

30 September 2008

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68 – Full Financial Report – 30 June 2008  
44 – Concise Financial Report – 30 June 2008

Company Announcements Office  
ASX Limited  
4<sup>th</sup> Floor  
20 Bridge Street  
SYDNEY NSW 2000

Dear Sir/Madam

**30 JUNE 2008 STATUTORY FINANCIAL REPORTS**

Pursuant to the Corporations Act 2001 and ASX Listing Rule 4.5, please find attached the following:

- Full Financial Report – 30 June 2008
- Concise Financial Report – 30 June 2008

The 2008 Annual Report (including Concise Financial Report) will be despatched to shareholders who have elected to receive a hard copy of the Annual Report by Friday 31 October 2008.

Yours faithfully

**PIONEER NICKEL LIMITED**



Julie Wolseley  
**Company Secretary**



**PIONEER NICKEL LIMITED**  
ABN 44 103 423 981

**2008**

## **Full Financial Report**

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# PIONEER NICKEL LIMITED

ABN 44 103 423 981

## CORPORATE DIRECTORY

### DIRECTORS

Craig I McGown  
*Non-Executive Chairman*

David J Crook  
*Managing Director*

Allan Trench  
*Non-Executive Director*

Peter Langworthy  
*Non-Executive Director*

### COMPANY SECRETARY

Julie A Wolseley

### PRINCIPAL REGISTERED OFFICE

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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

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Dear Shareholder,

It is with pleasure that I present to you the 2008 Annual Report for Pioneer Nickel Limited. This report provides a review of what has been a very successful year of exploration for the Company. Pioneer has maintained its commitment to shareholders to provide a high level of field-orientated exploration activity for the investment dollar. Significant progress has been achieved on the priority projects which will provide Pioneer with a strong foundation for the next 12 months.

In preparing this letter I reviewed last year's Chairman's review from which it is immediately evident that we are living in a significantly different world economic environment than was the case 12 months ago. The current environment is one of erratic and primarily downward movements in international equities markets, which has had a consequential impact on your Company as a participant in this market.

Despite the anticipated negative reaction by the local equity market to the international financial crisis, many well regarded economists still expect strong demand for commodities from BRIC countries in particular. Production constraints in commodities including iron, nickel, manganese and gold are forecast to continue for the next several years, with strong prices anticipated, and it is against this backdrop that Pioneer has taken the view that the commodity market will recover and your Company plans to be in a position to take full advantage of it.

It was based on this premise that your Company focused exploration efforts over the past year within its large tenement portfolio and has been rewarded with a number of very significant discoveries in nickel, gold, manganese and cobalt. During the 2007-2008 financial year your Company expended \$3.4 million to achieve these results.

Recognising the prevailing market conditions however, Pioneer is required to maintain a very focused approach to its projects including a pragmatic approach to the rationing of capital, both existing and new, going forward.

Your Company's management has undertaken a ranking of its current projects and has prioritised the allocation of funds to those which are most likely to result in a cash flow, whether in the medium or long term. In this regard your Company's focus remains on the Golden Ridge Nickel Project, while advancing the Mt Chester Manganese, Lignum Dam Gold and the Mt Thirsty Nickel South Cobalt-Nickel Projects, and in this report we have provided a brief view of how we think each of these projects value could be unveiled.

I would like to take this opportunity to thank shareholders, including Xstrata Nickel Australasia Investments Pty Ltd, who supported capital raisings during the year or supported the Company on-market. We are very conscious of putting "investor dollars" to good use and have seen exciting results generated this year. We are confident that continuing exploration will lead to further success.

Pioneer remains a company whose technical competence provides it with the platform to explore efficiently, to build a resource inventory and proceed to development of that resource. In this regard I would like to particularly thank David Crook and his team for their efforts and also to my fellow Board members whose enthusiasm and understanding of the mineral exploration industry has impressed me considerably in the short time that I have been Chairman of your Company.

I would also like to sincerely thank the outgoing Chairman, Reg Gillard, for his efforts over the past three years.

Craig McGown  
Chairman

## **Company Strategy – Capitalising on Exploration Success**

Pioneer is a specialist explorer with a strategically located portfolio of tenements in well mineralised areas of the Eastern Goldfields of Western Australia.

This year saw very encouraging results generated from four projects. These represent opportunities in nickel, gold, cobalt and manganese, and will be the priority for the Company going forward.

The results generated this year confirm that real opportunities do exist within the Company's tenement portfolio, and that a multi-commodity exploration strategy can generate exciting results which will translate into increased value for shareholders.

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.

The Company will continue to uncover value through aggressive exploration programs. At times this will mean entering into partnerships with other well regarded mining companies to ensure exploration momentum is maintained. Pioneer will also continue to review external project opportunities as they become evident.

While cognisant that market conditions are currently very difficult for junior explorers, the Company maintains a medium to long-term growth strategy driven by genuine discovery, and looks forward to emerging into a recovering market in good shape.

## Corporate Overview

The Australian stock market leading indicator, the ASX All Ordinaries Index, peaked at 6873 points on 1<sup>st</sup> November 2007 and has been declining steadily since. Pioneer's share price started its decline at the beginning of December 2007 from 24c, coming off rapidly until the end of March 2008, but continuing to dwindle to today's price. While this is no consolation, many other ASX listed explorers, and even miners with robust cash flows, have been equally sold down.

What it means to your Company however is:

- Investment capital for junior companies is currently very scarce;
- Where capital is available, brokers are requiring large discounts to market to complete fundraisings;
- With a depressed share price, new issues are very dilutive; and
- Significant raisings are hampered by a rule which caps the quantum of shares available for issue to 15% of the already issued capital.

Pioneer expended \$3.4 million on exploration expenditure for the year which was paid for from existing cash reserves, sale of its stake in listed Galaxy Resources Limited and a placement of 13,410,000 shares which raised an additional \$1.139,850. At the end of the financial year the Company had 103,208,479 ordinary shares on issue.

Bearing in mind the current market, your Company is implementing a strategy which will include expanding alliances with existing partners and developing additional alliances with other companies through project equity divestment, thereby minimising highly dilutive conventional capital raisings. The overriding priority however, is to remain sufficiently funded, permitting priority exploration programs to go ahead while remaining well prepared should the downturn in the equities market become protracted.

During the year Mr Reg Gillard resigned as Chairman and non-executive Director following a decision to reduce his work commitments. On behalf of your Company, the Board extends its thanks to Mr Gillard for his valued contribution to the growth of Company since 2005.

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

- Xstrata Nickel Australasia Pty Limited managing the Acra JV Project;
- Lake Johnston Ltd (Norilsk) 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 Larkinville JV Projects; and
- Bass Metals Ltd managing the Heazlewood and Whyte River Royalty Agreement (Tasmania).

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.

## Operational Statistics for 2007-2008

<b>Soil Sampling 17,324 samples</b>		
• Ravensthorpe JV	575 sites	
• Balagundi	1,868sites	
• Silver Swan NW	1,618sites	
• Ida Fault	941 sites	
• Aerodrome JV	344 sites	
• Acra JV	11,978 sites	
<b>RC and Diamond Drilling 132holes 25,813m</b>		
• Golden Ridge JV	5 holes	1,685m
• Ravensthorpe JV	21holes	5,540m
• Balagundi	10 holes	1,255m
• Larkinvile	35 holes	3,668m
• Wattle Dam	21 holes	3,993m
• Acra	40 holes	9,672m
•		
<b>RAB/Aircore Drilling 49,287m</b>		
• Golden Ridge JV	14,183m	
• Silver Swan NW	19,624m	
• Wattle Dam	15,480m	

In addition to the employees who have put in another exemplary year, the Directors would like to acknowledge and thank the casual and part-time geologists, field assistants, database managers and consultants who have provided a valuable contribution to the Company during the year.



## Summary of Work Programs for Pioneer Managed Projects 2007-2008

During the year the Company's commitment to 'spending money in the ground' has proved very successful with new sulphide nickel and gold discoveries made within core projects areas.

The Company believes that its decision to diversify its commodity mix is generating results with quality targets generated for gold, manganese, lateritic cobalt-nickel and copper-lead-zinc. Importantly these projects have all been generated from within the Company's extensive land bank.

### Lignum Dam Gold Project (60km N of Kalgoorlie. PIO 100%)

- Located 60km N of Kalgoorlie, Western Australia.
- Tregurtha - a green-fields gold discovery, within the Rainbow Dam Granodiorite.
- RAB drilling completed, returning anomalous gold values:
 

SSB0412	29m at 2.08 g/t Au
SSB0413	8m at 2.43 g/t Au
SSB0400	4m at 3.31 g/t Au

### Golden Ridge JV Nickel Project (PIO 51%).

- Located 30km SE of Kalgoorlie, Western Australia.
- 4 new targets identified:
 

Leo Dam	68m at 0.56% Ni, 403ppm Cu and 279ppb Pt+Pd
Central 2:	11m at 0.35% Ni, 118ppm Cu and 32ppb Pt+Pd
Central 8:	13m at 0.53% Ni, 397ppm Cu and 71ppb Pt+Pd
Central 16:	5m at 0.37% Ni, 717ppm Cu and 148ppb Pt+Pd
- Disseminated nickel sulphides intersected at Leo Dam.

### Mt Chester (Ravensthorpe JV) Manganese Project (PIO 75%).

- Located 10km SE of Ravensthorpe, Western Australia.
- Manganese exploration commenced.
- Spot outcrop samples assayed between 30% and 49% manganese over a 500m strike length.

### Mt Thirsty South Cobalt, Nickel, Manganese Project (160km S of Kalgoorlie. PIO 100%)

- Located 160km S of Kalgoorlie, Western Australia.
- Lateritic cobalt-nickel-manganese mineralisation identified.
- Mineralisation is along the strike extension of a known resource.

## Highlights from JV Exploration

### Acra Joint Venture Project (Farm-out, Nickel, Gold, PIO 40%)

- Located 70km E of Kalgoorlie, Western Australia.
- Nickel sulphides have been intersected for the first time on an intact basal ultramafic contact.

### The Ramelius Alliance Area (Farm-out, Nickel-Gold, PIO 20-25%)

- Located 70km SW of Kalgoorlie, Western Australia.
- New nickel sulphide targets identified in RAB drilling at Wattle Dam.
- Narrow zone of high nickel tenor massive sulphide confirms prospectivity at 1A Prospect.
- Positive gold results returned from drilling at Larkinville West JV.

### The Heazlewood JV Project (Royalty Agreement, Polymetallic, PIO 2% NSR)

- Located NW Tasmania, Tasmania.
- Pioneer converted its equity in the Project into a 2% Net Smelter Return royalty.
- Venture Minerals Limited enters into an iron and tungsten JV for the project

## Outlook – Discoveries Develop Into Drilling Targets

### Golden Ridge Project – Nickel Sulphide Discovery at Leo Dam

The Company's systematic approach to exploring the Golden Ridge JV Project is proving effective following the discovery of disseminated nickel sulphides at its Leo Dam Prospect, and the identification of other priority targets along the Central Ultramafic Unit. This is a direct result of an in-house process of geochemically fingerprinting ultramafic units.

Following aircore drilling, deeper RC drill holes, which target the ultramafic footwall, will be used as DHTEM platforms. This is a technique used to locate massive sulphide accumulations, if present, near the drill hole.

**Mt Chester Manganese Project – Strategically Located Manganese Mineralisation**  
Reconnaissance work by the Company has located high value manganese in outcrop for 500m of strike. Spot samples returning assays between 30% and 49% Mn. Mt Chester is approximately 160km from the Esperance Port.

Initial drilling will test the manganese-bearing horizon with five fans of holes planned from an easily accessible area near an old sampling adit.

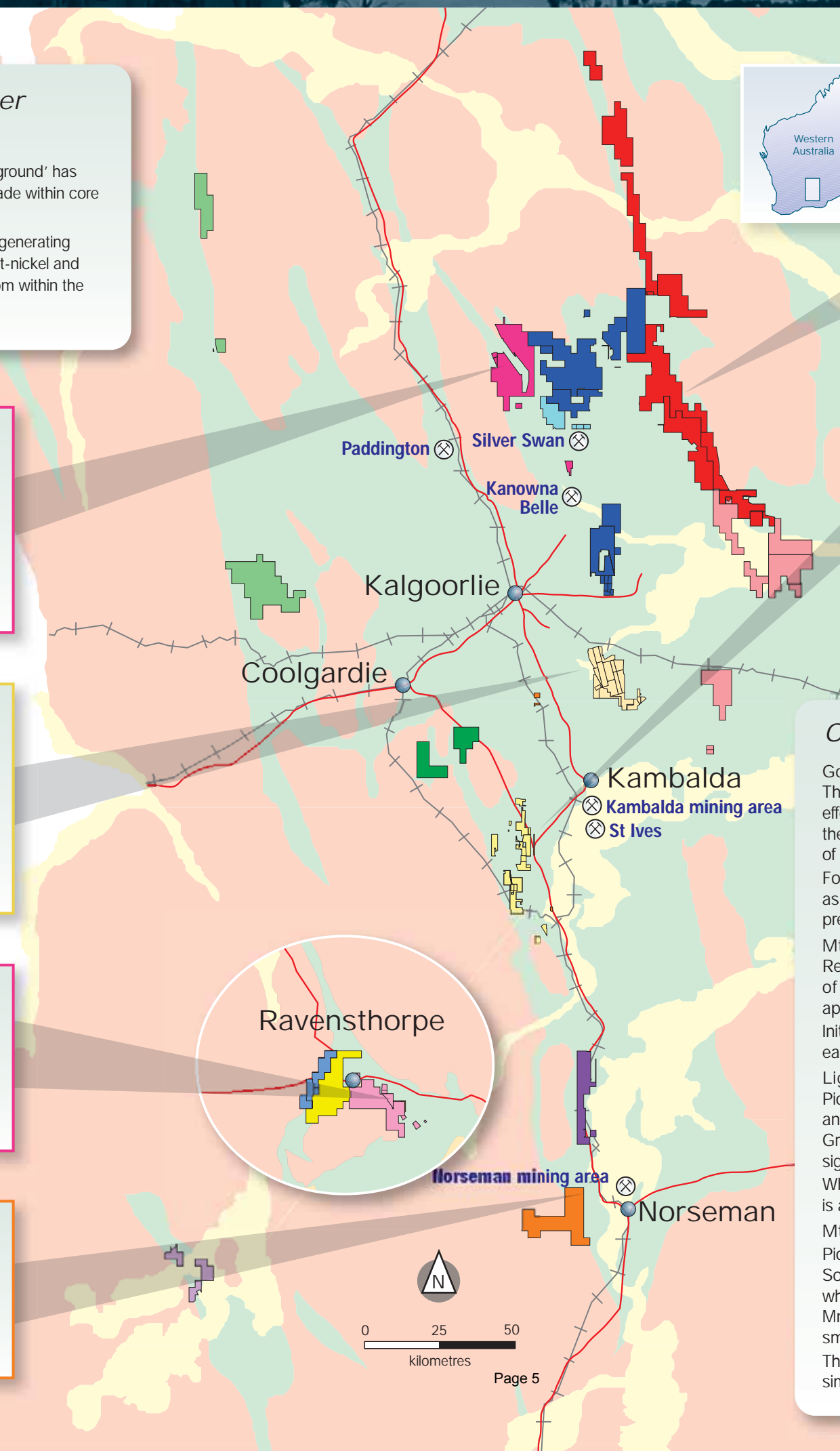
### Lignum Dam Gold Project – Greenfield Gold Hits at Tregurtha

Pioneer's new gold discovery is located entirely within sheared granodiorite. This environment is analogous to the setting of the Federal and Golden Cities Deposits, hosted in the Rainbow Dam Granodiorite. 15km to the southwest. RAB drilling to date has generated a series of very significant results.

