

# Pioneer nickel

ABN 44 103 423 981

2007 **annual report**



# Corporate Directory

**Directors**

**Reginald N Gillard** Non-Executive Chairman  
**David J Crook** Managing Director  
**Allan Trench** Non-Executive Director  
**Peter Langworthy** Non-Executive Director

**Company Secretary** Julie A Wolseley

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West Perth, Western Australia 6005

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**Securities Exchange Listing**

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

**ASX Code**

PIO - ordinary shares  
ABN 44 103 423 981

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# ***exploration advances***

***resource  
definition***

***advanced  
drilling***

***early stage  
drilling***

***reconnaissance  
exploration***

***jv portfolio***



# Company Strategy

## The Company's business plan includes:

- Maintaining exploration focus on its core projects;
- Remaining well-funded to permit substantial exploration programs;
- Researching and ranking projects to a "develop" or "divest" decision point; and
- Developing a portfolio of farm-out joint ventures to mitigate financial risk.

Pioneer's foremost objective is to discover nickel and base metal deposits with a view to making production decisions within the next two to three years. The Company has a strategically located multi-commodity tenement portfolio and believes that by focussing exploration on core projects a discovery will result.

The Company maintains a watching brief for strategic acquisitions that could complement existing assets. Since listing on the ASX in late 2003 Pioneer has added the Golden Ridge, Ravensthorpe, Aerodrome and Balagundi Projects to its portfolio.

While cognisant of short-term share price fluctuations, which have been particularly evident during the past 12 months, we remain focused on implementing a medium to long-term growth strategy driven by genuine discovery.

The Ravensthorpe Project will be our first priority for 2007-2008 and while operations in the Ravensthorpe District have been delayed due to additional statutory regulations and seasonal access issues, we firmly believe the Mt Desmond Prospect has the potential to greatly increase the value of the Company. We appreciate the assistance of staff from the Department of Industry and Resources ("DoIR") and Department of Environment and Conservation ("DEC") when managing environmental issues and now that we are in a position to get onto the ground at Mt Desmond we can look forward to a flow of results as drilling progresses.

## Pioneer projects

### Western Australia

- 1 Golden Ridge JV Project
- 2 Acra JV Project
- 3 Ravensthorpe District
- 4 Pioneer Dome Project
- 5 Silver Swan Northwest Project
- 6 Ramelius Exploration Alliance
- 7 Maggie Hays Lake JV Project
- 8 Balagundi Project

### New South Wales

- 9 Mongarlowe Project
- 10 Dalton Project
- 11 Muttama Project

### Tasmania

- 12 Heazlewood Project
- 13 Whyte River Project

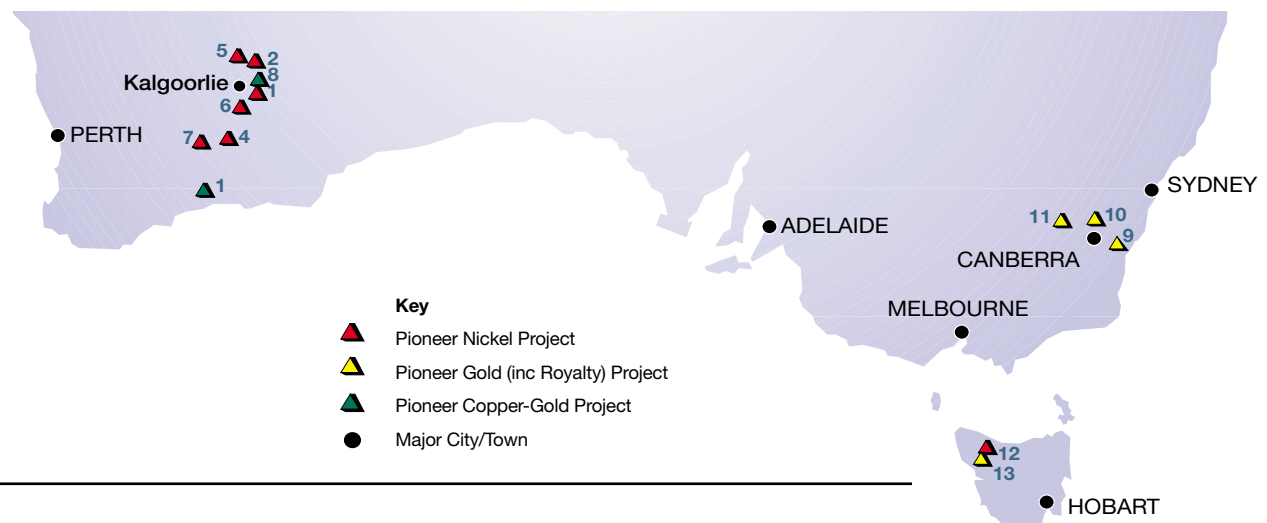


Figure 1: Pioneer Project locations.



# Operations Overview

The Company's priority exploration projects for 2006-2007 were the **Golden Ridge Nickel Project** and the **Ravensthorpe Copper-Gold Project**.

Pioneer also allocated budgets to two grassroots projects: Silver Swan Northwest, which has been with the Company since listing; and Balagundi, a recent acquisition. Both projects comprise large holdings with nearby infrastructure and have multiple commodity targets.

## Operational Statistics for 2006-2007 were:

Soil Sampling	4,722 samples
Ravensthorpe	701 sites
Balagundi	1,624 sites
Silver Swan NW	961 sites
Bullabulling	666 sites
Feysville	297 sites
Heazlewood	473 sites

RC and Diamond Drilling	117 holes	10,606m
Golden Ridge	20 holes	3,273m
Ravensthorpe	28 holes	3,353m
Larkinvile	61 holes	2,055m
Silver Swan NW JV	2 holes	605m
Acra	6 holes	1,320m

RAB/Aircore Drilling	33,183m
Golden Ridge	22,964m
Larkinvile	6,329m
Acra	3,890m

Geophysical Surveys		
Golden Ridge	SQUID EM	15km <sup>2</sup>
Golden Ridge	Gravity	11.5km <sup>2</sup>
Golden Ridge	DHTEM	9 Holes
Ravensthorpe	VTEM	186km <sup>2</sup>
Ravensthorpe	Air Mag/Rad	290km <sup>2</sup>
Aerodrome	MLTEM	19km

## The Company secured a number of key personnel during the year.

**James Guy** was appointed as Chief Geologist for the Company. In this role he will manage exploration for the Ravensthorpe District and regional projects. James has 23 years experience as a geologist in Western Australia and Queensland with experience in exploration and mining for nickel sulphides, copper and gold.

**Barry Gaunt**, a geologist with 5 years experience, joined our Kalgoorlie office as Senior Geologist. Barry and Exploration Manager Clayton Davy's are principally responsible for the Golden Ridge Project.

**Melinda O'Ryan** joined the Company as Administration Manager, based in Perth, following the resignation of Linda White. We wish Linda well for the future.

We would also like to acknowledge and thank the casual and part-time geologists, field assistants, administration people, database managers and consultants who have provided a valuable contribution to the Company during the year.

# Chairman's Statement



## Dear Shareholder

It is with pleasure that I present to you the 2007 Annual Report for Pioneer Nickel Limited.

World wide global markets are currently enjoying an unusual period of high metal prices across many commodities. Historically, one commodity might run at a time, but with unprecedented growth in Asia we are seeing increasing demand across a range of metals. Pioneer's decision several years ago to diversify from a purely nickel explorer to a broader brief sees your Company with an excellent portfolio of tenements that are prospective for a range of commodities and well positioned to participate in this strong market.

With world market analysts forecasting continuing resilient nickel prices and increasingly strong copper and gold prices for the next two to three years, the Company will continue to focus its activities on its two core projects, specifically the Golden Ridge Nickel and Ravensthorpe Copper-Gold Projects.

Both projects are in areas with significant production histories; and in both cases the immediate mine environment remains substantially under-explored,

which is where the opportunity for success could be provided.

Following a series of delays, we are pleased to have finally secured Clearing Permits for Ravensthorpe. These are required to establish drill sites that will enable the Company to drill for the first time underneath the old Mt Desmond Copper Mine. We eagerly anticipate receiving drill core from this project.

Exploration at the Golden Ridge Project continues to follow a two-tiered strategy. Deeper drilling will continue to target known mineralisation which may act as a vector to higher grade zones, while more wide-spread drilling and geophysical surveys are aimed at identifying new discoveries.

