme over much of the area.

Transient Electromagnetic Surveys ("TEM") detect conductive rock units (which may include lenses of nickeliferous sulphides) and configurations include:

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

Rotary Air Blast ("RAB") and "aircore" are both drilling techniques used to sample weathered rock.

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

Diamond drilling is a technique which delivers a cylinder of drill core, which is cut by a diamond-set drill bit.

Nickel Boom explorers used "costeans" - trenches up to 2m deep - excavated across the soil-covered rocks as an exploration technique to provide samples and aid mapping.

PGE means platinum group elements.

Ni means Nickel.

Cu means Copper.

Au means Gold.

Sulphide minerals commonly found in deposits include:

nickel minerals: pentlandite and violarite;

copper minerals: chalcopyrite and covellite;

and iron minerals: pyrrhotite and pyrite.

Gossan forms at surface when massive sulphide-bearing rocks oxidise.

The information within this report as it relates to geology and mineralisation was compiled by Mr David Crook who is a full time employee of Pioneer Nickel Limited, is a Member of the Australasian Institute of Mining and Metallurgy ("AusIMM") and is a Competent Person as defined in the Joint Ore Reserves Committee (JORC) of the AUSIMM, 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.

The details within this report that relate to the Acra JV Project have been provided and reviewed by Mr Peter Langworthy, who is a full time employee of Jubilee Mines NL, is a Member of the AusIMM with 18 years of experience in the mining industry. Mr Langworthy has relevant experience in relation to the mineralisation being reported on and qualifies as a Competent Person as defined in the Joint Ore Reserves Committee (JORC) of the AusIMM.

The details within this report that relate to the Maggie Hays Lake JV Project have been provided and reviewed by Dr Mark Bennett, who is a full time employee of LionOre Australia (Nickel) Ltd, is a Member of the AusIMM with over 15 years of experience in the mining industry. Dr Bennett has relevant experience in relation to the mineralisation being reported on and qualifies as a Competent Person as defined in the Joint Ore Reserves Committee (JORC) of the AusIMM.

Pioneer Nickel Limited

Summary of Tenements

PROJECT	PROSPECT	TENEMENT IDENTIFIER	TENEMENT HOLDER	STATUS	RESPONSIBLE PARTY	INTEREST %	NOTE
WESTERN AUSTRALIA							
Pioneer	Pioneer	E15/573	Pioneer Nickel Ltd	G	Pioneer	100	11
	Pioneer	M15/1464	Pioneer Nickel Ltd	P	Pioneer	100	11
	Pioneer	M15/1729	Pioneer Nickel Ltd	P	Pioneer	100	11
	Pioneer	M63/560	Pioneer Nickel Ltd	P	Pioneer	100	11
	Pioneer	M63/599	Pioneer Nickel Ltd	P	Pioneer	100	11
	Pioneer	M63/600	Pioneer Nickel Ltd	P	Pioneer	100	11
	Pioneer	E63/753	Heron Resources Ltd	G	Pioneer	100	11,13,14
Higginsville	Wannaway West	E15/804	Heron Resources Ltd	G	Pioneer	100	11,13
	Lake Cowan	E63/845	Pioneer Nickel Ltd	P	Pioneer	100	11
	Chalice South	E63/846	Pioneer Nickel Ltd	G	Pioneer	100	11
	Theatre Rocks	E63/847	Pioneer Nickel Ltd	G	Pioneer	100	11
	Chalice South	E63/849	Pioneer Nickel Ltd	G	Pioneer	100	11
	Widgiemooltha	P15/4749	Pioneer Nickel Ltd	P	Pioneer	100	11
	Feysville	P26/3287	Pioneer Nickel Ltd	P	Pioneer	100	11
	Feysville	P26/3295	Pioneer Nickel Ltd	P	Pioneer	100	11
Wattle Dam	Wattle Dam	E15/718	Ramelius Resources Ltd	G	Ramelius	100	11,12
	Wattle Dam	M15/1101	Ramelius Resources Ltd	G	Ramelius	100	11,12
	Wattle Dam	M15/1263	Ramelius Resources Ltd	G	Ramelius	100	11,12
	Wattle Dam	M15/1264	Ramelius Resources Ltd	G	Ramelius	100	11,12
	Wattle Dam	P15/3767	Ramelius Resources Ltd	G	Ramelius	100	11,12
	Wattle Dam	M15/1323	Ramelius Resources Ltd	P	Ramelius	100	11,12
	Wattle Dam	P15/3873	Ramelius Resources Ltd	G	Ramelius	100	11,12
	Wattle Dam	M15/1338	Ramelius Resources Ltd	P	Ramelius	100	11,12
	Wattle Dam	P15/4479	Killoran NL	P	Ramelius	100	11,12
Larkinville	Bullabulling	E15/679	Heron Resources Ltd	G	Ramelius	100	1,11,13
	Larkinville	E15/689	Heron Resources Ltd	G	Ramelius	100	1,11,13
	Wannaway NE	E15/742	Heron Resources Ltd	G	Ramelius	100	1,11,13
	Jaurdie Hills	E16/269	Avoca Resources Ltd	G	Ramelius	100	1,2,11
	Larkinville	P15/4213	Pioneer Nickel Ltd	G	Ramelius	100	1,11
	Larkinville	P15/4214	Pioneer Nickel Ltd	G	Ramelius	100	1,11
	Larkinville	M15/1449	Pioneer Nickel Ltd	P	Ramelius	100	1,11
	Londonderry	P15/4435	Pioneer Nickel Ltd	G	Ramelius	100	1,11
	Londonderry	P15/4436	Pioneer Nickel Ltd	G	Ramelius	100	1,11
	Londonderry	P15/4437	Pioneer Nickel Ltd	G	Ramelius	100	1,11
	Londonderry	P15/4438	Pioneer Nickel Ltd	G	Ramelius	100	1,11
	Londonderry	P15/4439	Pioneer Nickel Ltd	G	Ramelius	100	1,11
	Londonderry	P15/4440	Pioneer Nickel Ltd	G	Ramelius	100	1,11
	Logans	P15/4464	Pioneer Nickel Ltd	G	Ramelius	100	1,11
Londonderry	Yallari	E15/842	Pioneer Nickel Ltd	G	Pioneer	100	11
	Scahill	E15/896	Pioneer Nickel Ltd	P	Pioneer	100	
Silver Swan NW	Ringlock Dam	E24/141	Pioneer Nickel Ltd	P	Pioneer	100	11
	Ringlock Dam	E24/143	Pioneer Nickel Ltd	P	Pioneer	100	11
	Gindalbie	E27/145	Pioneer Nickel Ltd	G	Pioneer	100	11
	Gindalbie	M27/423	Pioneer Nickel Ltd	P	Pioneer	100	11
	Gindalbie	M27/424	Pioneer Nickel Ltd	P	Pioneer	100	11
	Gindalbie	M27/425	Pioneer Nickel Ltd	P	Pioneer	100	11
	Gindalbie	M27/426	Pioneer Nickel Ltd	P	Pioneer	100	11
	Gindalbie	M27/427	Pioneer Nickel Ltd	P	Pioneer	100	11
	Gindalbie	M27/428	Pioneer Nickel Ltd	P	Pioneer	100	11