While RAB drilling is still required to infill and extend 3 of 4 anomalies identified to date, Tregurtha is at a stage where mineral resource definition drilling can commence.

**Mt Thirsty South Cobalt-Nickel-Manganese Project - Potential for High Grade Cobalt**  
Pioneer has identified potential cobalt-nickel-manganese lateritic mineralisation. The Mt Thirsty South Project is the immediate southern extension of the Mt Thirsty Project (not held by Pioneer) which has a published mineral resource of 29 million tonne of 0.56% Ni, 0.12% Co and 0.88% Mn. Drilling will initially confirm the presence of a mineralised weathering mantle and locate smaller lenses of high cobalt material.

The Company anticipates that it will pursue a joint development plan with other companies with similar mineralisation, who presently operate in the area.



## **OPERATIONS REPORT**

### ***Golden Ridge Joint Venture Project***

*Pioneer has a 51% interest in the project. Australian Mines Limited has a 49% contributing interest.*

The Golden Ridge Project targets ultramafic stratigraphy that is well endowed in respect of nickel mineralisation, hosting the Blair Nickel Mine and a number of other occurrences, including the Leo Dam discovery made this year. The Blair Mine is excluded from the JV, as are rights to gold within the project.

The project includes 100km<sup>2</sup> of predominantly granted mining leases which are accessed by well formed roads, being 20 minutes drive from the mining centre of Kalgoorlie. The Blair Mine, within the project perimeter, has scheme electricity and other mining infrastructure in place, including a haul road direct to the Kambalda Nickel Concentrator. The Company has a 'good faith' access agreement for mine infrastructure if required. This ensures that when a discovery is made, the transition to mining will be expeditious.

### ***Nickel: Reconnaissance Drilling Leads to a New Discovery***

Nickel sulphide exploration is about locating the specific geological environment where mineralisation deposition may occur. The joint venture uses reconnaissance drilling as the principal exploration tool to locate this environment, which directly led to the discovery of nickel at the Leo Dam Prospect.

Drilling for the year totalled 14,183m of aircore, 408m of RC and 1,277m of diamond core.

### ***Pioneer's New Geological Model Adds Focus for the Next Exploration Phase***

A comprehensive interpretation of the project geology has been completed, drawing information from drilling programs and geophysical data. Geological and geochemical characteristics that are consistent with 'Kambalda-style' nickel sulphide deposits have been identified for a number of zones including the anomalous Leo Dam Ultramafic Unit and the Central Ultramafic Unit.

As a direct result of the new geological model, four nickel sulphide targets have been identified. The Leo Dam Prospect and three targets along the basal contact of the Central Ultramafic Unit feature coincident zones of Ni-Cu-PGE anomalism at or near apparent thermal erosion channels.

- Leo Dam        68m at 0.56% Ni, 403ppm Cu and 279ppb Pt+Pd
- Central 2:    11m at 0.35% Ni, 118ppm Cu and 32ppb Pt+Pd
- Central 8:    13m at 0.53%Ni, 397ppm Cu and 71ppb Pt+Pd
- Central 16:    5m at 0.37% Ni, 717ppm Cu and 148ppb Pt+Pd

### ***Positive Outlook – Follow-Up Drilling Planned***

From a technical standpoint, the Company has developed a clear exploration strategy, which has resulted in the identification of four new priority targets. The Company will focus on further testing these targets, while continuing generative work in other areas of the project.

### ***Ravensthorpe Joint Venture Project***

*Western Copper Pty Limited (a wholly owned subsidiary of Pioneer) has a 75% interest in the Project. Galaxy Resources Limited has a 25% contributing interest.*

Located approximately 10km from Ravensthorpe WA and 180km from the Esperance Port, the Company initially targeted the historical Mt Desmond and Elverdton copper mines, however emphasis has now changed to the Mt Chester Manganese Project, located within a granted mining lease. The project is accessed by sealed road and has scheme electricity running through the tenement.

#### ***Manganese: A High Value Commodity With a Good Future Identified at Mt Chester***

Manganese is an essential component and is currently in high demand in the burgeoning Chinese steel industry. Manganese has experienced unprecedented price increases, exceeding 600% in some reports, throughout 2007 and 2008. Market fundamentals indicate continued future price strengthening, due to a global shortage of high-grade manganese ore. Pioneer therefore considers this to be a very important project.

Rock-chip assays from a geochemistry program which targeted the out-cropping manganese-rich horizon returned very significant values above 30% Mn, to a maximum value of 49% Mn over a strike length of 500m. Soil covers the horizon at each end; however soil samples anomalous in manganese may indicate obscured strike extensions.

The mineralised horizon was previously tested by an adit at approximately 30m below the surface, which was dug before 1909. The adit was mapped and sampled during the 1980s by Metana Minerals NL, with a report recording 15m at 17.7% Mn from the sampling. No other work is evident. The mineralogy of samples collected by Pioneer from the adit dumps indicates that the predominant manganese mineral is the high value pyrolusite.

#### ***Outlook – Drilling To Test Depth Potential Of Mineralisation***

The joint venture views that the Mt Chester Prospect has the potential to provide high-grade manganese ore and notes the favourable proximity to the deep water port of Esperance, a strategic advantage should drilling prove successful.

An initial 250m of strike length will be drilled to provide orientation material and subsequent programs will test the full strike length of outcrop and other manganese anomalies in the area. Key elements to be tested include how wall rocks would respond in a mining proposition and the capacity of the mineralisation to respond to beneficiation.

#### ***Mt Desmond–Elverdton Copper-Gold Prospect***

Copper-gold mineralisation intersected in drilling is interpreted to occur as thin, discontinuous lenses, and it is considered unlikely that a significant underground mining proposition exists directly beneath the workings. Better results were returned from the northern Mt Desmond Mine to PLP Workings where extensions to mineralisation remain untested, assuming a shallow northerly plunge.

### ***Aerodrome Joint Venture Project***

*Pioneer is earning a 75% interest in the project through expending \$0.5 million. Galaxy Resources Limited 100%.*

Soil geochemistry and geological mapping was completed over areas of ultramafic stratigraphy, VTEM and MLTEM anomalies. Coincident nickel-copper-PGE anomalies were identified adjacent to magnetic highs warranting further work.

### ***Silver Swan Northwest Group of Projects***

*Pioneer has a 100% interest in the projects.*

The Silver Swan Northwest group of projects, including Balagundi, has an area of 635km<sup>2</sup> which covers sequences of ultramafic, mafic and felsic units, intruded by granites, which are considered prospective for nickel sulphide, gold and volcanogenic massive sulphide mineralisation. During the year all tenements within the project were granted and in-ground exploration activity commenced in earnest.

### ***Gold: A New Discovery at the Lignum Dam Project***

The Lignum Dam Project occurs within granodiorite, an environment analogous to the setting of the Federal and Golden Cities Deposits (currently being mined by Norton Gold Fields Limited) located 15km SSW, which had a combined in-ground mineral resource exceeding 1 million ounces of gold. The Project is approximately 21km NE from the Paddington Gold Mill and 35km NNW of the Kanowna Belle Gold Mill.

Pioneer completed 19,624m of RAB drilling to test a 12km long structural and geochemical anomaly which resulted in the discovery of a new fertile gold corridor. Initial targets include the Tregurtha, Pianto and Top gold prospects.

Holes have been completed on traverses between 400m and 100m apart and spaced at 80m or 40m apart along the lines. Significant results from the Tregurtha Prospect included:

- SSB0400 4m at 3.13 g/t Au from 12m
- SSB0400 2m at 2.11 g/t Au from 40m
- SSB0412 29m at 2.08 g/t Au from 36m
- SSB0413 8m at 2.43 g/t Au from 36m

### ***Outlook for the Gold Discovery***

The Tregurtha gold anomaly is now sufficiently defined that resource definition drilling can commence.

### ***Nickel: Ultramafic Units with Nickel Sulphide Potential are Mapped***

A compilation and interpretation of open file data, geophysical data and new geochemistry was undertaken. Within the project, three ultramafic units are considered prospective for nickel sulphide mineralisation.

A MLTEM conductor detected within the Scotia East Ultramafic Unit was drilled with three RC holes. The conductor was attributed to a sulphide-rich chert horizon at the basal ultramafic contact.

### ***Outlook – Continued Testing of Ultramafic Units for Nickel Sulphides***

While the sulphide mineralisation encountered in first pass drilling was not nickeliferous, the ultramafic rocks are anomalous and therefore the Scotia Ultramafic Unit remains prospective for nickel sulphide mineralisation elsewhere.

Regional exploration programs for the Rainbow Dam and Wishbone Ultramafic Units will commence during the year.

### ***Volcanogenic Massive Sulphide: Gindalbie Terrane Yields Targets***

The Gindalbie Terrane VMS Project targets geological units which are considered by the GSWA to be prospective for volcanogenic massive sulphide ("VMS") style copper-lead-zinc deposits.

The project aggregates the eastern tenements of the Silver Swan Northwest Project with the Balagundi Project. This target style includes Golden Grove and Teutonic Bore Mines as Western Australian examples.

A compilation of information for over 2,200 km<sup>2</sup> of Gindalbie Terrane stratigraphy was completed. This analysis drew information from historical drilling programs and geophysical data, and resulted in the production of a series of base maps of the geological, weathering and erosion systems that interplay within Pioneer's project area.

Pioneer also completed:

- A 3,486 site geochemical sampling program, which generated two stand-out anomalies at the Red Bluff Gully and Trapdoor Prospects;
- PIMA analysis of samples from pre-existing RAB drilling to map rock alteration patterns, often a feature of mineralised systems; and
- A 10 hole RC program at the Trapdoor Prospect. Two holes intersected a zone of weak malachite (copper) mineralisation.

### ***Outlook - a Systematic Approach to VMS exploration***

The Company has commenced detailed geological mapping and sampling to validate targets ahead of the next phase of drilling.

### ***Mt Thirsty South Cobalt-Nickel-Manganese Project***

*Pioneer has a 100% interest in the project.*

The Mt Thirsty South Project is a single exploration licence with an area of 114km<sup>2</sup>, which is located on the sealed Kalgoorlie-Esperance Highway, 20km N of Norseman. The tenement was recently granted and drilling commenced. Pioneer believes that it has located two zones of highly weathered ultramafic rocks which exhibit characteristics of a nickel laterite deposit.

The tenement is immediately adjacent to the Mt Thirsty Joint Venture Project ("MTJV") (Barra Resources Limited and Fission Energy Limited) where a mineral resource of 29 million tonne of 0.56% Ni, 0.12% Co and 0.88% Mn has been reported. When compared to other Goldfields lateritic nickel deposits, Mt Thirsty contains very elevated cobalt concentrations.

### ***Cobalt: Favourable Deposition Environment Identified for this High Value Metal***

Pioneer previously flew a detailed aeromagnetic survey to cover the Mt Thirsty Ultramafic Complex. Images show a 3km long demagnetised zone which represents the pervasively weathered olivine cumulate-textured peridotite, being the southern strike extension of the MTJV's deposit. This was confirmed by drilling RAB traverses.

### ***Outlook – Delineating Cobalt-Nickel Laterite Resources***

The Company is aware that for a project of this size and nature to succeed, a scheme of arrangement with neighbouring companies will be required.

The project is differentiated from other lateritic nickel projects due to the elevated concentrations of cobalt reported for Mt Thirsty. This, and advances in moderate temperature, ambient pressure leaching technology to recover key payable metals could mean that an eventual treatment plant would have a much lower construction cost when compared with PAL alternatives.

## FARM-OUT PROJECTS

### **Acra Joint Venture Project**

*Pioneer 40%. Xstrata Nickel Australasia Pty Limited ("Xstrata"), currently holds a 60% interest and is earning up to a 75%. Heron Resources Limited retains rights to nickel laterite ore.*

### **Nickel: Deep Drilling Intersects an Intact Mineralised Basal Contact**

Xstrata has now identified nickel sulphide mineralisation at three locations, the Jubilee-JSW Gossan, Jubilee West and Acra South Prospects, along the southern ultramafic unit limb in addition to the original Acra Prospect.

Xstrata has notified Pioneer that RC and diamond drilling, amounting to 40 holes for 9,672m, was completed during the year. Holes tested geological and geophysical targets, and were subsequently tested with DHTEM surveys.

Disseminated nickel sulphide mineralisation intersected internal to the ultramafic host unit at the JSW Gossan Prospect included:

- JBDD004 3.0 metres at 0.56% Ni from 249.5 metres.
- JBDD008 0.29 metres at 0.98% Ni from 273.81 metres.
- JBDD009 4.3 metres at 0.55% Ni from 299.75 metres.
- JBRC021 10.0 metres at 0.79% Ni from 10 metres (including 2m at 1.38% Ni from 16m).
- JBRC028 16.0 metres at 0.70% Ni from 16 metres.

and the Jubilee West Prospect drilling intersected minor disseminated nickel sulphides internal to the ultramafic unit as well as narrow stringer massive nickel sulphides and cloud sulphides in an interpreted overturned, basal contact position, which assayed:

- JBDD014 - 0.1 metres at 2.58% Ni from 553.72 metres.

This intersection is significant as it represents the first intact Type 1 nickel sulphide intersection within the project area.