The 2006-07 year continued the Pioneer culture of very active field-orientated exploration. Over 40 kilometres of drilling was completed during the year on tenements in which the Company has an interest. In addition to the key projects already mentioned, this year we introduced two new grassroots projects to our exploration pipeline: Silver Swan Northwest and Balagundi, which we believe have the ability to add further value to the Company.

Pioneer remains well funded following the successful completion of a share purchase plan, strategic placements to professional investors, proceeds from the exercise of project options by Ramelius Resources Limited and sale of part of our stake in Galaxy Resources Limited. I thank all shareholders who participated in the capital raisings and welcome new investors to the Company. Jubilee Mines NL, the Company's largest shareholder, participated in each

capital raising maintaining its stake of 17.3% in the Company.

Investors expect a high level of field-orientated exploration activity for their investment dollar, which is the cornerstone of ore-body discovery. As you read this report I'm sure you'll agree that 2006-2007 has been a very active year and has provided Pioneer with a strong foundation for the next 12 months.

The Company puts great stock in the establishment of a culture for success. This continues to be a very high priority for Pioneer and I believe the results we will deliver during 2007-2008 will be a reflection of this strategy.

My fellow Directors again join with me in sincerely thanking our employees and consultants for their outstanding efforts during the year; and welcome our newer employees to the Company. We also thank our shareholders for their continuing support.

A handwritten signature in black ink, appearing to read 'Reg Gillard', with a stylized flourish at the end.

**Reg Gillard**  
Chairman

# Corporate Overview



**Key project benchmarks were achieved during the year with the Company reaching the first expenditure threshold for its two “brown-fields” farm-in projects.**

- The Ravensthorpe Copper-Gold Project where Pioneer now holds a 75% interest in the Project with Galaxy Resources Limited holding 25%. Galaxy has elected to contribute to further exploration expenditure on a pro-rata basis; and
- The Golden Ridge Nickel Project where Pioneer has recently notified Australian Mines Limited (subsequent to the end of the reporting year) that it has earned a 51% interest in the Project.

## Highlights for the year included:

- Ramelius Resources Limited exercised two options by paying \$700,000 to Pioneer to establish joint ventures with Pioneer for the Wattle Dam and Larkinvile Projects. The Company has retained a 20% free-carried interest in the nickel rights for both projects and a 25% free-carried interest in the gold rights for the Larkinvile Project.
- Galaxy Resources Limited successfully listed on the ASX during the year. At the time of the listing Pioneer held 1,333,333 ordinary shares and 825,000 options in Galaxy. During the year Pioneer exercised the options for a cost of \$165,000 and sold 850,000 shares realising \$510,600. Pioneer has retained 1,308,333 Galaxy shares.
- During the year the Company issued a total of 34,462,096 ordinary shares raising \$4,951,968. As at the end of the financial year the Company had on issue 89,798,479 ordinary shares.

## Pioneer's farm-out joint venture portfolio now includes:

- Jubilee Mines NL managing the Acra JV Project;
- Lake Johnston Ltd (formerly LionOre Australia (Nickel) Limited) managing the Maggie Hays Lake JV Project;
- BHP Billiton Minerals Pty Ltd managing the Silver Swan Northwest JV Project;
- Ramelius Resources Limited managing the Wattle Dam and Larkinvile JV Projects;
- Bass Metals Limited managing the Heazlewood and Whyte River JV Projects (Tasmania); and
- Kinsha Exploration Pty Limited managing the New South Wales Royalty Project.

**Of importance, Pioneer has retained a significant participating interest that is free-carried until the commencement of mining in each of these agreements, whether in the form of a minority interest, equity position or future royalty stream.**

## Pioneer as Project Manager

### Balogundi Project (30km NE of Kalgoorlie. Pioneer 100%, Copper-Lead Zinc).

- Previous explorer's drilling intersected 4m at 3.2% and 7m at 0.7% copper;
- 1,624 auger soil sample program has defined a coincident copper-lead-zinc anomaly 2.5km long, which remains open both to the north and south; and
- **Stratabound copper mineralisation indicated at the Trapdoor Prospect in current RC drilling.**

### Ravensthorpe JV Project (10km SE of Ravensthorpe. Pioneer 75%, Copper-Gold).

- 2,896m of reverse circulation and 457m of diamond drilling completed;
- Drilling returned excellent results including:
  - 1m at 9.56% copper and 53.8g/t gold;
  - 15m at 2.32% copper and 1.04g/t gold;
  - 7m at 2.00% copper and 1.48g/t gold;
  - 6m at 2.45% copper and 9.66g/t gold; and
  - 3.0m at 13.8% copper and 4.31g/t gold.
- Detailed aeromagnetic and radiometric surveys completed covering 290km<sup>2</sup>;
- Helicopter-borne VTEM electromagnetic surveys covering 186km<sup>2</sup> completed; and
- Excellent results returned from 3 metallurgical samples. Cleaner test recoveries were in excess of 92% for copper and 85% for gold, yielding a "saleable" concentrate of 22% copper and 10g/t gold.

### Regional Projects (Pioneer 100%).

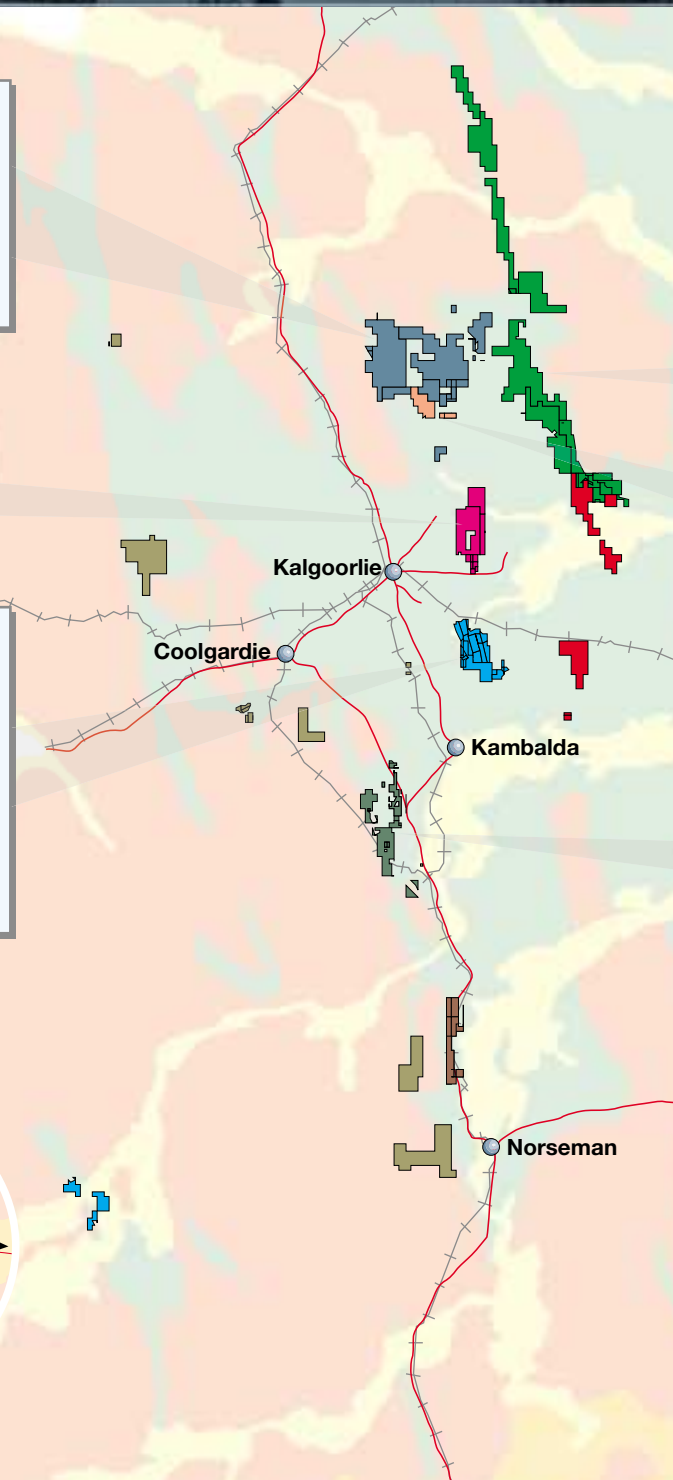
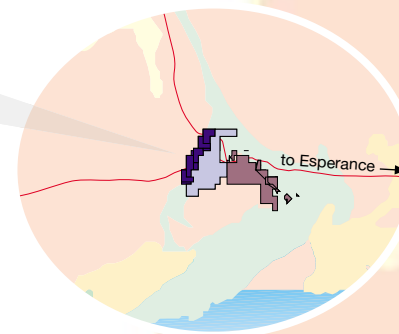
- 297 soil samples taken from the Feysville Prospect. Maximum value returned of 1,730ppb (1.73g/t) gold.