Summary of Tenements

PROJECT	PROSPECT	TENEMENT IDENTIFIER	TENEMENT HOLDER	STATUS	RESPONSIBLE PARTY	INTEREST %	NOTE
	Carr Boyd South	E27/290	Regent Resources Ltd	P	Pioneer	100	11,13
	Lyndsays Find Nth	E27/294	Heron Resources Ltd	G	Pioneer	100	11,13
	Silver Swan Nth	E27/299	Regent Resources Ltd	G	Pioneer	100	11,13
	Mt Jewell	E27/300	Regent Resources Ltd	G	Pioneer	100	11,13
	Marsh Dam	E27/309	Regent Resources Ltd	P	Pioneer	100	11,13
	Carr Boyd	E31/617	Regent Resources Ltd	P	Pioneer	100	11,13
	Scotia East	M24/799	Pioneer Nickel Ltd	P	Pioneer	100	11
	Scotia East	M24/800	Pioneer Nickel Ltd	P	Pioneer	100	11
	Mt Jewell	M24/901	Pioneer Nickel Ltd	P	Pioneer	100	11
	Mt Jewell	M24/902	Pioneer Nickel Ltd	P	Pioneer	100	11
	Silver Swan North	M27/388	Heron Resources Ltd	P	Pioneer	100	11,13
	Silver Swan North	P27/1647	Pioneer Nickel Ltd	G	Pioneer	100	11
	Rainbow Dam East	P27/1672	Pioneer Nickel Ltd	P	Pioneer	100	11
	Ringlock Dam	M27/440	Pioneer Nickel Ltd	P	Pioneer	100	11
	Mt Jewell	M27/439	Pioneer Nickel Ltd	P	Pioneer	100	11
Acra	Jubilee	E28/1055	Pioneer Nickel Ltd	G	Pioneer	100	3
	Jubilee	M28/309	Pioneer Nickel Ltd	P	Pioneer	100	3
	Jubilee	M28/333	Pioneer Nickel Ltd	P	Pioneer	100	3
	Jubilee	M28/334	Pioneer Nickel Ltd	P	Pioneer	100	3
	Burton Dam	E28/1058	Pioneer Nickel Ltd	G	Pioneer	100	3
	Lake Yindarlgooda	E28/1059	Pioneer Nickel Ltd	G	Pioneer	100	3
	Burton Hill	E28/1422	Royce William Allen	P	Pioneer	100	3,13
	Acra South	E28/1515	Pioneer Nickel Ltd	P	Pioneer	100	
	Lake Yindarlgooda	E28/1186	Red Field Pty Ltd	G	Pioneer	100	13
	Kurnalpi West	E28/1301	Pioneer Nickel Ltd	G	Pioneer	100	
	Mulgabbie	E28/1507	Pioneer Nickel Ltd	P	Pioneer	100	
	Mulgabbie	E28/1508	Pioneer Nickel Ltd	P	Pioneer	100	
	Karonie West	E28/1535	Pioneer Nickel Ltd	P	Pioneer	100	
	Mulgabbie	E31/679	Pioneer Nickel Ltd	P	Pioneer	100	
	Mt Monger	P25/1811	Pioneer Nickel Ltd	G	Pioneer	100	
	Mt Monger	P25/1812	Pioneer Nickel Ltd	G	Pioneer	100	
Acra JV	Sampson	E27/273	Heron Resources Ltd	P	Jubilee Mines NL	100	4,10
	Kalpini	E27/278	Heron Resources Ltd	P	Jubilee Mines NL	100	4,10
	Acra	E28/1223	Pioneer Nickel Ltd	G	Jubilee Mines NL	100	4,10
	Boomerang Lake	E31/519	Pioneer Nickel Ltd	G	Jubilee Mines NL	100	4,10
	Mt Ballona	E31/575	Heron Resources Ltd	P	Jubilee Mines NL	100	4,10
	Jungle Hill	E31/579	Pioneer Nickel Ltd	G	Jubilee Mines NL	100	4,10
	Boomerang North	E31/581	Heron Resources Ltd	G	Jubilee Mines NL	100	4,10
	Jubilee	P28/972	Pioneer Nickel Ltd	G	Jubilee Mines NL	100	4,10
	Jubilee	P28/979	Pioneer Nickel Ltd	G	Jubilee Mines NL	100	4
	Jubilee	P28/991	Pioneer Nickel Ltd	G	Jubilee Mines NL	100	4,10
	Jubilee	P28/1013	Pioneer Nickel Ltd	G	Jubilee Mines NL	100	4,10
	Mid East Tank	P31/1707	Pioneer Nickel Ltd	P	Jubilee Mines NL	100	4,10
Aerodrome JV	Aerodrome	E74/205	Galaxy Resources Ltd	G	Pioneer	100	6
	Aerodrome	M74/198	Galaxy Resources Ltd	P	Pioneer	100	6
	Aerodrome	M74/199	Galaxy Resources Ltd	P	Pioneer	100	6
	Aerodrome	M74/200	Galaxy Resources Ltd	P	Pioneer	100	6
	Aerodrome	M74/201	Galaxy Resources Ltd	P	Pioneer	100	6
	Aerodrome	M74/202	Galaxy Resources Ltd	P	Pioneer	100	6
	Elstree Farm	E74/334	Galaxy Resources Ltd	G	Pioneer	100	6

Summary of Tenements

PROJECT	PROSPECT	TENEMENT IDENTIFIER	TENEMENT HOLDER	STATUS	RESPONSIBLE PARTY	INTEREST %	NOTE
Ravensthorpe JV	Hecla	M74/122	Galaxy Resources Ltd	P	Pioneer	100	7
	Mosaic	M74/136	Dowling, Locsei, Wanless etc	P	Pioneer	100	7
	Marion Martin	M74/158	Galaxy Resources Ltd	P	Pioneer	100	8
	Mt Cattlin	M74/159	Galaxy Resources Ltd	P	Pioneer	100	8
	Elverdton Sth	M74/162	Galaxy Resources Ltd	P	Pioneer	100	7
	Desmond	M74/163	Galaxy Resources Ltd	P	Pioneer	100	7
	Fed	M74/183	Galaxy Resources Ltd	P	Pioneer	100	7
	Mt Benson	P74/250	Galaxy Resources Ltd	G	Pioneer	100	7
Ida Fault	Callion East	E16/311	Pioneer Nickel Ltd	G	Pioneer	100	
	Riverina	E30/301	Pioneer Nickel Ltd	P	Pioneer	100	
Maggie Hays Lake JV	Maggie Hays Lake	E63/625	Pioneer Nickel Ltd	G	LionOre	100	5
Tasmania	Heazlewood	E31/2003	Pioneer Nickel Ltd	G	RFI Ltd	100	9
	Whyte River	E36/2003	Pioneer Nickel Ltd	G	RFI Ltd	100	9
NSW	Nerriga	EL6306	Pioneer Nickel Ltd	G	Pioneer	100	
	Dalton	EL6307	Pioneer Nickel Ltd	G	Pioneer	100	
	Muttama	EL6308	Pioneer Nickel Ltd	G	Pioneer	100	

NOTES

1. Larkinville JV Agreement: Ramelius Resources Ltd right to earn 75% by spending \$0.75m.
2. Avoca Resources Limited on trust for Pioneer Nickel Limited.
3. All mineral rights except gold.
4. Acra JV Agreement: Jubilee Mines NL right to earn 75% by spending \$6.9m.
5. Maggie Hays Lake JV: LionOre Australia (Nickel) Ltd right to earn 70% in all minerals by spending \$0.2m.
6. Aerodrome JV Agreement: Pioneer right to earn 75% in all minerals by spending \$0.5m.
7. Ravensthorpe JV Agreement: Pioneer right to earn 75% in all minerals.
8. Ravensthorpe JV Agreement: Pioneer right to earn 75% in all minerals except tantalite, spodumene.
9. Heazlewood and Whyte River JV: Resource Finance and Investment Ltd right to earn 70% by spending \$0.30m.
10. Heron Resources Limited retains nickel laterite ore.
11. Heron Resources Limited retains pre-emptive right to sale of nickel laterite ore.
12. Ramelius 100% gold, tantalite, Pioneer 100% other minerals, Ramelius title holder.
13. Pioneer beneficial holder.
14. WMC first right to negotiate nickel sulphide, offtake, Oroya Mining and Exploration Pty Ltd \$2/tonne of ore mined.