### **Ramelius Alliance - Wattle Dam Joint Venture Project**

*Pioneer 20% of nickel rights. Ramelius Resources Limited holds a 100% interest in gold and tantalum rights and 80% of nickel rights.*

Nickel exploration programs are targeting the mineralised Spargoville Ultramafic Unit, which hosts the Spargoville 1A, 5B and Andrew's Shaft Deposits (located in small excisions held by Breakaway Resources Limited).

### **Nickel Sulphides Intersected at the 1A North Nickel Prospect**

Drilling to test for mineralised extensions to an earlier intersection of 0.45m at 2.0% Ni intersected an encouraging 0.1m of massive sulphides grading 5.0% nickel within 1ANDH0002. Further drilling will evaluate an associated DHTEM conductor.

Additional RAB, aircore and RC drilling tested the ultramafic sequence north of the 1A North Prospect. Best results included:

- (RC drilling) 6m at 0.50% Ni (including 1m at 1.0% Ni).
- (RAB drilling) 18m at 0.77% Ni (including 4m at 1.1% Ni).

### **Ramelius Alliance - Larkinville Joint Venture Project**

Pioneer 20%-25%. Ramelius Resources Limited holds a 75% interest in gold and tantalum rights and 80% of nickel rights.

### **Encouraging Gold Results Returned at the Larkinville West Gold Prospect**

Ramelius has reported to Pioneer that RC drilling which targeted a RAB anomaly returned significant results within two mineralised zones:

- Supergene zone: LWRC0020 12m at 2.6g/t Au;
- Fresh rock zone: LWRC0026 3m at 4.9g/t Au and 1m at 20.6g/t Au.

First pass deeper drilling beneath the fresh rock intercepts did not return significant results.

### **Heazlewood Joint Venture**

Pioneer 2% NSR

### **A New Joint Venture Partner for Iron and Tin**

Bass Metals Ltd has entered into a joint venture covering its iron, tin and tungsten prospects with Venture Minerals Limited. Rights to all commodities other than Fe, Sn and W are retained by Bass.

As well as being prospective for gold, nickel and platinum group metal deposits, the Heazlewood and Whyte River Projects are prospective for magnetite skarn-type mineralisation. At Heazlewood the same geological sequence that hosts significant magnetite-tin-tungsten mineralisation at the Mt Lindsay Project occurs in the south of the tenement, with a strong magnetic signature. The Whyte River licence contains the Rocky River group which also hosts the Savage River Magnetite Mine located approximately 10km to the north.



David Crook  
**Managing Director**

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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.

Data in this report have previously been lodged with ASX during the prior 12 months. Supplementary information pertaining to the data is available in the earlier reports.

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## **Definitions**

Transient Electromagnetic Surveys (“TEM”) detect conductive rock units (which may include lenses of nickeliferous sulphides). Configurations include:

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

Superconducting quantum interference device (“SQUID”) and Fluxgate are types of TEM receivers.

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.

Pressure Acid Leach (“PAL”) is a technique using high pressure, high temperature acid contained in an autoclave to dissolve nickel laterite ore.

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.



### Summary of Tenements

Prospect	Tenement	Holder	Status	Responsible	Notes
<b>Western Australia</b>					
<b>Pioneer</b>					
Pioneer	E63/1030	Pioneer Nickel Ltd	G	Pioneer Nickel Ltd	1,2
<b>Higginsville</b>					
Theatre Rocks	E63/1182	Pioneer Nickel Ltd	G	Pioneer Nickel Ltd	
Widiemootha	P15/4749	Pioneer Nickel Ltd	P	Pioneer Nickel Ltd	
Feysville	P26/3287	Pioneer Nickel Ltd	G	Pioneer Nickel Ltd	
Feysville	P26/3295	Pioneer Nickel Ltd	G	Pioneer Nickel Ltd	
<b>Golden Ridge JV</b>					
Golden Ridge	M26/219	Blair Nickel Mine Pty Ltd	G	Pioneer Nickel Ltd	4
Blair Nickel Mine	M26/220	Blair Nickel Mine Pty Ltd	G	Pioneer Nickel Ltd	4
Golden Ridge	M26/221	Blair Nickel Mine Pty Ltd	G	Pioneer Nickel Ltd	4
Golden Ridge	M26/222	Blair Nickel Mine Pty Ltd	G	Pioneer Nickel Ltd	4
Golden Ridge	M26/223	Blair Nickel Mine Pty Ltd	G	Pioneer Nickel Ltd	4
Golden Ridge	M26/225	Blair Nickel Mine Pty Ltd	G	Pioneer Nickel Ltd	4
Duplex Hill	M26/284	Blair Nickel Mine Pty Ltd	G	Pioneer Nickel Ltd	4
Duplex Hill	M26/285	Blair Nickel Mine Pty Ltd	G	Pioneer Nickel Ltd	4
Duplex Hill	M26/286	Blair Nickel Mine Pty Ltd	G	Pioneer Nickel Ltd	4
Duplex Hill	M26/287	Blair Nickel Mine Pty Ltd	G	Pioneer Nickel Ltd	4
Duplex Hill	M26/288	Blair Nickel Mine Pty Ltd	G	Pioneer Nickel Ltd	4
Duplex Hill	M26/289	Blair Nickel Mine Pty Ltd	G	Pioneer Nickel Ltd	4
Blair Nickel Mine	M26/384	Blair Nickel Mine Pty Ltd	G	Pioneer Nickel Ltd	4
Golden Ridge	M26/508	Blair Nickel Mine Pty Ltd	P	Pioneer Nickel Ltd	4
<b>Wattle Dam</b>					
Wattle Dam	M15/1101	Ramelius Resources Ltd	G	Ramelius Resources Ltd	1,5,6
Wattle Dam	M15/1263	Ramelius Resources Ltd	G	Ramelius Resources Ltd	1,5,6
Wattle Dam	M15/1264	Ramelius Resources Ltd	G	Ramelius Resources Ltd	1,5,6
Wattle Dam	M15/1323	Ramelius Resources Ltd	G	Ramelius Resources Ltd	1,5,6
Wattle Dam	M15/1338	Ramelius Resources Ltd	G	Ramelius Resources Ltd	1,5,6
Spargoville	M15/1769	Ramelius Resources Ltd	G	Ramelius Resources Ltd	1,5,6
Spargoville	M15/1770	Ramelius Resources Ltd	G	Ramelius Resources Ltd	1,5,6
Wattle Dam	M15/1771	Ramelius Resources Ltd	G	Ramelius Resources Ltd	1,5,6
Wattle Dam	M15/1772	Ramelius Resources Ltd	G	Ramelius Resources Ltd	1,5,6
Wattle Dam North	M15/1773	Ramelius Resources Ltd	G	Ramelius Resources Ltd	1,5,6
Wattle Dam	P15/4479	Ramelius Resources Ltd	G	Ramelius Resources Ltd	1,5,6
<b>Larkinville</b>					
Scahill	E15/896	Pioneer Nickel Ltd	G	Ramelius Resources Ltd	1,7,8
Larkinville	E15/689	Pioneer Nickel Ltd / Ramelius	G	Ramelius Resources Ltd	7,8
Wannaway NE	E15/742	Pioneer Nickel Ltd / Ramelius	G	Ramelius Resources Ltd	7,8
Yallari	E15/1039	Pioneer Nickel Ltd	P	Ramelius Resources Ltd	7,8
Larkinville	P15/4213	Pioneer Nickel Ltd / Ramelius	G	Ramelius Resources Ltd	7,8
Larkinville	P15/4214	Pioneer Nickel Ltd / Ramelius	G	Ramelius Resources Ltd	7,8
Larkinville	M15/1449	Pioneer Nickel Ltd / Ramelius	P	Ramelius Resources Ltd	7,8
Logans	P15/4790	Pioneer Nickel Ltd / Ramelius	P	Ramelius Resources Ltd	7,8
Larkinville	P15/4904	Pioneer Nickel Ltd / Ramelius	P	Ramelius Resources Ltd	7,8
Larkinville	P15/4905	Pioneer Nickel Ltd / Ramelius	P	Ramelius Resources Ltd	7,8
Burnam North	P15/4765	Pioneer Nickel Ltd	P	Ramelius Resources Ltd	7,8

<b>Silver Swan NW</b>					
Ringlock Dam	E24/146	Pioneer Nickel Ltd	G	Pioneer Nickel Ltd	1
Mt Jewell	E27/300	Pioneer Nickel Ltd	G	Pioneer Nickel Ltd	1
Whitehead Dam	E27/335	Pioneer Nickel Ltd	G	Pioneer Nickel Ltd	
Carr Boyd South	E27/336	Pioneer Nickel Ltd	G	Pioneer Nickel Ltd	1
Gordon	E27/340	Pioneer Nickel Ltd	G	Pioneer Nickel Ltd	1
Lindsays Find NW	E27/365	Pioneer Nickel Ltd	G	Pioneer Nickel Ltd	1
Mulgarrie East	E27/388	Pioneer Nickel Ltd	P	Pioneer Nickel Ltd	
Lindsays Find	E27/400	Western Copper Pty Ltd	P	Pioneer Nickel Ltd	
Carr Boyd	E31/617	Pioneer Nickel Ltd	G	Pioneer Nickel Ltd	1
Scotia East	P24/4233	Pioneer Nickel Ltd	G	Pioneer Nickel Ltd	
Scotia East	P24/4234	Pioneer Nickel Ltd	G	Pioneer Nickel Ltd	
<b>Balagundi</b>					
Mt Gwynne	E27/304	Avoca Resources Ltd	G	Pioneer Nickel Ltd	9
Balagundi	E27/310	Western Copper Pty Ltd	G	Pioneer Nickel Ltd	
Lake Perolilli	E27/341	Western Copper Pty Ltd	P	Pioneer Nickel Ltd	
Balagundi	P25/1945	Western Copper Pty Ltd	G	Pioneer Nickel Ltd	
Balagundi	P25/1946	Western Copper Pty Ltd	G	Pioneer Nickel Ltd	
Balagundi	P25/1947	Western Copper Pty Ltd	G	Pioneer Nickel Ltd	
Balagundi	P25/1948	Western Copper Pty Ltd	G	Pioneer Nickel Ltd	
Balagundi	P25/1949	Western Copper Pty Ltd	G	Pioneer Nickel Ltd	
Balagundi	P25/1950	Western Copper Pty Ltd	G	Pioneer Nickel Ltd	
Balagundi	P25/1951	Western Copper Pty Ltd	G	Pioneer Nickel Ltd	
<b>Silver Swan NW JV</b>					
Silver Swan North	E27/333	Pioneer Nickel Ltd	G	BHP Minerals	1,10
Silver Swan North	P27/1819	Heron Resources Ltd	G	BHP Minerals	1,9,10
Silver Swan North	P27/1820	Heron Resources Ltd	G	BHP Minerals	1,9,10
Silver Swan North	P27/1821	Heron Resources Ltd	G	BHP Minerals	1,9,10
<b>Acra</b>					
Horseshoe Dam	E25/381	Western Copper Pty Ltd	P	Pioneer Nickel Ltd	
Lady of the Lake	E28/1783	Pioneer Nickel Ltd	P	Pioneer Nickel Ltd	11
Gundocketa Hill	E28/1865	Pioneer Nickel Ltd	P	Pioneer Nickel Ltd	
Mt Parkin	E28/1866	Pioneer Nickel Ltd	P	Pioneer Nickel Ltd	
Gundocketa Hill Sth	E28/1875	Pioneer Nickel Ltd	P	Pioneer Nickel Ltd	
Emu Lake	E31/827	Western Copper Pty Ltd	P	Pioneer Nickel Ltd	
Kurrajong Well	E31/843	Western Copper Pty Ltd	P	Pioneer Nickel Ltd	
Mt Monger	P25/1811	Pioneer Nickel Ltd	G	Pioneer Nickel Ltd	
Mt Monger	P25/1812	Pioneer Nickel Ltd	G	Pioneer Nickel Ltd	
Jubilee	P28/1013	Pioneer Nickel / Xstrata	G	Pioneer Nickel Ltd	
<b>Acra JV</b>					
Sampson	E27/273	Pioneer Nickel / Xstrata	G	Xstrata Nickel Australasia Operations P/L	9,12,13
Kalpini	E27/278	Pioneer Nickel / Xstrata	G	Xstrata Nickel Australasia Operations P/L	9,12,13
Acra	E28/1223	Pioneer Nickel / Xstrata	G	Xstrata Nickel Australasia Operations P/L	12,13
Acra South	E28/1515	Pioneer Nickel	G	Xstrata Nickel Australasia Operations P/L	
Jubilee	E28/1746	Pioneer Nickel / Xstrata	G	Xstrata Nickel Australasia Operations P/L	
Boomerang Lake	E31/519	Pioneer Nickel	G	Xstrata Nickel Australasia Operations P/L	12,13
Mt Ballona	E31/575	Pioneer Nickel	G	Xstrata Nickel Australasia Operations P/L	9,12,13
Boomerang North	E31/581	Pioneer Nickel	G	Xstrata Nickel Australasia Operations P/L	12,13
Jubilee	P28/1120	Pioneer Nickel / Xstrata	G	Xstrata Nickel Australasia Operations P/L	12
Mid East Tank	P31/1707	Pioneer Nickel	G	Xstrata Nickel Australasia Operations P/L	12

<b>Ida Fault</b>					
Jaurdie Hills	E16/363	Pioneer Nickel Ltd	P	Pioneer Nickel Ltd	
Riverina	E30/364	Pioneer Nickel Ltd	P	Pioneer Nickel Ltd	
<b>Maggie Hayes Hill JV</b>					
Maggie Hayes Hill	E63/625	Pioneer Nickel Ltd	G	Lake Johnston Ltd	14
<b>Aerodrome JV</b>					
Elstree Farm	E74/334	Galaxy Resources Ltd	G	Pioneer Nickel Ltd	15
Aerodrome	E74/398	Galaxy Resources Ltd	G	Pioneer Nickel Ltd	15
<b>Ravensthorpe JV</b>					
Ravensthorpe	E74/406	Western Copper / Galaxy Resources	P	Pioneer Nickel Ltd	16
Mosaic	M74/136	Dowling, Locsei, Wanless, Chaytor, Walker	P	Pioneer Nickel Ltd	16
Marion Martin	M74/158	Galaxy Resources	P	Pioneer Nickel Ltd	17
Mt Cattlin	M74/159	Galaxy Resources	P	Pioneer Nickel Ltd	17
Elverdton Sth	M74/162	Galaxy Resources	P	Pioneer Nickel Ltd	16
Desmond	M74/163	Galaxy Resources	G	Pioneer Nickel Ltd	16
Hecla	P74/304	Galaxy Resources	G	Pioneer Nickel Ltd	16
Fed	P74/305	Galaxy Resources	G	Pioneer Nickel Ltd	16
Fed	P74/306	Galaxy Resources	G	Pioneer Nickel Ltd	16
<b>Ravensthorpe</b>					
Ravensthorpe	E74/399	Western Copper Pty Ltd	P	Pioneer Nickel Ltd	
Mt Desmond	P74/259	Western Copper Pty Ltd	P	Pioneer Nickel Ltd	
Elverdton South	P74/260	Western Copper Pty Ltd	P	Pioneer Nickel Ltd	
<b>Eastern States</b>					
<b>Tasmania</b>					
Heazlewood	E31/2003	Pioneer Nickel Ltd	G	Bass Metals Ltd	18
Whyte River	E36/2003	Pioneer Nickel Ltd	G	Bass Metals Ltd	18