### Silver Swan Northwest Project (60km N of Kalgoorlie. Pioneer 100%, Nickel-Gold).

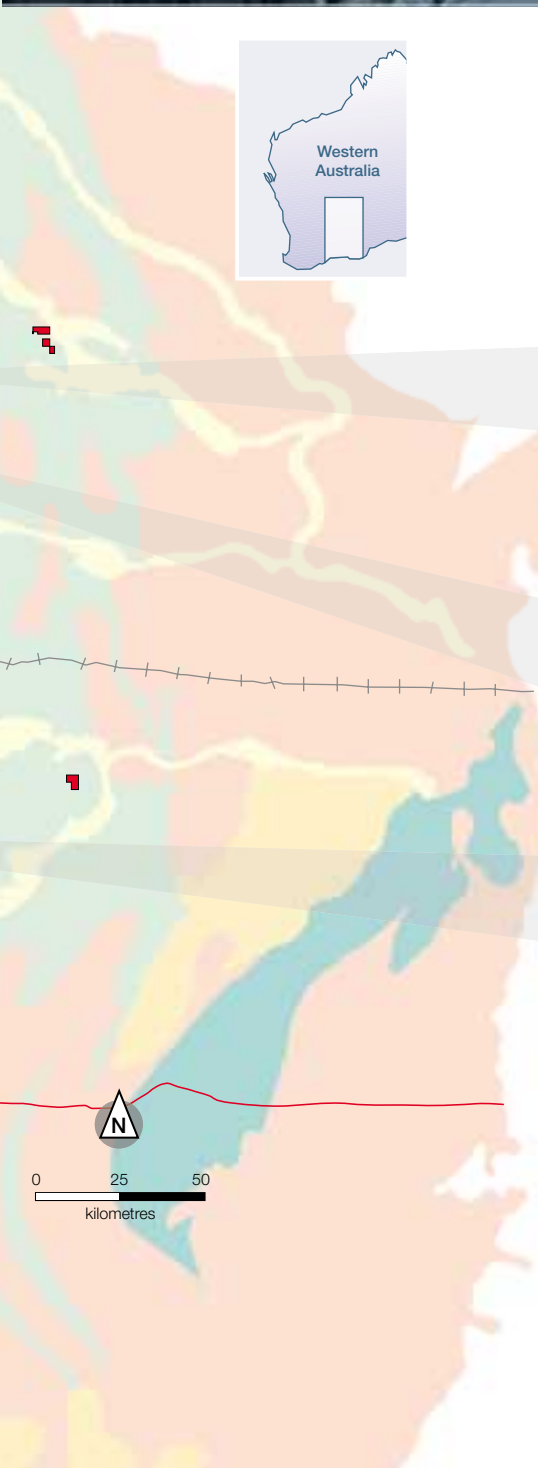
- 961 soil samples taken. In conjunction with pre-existing data, a 12km gold-in-soil anomaly is evident;
- Open file reports record isolated RC intercepts including 2m at 3.3g/t, 1m at 36.4g/t and 2m at 4.25g/t gold within this anomaly.

### Golden Ridge JV Project (30km SE of Kalgoorlie. Farm-in, Nickel).

- 22,964 metres of RAB and aircore drilling completed, returning anomalous nickel values adjacent to ultramafic contacts;
- 3,273m of RC drilling completed;
- Excellent results returned including:
  - 5m at 1.48% nickel; and
  - 4m at 1.14% nickel.
- Detailed gravity survey and SQUID EM surveys completed.







## Joint Venture Projects

### The Acra JV Project (60km NE of Kalgoorlie. Farm-out Nickel).

- Jubilee Mines NL recognised a 400m gold-in-soil anomalous zone at the Sampson Dam Gold Prospect, which was tested with a 3,890m aircore drilling program; and
- 6 RC holes completed for 1,320 m at the Acra South Nickel Prospect.

### The Silver Swan Northwest JV Project (50km N of Kalgoorlie. Farm-out Nickel-Gold).

- BHP-Billiton Minerals Pty Ltd drilled 2 diamond drill holes for 605m.

### The Ramelius Alliance Area (60km S of Kalgoorlie. Pioneer 20-25% Nickel-Gold).

- 61 RC drill holes completed for 2,055m at the Guest Leases Prospect; and
- 125 RAB holes for 6,329m at the Larkinvile West Project. Results include 32m at 2.0g/t gold.

### The Heazlewood JV Project (NW Tasmania. Farm-out Nickel-Gold).

- Bass Metals Limited completed a 473 sample soil geochemistry program which has generated three nickel-in-soil anomalies.

## Outlook

**Pioneer has entered the 2007-2008 exploration year well funded. Field programs will continue to focus on the Ravensthorpe Copper-Gold and the Golden Ridge Nickel Projects.**

### Ravensthorpe

Lengthy prescribed statutory notice periods for Clearing Permits delayed drilling at the Ravensthorpe Project throughout most of 2007. Permits have now been received and Pioneer (through wholly owned subsidiary Western Copper Pty Ltd) is, for the first time, able to target new-ore projections beneath the old Mt Desmond workings.

Initial holes will target ore approximately 100m beneath the old workings, some 250-350m below surface, with deeper holes drilled on a success-based priority.

Based on old underground records, the Mt Desmond-Elverdton Mine has a horizontal strike length in excess of 800m to test for new ore. The Company is envisaging a major drilling campaign and flow of results throughout 2007-2008 from this work.

### Golden Ridge

Pioneer will maintain its two-pronged approach to the Golden Ridge JV Project:

- Drill targets associated with known mineralisation will be tested for high grade ore. Drill holes will also act as DHTM survey platforms, which will facilitate the location of massive nickel sulphides if present near the drill hole; and
- Shallow RAB drilling will continue to be the first pass mapping and geochemistry tool with the objective being to make a new discovery. Based on assay results and the geological setting encountered, follow-up work will include surface EM surveys and deeper drilling.

### New Projects

Once compilation of datasets and target ratification for the Silver Swan Northwest and Balagundi Projects is complete, value propositions will be considered. This may include continuing to explore the projects ourselves, farm-out a proportion of the project equity or a sale for equity in another exploration company.

Figure 2: Eastern Goldfields Projects and Key Achievements

# Ravensthorpe District

## Ravensthorpe Joint Venture Project

Western Copper Pty Ltd (a wholly owned subsidiary of Pioneer) has completed its expenditure obligation to earn a 75% interest in the Ravensthorpe Copper-Gold Project from Galaxy Resources Limited ("Galaxy"). The project covers the historical Mt Desmond and Elverdton Mines.

Located approximately 10km from Ravensthorpe WA, the project covers the historical Mt Desmond and Elverdton Mines which produced copper and gold ore via underground workings to a depth between 180 and 230m. No significant exploration has been conducted in the area since mining operations ceased in the 1970s.

In the current climate of high copper prices, Western Copper believes that the Mt Desmond Prospect offers an excellent opportunity to develop into a near term cash flow proposition based on an underground mining operation.

### Project Status

Drilling to date has been restricted to targets within the old workings themselves, with drill holes often hitting mining voids. Assay results and material sampled, which includes

hanging- and foot- wall mineralisation and pillars, have provided valuable information including:

- The tenor and grade of high grade material (up to 13% Cu with additional gold credits) intersected in pillars, which could be representative of the grade of massive sulphide mineralisation in areas which haven't been mined. This could form the basis for an underground mining operation;
- The presence of medium grade disseminated mineralisation halos which will improve the economics of the overall project; and
- Metallurgical samples. Testing has returned excellent results from an initial 3 samples. "Cleaner test" recoveries were in excess of 92% for copper and 85% for gold, producing "saleable" concentrate grades of 22% copper and approximately 10g/t gold. Multi-element analyses of the samples indicate no elevated concentrations of standard penalty elements such as arsenic and uranium.