STATUS

- G** Granted
P Pending

Pioneer Nickel Limited

Corporate Governance Statement

The CONCISE FINANCIAL REPORT has been derived from Pioneer Nickel Limited's and its controlled entity 2005 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 and its controlled entity's financial performance, financial position and financing and investing activities as provided by the consolidated entity's full financial report. A copy of the consolidated entity's 2005 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).

This statement outlines the main corporate governance practices in place throughout the financial year, which comply with the ASX Corporate Governance Council recommendations unless otherwise stated.

1. BOARD OF DIRECTORS

1.1 Role of the Board and Management

The Board of Pioneer Nickel Limited is responsible for its corporate governance, that is, the system by which the Company and its wholly owned controlled entity is managed. In governing the consolidated entity, the Directors must act in the best interests of the consolidated entity as a whole. It is the role of senior management to manage the consolidated entity 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 consolidated entity. The Board must also ensure that the consolidated entity 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 consolidated entity.

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 consolidated entity is managed in such a way to best achieve this desired result. Given the size of the consolidated entity'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 consolidated entity, 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 consolidated entity.

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 consolidated entity 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 consolidated entity'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 consolidated entity'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 consolidated entity's objectives and best practice are in place and that the consolidated entity and its officers act legally, ethically and responsibly on all matters.

The Board's role and the consolidated entity's corporate governance practices are being continually reviewed and improved as the consolidated entity'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 consolidated entity under delegated authority from the Board and 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 consolidated entity'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 consolidated entity, in accordance with the delegated authority of the Board.

Pioneer Nickel Limited

Corporate Governance Statement

1.2 Composition of the Board

To add value to the consolidated entity, 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 consolidated entity and on the independence of their decision-making and judgment.

The consolidated entity recognises the importance of Non-Executive Directors and the external perspective and advice that Non-Executive Directors can offer. Mr Gillard the Non-Executive Chairman is considered independent. Messrs Buchhorn, Trench and Langworthy are 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.

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

If the consolidated entity'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 consolidated entity'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 their last appointment. Subject to the requirements of the *Corporations Act 2001*, 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 consolidated entity. It is required to do all things that may be necessary to be done in order to carry out the objectives of the consolidated entity.

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 Consolidated Entity - overseeing the consolidated entity and establishing codes that reflect the values of the consolidated entity 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 consolidated entity and ensuring that there are policies in place to govern the operation of the consolidated entity.
3. Overseeing Planning Activities - overseeing the development of the consolidated entity'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 consolidated entity's risk management, compliance, control and accountability systems and monitoring and directing the operational and financial performance of the consolidated entity.
6. Consolidated Entity 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 consolidated entity's strategy.
8. Ensuring the Health, Safety and Well-Being of Employees - in conjunction with the senior management team, developing, overseeing and reviewing the effectiveness of the consolidated entity'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 consolidated entity 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 consolidated entity; and

Corporate Governance Statement

- 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 2001*, 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 consolidated entity. Unless there is an exemption under the *Corporations Act 2001* 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 2001* 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 consolidated entity's financial condition prior to the Board signing this Annual Report.

2. BOARD COMMITTEES

The Board considers that the consolidated entity 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 consolidated entity's activities and to ensure that it adheres to appropriate ethical standards.

The Board has however established a framework for the management of the consolidated entity 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 consolidated entity'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 consolidated entity 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 consolidated entity and the independence of the external auditor.

The Board in its entirety reviews the audited annual financial statements and the audit reviewed 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.

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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.

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 consolidated entity. Given the size of the consolidated entity 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 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 consolidated entity.

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*)

Corporate Governance Statement

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;
- 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 consolidated entity'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 consolidated entity's 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 confidential private information 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 his 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;

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- 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.

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 consolidated entity.

5.2 Integrity of Financial Reporting

The Company's Managing Director and Company Secretary report in writing to the Board that:

- the financial statements of the consolidated entity for each half and full year present a true and fair view, in all material aspects, of the consolidated entity'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 consolidated entity'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 auditor is required 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 consolidated entity'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 consolidated entity.

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Directors' Report

The Directors present their report on Pioneer Nickel Limited and the entity it controlled at the end of, or during the year ended 30 June 2005.

DIRECTORS

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

Reginald N Gillard – BA, FCPA, FAICD, JP
NON-EXECUTIVE CHAIRMAN

Mr Gillard was appointed a Director on 17 March 2005. Mr Gillard is an accountant with more than 30 years of experience initially in public practice and now in an advisory capacity focussing on corporate management and the identification and evaluation of resource project opportunities in Australia and overseas. Mr Gillard has had extensive experience in the successful acquisition and international funding of a number of resource projects particularly in developing countries for Australian and international companies.

During the three year period to the end of the financial year, Mr Gillard held directorships in Lafayette Mining Limited (5 November 1996 to present), Aspen Group Limited (24 December 2001 to present), Caspian Oil & Gas Limited (6 July 1994 to present), Perseus Mining Limited (24 October 2003 to present), Moto Gold Mines Ltd (30 June 2000 to 18 August 2005), Wentworth Mutual Limited (14 December 2000 to 19 February 2004), Adultshop.com Limited (1 September 1999 to 12 September 2002) and Global Doctor Limited (14 July 1999 to 24 January 2003).

David J Crook – B.Sc, MAusIMM
MANAGING DIRECTOR

Mr Crook was appointed a Director on 11 August 2003. Mr Crook is a geologist with over 25 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), MAusIMM
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 over 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 (17 February 1995 to present) and during the three year period to the end of the financial year, Mr Buchhorn also held a directorship in Avoca Resources Limited (8 June 2001 to 15 February 2005).

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

During the three year period to the end of the financial year, Dr Trench also held a directorship in Heron Resources Limited (8 December 2003 to present).

Peter Langworthy – B.Sc (Hons), MAusIMM
NON-EXECUTIVE DIRECTOR

Mr Langworthy was appointed a Director on 29 November 2004. Mr Langworthy is presently the General Manager – Exploration for Jubilee Mines NL where he has been responsible for exploration and mine development activities. Mr Langworthy has had extensive experience in nickel sulphide exploration extending to regional exploration and operating mines. This experience was gained from 11 years with WMC Resources Ltd, which included being Geology Manager for the Leinster Nickel operation and prior to this was Exploration Manager for all nickel exploration in the Mount Keith Leinster belt for WMC.

Craig L Readhead – B. Juris, LLB

Mr Craig Readhead who was appointed a Director on 17 January 2003 resigned as a Director on 17 March 2005.