<b>NOTES</b>	
1	Heron Resources Limited retains pre-emptive right to purchase Nickel Laterite Ore
2	BHP Billiton Minerals Pty Ltd has a right to negotiate an off-take agreement
3	Royalty of \$2/tonne of ore mined payable to Oroya Mining and Exploration Pty Ltd on part of tenement
4	Golden Ridge JV with Australian Mines Limited: Pioneer has earned 51% and both parties contribute to joint venture
5	Title, Gold and Tantalum Rights held by Ramelius Resources Limited
6	Ramelius has purchased an 80% interest in Pioneer's nickel rights
7	Larkinvile JV Agreement; Ramelius 75% in Gold and Tantalite
8	Ramelius has purchased an 80% interest in Pioneer's nickel rights
9	Pioneer beneficial holder
10	Silver Swan NW JV Agreement: BHP Billiton Minerals Pty Ltd right to earn 80% nickel by spending US\$5.0m
11	Pioneer all mineral rights except gold which is held by Bill Allen
12	Acra JV Agreement: Xstrata Nickel Australasia Operations Pty Ltd holds 60% with right to earn 75% by spending \$3.5m
13	Heron retains nickel laterite ore
14	Maggie Hays Lake JV Agreement: Lake Johnston Ltd 70% Pioneer 30% & free carried interest to commencement of mining
15	Aerodrome JV Agreement with Galaxy Resources Limited: Pioneer right to earn 75% in all minerals by spending \$0.5m
16	Ravensthorpe JV Agreement with Galaxy: Pioneer has earned 75% in all minerals
17	Ravensthorpe JV Agreement with Galaxy: Pioneer has earned 75% in all minerals except tantalite, spodumene
18	Heazlewood and Whyte River JV: Bass Metals Ltd, Venture Minerals. Pioneer 2% NSR.
<b>STATUS</b>	
G	Granted
P	Pending

## CORPORATE GOVERNANCE STATEMENT

This statement outlines the main corporate governance practices in place during 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 ("consolidated 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 delegation 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 of this report and is contained on the Company's website.

The Board represents shareholders' interests in developing and then continuing a successful mineral resources 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 the 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.

## **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 judgement.

The consolidated entity recognises the importance of Non-Executive Directors and the external perspective and advice that Non-Executive Directors can offer. Mr McGown the Non-Executive Chairman and Dr Trench a Non-Executive Director are considered independent. Mr Langworthy a Non-Executive Director is not considered to be independent. From the Company's perspective Directors are considered to be independent when they are independent of management and free from any business or other relationship which could materially interfere with – or could reasonably be perceived to materially interfere with – the exercise of their unfettered and independent judgement.

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
- 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 committee's 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.

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 executives in a manner that is market competitive and consistent with best practice as well as supporting the interests of shareholders.

There is no scheme to provide retirement benefits, other than statutory superannuation, to Non-Executive Directors.

For a full discussion of the Company's remuneration philosophy and framework and the remuneration received by Directors in the current period please refer to the Remuneration Report, which is contained within the Directors' Report.

### **2.3 Nomination Committee**

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

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

Directors are appointed based on the specific governance skills required by the 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.

#### 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 the 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.

The Company supports the Indigenous Community:

- is committed to conducting its business in accordance with applicable heritage laws and regulations and encourages all employees to have regard for the specific rights of indigenous communities when carrying out their jobs; and
- encourages all employees to engage in activities beneficial to the indigenous community.

#### *Responsibility to the Individual*

The Company is committed to keeping private information which has been provided by employees and investors confidential and protecting 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 their personal interests and the interests of the Company.

#### *How the Company Monitors and Ensures Compliance with its Code*

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

Disciplinary measures may be imposed for violating the Code.

## **4. DISCLOSURE OF INFORMATION**

### **4.1 Continuous Disclosure to ASX**

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

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

Information is not material and need not be disclosed if:

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

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 to be 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 the 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.

## 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 2008.

### DIRECTORS

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

***Craig Ian McGown*** – *B Comm, FCA, ASIA*  
**Non-Executive Chairman**

Mr McGown was appointed a Director on 13 June 2008. Mr McGown is an investment banker with over 35 years experience consulting to companies in Australia and internationally, particularly in the natural resources sector. He holds a Bachelor of Commerce degree, is a Fellow of the Institute of Chartered Accountants and an Affiliate of the Financial Services Institute of Australasia. Mr McGown is an executive director of the corporate advisory business New Holland Capital Pty Ltd and prior to that appointment was the chairman of DJ Carmichael Pty Limited. Mr McGown has had extensive experience in the corporate finance sector, including mergers and acquisitions, capital raisings in both domestic and international financial markets, asset acquisitions and asset disposals, initial public offerings and corporate restructurings. During the three year period to the end of the financial year, Mr McGown held directorships in Bass Metals Ltd (7 July 2004 to present), Peel Exploration Limited (1 February 2008 to present) and Entek Energy Ltd (18 July 2008 to present).

***David J Crook*** – *B.Sc, MAusIMM, MAICD*  
**Managing Director**

Mr Crook was appointed a Director on 11 August 2003. Mr Crook is a geologist with over 27 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.

***Allan Trench*** – *B.Sc (Hons), Ph. D, M.Sc (Min. Econ), MBA (Oxon), ARSM, AWASM, MAusIMM, MAICD*  
**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 has subsequently worked with McKinsey and Company, KCGM Pty Ltd and is now with CRU, an independent business analysis and consultancy group, based in London.

During the three year period to the end of the financial year, Dr Trench also held a directorship in Navigator Resources Ltd (14 November 2005 to present) and Heron Resources Limited (8 December 2003 to 5 February 2007).

***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 Xstrata Nickel Australasia Pty Ltd (formerly 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.

During the three year period to the end of the financial year, Mr Langworthy also held a directorship in Northern Star Resources Ltd (16 June 2006 to present) and Falcon Minerals Ltd (18 February 2008 to present).

***Reginald N Gillard*** – *BA, FCPA, FAICD, JP*

Mr Gillard who was appointed a Director on 17 March 2005 resigned as a Director on 13 June 2008.

## DIRECTORS' REPORT

### COMPANY SECRETARY

*Julie 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 16 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 a directorship on the board of OM Holdings Ltd.

### 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 \$1,326,408 (2007: \$490,880).

### 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 "Review of Operations" in this Annual Report.

### Corporate and Financial Position

As at 30 June 2008 the consolidated entity had cash reserves of \$1,605,850.

### 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 consolidated entity's mineral assets located in Western Australia through exploration success;
- (ii) Specifically advance the consolidated entity's Golden Ridge JV, Silver Swan, Mt Thirsty, Ravensthorpe JV and Acra JV Projects; 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 6 full-time employees as at 30 June 2008 (2007: 5 employees).

### SHAREHOLDER RETURNS

	2008 Cents	2007 Cents
Basic loss per share	(1.4)	(0.6)
Diluted loss per share	(1.4)	(0.6)
Share price – 30 June 2008	8.1	20.0

# PIONEER NICKEL LIMITED AND ITS CONTROLLED ENTITY

## DIRECTORS' REPORT

### 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 20 May 2008 the Company completed a share placement of 13,000,000 ordinary shares at an issue price of 8.5 cents per share which raised \$1,105,000 (before issue costs). The share placement was offered and accepted by professional and sophisticated investors within the exemptions detailed in section 708 of the *Corporations Act 2001*.
- On 26 May 2008 the Company completed a further share placement of 410,000 ordinary shares at an issue price of 8.5 cents per share which raised \$34,850 (before issue costs). The share placement was offered and accepted by professional and sophisticated investors within the exemptions detailed in section 708 of the *Corporations Act 2001*.

Proceeds from the placements completed during the year were applied towards exploration programmes at the Company's Golden Ridge JV, Silver Swan and Mt Thirsty Projects and for working capital.

### OPTIONS OVER UNISSUED CAPITAL

#### Unlisted Options

During the financial year the Company granted the following fully vested unlisted options over unissued shares to the following party:

Issued to:	Number of Options Granted	Exercise Price	Value per Option at Grant date	Value of Options Granted	Expiry Date
Employee	100,000	25 cents each	5.17 cents	\$5,170	30 June 2011

Since the end of the financial year and following shareholder approval obtained on 29 July 2008 the Company granted the following unlisted options over unissued shares to the following Director as part of his remuneration:

Director	Number of Options Granted	Exercise Price	Value per Option at Grant Date	Value of Options Granted	Vesting Date	Expiry Date
CI McGown	750,000	20 cents each	2.91 cents	\$21,825	29 August 2008	30 June 2012
CI McGown	750,000	22 cents each	3.78 cents	\$28,350	29 August 2009	30 June 2013

Further details on the value per options are disclosed in Note 19.

During the financial year 8,550,000 unlisted options expired and were cancelled.

Since 30 June 2008 and to the date of this report other than the above options no unlisted options have been issued.

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
3,750,000 (i)*	25 cents each	28 November 2009
250,000*	30 cents each	31 December 2008
500,000*	30 cents each	1 April 2009
1,000,000 (i)*	25 cents each	31 August 2011
2,400,000 *	20 cents each	8 September 2010
2,400,000 *	22 cents each	8 September 2011
200,000 *	25 cents each	31 March 2012
250,000 *	25 cents each	30 June 2011
250,000 *	30 cents each	30 June 2011
100,000 *	25 cents each	30 June 2011
750,000 *	20 cents each	30 June 2012
750,000 (ii)*	22 cents each	30 June 2013
<b>12,600,000</b>		

(i) unlisted options held by Xstrata Nickel Australasia Investments Pty Ltd (formerly a wholly owned controlled entity of Jubilee Mines NL).

(ii) unlisted options have a 12 month vesting period prior to exercise which can occur on 29 August 2009.

\* unlisted options fully vested.

# PIONEER NICKEL LIMITED AND ITS CONTROLLED ENTITY

## DIRECTORS' REPORT

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

The holders of unlisted options are not entitled to any voting rights until the options are exercised into ordinary shares.

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

No person entitled to exercise any option has or had, by virtue of the option, a right to participate in any share issue of any other body corporate.

### 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 Securities Exchange since balance date.

### 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	Title	Directors' Interests in Ordinary Shares	Directors' Interests in Unlisted Options
Craig I McGown	Non-Executive Chairman Appointed on 13 June 2008	-	1,500,000
David J Crook	Managing Director Appointed on 11 August 2003	1,045,111	1,750,000
Allan Trench	Non-Executive Director Appointed on 8 September 2003	303,426	500,000
Peter Langworthy	Non-Executive Director Appointed on 29 November 2004	-	-

## 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	
	<i>Held</i>	<i>Attended</i>	<i>Held</i>	<i>Attended</i>
C I McGown	1	1	-	-
R N Gillard	10	10	2	2
D J Crook	10	10	2	2
A Trench	10	9	2	2
P Langworthy	10	9	2	2

During the financial year there were ten general Directors' meetings for which formal notice of meeting was given. In addition, there were two 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, with no performance conditions. 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 and executive objectives with shareholder and business 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 or all 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 or Binomial valuation methodology. In accordance with current accounting policy the value of these options is expensed over the relevant vesting period.

## 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.

On 29 July 2008 shareholders approved the issue to an entity associated with Mr Craig McGown of 750,000 unlisted options exercisable at 20 cents each by 30 June 2012 and 750,000 unlisted options exercisable at 22 cents each by 30 June 2013, as part of his remuneration. The options had no performance conditions attached to the share based remuneration.

## DIRECTORS' REPORT

### REMUNERATION REPORT (CONTINUED)

#### 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 in line 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 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*.



# PIONEER NICKEL LIMITED AND ITS CONTROLLED ENTITY

## DIRECTORS' REPORT

### REMUNERATION REPORT (CONTINUED)

#### Service Agreement (Continued)

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/accrued during the year are as follows:

#### 2008

Director	Primary			Post Employment	Equity Compensation	Other	Total
	Base Emolument/Fees \$	Motor Vehicle \$	Other Benefits \$	Superannuation/ Salary Sacrifice Contributions \$	Options \$	Insurance \$	
C I McGown (Non – Executive Chairman) (i)	2,914	-	-	-	-	208	3,122
R N Gillard (ii)	47,665	-	-	-	-	4,009	51,674
D J Crook (Managing Director)	203,569	10,000	4,556	26,331	-	4,217	248,673
A Trench (Non-Executive Director)	32,110	-	-	2,890	-	4,217	39,217
P Langworthy (iii) (Non-Executive Director)	35,000	-	-	-	-	4,217	39,217
Total	321,258	10,000	4,556	29,221	-	16,868	381,903

(i) Mr McGown was appointed on 13 June 2008.

(ii) Mr Gillard resigned on 13 June 2008.

(iii) Mr Langworthy's fees were paid to a wholly owned controlled entity of Jubilee Mines NL or Xstrata Nickel Australasia Pty Ltd.

#### 2007

Director	Primary			Post Employment	Equity Compensation	Other	Total
	Base Emolument/Fees \$	Motor Vehicle \$	Other Benefits \$	Superannuation/ Salary Sacrifice Contributions \$	Options \$	Insurance \$	
R N Gillard (Non-Executive Chairman)	50,000	-	-	-	50,737	5,075	105,812
D J Crook (Managing Director)	206,157	10,000	4,302	22,559	101,475	5,075	349,568
A Trench (Non-Executive Director)	32,110	-	-	2,890	33,825	5,075	73,900
P Langworthy (i) (Non-Executive Director)	35,000	-	-	-	-	5,075	40,075
Total	323,267	10,000	4,302	25,449	186,037	20,300	569,355

(i) Mr Langworthy's fees were paid to a wholly owned controlled entity of Jubilee Mines NL.