Drill results for the year are shown below:

Mt Desmond Drilling: Significant Mineralisation Summary

Hole ID	Easting GDA94-51 (m)	Northing GDA94-51 (m)	Dip	Azimuth	Total Depth (m)	From (m)	To (m)	Interval (m)	Cu (%)	Au (g/t)
ELV002	235,366	6,276,329	-60	90	38	26	27	1	9.56	53.8
ELV005	235,351	6,276,360	-60	90	86	11	18	7	2.00	1.48
ELV007	235,383	6,276,354	-60	270	53	34	37	3	2.74	0.37
ELV009	235,361	6,276,325	-60	90	61	34	49	15	2.32	1.04
		including				39	42	3	6.50	1.17
		including				46	49	3	2.23	3.41
ELV010	235,366	6,276,304	-60	90	44	32	33	1	1.51	17.85
ELV012	235,370	6,276,290	-60		68	59	62	3	13.80	4.31
ELV013	235,375	6,276,278	-60	90	70	31	34	3	3.78	0.39
ELV015	235,378	6,276,234	-60	90	88	42	43	1	6.36	7.38
DER01	235,430	6,276,240	-60	270	72	52	58	6	2.45	9.66
DERD06	235,460	6,276,320	-60	270	246.5	110	115	5	2.04	1.04

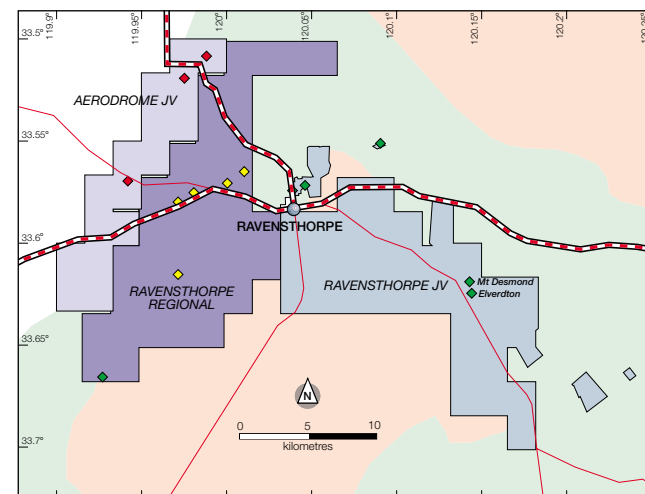
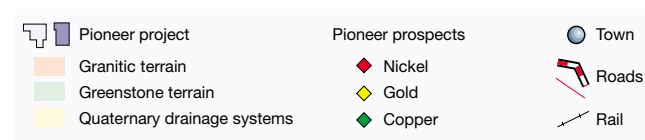


Figure 4: Ravensthorpe District project locations.



### Geophysics

Geophysical surveys that cover the entire Ravensthorpe District tenements were completed. Aeromagnetic and radiometric data were collected for an area of 290km<sup>2</sup> and detailed helicopter-borne Versatile Time-domain Electromagnetic ("VTEM") surveys covered 186km<sup>2</sup>. The resultant imagery has provided geological information, particularly of ultramafic units prospective for nickel sulphides within the Aerodrome JV Project, and structural controls for copper-gold mineralisation throughout the district.

### Outlook

Western Copper will commence a drill-out of mineralisation beneath the Mt Desmond workings, which accessed ore to 180m below surface during the 1960s. The first tier of holes will be aimed to intersect mineralisation between 250 and 350 metres below surface, with success-based drilling continuing until a viability decision can be made.

In addition to drilling programs at Mt Desmond, the Company has also identified priority exploration targets, based on magnetic imagery, VTEM and the historical record, at FED, PLP, Daws and Ironclad.

## Aerodrome Joint Venture Project

Pioneer has the right to earn a 75% interest in the Aerodrome Nickel Project from Galaxy through sole funding exploration expenditure totalling \$0.5 million. The project is prospective for massive nickel sulphide mineralisation.

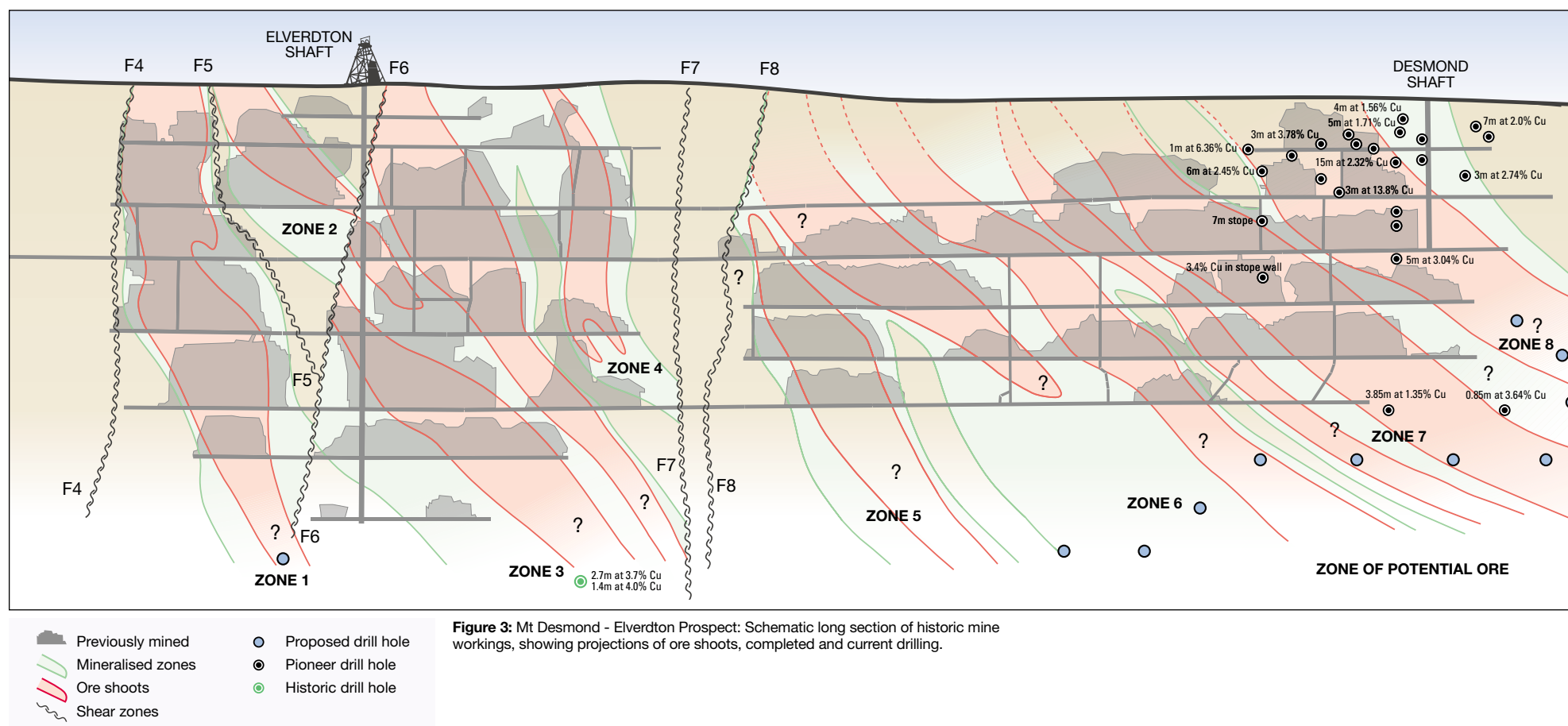
The Aerodrome JV Project is located approximately 5km W of Ravensthorpe, Western Australia. The project covers 12 strike kilometres of the Aerodrome Ultramafic Unit and is approximately 45km<sup>2</sup> in area.

Interpretation of the VTEM survey data produced a number of coherent late time anomalies. Of particular importance, three conductors are coincident with geochemical anomalies from previous Pioneer soil sampling. Follow-up ground MLTEM surveys have generated targets which will be drilled during 2008.

## Ravensthorpe Regional

Western Copper Pty Ltd 100% of all mineral rights.

Pioneer has significantly increased its presence in the Ravensthorpe District and now holds a 106km<sup>2</sup> exploration licence covering a geological setting considered analogous to the Mt Desmond and Elverdton Mine area and therefore prospective for copper and gold. The tenement covers a trend of 23 recorded small gold workings including the Annabelle, James Henry, Ellen Tommy and Jim Dunn workings, while the Pick and Shovel workings were mined for copper.



## Golden Ridge Joint Venture Project

Pioneer 51% interest in the nickel rights for the project\*. Australian Mines Limited 49%.