COMPANY SECRETARY

Julie A Wolseley – B.Com, CA, MAICD

Ms Wolseley was appointed Company Secretary on 11 August 2003. Ms Wolseley is the principal of a corporate advisory company with over 13 years experience acting as company secretary to a number of ASX listed public companies operating primarily in the resources sector. Previously Ms Wolseley was an audit manager both in Australia and overseas for an international accounting firm. Ms Wolseley also holds directorships on the boards of OM Holdings Limited and Territory Iron Limited.

PRINCIPAL ACTIVITIES

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

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

RESULTS OF OPERATIONS

The consolidated net loss after income tax for the financial year was \$714,734 (2004: \$311,337).

Pioneer Nickel Limited Directors' Report

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 OPERATIONS AND ACTIVITIES

A detailed review of the consolidated entity's activities during the financial year is set out in the section titled "Project Review" in this Annual Report.

During the financial year the consolidated entity 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.

Corporate and Financial Position

As at the date of this report, the consolidated entity had cash reserves of \$2.4 million.

Business Strategies and Prospects

The consolidated entity currently has the following business strategies and prospects over the medium to long term:

- i) Seek to increase the value of the Company's mineral assets located in Western Australia;
- ii) Advance the Company's Acra, Wattle Dam and Pioneer projects and commence an exploration programme at the Ravensthorpe joint venture project; and
- iii) Continue to examine new mineral opportunities, with particular focus on advanced projects with the potential to deliver early cash flow opportunities.

Risk Management

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

Areas of significant business risk to the consolidated entity 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 consolidated entity.

EMPLOYEES

The consolidated entity employed 4 employees as at 30 June 2005 (2004: 4 employees).

EARNINGS/LOSS PER SHARE

	CENTS
Basic loss per share	(1.5)
Diluted loss per share	(1.5)

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 consolidated entity that occurred during the financial year under review except for:

- On 21 September 2004 the Company announced that it had 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. In addition, following the receipt of shareholder approval, Jubilee also subscribed for 4,077,623 ordinary shares in the Company at an issue price of 15 cents per share and received 3,750,000 free attaching unlisted options exercisable at 25 cents each on or before 28 November 2009. The share placement raised a total of \$611,643. Jubilee also agreed to acquire 672,377 existing ordinary shares in the Company which were classified as "unmarketable" at a price of 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.
- On 21 June 2005 Western Copper Pty Ltd was incorporated as a wholly owned controlled entity of the Company. Western Copper Pty Ltd's initial project is the Ravensthorpe Joint Venture with Galaxy Resources Limited, whereby Western Copper Pty Ltd will be the manager of the Ravensthorpe Joint Venture and can earn up to an 85% interest in the project by spending \$500,000 on joint venture tenements. The Ravensthorpe district has a long history of copper and gold production, with historic operations including the Elverdton, Mt Desmond, Mt Cattlin and Marion Martin mines, all of which are located within the Ravensthorpe Joint Venture tenements.

OPTIONS OVER UNISSUED CAPITAL

Unlisted Options

During the financial year the Company granted the following unlisted options over unissued shares:

NUMBER OF OPTIONS GRANTED	EXERCISE PRICE	EXPIRY DATE
250,000 (i)	25 cents each	31 December 2007
3,750,000 (ii)	25 cents each	28 November 2009

- (i) unlisted options have a 24 month vesting period prior to exercise which can occur after 31 August 2006.
- (ii) issued to a wholly owned controlled entity of Jubilee Mines NL following shareholder approval obtained on 25 November 2004.

During the financial year the following options lapsed following cessation of employment of eligible persons:

NUMBER OF OPTIONS LAPSED	EXERCISE PRICE	EXPIRY DATE
950,000	25 cents each	31 December 2007

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

NUMBER OF OPTIONS ON ISSUE	EXERCISE PRICE	EXPIRY DATE
3,500,000 (i)	25 cents each	31 December 2007
2,200,000 (ii)	25 cents each	31 December 2007
250,000 (iii)	25 cents each	31 December 2007
100,000 (iv)	25 cents each	31 December 2007
3,750,000 (v)	25 cents each	28 November 2009

- (i) unlisted options issued to Heron Resources Limited.
- (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.

(v) unlisted options issued to a wholly owned controlled entity of Jubilee Mines NL.

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.

OPTIONS OVER UNISSUED CAPITAL

Unlisted Options

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.

The Board has resolved (subject to shareholder approval) to issue 250,000 unlisted options exercisable at 30 cents each and expiring on 31 December 2008 to the Managing Director and 500,000 unlisted options exercisable at 30 cents each and expiring on 1 April 2009 to the Non-Executive Chairman. Shareholder approval will be sought at the Annual General Meeting to be held in November 2005.

Since 30 June 2005 and up until the date of this report no options have been issued or exercised in respect of ordinary shares up until the date of this report.

CORPORATE STRUCTURE

Pioneer Nickel Limited (ACN 103 423 981) is a company limited by shares that was incorporated on 17 January 2003 and is domiciled in Australia. The Company has prepared a consolidated financial report including the entity it incorporated and controlled during the financial year, Western Copper Pty Ltd. Western Copper Pty Ltd (ACN 114 863 928) was incorporated on 21 June 2005.

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 or unusual nature likely, in the opinion of the Directors of the Company to affect substantially the operations of the consolidated entity, the results of those operations or the state of affairs of the consolidated entity in subsequent financial years other than market announcements released to the Australian Stock Exchange since balance date and including the following:

Share Placement

On 9 August 2005 the Company announced that it had placed 3,125,000 ordinary shares at an issue price of 16 cents per share to a wholly owned controlled entity of Jubilee Mines NL ("Jubilee").

In addition the Board also placed a further 4,046,875 ordinary shares at an issue price of 16 cents to sophisticated and professional investors in accordance with section 708 of the Corporations Act 2001.

The placements raised a total of \$1,147,500 (before issue costs).

Following completion of the placement Jubilee now holds a total of 9,629,329 ordinary shares or 17.4% of the Company's issued capital.

Proceeds from the placement will be applied towards exploration programmes planned for the Wattle Dam and Pioneer projects as well as further pursuing the Company's other regional projects.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

Likely developments in the operations of the consolidated entity 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 consolidated entity.

ENVIRONMENTAL REGULATION AND PERFORMANCE

The consolidated entity 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 there has been no known breach of the consolidated entity's licence conditions and all exploration activities comply with relevant environmental regulations.

INFORMATION ON DIRECTORS

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

Director	Directors' Interests in Ordinary Shares	Directors' Interests in Unlisted Options
Reginald N Gillard Appointed on 17 March 2005	-	-
David J Crook Appointed on 11 August 2003	442,625	1,000,000
Ian J Buchhorn (i) Appointed on 17 January 2003	5,892,960	300,000
Allan Trench Appointed on 8 September 2003	20,426	300,000
Peter Langworthy Appointed on 29 November 2004	-	-

(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.

Pioneer Nickel Limited Directors' Report

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
R N Gillard (NOTE A)	4	4	1	1
C L Readhead (NOTE B)	10	10	6	6
D J Crook	14	14	7	7
I J Buchhorn	14	12	7	7
A Trench	14	13	7	7
P Langworthy (NOTE C)	9	8	4	4

NOTE A - Mr R N Gillard was appointed a Director on 17 March 2005.