Option remuneration as a percentage of total remuneration for the year ended 30 June 2008 for all Directors was 0% (30 June 2007: RN Gillard was 48%, for DJ Crook was 29% and for A Trench 46%).

Other than the Directors disclosed above there were no other executive officers who received emoluments during the financial year ended 30 June 2008.

## DIRECTORS' REPORT

### 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 Settinieri (Audit) Pty Ltd, to provide the Directors of the Company with an Independence Declaration in relation to the audit of the financial report. This Independence Declaration is attached and forms part of this Directors' Report.

### NON-AUDIT SERVICES

No fees for non-audit services were paid/payable to the external auditors (Butler Settinieri (Audit) Pty Ltd) during the year ended 30 June 2008.

### PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings. The Company was not party to any such proceedings during the year.

### 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 30th day of September 2008.

Signed in accordance with a resolution of the Directors.



**D J Crook**  
Managing Director



## AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of Pioneer Nickel Limited for the year ended 30 June 2008, 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 (AUDIT) PTY LTD

COLIN P BUTLER  
Director

Perth

Date: 30 September 2008

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Directors:

**Colin Butler**  
FCA

**Paul Chabrel**  
FCA

**Lucy Gardner**  
CA

**Butler Settineri (Audit) Pty Ltd**

A.C.N. 112 942 373

Registered Company Auditor Number 289109

*Liability limited by a scheme approved under Professional Standards Legislation*

[www.butlersettineri.com.au](http://www.butlersettineri.com.au)

**PIONEER NICKEL LIMITED AND ITS CONTROLLED ENTITY**

**INCOME STATEMENTS**

**For the year ended 30 June 2008**

		<b>CONSOLIDATED</b>		<b>THE COMPANY</b>	
	<b><u>NOTE</u></b>	<b><u>2008</u></b>	<b><u>2007</u></b>	<b><u>2008</u></b>	<b><u>2007</u></b>
		<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Other income	2	<b>1,496,173</b>	749,949	<b>1,496,173</b>	749,949
Total revenue	2	<b>1,496,173</b>	749,949	<b>1,496,173</b>	749,949
Employee expenses		<b>(1,001,345)</b>	(686,573)	<b>(1,001,345)</b>	(686,573)
Exploration expenditure written off	3	<b>(1,492,008)</b>	-	<b>(1,492,008)</b>	-
Non-Executive Directors' fees		<b>(120,579)</b>	(120,000)	<b>(120,579)</b>	(120,000)
Insurance expenses		<b>(39,591)</b>	(42,369)	<b>(39,591)</b>	(42,369)
Rental expense on operating lease	3	<b>(108,795)</b>	(95,111)	<b>(108,795)</b>	(95,111)
Corporate expenses		<b>(123,382)</b>	(156,602)	<b>(123,382)</b>	(156,602)
Depreciation	3	<b>(130,345)</b>	(44,048)	<b>(130,345)</b>	(44,048)
Cost base of investments sold		<b>(237,500)</b>	(127,500)	<b>(237,500)</b>	(127,500)
Expense of share-based payments	3	<b>(91,808)</b>	(296,965)	<b>(91,808)</b>	(296,965)
Administration costs recharged to capitalised exploration		<b>50,591</b>	-	<b>50,591</b>	-
Employee costs recharged to capitalised exploration		<b>794,125</b>	494,606	<b>794,125</b>	494,606
Reversal of provision for diminution in the value of investments	3	-	130,000	-	130,000
Reversal of provision for non-recovery of loan to controlled entity	3	-	-	-	36,221
Other expenses		<b>(321,944)</b>	(296,267)	<b>(321,587)</b>	(295,972)
Loss before income tax		<b>(1,326,408)</b>	(490,880)	<b>(1,326,051)</b>	(454,364)
Income tax	5	-	-	-	-
Net loss attributable to members of the Company	15	<b>(1,326,408)</b>	(490,880)	<b>(1,326,051)</b>	(454,364)
Basic earnings/(loss) per share (cents per share)	22	<b>(1.4)</b>	(0.6)		
Diluted earnings/(loss) per share (cents per share)	22	<b>(1.4)</b>	(0.6)		

*The above income statements should be read in conjunction with the accompanying notes.*

**PIONEER NICKEL LIMITED AND ITS CONTROLLED ENTITY**

**BALANCE SHEETS**

As at 30 June 2008

		<b>CONSOLIDATED</b>		<b>THE COMPANY</b>	
	<b><u>NOTE</u></b>	<b><u>2008</u></b>	<b><u>2007</u></b>	<b><u>2008</u></b>	<b><u>2007</u></b>
		\$	\$	\$	\$
<b>ASSETS</b>					
<b>CURRENT ASSETS</b>					
Cash and cash equivalents	23(a)	1,605,850	3,284,346	1,605,845	3,284,341
Other receivables	6	310,026	87,323	310,026	87,323
Other financial assets	7	57,985	945,536	57,985	945,536
<b>TOTAL CURRENT ASSETS</b>		<b>1,973,861</b>	4,317,205	<b>1,973,856</b>	4,317,200
<b>NON-CURRENT ASSETS</b>					
Other receivables	6	-	-	2,671,502	1,490,141
Investments	8	-	-	5	5
Plant and equipment and motor vehicles	9	99,933	199,842	99,933	199,842
Capitalised mineral exploration	10	8,417,176	6,944,583	5,747,934	5,456,345
<b>TOTAL NON-CURRENT ASSETS</b>		<b>8,517,109</b>	7,144,425	<b>8,519,374</b>	7,146,333
<b>TOTAL ASSETS</b>		<b>10,490,970</b>	11,461,630	<b>10,493,230</b>	11,463,533
<b>LIABILITIES</b>					
<b>CURRENT LIABILITIES</b>					
Trade and other payables	11	311,900	520,529	311,900	520,529
Provisions	12	51,814	32,182	51,814	32,182
<b>TOTAL CURRENT LIABILITIES</b>		<b>363,714</b>	552,711	<b>363,714</b>	552,711
<b>TOTAL LIABILITIES</b>		<b>363,714</b>	552,711	<b>363,714</b>	552,711
<b>NET ASSETS</b>		<b>10,127,256</b>	10,908,919	<b>10,129,516</b>	10,910,822
<b>EQUITY</b>					
Contributed equity	13(a)	13,173,433	12,074,996	13,173,433	12,074,996
Share option reserve	14	673,098	581,290	673,098	581,290
Investments revaluation reserve	14	-	645,500	-	645,500
Accumulated losses	15	(3,719,275)	(2,392,867)	(3,717,015)	(2,390,964)
<b>TOTAL EQUITY</b>	16	<b>10,127,256</b>	10,908,919	<b>10,129,516</b>	10,910,822

*The above balance sheets should be read in conjunction with the accompanying notes.*

**PIONEER NICKEL LIMITED AND ITS CONTROLLED ENTITY**

**STATEMENTS OF CHANGES IN EQUITY**

**For the year ended 30 June 2008**

		<b>CONSOLIDATED</b>		<b>THE COMPANY</b>	
	<b><u>NOTE</u></b>	<b><u>2008</u></b>	<b><u>2007</u></b>	<b><u>2008</u></b>	<b><u>2007</u></b>
		<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Total equity at the beginning of the year		<b>10,908,919</b>	5,639,359	<b>10,910,822</b>	5,604,746
<i>Adjustments to equity:</i>					
Share option reserve	14 (a)	<b>91,808</b>	365,965	<b>91,808</b>	365,965
Investments revaluation reserve	14 (b)	<b>(645,500)</b>	645,500	<b>(645,500)</b>	645,500
Loss for the year	15	<b>(1,326,408)</b>	(490,880)	<b>(1,326,051)</b>	(454,364)
Total recognised income and expense for the year		<b>(1,880,100)</b>	520,585	<b>(1,879,743)</b>	557,101
Transactions with equity holders in their capacity as equity holders:					
Contributions of equity, net of transaction costs	13(b)	<b>1,098,437</b>	4,748,975	<b>1,098,437</b>	4,748,975
		<b>1,098,437</b>	4,748,975	<b>1,098,437</b>	4,748,975
Total equity at the end of the year	16	<b>10,127,256</b>	10,908,919	<b>10,129,516</b>	10,910,822

*The above statements of changes in equity should be read in conjunction with the accompanying notes.*

**PIONEER NICKEL LIMITED AND ITS CONTROLLED ENTITY**

**CASH FLOW STATEMENTS**

**For the year ended 30 June 2008**

		<b>CONSOLIDATED</b>		<b>THE COMPANY</b>	
	<b><u>NOTE</u></b>	<b><u>2008</u></b>	<b><u>2007</u></b>	<b><u>2008</u></b>	<b><u>2007</u></b>
		<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Cash flows from operating activities</b>					
Interest received		<b>124,271</b>	157,249	<b>124,271</b>	157,249
Other income		<b>15,932</b>	12,100	<b>15,932</b>	12,100
Payments to suppliers and employees (inclusive of goods and services tax)		<b>(714,208)</b>	(916,933)	<b>(713,850)</b>	(916,638)
<b>Net cash used in operating activities</b>	23(b)	<b>(574,005)</b>	(747,584)	<b>(573,647)</b>	(747,289)
<b>Cash flows from investing activities</b>					
Payments for exploration and evaluation		<b>(4,096,322)</b>	(2,238,635)	<b>(2,357,686)</b>	(1,027,677)
Joint venture contributions received		<b>607,222</b>	-	<b>157,269</b>	-
Receipt of exploration option fee		<b>700,000</b>	70,000	<b>700,000</b>	70,000
Receipt of earn in funds re: Acra Joint Venture		-	430,000	-	430,000
Proceeds from sale of investments		<b>648,647</b>	510,600	<b>648,647</b>	510,600
Payments for investments		-	(202,500)	-	(202,500)
Payments for bonds		<b>(61,400)</b>	(5,860)	<b>(61,400)</b>	(5,860)
Refund of tenement bonds		<b>29,360</b>	-	<b>29,360</b>	-
Payments for plant and equipment and motor vehicles		<b>(30,435)</b>	(114,105)	<b>(30,435)</b>	(114,105)
<b>Net cash used in investing activities</b>		<b>(2,202,928)</b>	(1,550,500)	<b>(914,245)</b>	(339,542)
<b>Cash flows from financing activities</b>					
Proceeds from the issue of shares		<b>1,139,850</b>	4,951,968	<b>1,139,850</b>	4,951,968
Payments for transaction costs relating to the issue of shares		<b>(41,413)</b>	(202,993)	<b>(41,413)</b>	(202,993)
Loans advanced to controlled entity		-	-	<b>(1,289,041)</b>	(1,211,253)
<b>Net cash provided by/(used in) financing activities</b>		<b>1,098,437</b>	4,748,975	<b>(190,604)</b>	3,537,722
<b>Net increase/(decrease) in cash held</b>		<b>(1,678,496)</b>	2,450,891	<b>(1,678,496)</b>	2,450,891
<b>Cash at the beginning of the financial year</b>		<b>3,284,346</b>	833,455	<b>3,284,341</b>	833,450
<b>Cash at the end of the financial year</b>	23(a)	<b>1,605,850</b>	3,284,346	<b>1,605,845</b>	3,284,341

*The above cash flow statements should be read in conjunction with the accompanying notes.*

# PIONEER NICKEL LIMITED AND ITS CONTROLLED ENTITY

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2008

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in preparing the financial report of the Company, Pioneer Nickel Limited and its controlled entity ("consolidated entity"), are stated to assist in a general understanding of the financial report. These policies have been consistently applied to all the years presented, unless otherwise indicated. The financial report includes separate financial statements for Pioneer Nickel Limited as an individual entity and the consolidated entity consisting of Pioneer Nickel Limited and its controlled entity.

Pioneer Nickel Limited is a company limited by shares incorporated and domiciled in Australia whose shares are publicly traded on the official list of the Australian Securities Exchange. The financial statements are presented in Australian dollars which is the Company's functional currency.

#### (a) Basis of Preparation

This general purpose financial report has been prepared in accordance with Australian Accounting Standards (including Australian Interpretations) adopted by the Australian Accounting Standards Board and the *Corporations Act 2001*.

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

The financial report was authorised for issue by the Directors on 30 September 2008.

#### (b) Statement of Compliance

The Financial Report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards ('AIFRS').

#### (c) Basis of Consolidation

##### *Controlled Entity*

The consolidated financial statements comprise the financial statements of Pioneer Nickel Limited and its subsidiary as at 30 June each year.

The financial statements of the subsidiary are prepared for the same reporting period as the parent company, using consistent accounting policies.

In preparing the consolidated financial statements, all intercompany balances and transactions, income and expenses and profit and losses resulting from intra-group transactions have been eliminated in full. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity and cease to be consolidated from the date on which control is transferred out of the consolidated entity.

The acquisition of subsidiaries has been accounted for using the purchase method of accounting. The purchase method of accounting involves allocating the cost of the business combination to the fair value of the assets acquired and the liabilities and contingent liabilities assumed at the date of acquisition. Accordingly, the consolidated financial statements include the results of subsidiaries for the period from their acquisition.



NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Basis of Consolidation (Continued)

*Joint ventures*

Joint ventures are those entities over whose activities the consolidated entity has joint control, established by contractual agreement.

In the consolidated entity's financial statements, investments in joint ventures are carried at cost. Details of these interests are shown in Note 18.

Interests in joint ventures have been brought to account by including the appropriate share of the relevant assets, liabilities and costs of the joint ventures in their relevant categories in the financial statements.

(d) Significant Accounting Judgements, Estimates and Assumptions

The preparation of a financial report in conformity with Australian Accounting Standards requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. These accounting policies have been consistently applied by each entity in the consolidated entity.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the following notes:

- Note 7 and 8 – Financial assets and investments  
Available for sale financial assets, comprising marketable securities are assets which management intends to dispose of within the next 12 months.
- Note 10 – Capitalised Mineral Expenditure  
The accounting policy for exploration and evaluation expenditure is set out in Note 1 (k). The application of this policy necessarily requires management to make certain estimates and assumptions as to future events and circumstances, in particular, the assessment of whether economic quantities of reserves have been found. Any such estimates and assumptions may change as new information becomes available. If, after having capitalised expenditure under this policy, it is concluded that the consolidated entity is unlikely to recover the expenditure by future exploitation or sale, then the relevant capitalised amount will be written off to the income statements.

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are:

*Share-based payment transactions:*

The consolidated entity measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by an external valuer using a Black-Scholes or Binomial valuation model, using the assumptions detailed in Note 13(d).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) **Income Tax**

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred asset or liability is recognised in relation to those temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Current and future tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

For the purposes of income taxation, Pioneer Nickel Limited and its 100% wholly owned controlled entity have not formed a tax consolidated group. There is no material effect on the future income taxation benefits as a result of the revised legislation.