\* Subsequent to the end of the year, Pioneer notified Australian Mines Limited that it has now earned a 51% Participating Interest in the Golden Ridge Joint Venture Project ("GRJV").

The Golden Ridge Joint Venture Project provides Pioneer with more than 100km<sup>2</sup> of highly nickel-prospective mining leases. The project is located 30km SE of Kalgoorlie, Western Australia and 30km N of the BHP-Billiton-owned Kambalda Nickel Concentrator.

The project targets ultramafic units of the Golden Ridge Greenstone Belt, which hosts the Blair Nickel Mine and other nickel mineralisation including Blair South, Area 20SW, Marshalls and Duplex Hill. The Blair Mine and a 300m surrounding buffer zone are excluded from the GRJV, as are all gold rights.

Pioneer believes that much of the project area has sufficient sand cover to have rendered many of the forms of surface exploration previously undertaken, ineffective. By using techniques that are more appropriate in areas of alluvial cover, further nickel sulphide discoveries could be made.

### Project Status

Pioneer is approaching its exploration program at the Golden Ridge Project with a two-tiered strategy. This involves testing known nickel targets at Blair South, Anomaly 20SW and Marshalls, while generating project-wide datasets with a view to making new discoveries.

### RAB and Aircore Drilling

During the year 22,964m of RAB and aircore drilling was completed which provided geochemical and lithological information in areas where limited or ineffective exploration had been undertaken in the past. This work, summarised in Figure 6, indicates that two ultramafic contacts occurring west of the Blair Mine Ultramafic Unit are highly prospective for nickel sulphide mineralisation.

### Geophysical Surveys

Gravity and SQUID FLTEM surveys were completed between the Blair Mine and Blair South Prospect to facilitate interpretive mapping and to locate conductors in ultramafic unit basal contact positions. A SQUID FLTEM survey was also completed at the Marshalls Prospect.

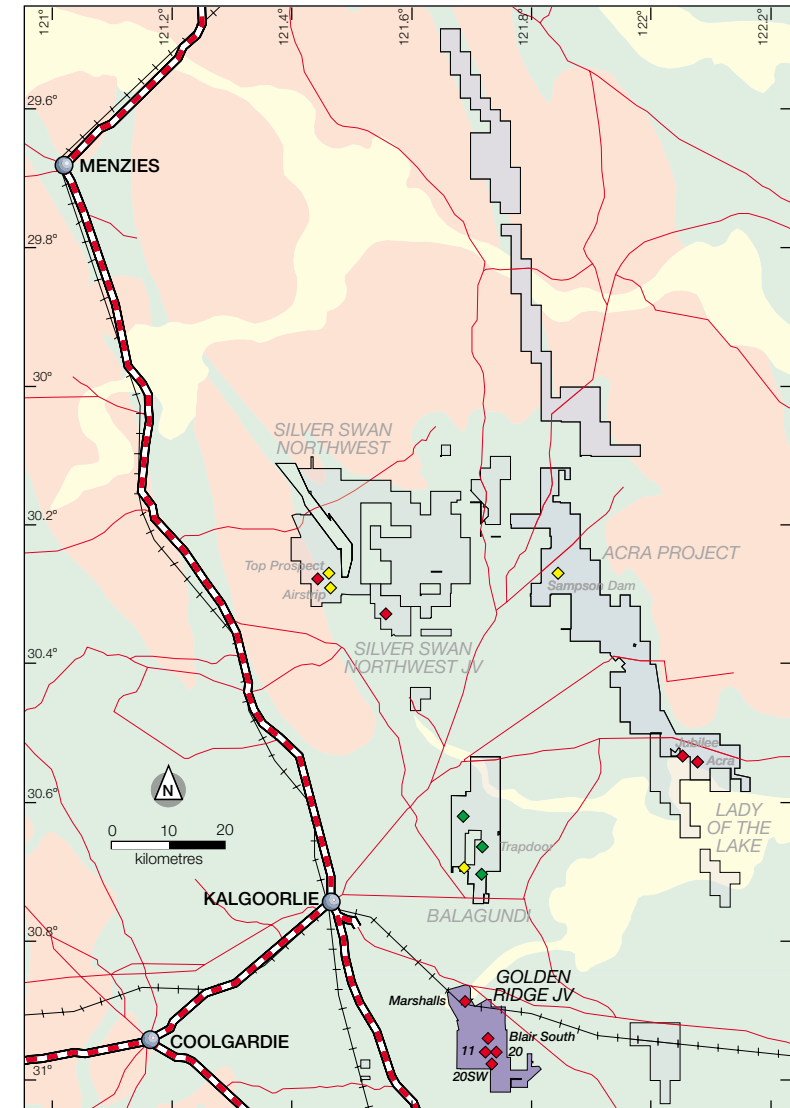


Figure 5: Golden Ridge JV Project locations.





## Reverse Circulation and Diamond Drilling

Reverse circulation and diamond drilling amounting to 3,273m from 20 holes was completed. Targets included the Blair South Prospect where a thick zone of disseminated nickel mineralisation, identified in 2006, was further tested.

Three dimensional modelling of drill hole geology, nickel mineralisation and down-hole EM data resulted in the interpretation of a steeply plunging ultramafic channel structure. EM targets associated with the channel were tested with two diamond drill holes, however these intersected conductive sediments.

Blair South Prospect Reverse Circulation Drilling: Significant Mineralisation Summary

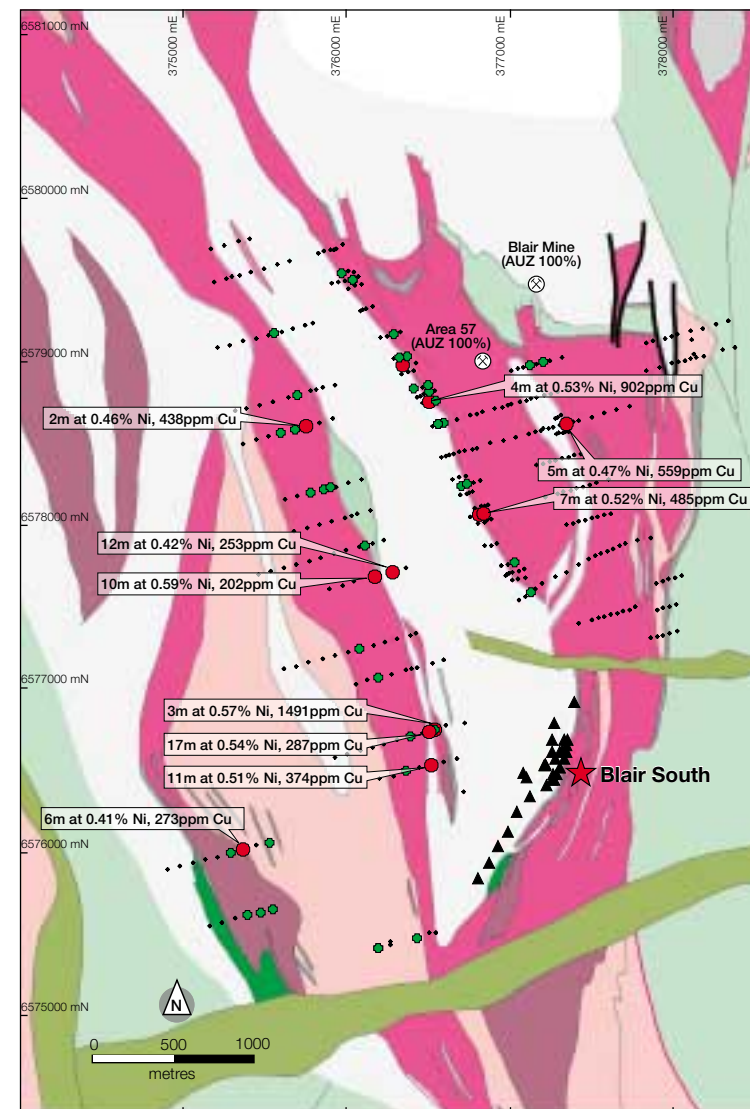
Hole ID	Easting GDA94-51 (m)	Northing GDA94-51 (m)	Dip	Azimuth	Total Depth (m)	From (m)	To (m)	Interval (m)	Ni (%)	Cu (ppm)
GRR020	377,465	6,576,770	-60	90	110	63	70	7	1.22	0.13
inc						64	69	5	1.48	0.17
GRR021	377,483	6,576,770	-60	90	80	43	49	6	0.60	0.05
GRR022	377,446	6,576,730	-60	90	110	76	86	10	0.74	0.06
inc						79	81	2	1.08	0.08
GRR023	377,472	6,576,730	-60	90	154	48	56	8	0.60	0.07
GRR024	377,424	6,576,680	-60	90	130	97	108	11	0.74	0.07
inc						100	104	4	1.14	0.11
GRR026	377,405	6,576,640	-60	90	142	105	112	7	0.51	0.05
GRR027	377,423	6,576,640	-60	90	124	87	97	10	0.50	0.04
inc						87	88	1	1.14	0.12
GRR030	377,410	6,576,950	-60	90	220	192	220	28	0.32	0.02
inc						206	210	4	0.45	0.03
GRR031	377,390	6,576,850	-60	90	214	169	187	18	0.35	0.02
GRR035	377,060	6,576,200	-60	90	250	57	70	13	0.40	0.03

## Outlook

The Golden Ridge Project will remain a high priority for 2007-2008.