NOTE B - Mr C L Readhead resigned as a Director on 17 March 2005.

NOTE C - Mr P Langworthy was appointed a Director on 29 November 2004.

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

REMUNERATION REPORT

Recommendation 9.2 of the *ASX Corporate Governance Council's Principles of Good Corporate Governance and Best Practice Recommendations* states that the Board should establish a Remuneration Committee. The Board has formed the view that given the number of Directors on the Board, this function could be performed just as effectively with full Board participation. Accordingly it was resolved that there would be no separate Board sub-committee for remuneration purposes.

This report details the amount and nature of remuneration of each Director of the Company. Other than Directors, there were no executive officers of the Company during the year.

Overview of Remuneration Policy

The Board of Directors is responsible for determining and reviewing compensation arrangements for the Directors and the executive team. The broad remuneration policy is to ensure that remuneration properly reflects the relevant person's duties and responsibilities, and that the remuneration is competitive in attracting, retaining and motivating people of the highest quality. The Board believes that the best way to achieve this objective is to provide the Managing Director and the executive team with a remuneration package consisting of a fixed and variable component that together reflects the person's responsibilities, duties and personal performance. An equity based remuneration arrangement for the Board and the executive team is in place. The remuneration policy is to provide a fixed remuneration component and a specific equity related component. The Board believes that this remuneration policy is appropriate given the stage of development of the Company and the activities which it undertakes and is appropriate in aligning Director objectives with shareholder and businesses objectives.

The remuneration policy in regard to setting the terms and conditions for the Managing Director has been developed by the Board taking into account market conditions and comparable salary levels for companies of a similar size and operating in similar sectors.

Directors receive a superannuation guarantee contribution required by the government, which is currently 9% per annum and do not receive any other retirement benefit. Some individuals, however, have chosen to sacrifice part of their salary to increase payments towards superannuation.

All remuneration paid to Directors is valued at cost to the Company and expensed. Options are valued using the Black-Scholes methodology. In accordance with current accounting policy the value of these options is not expensed.

Non-Executive Directors

The Board policy is to remunerate Non-Executive Directors at market rates for comparable companies for time, commitment and responsibilities. The Board determines payments to the Non-Executive Directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required. The maximum aggregate amount of fees that can be paid to Non-Executive Directors is subject to approval by shareholders at a General Meeting. The annual aggregate amount of remuneration paid to Non-Executive Directors was approved by shareholders on 25 September 2003 and is not to exceed \$200,000 per annum. Actual remuneration paid to the Company's Non-Executive Directors is disclosed below. Remuneration fees for Non-Executive Directors are not linked to the performance of the consolidated entity. However, to align Directors' interests with shareholder interests, the Directors are encouraged to hold shares in the Company and have in limited circumstances received options.

Managing Director and Senior Management

The remuneration of the Managing Director is dictated by his executive service agreement.

The Company aims to reward executives with a level of remuneration commensurate with their position and responsibilities within the Company so as to:

- Reward executives for Company and individual performance against targets set by reference to appropriate benchmarks;
- Reward executives with the strategic goals and performance of the Company; and
- Ensure that total remuneration is competitive by market standards.

Structure

Remuneration consists of the following key elements:

- Fixed remuneration;
- Fixed remuneration levels dictated by benchmark criteria; and
- Issuance of unlisted options

Fixed Remuneration

Fixed remuneration consists of base remuneration (which is calculated on a total cost basis including any employee benefits eg. motor vehicles) as well as employer contributions to superannuation funds.

The level of fixed remuneration is set so as to provide a base level of remuneration which is both appropriate to the position and is competitive in the market.

Remuneration packages for the staff who report directly to the Managing Director are based on the recommendation of the Managing Director, subject to the approval of the Chairman and the Board in the annual budget setting process.

Fixed Remuneration Benchmarks – Managing Director only

The objective of the programme is to link the achievement of the Company's operational targets with the remuneration received by the Managing Director.

The operational targets for the Managing Director consist of a number of key performance indicators including acquisition or discovery of a significant economic mineral resource, enhancing corporate credibility and creation of value for shareholders.

At the end of the calendar year the Board assesses the actual performance of the consolidated entity and individual against the key performance indicators previously set. Any cash incentives and/or options granted require Board approval. Options proposed to be granted to the Managing Director also require shareholder approval.

Service Agreement

The Managing Director, Mr David Crook is employed under contract. The current Service Agreement commenced on 1 January 2004.

Under the terms of the present contract:

- The Service Agreement has no fixed term.

- Mr Crook may resign from his position and thus terminate the contract by giving two months written notice. On resignation any options that have not yet vested will lapse.
- The Company may terminate the contract by providing two months written notice or provide payment in lieu of notice by the Company. Any options that have vested, or will vest during the notice period will be released, whilst the options that have not yet vested will be forfeited.
- The Company may terminate the contract at any time without notice if serious misconduct has occurred. Where termination with cause occurs, the Managing Director is only entitled to that portion of remuneration which is fixed, and only up to the date of termination. On termination with cause, any unvested options will immediately lapse.
- If the Managing Director and the Company agree to terminate the contract by mutual consent, or if the Managing Director is removed, or if the Company enters into a deed of arrangement with creditors, placed under the control of receivers or is in breach of regulations, the Company will pay a sum to the Managing Director calculated in accordance with section 200G9(3) of the Corporations Act 2001.

It is the Company's practice to enter into Australian Workplace Agreements with employees. The Agreement is for a two year term and may be terminated with four weeks written notice.

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

DIRECTOR	BASE EMOLUMENT/FEES \$	PRIMARY		POST EMPLOYMENT SUPERANNUATION/ SALARY SACRIFICE CONTRIBUTIONS \$	EQUITY COMPENSATION OPTIONS \$	OTHER INSURANCE \$	TOTAL \$
		CASH BONUS \$	OTHER BENEFITS \$				
R N Gillard (i) (Non-Executive Chairman)	14,423	-	-	-	-	1,668	16,091
C L Readhead (ii) (Non-Executive Chairman)	37,500	-	5,000	-	-	417	42,917
D J Crook (Managing Director)	161,613	15,000	10,000	15,895	-	1,668	204,176
I J Buchhorn (Non-Executive Director)	-	-	-	25,000	-	1,668	26,668
A Trench (Non-Executive Director)	22,936	-	-	2,064	-	1,668	26,668
P Langworthy (iii) (Non-Executive Director)	14,776	-	-	-	-	1,668	16,444

(i) Mr R N Gillard was appointed a Director on 17 March 2005.

(ii) Mr C L Readhead resigned as a Director on 17 March 2005.

(iii) Mr P Langworthy was appointed a Director on 29 November 2004. Mr Langworthy's fees are paid to a wholly owned controlled entity of Jubilee Mines NL.

Pioneer Nickel Limited Directors' Report

Pullinger Readhead Lucas, an entity associated with Mr CL Readhead, provided legal services to the Company further details of which are disclosed in Note 18 to the full financial report. A related entity associated with Mr I J Buchhorn also provided the rental of office premises to the Company during the financial year. Further details are disclosed in Note 18 to the full financial report.

Other than the Directors disclosed above there were no other executive officers who received emoluments during the financial year ended 30 June 2005.

INDEMNIFYING OFFICERS AND AUDITOR

During the year the Company paid an insurance premium to insure certain officers of the Company. The officers of the Company covered by the insurance policy include the Directors named in this report.