(f) **Revenue Recognition**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the consolidated entity and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

***Sale of goods***

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and the costs incurred or to be incurred in respect of the transaction can be measured reliably. Risks and rewards of ownership are considered passed to the buyer at the time of delivery of the goods to the customer.

***Interest income***

Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial asset.

Tenement bonds in the form of cash deposits are held as security with the Mines Department authorities.

All revenue is stated net of the amount of goods and services tax (GST).

(g) **Cash and Cash Equivalents**

Cash and short-term deposits in the balance sheet comprise cash at bank and in hand and short term deposits with an original maturity of three months or less.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Cash and Cash Equivalents (Continued)

For the purposes of the Cash Flow Statement, cash and cash equivalents consist of cash and cash equivalents as defined above, which are readily convertible to cash on hand and which are used in the cash management function on a day-to-day basis.

(h) Trade and Other Receivables

Receivables which generally have 30-90 day terms, are recognised and carried at original invoice amount less if required an allowance for any uncollectible amounts.

Non-current loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method.

(i) Financial assets

Financial assets are classified as either financial assets at fair value through profit or loss, loans and receivables, held to maturity investments or available for sale investments, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The consolidated entity determines the classification of its financial assets after initial recognition and, when allowed and appropriate, re-evaluates this designation at each financial year end.

All regular way purchases and sales of financial assets are recognised on the trade date i.e. the date that the consolidated entity commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets under contracts that require delivery of the assets within the period established generally by regulation or convention in the market place.

(i) Available-for-sale investments

Available-for-sale investments are those non-derivative financial assets that are designated as available-for-sale or are not classified as either financial assets at fair value through profit or loss, loans and receivables or held to maturity investments. After initial recognition available for sale investments are measured at fair value with gains or losses being recognised directly in equity, until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is recognised in profit or loss. The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the balance sheet date.

(ii) Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to maturity when the consolidated entity has the positive intention and ability to hold to maturity. Investments intended to be held for an undefined period are not included in this classification. Investments that are intended to be held-to-maturity, such as bonds, are subsequently measured at amortised cost. This cost is computed as the amount initially recognised minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initially recognised amount and the maturity amount. This calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums and discounts. For investments carried at amortised cost, gains and losses are recognised in profit or loss when the investments are derecognised or impaired, as well as through the amortisation process.

(iii) Loans and receivables

Trade receivables, loans, and other receivables are recorded at amortised cost, using the effective interest method less impairment. Amortised cost is calculated by taking into account any issue costs, and any discount or premium on settlement.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2008

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (j) Plant and Equipment

Each class of plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment losses.

##### *Plant and equipment*

Plant and equipment is stated at cost less accumulated depreciation and any impairment in value.

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

For an asset that does not generate largely independent cash flows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

If any such indication exists where the carrying values exceed the estimated recoverable amount, the assets or cash generating units are written down to their recoverable amount.

##### *Depreciation*

Depreciable non-current assets, are depreciated over their expected economic life using either the straight line or the diminishing value method. Profits and losses on disposal of non-current assets are taken into account in determining the operating loss for the year. The depreciation rate used for each class of assets is as follows:

- Plant and equipment 20 - 33%
- Motor vehicles 22.5%

#### (k) Exploration and Evaluation Expenditure

Mineral exploration and evaluation expenditure incurred is accumulated in respect of each identifiable area of interest and is subject to impairment testing. These costs are carried forward only if they relate to an area of interest for which rights of tenure are current and in respect of which:

- such costs are expected to be recouped through the successful development and exploitation of the area of interest, or alternatively by its sale; or
- exploration and/or evaluation activities in the area have not reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves and active or significant operations in, or in relation to, the area of interest are continuing.

In the event that an area of interest is abandoned or if the Directors consider the expenditure to be of reduced value, accumulated costs carried forward are written off in the year in which that assessment is made. A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

Where a mineral resource has been identified and where it is expected that future expenditures will be recovered by future exploitation or sale, the impairment of the exploration and evaluation is written back and transferred to development costs. Once production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves.

Costs of site restoration and rehabilitation are recognised when the consolidated entity has a present obligation, the future sacrifice of economic benefits is probable and the amount of the provision can be reliably estimated.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Exploration and Evaluation Expenditure (Continued)

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

Exploration and evaluation assets are assessed for impairment if:

- (i) sufficient data exists to determine technical feasibility and commercial viability, and
- (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount (refer impairment accounting policy Note 1 (l) below).

For the purpose of impairment testing, exploration and evaluation assets are allocated to cash-generating units to which the exploration activity relates. The cash generating unit shall not be larger than the area of interest.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then re-classified from intangible assets to mining property and development assets within property, plant and equipment.

(l) Impairment of Assets

At each reporting date the consolidated entity assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the consolidated entity makes a formal estimate of recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

Recoverable amount is the greater of fair value less costs to sell and value in use. It is determined for an individual asset, unless the asset's value in use cannot be estimated to be close to its fair value less costs to sell and it does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

(m) Employee Entitlements

Liabilities for wages and salaries, annual leave and other current employee entitlements expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.

Contributions to employee superannuation plans are charged as an expense as the contributions are paid or become payable.

(n) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of goods and services tax ("GST"), except where the amount of GST incurred is not recoverable from the Australian Taxation Office ("ATO"). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

Receivables and payables are stated with the amount of GST included. GST incurred is claimed from the ATO when a valid tax invoice is provided. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the balance sheet.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) Trade and other Payables

These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year and which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

(p) Contributed Equity

Issued capital is recognised as the fair value of the consideration received by the Company.

Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

(q) Earnings per Share

Basic earnings per share ("EPS") are calculated based upon the net loss divided by the weighted average number of shares. Diluted EPS are calculated as the net loss divided by the weighted average number of shares and dilutive potential shares.

(r) Leases

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and benefits incidental to ownership.

The minimum lease payments of operating leases, where the lessor effectively retains substantially all of the risks and benefits of ownership of the leased item, are recognised as an expense on a straight-line basis over the term of the lease.

(s) Share-based payment transactions

The consolidated entity provides benefits to employees (including Directors) of the consolidated entity in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares ("Equity-settled transactions").

There is currently one plan in place to provide these benefits being an Employee Share Option Plan ("ESOP") which provides benefits to Directors and senior executives.

The cost of these equity-settled transactions with employees is measured by reference to fair value at the date at which they are granted. The fair value is determined by an external valuer using the Black-Scholes or Binomial model.

In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of Pioneer Nickel Ltd ("market conditions").

The cost of equity settled securities is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ("vesting date").

Where the consolidated entity acquires some form of interest in an exploration tenement or an exploration area of interest and the consideration comprises share-based payment transactions, the fair value of the equity instruments granted is measured at grant date. The cost of equity securities is recognised within capitalised mineral exploration and evaluation expenditure, together with a corresponding increase in equity.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(t) **New Accounting Standards and Interpretations**

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2008 reporting periods, and have not been adopted by the consolidated entity. The consolidated entity's assessment of the impact of these new standards and interpretations is that there is only one new standard, (Revised AASB 101 Presentation of Financial Statements) that will have an impact and it will only effect disclosure provisions in the 2009 financial statements.

(u) **Financial Risk Management**

The Board has overall responsibility for the establishment and oversight of the risk management framework, to identify and analyse the risks faced by the consolidated entity. These risks include credit risk, liquidity risk and market risk from the use of financial instruments. The consolidated entity has only limited use of financial instruments through its cash holdings being invested in short term interest bearing securities. The primary goal of this strategy is to maximise returns while minimising risk through the use of accredited banks with a minimum credit rating of A1 from Standard & Poors. The consolidated entity has no debt, and working capital is maintained at its highest level possible and regularly reviewed by the Board.

(v) **Comparative Figures**

When required by Australian Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

**PIONEER NICKEL LIMITED AND ITS CONTROLLED ENTITY**

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 30 June 2008

	<b>CONSOLIDATED</b>		<b>THE COMPANY</b>	
	<b><u>2008</u></b>	<b><u>2007</u></b>	<b><u>2008</u></b>	<b><u>2007</u></b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>2. OTHER INCOME</b>				
Other Income				
Interest	124,271	157,249	124,271	157,249
Proceeds from the sale of investments	655,970	510,600	655,970	510,600
Proceeds from exploration farm-in option	700,000	70,000	700,000	70,000
Other income	15,932	12,100	15,932	12,100
	<b>1,496,173</b>	<b>749,949</b>	<b>1,496,173</b>	<b>749,949</b>
<b>3. (a) EXPENSES</b>				
Exploration expenditure written off	1,492,008	-	1,492,008	-
Contributions to employees superannuation plans	83,949	57,899	83,949	57,899
Depreciation - Plant and equipment	66,507	26,132	66,506	26,132
- Motor vehicles	63,838	17,916	63,838	17,916
Rental expense on operating leases	108,795	95,111	108,795	95,111
Share based payments expense	91,808	296,965	91,808	296,965
Provision for employee entitlements	19,632	20,348	19,632	20,348
Reversal of provision for recoverability of controlled entity loan	-	-	-	(36,221)
Reversal of provision for diminution in the value of investments	-	(130,000)	-	(130,000)
<b>(b) OTHER EXPENSES</b>				
Public relations	51,875	52,595	51,875	52,595
Other direct operating expenses	270,069	243,672	269,712	243,377
	<b>321,944</b>	<b>296,267</b>	<b>321,587</b>	<b>295,972</b>
<b>4. AUDITORS' REMUNERATION</b>				
<b>Audit Services</b>				
<i>Butler Settineri (Audit) Pty Ltd</i>				
Audit and review of the consolidated entity's financial statements	22,843	17,931	22,843	17,931
<b>Other Services</b>				
<i>Butler Settineri Chartered Accountants</i>				
Other services	-	-	-	-
	<b>22,843</b>	<b>17,931</b>	<b>22,843</b>	<b>17,931</b>



**PIONEER NICKEL LIMITED AND ITS CONTROLLED ENTITY**

**NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended 30 June 2008**

**5. INCOME TAX**

No income tax is payable by the consolidated entity as it has incurred losses for income tax purposes for the year, so current tax, deferred tax and tax expense is \$Nil (2007 - \$Nil).

**(a) Tax expense**

	<b>CONSOLIDATED</b>		<b>THE COMPANY</b>	
	<b><u>2008</u></b>	<b><u>2007</u></b>	<b><u>2008</u></b>	<b><u>2007</u></b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Current tax expense – current period	-	-	-	-
Deferred tax expense	-	-	-	-

**(b) Numerical reconciliation of income tax expense to prima facie tax payable**

Loss from continuing operations	<b>(1,326,408)</b>	(490,880)	<b>(1,326,051)</b>	(454,364)
Tax at the Australian tax rate of 30% (2007:30%)	<b>(397,922)</b>	(147,264)	<b>(397,815)</b>	(136,309)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:				
Reversal of provision for diminution in value of investments	-	(39,000)	-	(39,000)
Reversal of provision for recoverability of Controlled entity loan	-	-	-	(10,866)
Share based payments expense	<b>27,542</b>	89,090	<b>27,542</b>	89,090
Other non-deductible expenditure	<b>4,724</b>	1,761	<b>4,724</b>	1,761
Deductible capital raising costs	<b>(37,976)</b>	(35,492)	<b>(37,976)</b>	(35,492)
Deferred tax asset not brought to account	<b>403,632</b>	130,905	<b>403,525</b>	130,816
Income tax expense	-	-	-	-
<b>(c) Tax losses</b>				
Unused tax losses for which no deferred tax asset has been recognised	<b>11,362,179</b>	8,560,329	<b>8,759,713</b>	7,147,634
Potential tax benefit at 30%	<b>3,408,654</b>	2,568,099	<b>2,627,914</b>	2,144,290

The consolidated entity has not entered into a tax consolidated group, and there has been no impact on the tax position as a consequence of the introduction of the revised tax legislation.

	<b>CONSOLIDATED</b>		<b>THE COMPANY</b>	
	<b><u>2008</u></b>	<b><u>2007</u></b>	<b><u>2008</u></b>	<b><u>2007</u></b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>

**(d) Unbooked Deferred Tax Assets and Liabilities**

**Unbooked deferred tax assets comprise:**

Capital raising costs	<b>49,586</b>	75,138	<b>49,586</b>	75,138
Leave provisions	<b>15,544</b>	9,655	<b>15,544</b>	9,655
Tax losses available for offset against future taxable income	<b>3,408,654</b>	2,568,099	<b>2,627,914</b>	2,144,290
Income tax expense	<b>3,473,784</b>	2,652,892	<b>2,693,044</b>	2,229,083

**Unbooked deferred tax liabilities comprise:**

Capitalised mineral exploration and evaluation expenditure	<b>2,525,153</b>	2,083,375	<b>1,721,858</b>	1,636,904
Prepayments	<b>9,746</b>	7,511	<b>9,746</b>	7,511
Income tax expense	<b>2,534,899</b>	2,090,886	<b>1,731,604</b>	1,644,415

**(e) Franking credits balance**

The consolidated entity has no franking credits available as at 30 June 2008 (2007: \$Nil).

**PIONEER NICKEL LIMITED AND ITS CONTROLLED ENTITY**

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 30 June 2008

	<b>CONSOLIDATED</b>		<b>THE COMPANY</b>	
	<b><u>2008</u></b>	<b><u>2007</u></b>	<b><u>2008</u></b>	<b><u>2007</u></b>
	\$	\$	\$	\$
<b>6. OTHER RECEIVABLES</b>				
<b>Current</b>				
GST recoverable	-	64,963	-	64,963
Joint venture calls outstanding (i)	234,875	-	234,875	-
Tenement and rental bonds	72,400	22,360	72,400	22,360
Other receivables	2,751	-	2,751	-
	<b>310,026</b>	<b>87,323</b>	<b>310,026</b>	<b>87,323</b>

(i) Comprises \$116,430 owing from Australian Mines Ltd and \$118,445 owing from Galaxy Resources Limited.

**Non-Current**

Loan to controlled entity (a)	-	-	2,671,502	1,490,141
	-	-	2,671,502	1,490,141

(a) The loan to the controlled entity is interest free, unsecured and has no set terms of repayment.