Work programs have been scheduled which will see RAB drilling continue as a first pass evaluation technique. Prospective zones for appraisal will include a 5km contact between Anomalies 11 and 21, and the Western Ultramafic Zone.

Anomalies 11, 20 and 20SW, where nickel sulphides have previously been identified, will also be tested with deeper RC and diamond drilling.



**Fig 6:** Detailed Geological Map of the Blair - Blair South Zone showing RAB and aircore drill holes with significant nickel and copper intercepts.

- ♦ RAB, aircore drill hole
- ♦ Nickel and copper anomaly
- Nickel anomaly
- ▲ RC, diamond drillhole

## Balagundi Project

Pioneer (through Western Copper Pty Ltd) has a 100% interest in the project.

The Balagundi Project is one of two grassroots projects to be brought into the exploration pipeline this year. The project comprises three exploration licences and seven prospecting licences, totalling 123km<sup>2</sup> and is located 30km E of Kalgoorlie, Western Australia.

The project has a geological setting that is considered by Pioneer's geologists to be analogous with that hosting volcanogenic massive sulphide ("VMS") style copper-lead-zinc deposits. This target style includes Golden Grove and Teutonic Bore Mines as Western Australian examples.

Historic drilling data from the late 1990s returned 4m at 3.2% copper (as malachite, a copper carbonate mineral) and 4m at 1.04g/t gold at the Trapdoor Prospect.

Western Copper completed a regional soil sampling program which confirmed the Trapdoor Prospect as being within one of three multi-element geochemical anomalies, and has now commenced a 1,000m RC drilling program which has confirmed the presence of strata-bound malachite in two drill holes at Trapdoor.



Reverse circulation drill chips from Balagundi. Green mineralisation is Malachite.



Auger geochemistry sampling at Balagundi.

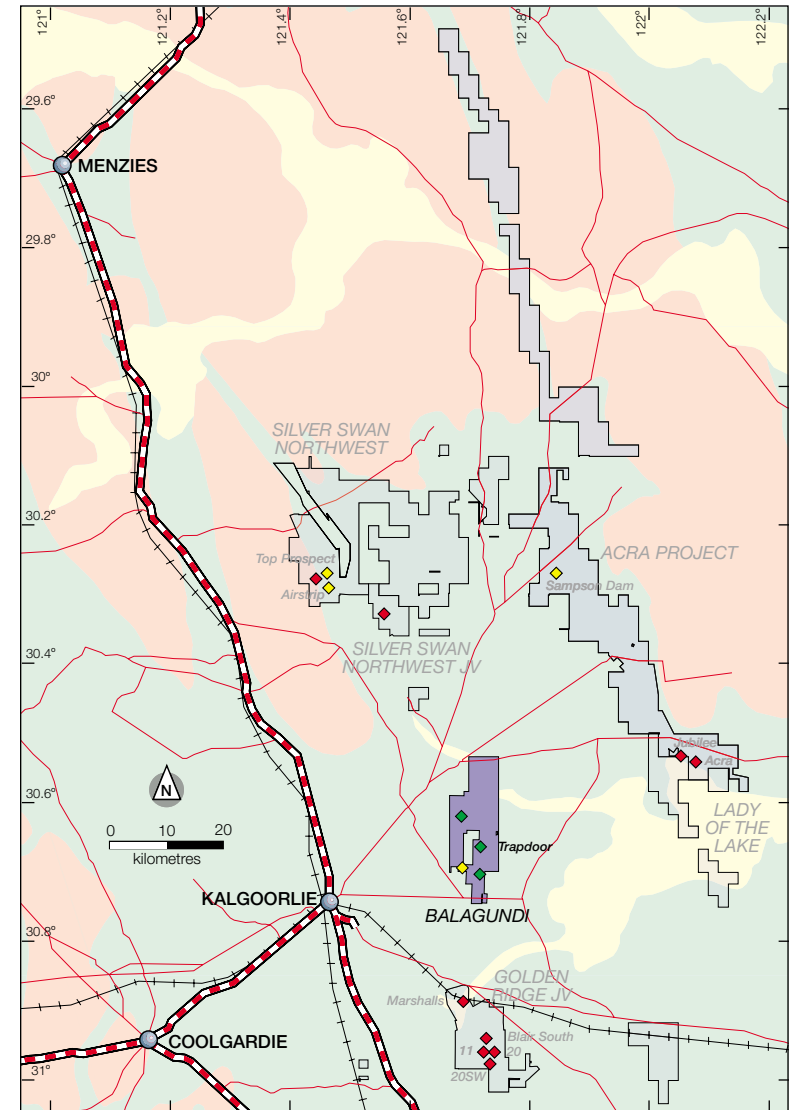


Figure 7: Balagundi Project location.



## Silver Swan Northwest Project

Pioneer has a 100% interest in the project.

The Silver Swan Northwest Project has an area of 442km<sup>2</sup> and is located 60km N of Kalgoorlie. The project excludes the tenements the subject of the Silver Swan Northwest Joint Venture with BHP-Billiton Minerals Pty Ltd.

This second grassroots project covers a sequence of ultramafic and mafic rock units, intruded by granites, which are considered prospective for nickel sulphide and gold mineralisation. The project has received little exploration activity during the past 10 years when preliminary evaluations were last conducted for both nickel and gold. Results, while encouraging, were not followed up at the time.

### Gold

A continuous 12 kilometre-long gold-in-soil anomaly, marked by a 30ppb gold threshold, has been identified. Records of previous explorer's drilling results from within the anomaly include:

- The "Top Prospect" where records of a small area of RC drilling indicate narrow high grade zones including 1m at 36.46g/t, 1m at 11.19g/t and 2m at 4.25g/t gold; and
- The "Airstrip Prospect" where a single traverse of RC drilling returned gold anomalies including 2m at 3.3g/t and 1m at 1.25g/t gold.

Pioneer has commenced a 5,000m RAB drilling program to test this gold anomaly, while a detailed collation of other records is expected to generate more targets.

### Nickel

Coincident nickel-copper anomalism is recorded in assays from drilling from the 1960s and 1990s, occurring at the interpreted basal contact of ultramafic rocks. This environment is considered prospective for nickel sulphide mineralisation.

## Silver Swan Northwest Joint Venture Project

Pioneer has a 100% interest in the project.

BHP Billiton may earn an 80% interest in the project by funding exploration expenditure of US\$5.0 million.

BHP Billiton has notified Pioneer that activities carried out on the Silver Swan NW Project include:

Two diamond drill holes were drilled to test surface MLTEM conductors. Both holes were collared in weathered ultramafic rocks, however intersected sulphidic sediments and black shales at approximately the targeted depth, considered the likely source of the respective EM conductors. No nickel sulphides were recognised. Assays are pending.