The Directors and Officers Liability insurance provides cover against all costs and expenses that may be incurred in defending civil or criminal proceedings that fall within the scope of the indemnity and that may be brought against the officers in their capacity as officers of the Company. The insurance policy does not contain details of the premium paid in respect of individual officers of the Company. Disclosure of the nature of the liability cover and the amount of the premium is subject to a confidentiality clause under the insurance policy.

The Company has not provided any insurance for an auditor of the Company.

AUDITORS' INDEPENDENCE DECLARATION

Section 370C of the Corporations Act 2001 requires the Company's auditors Butler Settineri Chartered Accountants, to provide the Directors of the Company with an Independence Declaration in relation to the audit of the financial report. This Independence Declaration is set out on page 33 and forms part of this Directors' Report.

NON-AUDIT SERVICES

No fees for non-audit services were paid/payable to the external auditors during the year ended 30 June 2005.

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 23rd day of September 2005.

Signed in accordance with a resolution of the Directors.



D J Crook
MANAGING DIRECTOR

Auditor's Independence Declaration

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of Pioneer Nickel Limited for the year ended 30 June 2005, I declare that, to the best of my knowledge and belief, there have been:

- a) No contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- b) No contraventions of any applicable code of professional conduct in relation to the audit.



BUTLER SETTINERI
Chartered Accountants



PAUL J CHABREL
Partner

Perth
Date: 23 September 2005

Statement of Financial Performance

for the year ended 30th June 2005

	NOTE	CONSOLIDATED	
		2005 \$	2004 \$
Other revenues from ordinary activities	2	146,197	132,220
Total revenue	2	146,197	132,220
Employee expenses		(489,050)	(194,318)
Non-Executive Directors' fees		(121,699)	(78,333)
Provision for diminution in value of investment in Galaxy Resources Limited		(130,000)	-
Corporate expenses		(99,515)	(69,308)
Depreciation expenses		(46,353)	(18,601)
Rental expense on operating leases		(30,014)	(12,601)
Insurance expenses		(24,007)	(8,297)
Exploration expenditure written off		(2,662)	-
Management fee and salaries recharged by Heron Resources Limited		-	(106,735)
Employee costs recharged to exploration		316,076	173,493
Other expenses from ordinary activities		(233,707)	(128,857)
Loss from ordinary activities before related income tax expense		(714,734)	(311,337)
Income tax relating to ordinary activities		-	-
Net loss attributable to members of the Company	3, 4	(714,734)	(311,337)
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		(714,734)	(673,970)
Basic earnings/(loss) per share (cents per share)	6	(1.5)	(1.1)
Diluted earnings/(loss) per share (cents per share)	6	(1.5)	(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.

Statement of Financial Position

as at 30th June 2005

	NOTE	CONSOLIDATED 2005 \$	2004 \$
CURRENT ASSETS			
Cash assets		1,629,510	3,506,525
Receivables		318,742	73,624
Other financial assets		29,879	13,165
TOTAL CURRENT ASSETS		1,978,131	3,593,314
NON-CURRENT ASSETS			
Investments		70,000	-
Property, plant and equipment and motor vehicles		152,012	160,314
Capitalised mineral exploration and evaluation expenditure		3,097,232	1,714,640
TOTAL NON-CURRENT ASSETS		3,319,244	1,874,954
TOTAL ASSETS		5,297,375	5,468,268
CURRENT LIABILITIES			
Payables		121,740	207,250
Provisions		10,893	4,686
TOTAL CURRENT LIABILITIES		132,633	211,936
TOTAL LIABILITIES		132,633	211,936
NET ASSETS		5,164,742	5,256,332
EQUITY			
Contributed equity		6,198,521	5,575,377
Accumulated losses		(1,033,779)	(319,045)
TOTAL EQUITY	4	5,164,742	5,256,332

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 2005

	NOTE	CONSOLIDATED	
		2005 \$ Inflows/(Outflows)	2004 \$ Inflows/(Outflows)
Cash flows from operating activities			
Interest received		143,168	118,333
Payment to Heron Resources Limited for management fees		-	(100,000)
Payments to suppliers and employees		(671,464)	(276,597)
Net cash used in operating activities		(528,296)	(258,264)
Cash flows from investing activities			
Payments for exploration and evaluation		(1,689,675)	(1,111,403)
Receipt of exploration option fee		5,864	-
Payments for investments		(200,000)	-
Payments for tenement bonds		(30,000)	(16,500)
Payments for plant and equipment and motor vehicles		(46,551)	(170,415)
Net cash used in investing activities		(1,960,362)	(1,298,318)
Cash flows from financing activities			
Proceeds from the issue of shares		611,643	5,528,000
Payments for transactions costs relating to the issue of shares		-	(352,633)
Loan from Heron Resources Limited		-	20,000
Repayment of loan to Heron Resources Limited		-	(165,013)
Net cash provided by financing activities		611,643	5,030,354
Net increase/(decrease) in cash held		(1,877,015)	3,473,772
Cash at the beginning of the financial year		3,506,525	32,753
Cash at the end of the financial year		1,629,510	3,506,525

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.

Pioneer Nickel Limited

Discussion and Analysis

STATEMENT OF FINANCIAL PERFORMANCE

The consolidated entity reported a consolidated operating loss after tax of \$714,734, compared to a loss of \$311,337 for the prior year. The current year loss included a full year of operating activities compared to the prior year when the Company was admitted to the Official List of the Australian Stock Exchange Limited on 1 December 2003. As at 30 June 2005 the Company made a provision for diminution in the value of its investment in Galaxy Resources Limited amounting to \$130,000.

STATEMENT OF FINANCIAL POSITION

The consolidated cash position remained strong at the end of the financial year at \$1,629,510. The cash position was further supplemented by a share placement which was completed subsequent to year end raising \$1.15 million (refer Note 8 for further details).

Receivables comprised an amount of \$230,000 due from Jubilee Mines NL in accordance with the Acra Joint Venture Agreement.

Capitalised exploration and development expenditure incurred during the year was \$1,288,754. The level of exploration expenditure incurred upon the Company's various projects is dependent upon the programmes planned and the results obtained.

Exploration expenditure at the Company's **Wattle Dam Project** totalled \$0.5 million. Work Programmes included detailed sampling and down hole EM surveys with three priority targets identified for further work. RC drilling was completed at the 1A South and 1H Prospects; where high-magnesian ultramafic rock were intersected. One hole intersected nickel sulphides on the basal ultramafic contact at 1H and a DHTM conductor was identified at 1A South. The conductor is located within highly prospective geology, with no black shale logged in the hole. Exploration work remains to be conducted at the 1H Prospect to assess strike extensions to the mineralised ultramafic unit. 1,000 metres of drilling will be completed during the September 2005 quarter. The third target is 1M, located 200m north of nickel sulphide mineralisation intersected by a competitor company.

Exploration expenditure of \$0.25 million was incurred by the Company at its **Pioneer Dome Project**. This included drilling at the JH Prospect, which confirmed a southerly plunge to mineralisation, with two holes intersecting mineralisation within, or marginal to, highly magnesian channel rocks where projected down-plunge. The down plunge continuation of this trend will be further tested in the next drilling programme of 800 metres which commenced in the September 2005 quarter. During the year drilling programmes targeting the shallowly north plunging zone of nickel sulphide mineralisation at the BB Prospect also intersected a broad, nickel-anomalous zone, however deeper test holes did not contain any significant intersections.