**7. OTHER FINANCIAL ASSETS**

**Current**

Prepayments	32,485	25,036	32,485	25,036
Available-for-sale investments carried at fair value:				
Investment in listed company – Galaxy Resources Limited (i)	-	863,500	-	863,500
Other listed investments (ii)	25,500	57,000	25,500	57,000
	25,500	920,500	25,500	920,500
	57,985	945,536	57,985	945,536

(i) As at 30 June 2008 the Company held nil shares in Galaxy Resources Limited (30 June 2007: 1,308,333 ordinary shares held in Galaxy Resources Limited).

(ii) As at 30 June 2008 (and 30 June 2007) the Company held 150,000 ordinary shares in Bass Metals Limited.

**8. INVESTMENTS**

**Non-Current**

	<b>CONSOLIDATED</b>		<b>THE COMPANY</b>	
	<b><u>2008</u></b>	<b><u>2007</u></b>	<b><u>2008</u></b>	<b><u>2007</u></b>
	\$	\$	\$	\$
Investment in a controlled entity – at cost	-	-	5	5
	-	-	5	5

**Particulars in relation to the controlled entity**

Pioneer Nickel Limited is the parent entity.

Name of Controlled entity	Class of Shares	Equity Holding	
		2008	2007
Western Copper Pty Ltd*	Ordinary	100%	100%

\* Western Copper Pty Ltd was incorporated in Australia on 21 June 2005.

PIONEER NICKEL LIMITED AND ITS CONTROLLED ENTITY

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2008

	CONSOLIDATED		THE COMPANY	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
	\$	\$	\$	\$
<b>9. PLANT AND EQUIPMENT AND MOTOR VEHICLES</b>				
Plant and office equipment				
At cost	202,797	172,362	202,797	172,362
Accumulated depreciation	(138,225)	(71,719)	(138,225)	(71,719)
	<u>64,572</u>	<u>100,643</u>	<u>64,572</u>	<u>100,643</u>
Motor vehicles				
At cost	177,129	177,129	177,129	177,129
Accumulated depreciation	(141,768)	(77,930)	(141,768)	(77,930)
	<u>35,361</u>	<u>99,199</u>	<u>35,361</u>	<u>99,199</u>
	<u>99,933</u>	<u>199,842</u>	<u>99,933</u>	<u>199,842</u>
<b>Reconciliation</b>				
Reconciliation of the carrying amounts for each class of plant and equipment and motor vehicles are set out below:				
<i>Plant and office equipment</i>				
Carrying amount at beginning of the year	100,643	59,531	100,643	59,531
Additions	30,435	68,344	30,435	68,344
Disposals	-	(1,100)	-	(1,100)
Depreciation	(66,506)	(26,132)	(66,506)	(26,132)
Carrying amount at the end of the year	<u>64,572</u>	<u>100,643</u>	<u>64,572</u>	<u>100,643</u>
<i>Motor vehicles</i>				
Carrying amount at beginning of the year	99,199	71,354	99,199	71,354
Additions	-	45,761	-	45,761
Depreciation	(63,838)	(17,916)	(63,838)	(17,916)
Carrying amount at the end of the year	<u>35,361</u>	<u>99,199</u>	<u>35,361</u>	<u>99,199</u>

**PIONEER NICKEL LIMITED AND ITS CONTROLLED ENTITY**

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 30 June 2008

	<b>CONSOLIDATED</b>		<b>THE COMPANY</b>	
	<b><u>2008</u></b>	<b><u>2007</u></b>	<b><u>2008</u></b>	<b><u>2007</u></b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>10. CAPITALISED MINERAL EXPLORATION</b>				
<b>Non-Current</b>				
<i>In the exploration and evaluation phase</i>				
Cost brought forward	6,944,583	4,489,966	5,456,345	4,212,686
Add: Other acquisition expenditure	-	35,000	-	-
Add: Options issued to Jubilee Mines NL pursuant to the Acra Joint Venture Agreement and as approved by shareholders on 31 August 2006	-	69,000	-	69,000
Less: Farm in obligations received re: Acra Joint Venture	-	(200,000)	-	(200,000)
Add: Expenditure incurred during the year (at cost)	3,785,346	2,550,617	2,046,711	1,374,659
Less: Joint venture contributions called on projects which the consolidated entity is managing	(820,745)	-	(263,114)	-
Exploration expenditure written off	(1,492,008)	-	(1,492,008)	-
	<b>8,417,176</b>	<b>6,944,583</b>	<b>5,747,934</b>	<b>5,456,345</b>
<b>11. TRADE AND OTHER PAYABLES</b>				
<b>Current (Unsecured)</b>				
Trade creditors (i)	223,122	350,250	223,122	350,250
Other creditors and accruals (i)	65,641	170,279	65,641	170,279
Amounts owed to Directors and/or Director-related entities (ii)	23,137	-	23,137	-
	<b>311,900</b>	<b>520,529</b>	<b>311,900</b>	<b>520,529</b>
(i) A total of \$103,532 (30 June 2007:\$414,508) relates to exploration expenditure and \$18,000 (30 June 2007: \$Nil) relates to an environmental bond owed to Heron Resources Limited.				
(ii) Further information relating to amounts owed to Director-related entities is disclosed in Note 19(e).				
<b>12. PROVISIONS</b>				
<b>Current</b>				
Employee entitlements	51,814	32,182	51,814	32,182
Number of full time employees at year end	6	5	6	5
<b>13. CONTRIBUTED EQUITY</b>				
<b>(a) Ordinary Shares</b>				
103,208,479 (2007: 89,798,479) ordinary shares			13,173,433	12,074,996

Ordinary shares have the right to receive dividends as declared and, in the event of winding up of the Company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held.

Ordinary shares have no par value and entitle their holder to one vote, either in person or by proxy, at a meeting of the Company.

PIONEER NICKEL LIMITED AND ITS CONTROLLED ENTITY

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2008

13. CONTRIBUTED EQUITY (Continued)

(b) Share Movements During the Year

	2008		2007	
	Number of Shares	\$	Number of Shares	\$
Beginning of the financial year	89,798,479	12,074,996	55,336,383	7,326,021
<i>New share issues during the year</i>				
Share Placement (i)	13,000,000	1,105,000	-	-
Share Placement (ii)	410,000	34,850	-	-
Share Placement (iii)	-	-	8,300,000	1,037,500
Share Placement (iv)	-	-	11,976,000	1,497,000
Share Placement (v)	-	-	2,473,251	309,156
Share Placement (vi)	-	-	11,712,845	2,108,312
Less: Share issue costs		(41,413)	-	(202,993)
	<b>103,208,479</b>	<b>13,173,433</b>	<b>89,798,479</b>	<b>12,074,996</b>

- (i) On 20 May 2008 the Company issued a total of 13,000,000 ordinary shares at an issue price of 8.5 cents each raising \$1,105,000.
- (ii) On 26 May 2008 the Company issued a total of 410,000 ordinary shares at an issue price of 8.5 cents each raising \$34,850.
- (iii) On 19 July 2006 the Company issued a total of 8,300,000 ordinary shares at an issue price of 12.5 cents each raising \$1,037,500.
- (iv) On 30 August 2006 the Company issued a total of 11,976,000 ordinary shares at an issue price of 12.5 cents each raising \$1,497,000 from a share purchase plan.
- (v) On 28 September 2006 the Company issued a total of 2,473,251 ordinary shares at an issue price of 12.5 cents each raising \$309,156 to Jubilee Mines NL.
- (vi) On 3 May 2007 the Company issued a total of 11,712,845 ordinary shares at an issue price of 18 cents each raising \$2,108,312.

Proceeds from the placements completed during the year were applied towards exploration programmes at the Company's Golden Ridge JV, Silver Swan and Mt Thirsty Projects and for working capital.

PIONEER NICKEL LIMITED AND ITS CONTROLLED ENTITY

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2008

13. CONTRIBUTED EQUITY (Continued)

(c) Unlisted Options

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

Number of Options Granted	Exercise Price	Value per Option at Grant date	Value of Options Granted	Expiry Date
100,000	25 cents each	5.17 cents	\$5,170	30 June 2011

Other than the above the Company granted no other unlisted options over unissued shares.

During the year a total of 8,550,000 unlisted options expired and were cancelled.

As at 30 June 2008 the following unlisted options are outstanding:

<i>Number of Options</i>	<i>Exercise Price</i>	<i>Expiry Date</i>
3,750,000 (i)*	25 cents each	28 November 2009
250,000*	30 cents each	31 December 2008
500,000*	30 cents each	1 April 2009
1,000,000 (i)*	25 cents each	31 August 2011
2,400,000 *	20 cents each	8 September 2010
2,400,000 *	22 cents each	8 September 2011
200,000 *	25 cents each	31 March 2012
350,000 *	25 cents each	30 June 2011
250,000 *	30 cents each	30 June 2011
<b>TOTAL</b>	<b>11,100,000</b>	

(i) unlisted options held by Xstrata Nickel Australasia Investments Pty Ltd (formerly a wholly owned controlled entity of Jubilee Mines NL).

\* unlisted options fully vested.

Since 30 June 2008 and following shareholder approval obtained on 29 July 2008, the Company has granted the following unlisted options over unissued shares to the following Director as part of his remuneration:

Director	Number of Options Granted	Exercise Price	Value per Option at Grant Date	Value of Options Granted	Vesting Date	Expiry Date
CI McGown	750,000	20 cents each	2.91 cents	\$21,825	29 August 2008	30 June 2012
CI McGown	750,000	22 cents each	3.78 cents	\$28,350	29 August 2009	30 June 2013

***Pioneer Nickel Limited Directors, Officers, Employees and Other Permitted Persons Option Plan ("the Plan")***

Details of additional options that could be issued under the Plan are set out in Note 17.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2008

## 13. CONTRIBUTED EQUITY (Continued)

## (d) Share Based Payments

The expense recognised in the income statement in relation to share-based payments is disclosed in Note 3(a). In addition 1,000,000 unlisted options were issued to a controlled entity of Jubilee Mines NL, at an exercise price of 25 cents each and expiring on 31 August 2011. These options were independently valued at \$69,000 and the value has been capitalised as disclosed in Note 10.

The following table illustrates the number and weighted average exercise prices of and movements in share options issued during the year:

	2008 No.	2008 Weighted average exercise price	2007 No.	2007 Weighted average exercise price
Outstanding at the beginning of the year	19,550,000	25 cents	13,050,000	26 cents
Granted during the year	100,000	25 cents	6,500,000	22 cents
Forfeited during the year	-	-	-	-
Exercised during the year	-	-	-	-
Expired during the year	(8,550,000)	26 cents	-	-
Outstanding at the end of the year	11,100,000	24 cents	19,550,000	25 cents
Exercisable at the end of the year	11,100,000	24 cents	16,450,000	25 cents

The outstanding balance as at 30 June 2008 is further detailed in Note 13(c).

The average remaining contractual life for the share options outstanding as at 30 June 2008 is between 0.5 and 3.75 years (2007: 0.5 years and 4.75 years).

The range of exercise prices for options outstanding at the end of the year was 20 cents and 30 cents. (2007: 20 cents and 30 cents).

The fair value of options granted during the year was \$5,170 (2007: \$452,330).

The fair value of the equity-settled share options granted is estimated as at the date of grant using a Binominal option model taking into account the terms and conditions upon which the options were granted.

The following table lists the inputs to the model used for the options issued during the year ended 30 June 2008:

Number of Options	100,000
Volatility (%)	65%
Risk-free interest rate (%)	6.35%
Expected life of option (years)	3.75
Exercise price (cents)	25
Weighted average share price at grant date (cents)	15.5
Value per option (cents)	5.17

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. In the case of the above option valuations volatility was determined by reviewing the Company's share price history over the previous six months prior to the grant date. No other features of options granted were incorporated into the measurement of fair value. No assumptions was made with respect to dividend yields.

The fair value of the cash-settled options is measured at the grant date using the Binominal option pricing model taking into account the terms and conditions upon which the instruments were granted. The services received and a liability to pay for those services are recognised over the expected vesting period. Until the liability is settled it is re-measured at each reporting date with changes in fair value recognised in profit or loss.

The carrying amount of the liability relating to the cash-settled share-based payments at 30 June 2008 is \$Nil (2007: \$86,638). No options were exercised in 2008 (2007: Nil).

**PIONEER NICKEL LIMITED AND ITS CONTROLLED ENTITY**

**NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended 30 June 2008**

**13. CONTRIBUTED EQUITY (Continued)**

**(e) Terms and Conditions of Contributed Equity**

***Ordinary Shares***

The Company is a public company limited by shares. The Company was incorporated in Perth, Western Australia. The Company's shares are limited whereby the liability of its members is limited to the amount (if any) unpaid on the shares respectively held by them. Ordinary shares have the right to receive dividends as declared and, in the event of the winding up of the Company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of shares held. Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the Company.

	<b>CONSOLIDATED</b>		<b>THE COMPANY</b>	
	<b><u>2008</u></b>	<b><u>2007</u></b>	<b><u>2008</u></b>	<b><u>2007</u></b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>14. RESERVES</b>				
<b>(a) Share Option Reserve</b>				
Opening balance	<b>581,290</b>	215,325	<b>581,290</b>	215,325
Options vested during the year	<b>91,808</b>	365,965	<b>91,808</b>	365,965
Closing balance	<b>673,098</b>	581,290	<b>673,098</b>	581,290

The reserve reflects the value of options issued to Directors, employees, consultants, Heron Resources Limited and a controlled entity of Jubilee Mines NL.

**(b) Investments Revaluation Reserve**

Opening balance	<b>645,500</b>	-	<b>645,500</b>	-
Valuation gain recognised	-	730,500	-	730,500
Cumulative gain transferred to the income statement on sale of financial assets	<b>(645,500)</b>	(85,000)	<b>(645,500)</b>	(85,000)
Closing balance	<b>\$Nil</b>	645,500	<b>\$Nil</b>	645,500

The investments revaluation reserve arises on the revaluation of available-for-sale financial assets.