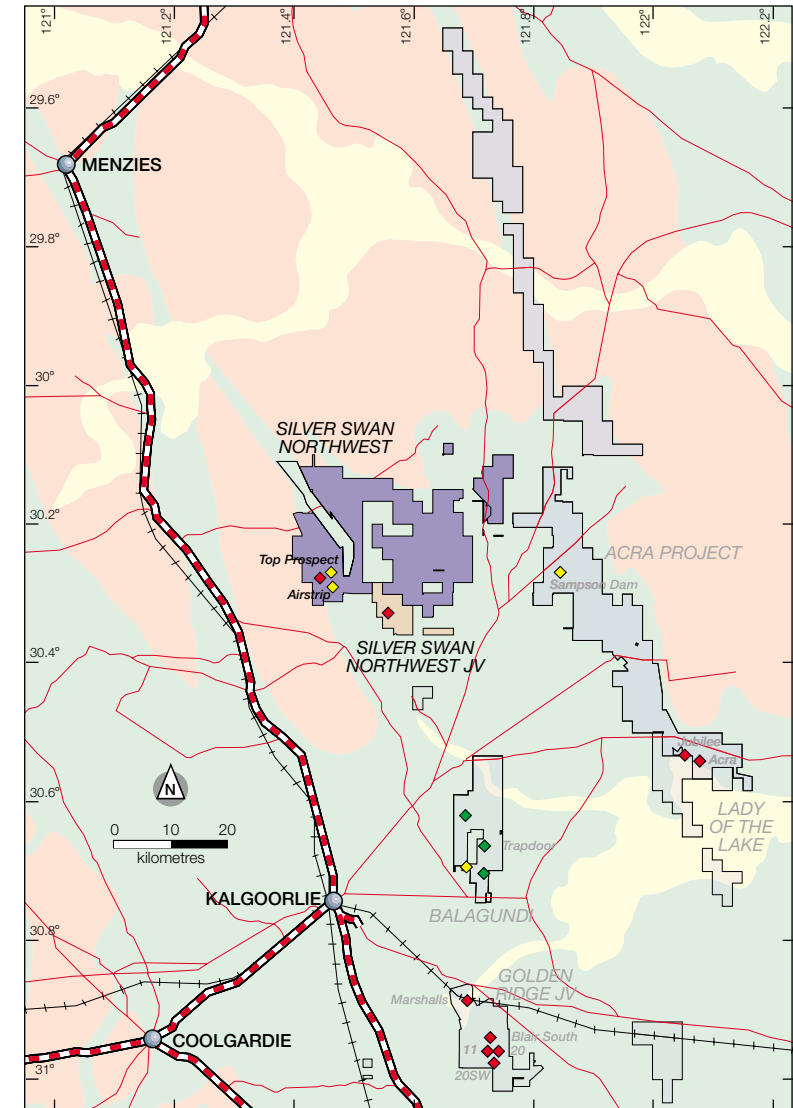


Figure 8: Silver Swan Northwest and Silver Swan Northwest JV Project locations.





# Farm-out Projects

## Acra Joint Venture Project

Sir Samuel Mines NL, a wholly owned subsidiary of Jubilee Mines NL ("Jubilee"), currently holds a 60% interest and is earning up to a 75% interest through sole funding exploration expenditure of \$3.5 million. Pioneer 40%. Heron Resources Limited retains rights to nickel laterite ore.

The Acra Joint Venture Project is located approximately 60km NE of Kalgoorlie, Western Australia, and comprises a portfolio of tenements that cover approximately 786km<sup>2</sup>. The project provides a dominant tenement position along the Emu Fault, covering a 140km length of highly prospective geological units that 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.

Jubilee has notified Pioneer that RC drilling, totalling 6 holes for 1,320 metres, tested a target at the Southern Acra Prospect near drill hole ACRC018 (drilled in 2006, 7m at 0.83% nickel). No anomalous nickel results were returned and no DHTM conductors were detected. The best assay result was 4m at 1.52g/t gold.

From a geological perspective, the program identified what has been interpreted as a mineralised footwall embayment and supports the interpretation that the southern contact is the basal contact which is prospective for massive nickel sulphide mineralisation.

Regional soil sampling programs have been completed over other prospective areas. A 3,890m aircore drilling program was completed to test a resulting gold anomaly over an area of 400m x 250m (peak value 15 ppb gold) at the Samson Dam Prospect, however no significant results were returned.



RC drilling at Acra.

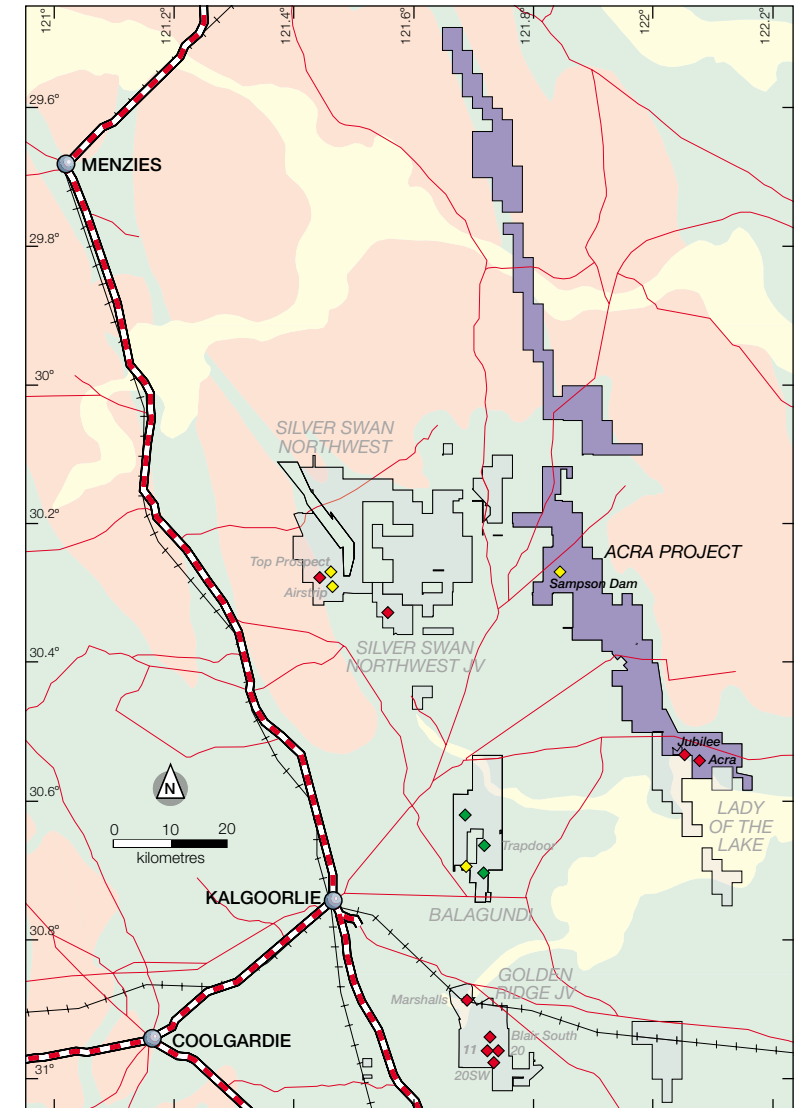
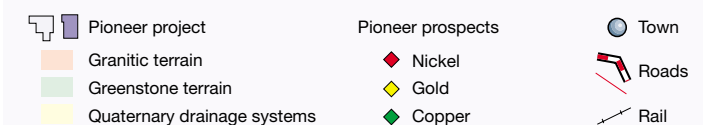


Figure 9: Acra JV project location.





## Ramelius Alliance Area

Ramelius has exercised two options to purchase an 80% interest in Pioneer's nickel rights at the Larkinville and Wattle Dam Projects for \$0.7 million, subject to completing expenditure of not less than \$1 million for nickel collectively on both projects.

### Wattle Dam Joint Venture Project

Pioneer 100% of nickel rights.

Ramelius Resources Limited ("Ramelius") holds a 100% interest in gold and tantalum rights and is earning 80% of nickel rights.

The Wattle Dam Project is located 20km SW of Kambalda, Western Australia, and includes the very prospective northern strike of the Widgiemooltha Greenstone Belt. The project is approximately 67km<sup>2</sup> in area.

Diamond drilling by Pioneer in late 2005 was routinely assayed and returned an intersection of 0.45m of 2.04% nickel. The Company believes that this intersection represents a significant target, as it is immediately north of the excised 1A nickel deposit owned by Breakaway Resources Limited with no further drilling to the north. Ramelius plans to test this target by diamond drilling in the second half of 2007.

### Larkinville Joint Venture Project

Pioneer 100% of all mineral rights.

Ramelius may earn up to a 75% interest in the gold and tantalum and 80% of nickel rights.

The **Guest Leases** are located approximately 5km W of Widgiemooltha, Western Australia. Ramelius notified Pioneer that it had identified a major geochemical anomaly (gold values up to 800ppb) over 1km of strike and up to 500 metres wide. Subsequent rock chip sampling returned values up to 13.8g/t gold.

A 61 hole, 2,055 metre, RC drilling program was completed to test this anomaly. Assay results returned included 4m at 1.2g/t, 2m at 2.8g/t and 2m at 3.9g/t gold.