During the financial year Jubilee Mines NL commenced its farm in to earn up to a 75% interest in the Company's **Acra Project** by expending up to \$6.93 million. Exploration activities for the year

included reverse circulation drilling, diamond drilling, surface and down hole EM surveys and surface geochemistry. Programmes of geological mapping and associated surface rock chip sampling were also undertaken away from the main prospect areas. The diamond drilling programmes completed were designed to target the prospective basal contact surface at depth and also to identify possible structural repeats of the prospective surface. Drill holes intersected multiple horizons of disseminated mineralisation within the ultramafic sequence and confirmed the opportunity for structural repeats of the basal contact to exist. Two additional EM anomalies were identified from recent surveys and, subject to field checking and evaluation, will also be drilled. Resampling of old RAB holes has identified a coincident Ni-Cu geochemical anomaly near the Jubilee gossan, which has been drill tested in the September 2005 quarter.

During the financial year the Company exercised an option to purchase the Lady of the Lake Project. The Lady of the Lake Project is located immediately south of the Company's Acra Project. The consideration for acquiring all the non-gold mineral rights to the project comprised the payment of \$85,000 cash and the issue of 50,000 ordinary shares in the Company at a deemed issue price of \$0.23 per share.

During the year the Company subscribed for a total of 2,000,000 ordinary shares at an issue price of 10 cents per share in an unlisted company, Galaxy Resources Limited. In addition the Company was granted 1,000,000 free attaching options in Galaxy Resources Limited exercisable at 10 cents each on or before 30 September 2008. The Company now holds 7% of the issued capital of Galaxy Resources Limited. In June 2005 the Company also announced that its wholly owned controlled entity Western Copper Pty Ltd had entered into a joint venture with Galaxy Resources Limited to explore for high grade copper and gold mineralisation on tenements near Ravensthorpe, Western Australia. Western Copper Pty Ltd is the manager of the joint venture and it can earn up to an 85% interest in the project by expending \$500,000 on exploration on joint venture tenements.

Share capital increased during the financial year due to the issue of the following shares:

- Following shareholder approval obtained on 25 November 2004, 4,077,623 ordinary shares were issued to a wholly owed controlled entity of Jubilee Mines NL at an issue price of 15 cents per share **\$611,643**
- 50,000 ordinary shares at a deemed issue price of 23 cents per share were issued to RW Allen as part consideration for exercising the option to acquire the Lady of the Lake Project **\$11,500**

As at the end of the financial year the Company had on issue 48,127,633 ordinary shares compared to the 44,000,010 ordinary shares on issue at the end of the prior year.

Pioneer Nickel Limited

Discussion and Analysis

As at 30 June 2005 the following unlisted options are outstanding:

Number of Options	Exercise Price	Expiry Date
3,500,000 (i)	25 cents each	31 December 2007
2,200,000 (ii)	25 cents each	31 December 2007
250,000 (iii)	25 cents each	31 December 2007
100,000 (iv)	25 cents each	31 December 2007
3,750,000 (v)	25 cents each	28 November 2009

- (i) Unlisted options issued to Heron Resources Limited.
- (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.
- (v) Issued to a wholly owned controlled entity of Jubilee Mines NL.

STATEMENT OF CASH FLOWS

Cash Flows From Operating Activities

The net cash outflows from operating activities of \$528,296 comprised interest earned on cash reserves offset by operating outflows in relation to the Company's full year of operating activities since its listing in December 2003.

Cash Flows From Investing Activities

Exploration and evaluation cash flows of \$1,689,675 related primarily to exploration programs at the Wattle Dam, Pioneer Dome and Acra Projects.

Payments for investments of \$200,000 related to an investment in Galaxy Resources Limited.

Cash Flows from Financing Activities

During the year the Company raised cash proceeds of \$611,643 following the placement of 4,077,623 ordinary shares at an issue price of 15 cents each to a wholly owed controlled entity of Jubilee Mines NL.

Notes to the Concise Financial Report

for the year ended 30th June 2005

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 consolidated entity's full financial report for the financial year. Other information included in the concise financial report is consistent with the consolidated entity'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 consolidated entity 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.

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

		CONSOLIDATED	
		2005	2004
		\$	\$
2. REVENUE/DIVIDENDS			
<i>(a) Revenue from ordinary activities</i>			
Sales revenue		-	-
Interest revenue		140,333	132,220
Proceeds from exploration farm-in option		5,864	-
		146,197	132,220
<i>(b) Dividends paid or proposed</i>			
Dividends paid or proposed		-	-
3. ACCUMULATED LOSSES			
Accumulated losses at the beginning of the year		319,045	7,708
Net loss attributable to members		714,734	311,337
Accumulated losses at the end of the year		1,033,779	319,045
4. TOTAL EQUITY RECONCILIATION			
Total equity/(deficiency) at the beginning of the year		5,256,332	(7,698)
Add: Contributions of equity		623,144	5,938,000
Less: Cost of contributions of equity		-	(362,633)
Add: Share of operating loss		(714,734)	(311,337)
Total equity at the end of the year		5,164,742	5,256,332
5. SEGMENT INFORMATION			
The consolidated entity operates predominantly in one segment involved in the mineral exploration and development industry. Geographically the consolidated entity is domiciled and operates in one segment being Australia.			
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		(714,734)	(311,337)

Pioneer Nickel Limited

Notes to the Concise Financial Report

6. EARNINGS/(LOSS) PER SHARE *(Continued)*

	Number of Shares 2005	Number of Shares 2004
Weighted average number of ordinary shares used in calculating basic earnings/(loss) per share:	46,405,520	27,149,190
<i>Effect of dilutive securities</i>		
Share options*	-	-
Adjusted weighted average number of ordinary shares used in calculating diluted earnings/(loss) per share	46,405,520	27,149,190

*Non-dilutive securities

As at balance date, 9,800,000 unlisted options (which represent 9,800,000 potential ordinary shares) were not dilutive as they would decrease the loss per share.

Conversions, calls, subscriptions or issues after 30 June 2005

There have been no other conversions to, calls of, or subscriptions for ordinary shares or issues of potential ordinary shares since the reporting date and before the completion of this financial report other than those disclosed in Note 8.

7. CONTINGENT LIABILITIES

There were no contingent liabilities not provided for in the financial statements of the consolidated entity as at 30 June 2005 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 consolidated entity, the results of those operations or the state of affairs of the consolidated entity in subsequent financial years, other than market announcements released to the Australian Stock Exchange since balance date and include the following:

Placement

On 5 August 2005 the Company announced that it had placed 3,125,000 ordinary shares at an issue price of 16 cents per share to a wholly owned controlled entity of Jubilee Mines NL ("Jubilee").

In addition the Company placed a further 4,046,875 ordinary shares at an issue price of 16 cents to sophisticated and professional investors in accordance with section 708 of the Corporations Act 2001.

The placement raised a total of \$1,147,500 (before issue costs).

Following completion of the placement Jubilee holds a total of 9,629,329 ordinary shares or 17.4% of the Company's issued capital. Jubilee remains the Company's largest shareholder.

Proceeds from the placement will be applied towards exploration programmes planned for the Wattle Dam and Pioneer projects as well as further pursuing the Company's other regional projects.

Notes to the Concise Financial Report

9. IMPACT OF ADOPTING AUSTRALIAN EQUIVALENTS TO IFRS

Pioneer Nickel Limited is in the process of transitioning its accounting policies and financial reporting from current Australian Accounting Standards ("AGAAP") to Australian equivalents of International Financial Reporting Standards ("AIFRS") which will be applicable for the financial year ending 30 June 2006. In 2004, the Company allocated internal resources to conduct impact assessments to identify key areas that would be impacted by the transition to AIFRS. Priority has been given to the preparation of an opening statement of financial position in accordance with AIFRS as at 1 July 2004, Pioneer Nickel Limited's transition date to AIFRS. This will form the basis of accounting for AIFRS in the future, and is required when Pioneer Nickel Limited prepares its first fully AIFRS compliant financial report for the year ending 30 June 2006.

Set out below are the key areas where accounting policies are expected to change on adoption of AIFRS and the Company's best estimate of the quantitative impact of the changes on total equity as at the date of transition and 30 June 2005 and on net result for the year ended 30 June 2005.

The figures disclosed are management's best estimates of the quantitative impact of the changes as at the date of preparing the 30 June 2005 financial report. The actual effects of transition to AIFRS may differ from the estimates disclosed due to ongoing work being undertaken by the Company in relation to AIFRS, potential amendments to AIFRS's and interpretations thereof being issued by the standard-setters and IFRIC and emerging accepted practice in the interpretation and application of AIFRS and UIG interpretations.

	CONSOLIDATED		COMPANY	
	30 June 2005** \$	1 July 2004* \$	30 June 2005** \$	1 July 2004* \$
(a) Reconciliation of equity as presented under AGAAP to that under AIFRS				
Total equity/(deficit) under AGAAP	5,164,742	5,256,377	5,129,629	5,256,332
Adjustments to retained earnings (net of tax)				
Recognition of share-based payment expense (i)	(48,450)	-	(48,450)	-
	5,116,292	5,256,377	5,081,179	5,256,332
Adjustments to other reserves (net of tax)				
Recognition of share-based payment expense (i)	48,450	-	48,450	-
Total equity under AIFRS	5,164,742	5,256,377	5,129,629	5,256,332

* This column represents the adjustments as at the date of transition to AIFRS.

** This column represents the cumulative adjustments as at the date of transition to AIFRS and those for the year ended 30 June 2005.

(i) Under AASB *Share Based Payments*, the Company would recognise the fair value of options granted after 7 November 2002 that were unvested at 1 January 2005 to Directors, employees and consultants as an expense on a pro-rata basis over the vesting period in the income statement with a corresponding adjustment to equity. Share based payment costs are not recognised under AGAAP. The adjustment has been calculated by measuring the value of the options at grant date using the Black and Scholes method.

(b) Reconciliation of net loss under AGAAP to that under AIFRS

Year ended 30 June 2005

	CONSOLIDATED \$	COMPANY \$
Net loss as reported under AGAAP	(714,734)	(749,847)
Share-based payment expense (i)	(48,450)	(48,450)
Total equity under AIFRS	(763,184)	(798,297)

(i) Under AASB *Share Based Payments*, the Company would recognise the fair value of options granted after 7 November 2002 that were unvested at 1 January 2005 to Directors, employees, consultants and other advisors as an expense on a pro-rata basis over the vesting period in the income statement with a corresponding adjustment to equity. Share based payment costs are not recognised under AGAAP. The adjustment has been calculated by measuring the value of the options at grant date using the Black and Scholes method. This would result in an increase in the net loss from AGAAP to AIFRS.

(c) Restated AIFRS Statement of Cash Flows for the year ended 30 June 2005

No material impacts are expected to the cash flows presented under AGAAP on adoption of AIFRS.

Pioneer Nickel Limited

Notes to the Concise Financial Report

9. IMPACT OF ADOPTING AUSTRALIAN EQUIVALENTS TO IFRS

(d) Income Taxes

Under AIFRS, tax balances are determined using a 'balance sheet' approach, which significantly differs from the current methodology prescribed and applied. Changes in deferred tax assets and deferred tax liabilities may arise as a consequence of the different method of measurement, including changes in deferred tax assets and deferred tax liabilities arising as a consequence of the recognition of the fair value of exploration assets and investments quoted on prescribed stock exchanges. The impact of these changes have not yet been quantified.

Under AIFRS, the criteria for recognition of carried forward tax losses is 'probable' as compared to the current 'virtually certain' test. The consolidated entity has carried forward tax losses which have not been recognised as deferred tax assets as they do not satisfy the 'probable' criteria under AIFRS.

(e) Financial Instruments

The Directors have elected to apply the first-time adoption exemption available to the consolidated entity to defer the date of transition of AASB 132 'Financial Instruments: Disclosure and Presentation' and AASB 139 'Financial Instruments: Recognition and Measurement' to 1 July 2005. Accordingly, there are no quantitative impacts on the 30 June 2005 financial statements.

10. 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.

Pioneer Nickel Limited Directors' Declaration

In the opinion of the Directors of Pioneer Nickel Limited the accompanying concise financial report of the consolidated entity, comprising Pioneer Nickel Limited and its controlled entity for the year ended 30 June 2005, set out on pages 34 to 42.

- (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 23rd day of September 2005.



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 2005 as set out on pages 34 to 43, 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 2005. Our audit report on the full financial report was signed on 23 September 2005 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: 23 September 2005

Pioneer Nickel Limited

ASX Additional Information

Pursuant to the Listing Requirements of the Australian Stock Exchange Limited, the shareholder information set out below was applicable as at 22 September 2005.

A. Distribution of Equity Securities

Analysis of numbers of shareholders by size of holding:

Distribution	Number of Shareholders
1 – 1,000	68
1,001 – 5,000	148
5,001 – 10,000	142
10,001 – 100,000	498
More than 100,000	72
Totals	928

There were 128 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
Jubilee Investments NL	9,629,329	17.40%
IJ Buchhorn and related entities	5,892,960	10.65%

C. Twenty Largest Shareholders

The names of the twenty largest holders of quoted shares are listed below:

Shareholder Name	ISSUED ORDINARY SHARES	
	Number of Shares	Percentage Quoted
Jubilee Investments NL	9,629,329	17.40%
Kurana Pty Ltd <Buchhorn Unit Fund>	4,614,646	8.34%
Link Traders (Aust) Pty Ltd	2,513,661	4.54%
Grosvenor Pirie Management Ltd	1,830,749	3.31%
ANZ Nominees Limited	1,461,669	2.64%
MBM Corporation Pty Ltd	1,250,086	2.26%
Sydney Fund Managers Limited	1,000,000	1.81%
VHP Pty Limited	855,000	1.54%
Mr John Samuel Williams	681,700	1.23%
Custodial Services Limited	553,000	1.00%
Mr Vitus Chan	550,000	0.99%
Chaos Investments Pty Limited	541,653	0.98%
Oregon Nominees Pty Ltd	471,503	0.85%
Pruniers Corporation Pty Ltd	468,750	0.85%
French Consulting Pty Ltd	425,000	0.77%
Australian Executor Trustees	412,500	0.75%
Hazurn Pty Ltd <Buchhorn Super Fund A/C>	400,000	0.72%
Sheerwater Pty Ltd	400,000	0.72%
Dolerite Investments Pty Ltd	351,669	0.64%
Koltai Holdings Pty Ltd	322,663	0.58%
	28,733,578	51.92%

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 Buchhorn	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	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
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 Exploration



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