The **Larkinville West Prospect** is located approximately 5km SW of the Wattle Dam Project. A co-incident gold and arsenic anomaly was defined in auger sampling which was tested by a 125 hole, 6,329 metre RAB drilling program.

Anomalous intercepts over a strike length of 700 metres were returned from this drilling with the most significant being 32 metres at 2.0g/t gold from 12 metres depth.

For the **Bullabulling Prospect**, a total of 666 Auger holes were completed on a 40m x 200m grid over tenements P15/4435 - 4437. Assays were considered by Ramelius to not justify follow-up and all Bullabulling Prospect tenements have been returned to Pioneer, with Ramelius retaining no interest.

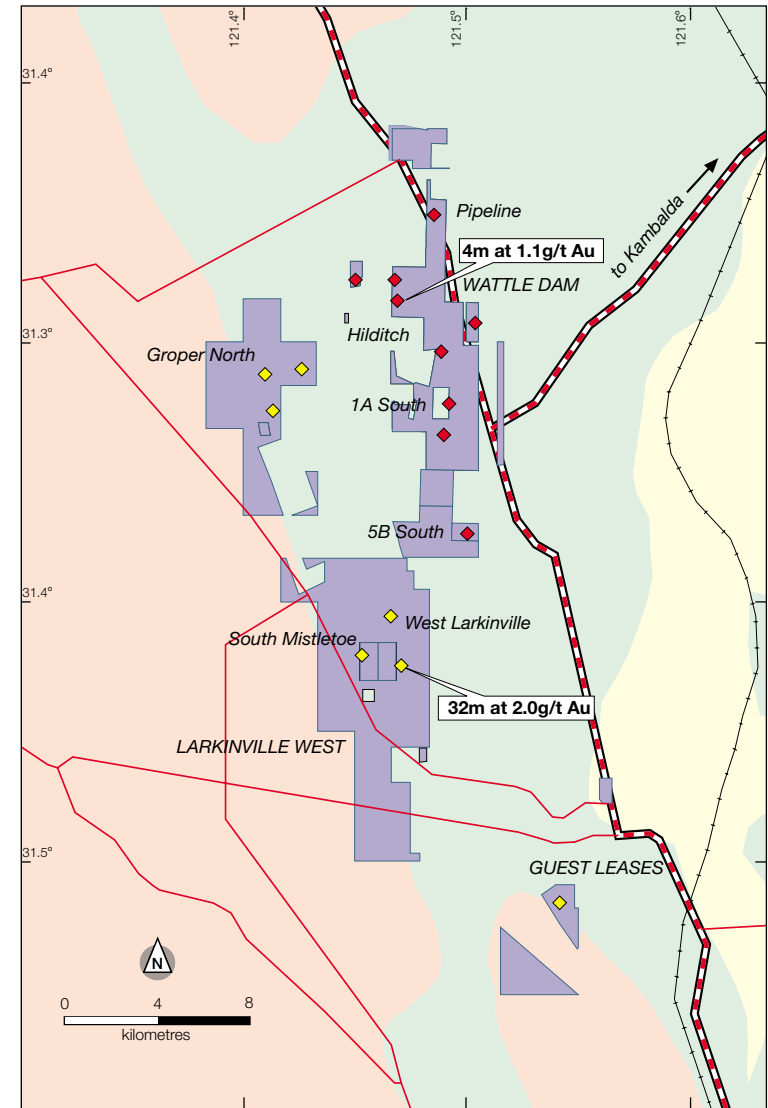
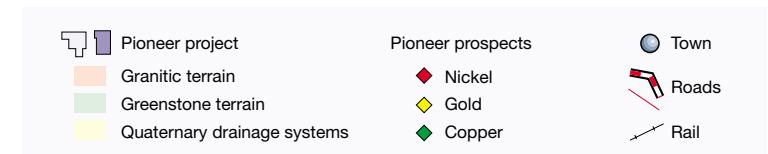


Figure 10: Ramelius Alliance project location.



# Eastern States Projects

## Heazlewood Joint Venture

Bass Metals Limited can earn a 70% interest in these projects by expending \$0.3 million.

### Project Status

The Heazlewood and Whyte River Projects are located in NW Tasmania.

The **Heazlewood Project** is considered prospective for nickel and platinum group metal deposits. A 473 sample soil geochemistry program has identified three anomalous nickel zones at Heazlewood. The next phase of exploration will involve using infill soil sampling and geophysical methods to generate targets.

The **Whyte River Project** is prospective for gold, iron and nickel mineralisation. Soil geochemistry is planned to test aeromagnetic targets.

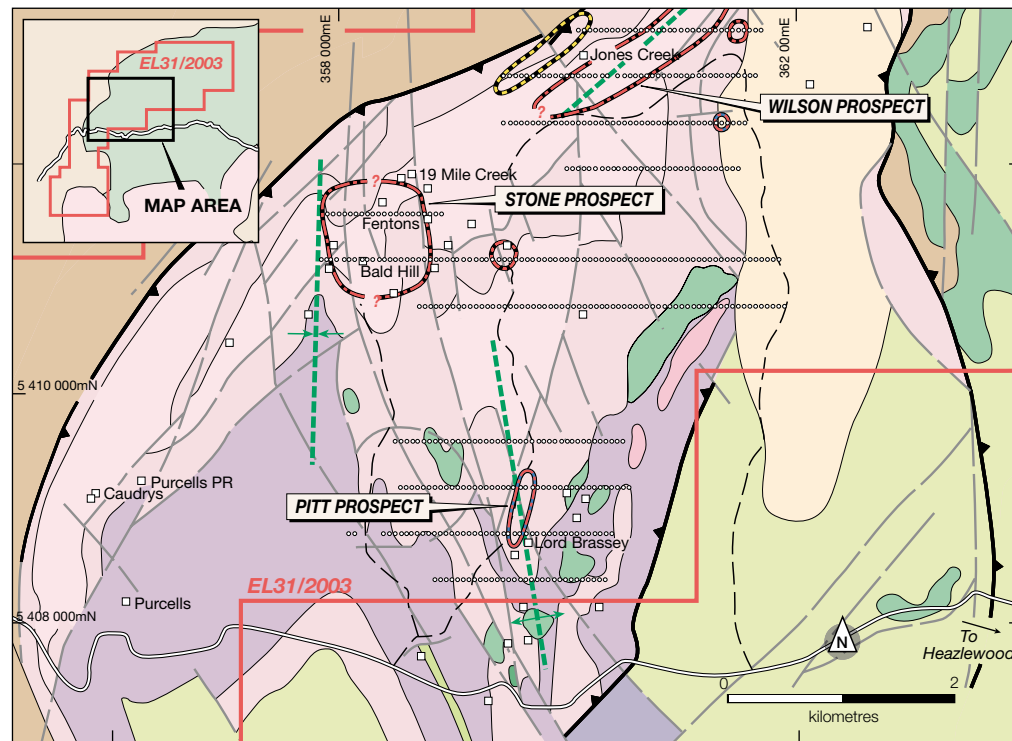
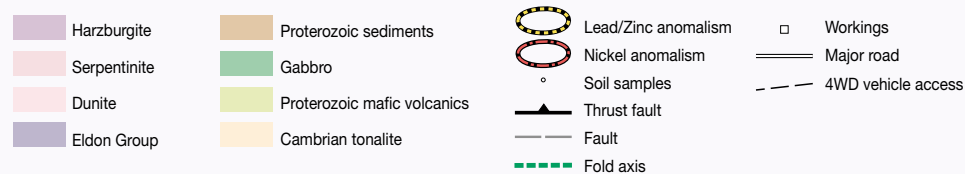


Figure 11: Heazlewood Project location showing geochemical anomalies.



## Definitions

**Electromagnetic Surveys (“EM”)** 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 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.

**NSR** means Net Smelter Return, which is the revenue received from a smelter less certain costs.

**PGE** means platinum group elements.

**Sulphide minerals** commonly found in deposits include:

- **Nickel minerals:** pentlandite and violarite;
- **Copper minerals:** chalcopyrite and covellite; and
- **Iron minerals:** pyrrhotite and pyrite.

**VMS** means volcanogenic massive sulphide, which is a specific style of mineralisation thought to accumulate from metal sulphide-rich volcanic plumes on the sea floor.

The information within this report as it relates to geology and mineralisation was compiled by Mr David Crook (which includes information provided by other third parties for this report). Mr Crook 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.



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