**15. ACCUMULATED LOSSES**

Accumulated losses at the beginning of the year	<b>2,392,867</b>	1,901,987	<b>2,390,964</b>	1,936,600
Net loss attributable to members	<b>1,326,408</b>	490,880	<b>1,326,051</b>	454,364
Accumulated losses at the end of the year	<b>3,719,275</b>	2,392,867	<b>3,717,015</b>	2,390,964

**16. TOTAL EQUITY RECONCILIATION**

Total equity at the beginning of the year	<b>10,908,919</b>	5,639,359	<b>10,910,822</b>	5,604,746
Add: Contributions of equity	<b>1,139,850</b>	4,951,968	<b>1,139,850</b>	4,951,968
Less: Cost of contributions of equity	<b>(41,413)</b>	(202,993)	<b>(41,413)</b>	(202,993)
Add: Share option reserve	<b>91,808</b>	365,965	<b>91,808</b>	365,965
Add: Investments revaluation reserve	<b>(645,500)</b>	645,500	<b>(645,500)</b>	645,500
Add: Share of operating loss	<b>(1,326,408)</b>	(490,880)	<b>(1,326,051)</b>	(454,364)
Total equity at the end of the year	<b>10,127,256</b>	10,908,919	<b>10,129,516</b>	10,910,822



# PIONEER NICKEL LIMITED AND ITS CONTROLLED ENTITY

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2008

### 17. OPTION PLAN

The establishment of the Pioneer Nickel Limited Directors, Officers, Employees and Other Permitted Persons Option Plan ("the Plan") was approved by special resolution at a General Meeting of shareholders of the Company held on 25 September 2003. All eligible Directors, executive officers, employees and consultants of Pioneer Nickel Limited who have been continuously employed by the Company are eligible to participate in the Plan.

The Plan allows the Company to issue free options to eligible persons. The options can be granted free of charge and are exercisable at a fixed price calculated in accordance with the Plan.

Options issued under the Plan have a 24 month vesting period prior to exercise, except under certain circumstances whereby options may be capable of exercise prior to the expiry of the vesting period.

### 18. INTERESTS IN JOINT VENTURES

Joint venture agreements have been entered into with third parties, whereby the third parties can earn an interest in exploration areas by expending specified amounts in the exploration areas. The third parties percentage interest in the future output of the joint ventures, if all its obligations are fulfilled are as follows:

Joint Venture Project	Joint Venture Partner	Participating Equity Earned at 30 June 2008	Right to Earn	Remaining Farm In Expenditure Commitment
Acra	Xstrata Nickel Australasia Pty Ltd	60%	75%	3,500,000
Silver Swan Northwest	BHP Billiton Minerals Pty Limited		80%	US\$5,000,000 (or A\$5,450,000)
Larkinville	Ramelius Resources Ltd		75% Gold 80% Nickel (i)	750,000 200,000
Wattle Dam	Ramelius Resources Ltd		80%(i)	800,000
Maggie Hays Lake	Lake Johnston Ltd	80%	80%	Nil
Heazlewood and Whyte River	Bass Metals Ltd		70%	300,000
			TOTAL	<b>\$11,000,000</b>

(i) Subsequent to 30 June 2007 Ramelius Resources Ltd exercised its option to acquire an 80% interest in the Company's nickel rights for \$700,000.

\* The Company retains a royalty

There are no assets employed by these joint ventures and the consolidated entity's expenditure in respect of them is brought to account initially as capitalised exploration and evaluation expenditure (Refer Note 10).

### 19. RELATED PARTY DISCLOSURES

#### (a) Remuneration of Specified Directors and Specified Executives by the Consolidated Entity

Remuneration levels are competitively set to attract and retain appropriately qualified and experienced Directors and senior executives. The Board obtains independent advice on the appropriateness of remuneration packages, given trends in comparative companies both locally and internationally. Remuneration packages include fixed remuneration with bonuses or equity based remuneration entirely at the discretion of the Board based on the performance of the consolidated entity.

Further information on remuneration of Specified Directors is outlined in the Remuneration Report.

The following table provides the details of all Directors of the Company ("Specified Directors") and the nature and amount of the elements of their remuneration for the year ended 30 June 2008. There are no "Specified Executives" that are involved in the strategic direction of the consolidated entity, as this role is undertaken by the Managing Director and the Non-Executive Directors.

**PIONEER NICKEL LIMITED AND ITS CONTROLLED ENTITY**

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 30 June 2008

**19. RELATED PARTY DISCLOSURES (Continued)**

**(a) Remuneration of Specified Directors and Specified Executives by the Consolidated Entity (Continued)**

**2008**

	Primary			Post Employment	Equity Compensation	Other	
Director	Base Remuneration /Fees	Motor Vehicle	Other Benefits (Cash)	Superannuation / Salary Sacrifice Contributions	Options (ii)	Insurance	Total
	\$	\$	\$	\$	\$	\$	\$
C I McGown (i)	2,914	-	-	-	-	208	3,122
R N Gillard (ii)	47,665	-	-	-	-	4,009	51,674
D J Crook	203,569	10,000	4,556	26,331	-	4,217	248,673
A Trench	32,110	-	-	2,890	-	4,217	39,217
P Langworthy	35,000	-	-	-	-	4,217	39,217
	321,258	10,000	4,556	29,221	-	16,868	381,903

(i) Mr McGown was appointed on 13 June 2008.

(ii) Mr Gillard resigned on 13 June 2008.

**2007**

	Primary			Post Employment	Equity Compensation	Other	
Director	Base Remuneration /Fees	Motor Vehicle	Other Benefits (Cash)	Superannuation / Salary Sacrifice Contributions	Options (ii)	Insurance	Total
	\$	\$	\$	\$	\$	\$	\$
R N Gillard	50,000	-	-	-	50,737	5,075	105,812
D J Crook (i)	206,157	10,000	4,302	22,559	101,475	5,075	349,568
A Trench	32,110	-	-	2,890	33,825	5,075	73,900
P Langworthy	35,000	-	-	-	-	5,075	40,075
	323,267	10,000	4,302	25,449	186,037	20,300	569,355

(i) Mr Crook is employed under a Service Agreement which commenced on 1 January 2004.

(ii) The above options were approved in the Company's General Meeting held on 31 August 2006.

There were no loans made to any Directors at 30 June 2008 (30 June 2007: \$Nil).

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2008

## 19. RELATED PARTY DISCLOSURES (Continued)

## (b) Equity Instruments

All options refer to options over ordinary shares of Pioneer Nickel Limited, which are exercisable on a one for one basis.

*Options over equity instruments granted as remuneration*

During the financial year no options were granted to Specified Directors:

Since 30 June 2008 and following shareholder approval obtained on 29 July 2008, the Company has granted the following unlisted options over unissued shares to a Specified Director as part of his remuneration:

Director	Number of Options Granted	Exercise Price	Vesting Date	Expiry Date
CI McGown	750,000	20 cents each	29 August 2008	30 June 2012
CI McGown	750,000	22 cents each	29 August 2009	30 June 2013

Since the end of the financial year and following shareholder approval obtained on 29 July 2008 the following options have been granted to a Specified Director:

Terms and Conditions for each Grant								
Director	Total Granted Number.	Vested Number	Grant Date	Fair Value per option at grant date (cents)	Exercise price per option	Expiry Date	First Exercise Date	Last Exercise Date
CI McGown	750,000	750,000	29 August 2008	2.91	20 cents	30 June 2012	29 August 2008	30 June 2012
CI McGown	750,000	-	29 August 2008	3.78	22 cents	30 June 2013	29 August 2009	30 June 2013

When exercisable each option is convertible into one ordinary share of the Company. No options were exercised during the year ended 30 June 2008.

During the year ended 30 June 2008 and 30 June 2007 options issued had no performance conditions attached.

During the prior year ended 30 June 2007 the following unlisted options were granted as equity compensation benefits under the long-term incentive plan to certain Specified Directors. The options were issued for no consideration on the following terms:

Terms and Conditions for each Grant								
Director	Total Granted Number.	Vested Number	Grant Date	Fair Value per option at grant date (cents)	Exercise price per option	Expiry Date	First Exercise Date	Last Exercise Date
RN Gillard	375,000	375,000	8 Sept 06	6.50	20 cents	8 Sept 2010	8 Sept 2006	8 Sept 2010
RN Gillard	375,000	-	8 Sept 06	7.03	22 cents	8 Sept 2011	8 Sept 2007	8 Sept 2011
DJ Crook	750,000	750,000	8 Sept 06	6.50	20 cents	8 Sept 2010	8 Sept 2006	8 Sept 2010
DJ Crook	750,000	-	8 Sept 06	7.03	22 cents	8 Sept 2011	8 Sept 2007	8 Sept 2011
A Trench	250,000	250,000	8 Sept 06	6.50	20 cents	8 Sept 2010	8 Sept 2006	8 Sept 2010
A Trench	250,000	-	8 Sept 06	7.03	22 cents	8 Sept 2011	8 Sept 2007	8 Sept 2011
Total	2,750,000	1,375,000						

**PIONEER NICKEL LIMITED AND ITS CONTROLLED ENTITY**

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 30 June 2008

**19. RELATED PARTY DISCLOSURES (Continued)**

**(c) Specified Directors' Share and Option holdings**

The aggregate numbers of shares and options of the Company held directly, indirectly or beneficially by Specified Directors of the Company or their personally-related entities are as follows:

Specified Directors	Ordinary Shares				Unlisted Options	
	1 July 2007	Purchases	Disposals	30 June 2008	30 June 2008	30 June 2007
Craig McGown	-	-	-	-	-	-
Reginald Gillard	140,000	-	-	140,000	1,250,000	1,250,000
David J Crook	637,625	244,619	-	882,244	1,750,000	2,750,000
Allan Trench	226,426	77,000	-	303,426	500,000	800,000
Peter Langworthy	-	-	-	-	-	-

A number of Specified Directors or their personally-related entities, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities.

A number of these entities transacted with the Company or its controlled entity during the reporting period. The terms and conditions of those transactions were no more favourable than those available, or might reasonably be expected to be available, on similar transactions to unrelated entities on an arm's length basis.

**(d) Payables to Directors of the Company and their Director-related entities**

CONSOLIDATED		THE COMPANY	
2008	2007	2008	2007
\$	\$	\$	\$

Aggregate amount payable at balance date:

Current accounts payable	<b>23,137</b>	-	<b>23,137</b>	-
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The amounts payable as at 30 June 2008 comprised amounts owed in relation to Non-Executive Directors' fees (inclusive of GST).

**(e) Non-Director Related Party Transactions**

The only non-Director related party to the Company is its wholly owned controlled entity, Western Copper Pty Ltd. Refer Note 8 for further details.

Pioneer Nickel Limited (the parent entity) has made a loan to Western Copper Pty Ltd of \$2,671,502 (2007: \$1,490,141). Refer Note 6 for further details.

Pioneer Nickel Limited advanced funds to Western Copper Pty Ltd in relation to funding its interest in the Ravensthorpe Joint Venture with Galaxy Resources Limited, whereby Western Copper Pty Ltd is the manager of the Ravensthorpe Joint Venture having earned 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.

There were no other related party transactions during the year.

# PIONEER NICKEL LIMITED AND ITS CONTROLLED ENTITY

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2008

### 20. EXPENDITURE COMMITMENTS

#### (a) Exploration

The consolidated entity has certain obligations to perform minimum exploration work on mineral leases held. These obligations may vary over time, depending on the consolidated entity's exploration programmes and priorities. As at balance date, total exploration expenditure commitments on tenements held by the consolidated entity have not been provided for in the financial statements and those which cover the following twelve month period amount to \$988,442 (2007: \$1,356,680). These obligations are also subject to variations by farm-out arrangements or sale of the relevant tenements. This commitment does not include the expenditure commitments which are the responsibility of the joint venture partners, amounting to \$650,307 (2007: \$899,225), as disclosed in Note 18.

	<b>CONSOLIDATED</b>		<b>THE COMPANY</b>	
	<b><u>2008</u></b>	<b><u>2007</u></b>	<b><u>2008</u></b>	<b><u>2007</u></b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>(b) Operating Lease Commitments</b>				
Total operating lease expenditure contracted for at balance date but not provided for in the consolidated financial statements, payable:				
Not later than one year	<b>79,876</b>	63,426	<b>79,876</b>	63,426
Later than one year and no later than five years	<b>14,553</b>	53,333	<b>14,553</b>	53,333
Later than five years	-	-	-	-
	<b>94,429</b>	116,759	<b>94,429</b>	116,759

The operating leases relate to the Company's registered office premises in Perth, its exploration office in Kalgoorlie and a residential property in Kalgoorlie and Ravensthorpe.

The Perth office operating lease is for a prescribed period expiring on 1 November 2009. The operating lease entitles the Company to renew the term of the lease for a further period of three years after the expiry date. During the term of the operating lease the rent is reviewed annually on each successive anniversary date.

The Kalgoorlie office operating lease is for a prescribed period expiring on 18 January 2009. The operating lease entitles the Company to renew the term of the lease for a further period of twelve months after the expiry date. During the term of the operating lease the rent is reviewed annually on each successive anniversary date.

The Kalgoorlie residential property operating lease is for a prescribed period which expired on 2 September 2008.

The Ravensthorpe residential property operating lease is for a prescribed period expiring on 21 March 2009.

#### (c) Capital Commitments

The consolidated entity had no capital commitments as at 30 June 2008 (30 June 2007: \$Nil).

### 21. 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.

PIONEER NICKEL LIMITED AND ITS CONTROLLED ENTITY

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2008

		CONSOLIDATED	
		<u>2008</u>	<u>2007</u>
		\$	\$
<b>22. EARNINGS/(LOSS) PER SHARE</b>			
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		(1,326,408)	(490,880)
		<hr/>	
		<b>Number of Shares <u>2008</u></b>	<b>Number of Shares <u>2007</u></b>
Weighted average number of ordinary shares used in calculating basic earnings/(loss) per share:		91,334,808	76,997,904
<i>Effect of dilutive securities</i>			
Share options*		-	-
		<hr/>	
Adjusted weighted average number of ordinary shares used in calculating diluted earnings/(loss) per share		<b>91,334,808</b>	<b>76,997,904</b>
		<hr/>	

**\*Non-dilutive securities**

As at balance date, 11,100,000 unlisted options (30 June 2007: 19,550,000 unlisted options) which represent potential ordinary shares were not dilutive as they would decrease the loss per share.

**Conversions, calls, subscriptions or issues after 30 June 2008**

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.

PIONEER NICKEL LIMITED AND ITS CONTROLLED ENTITY

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2008

	CONSOLIDATED		THE COMPANY	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
	\$	\$	\$	\$
<b>23. NOTES TO THE STATEMENT OF CASH FLOWS</b>				
<b>(a) Cash and Cash Equivalents</b>				
Cash at the end of the financial year as shown in the statements of cash flows is reconciled to the related items in the balance sheets as follows:				
Cash on hand	635	615	630	610
Cash at bank	85,830	35,090	85,830	35,090
Deposits at call	1,519,385	3,248,641	1,519,385	3,248,641
	<u>1,605,850</u>	<u>3,284,346</u>	<u>1,605,845</u>	<u>3,284,341</u>
<b>(b) Reconciliation of the loss from ordinary activities after income tax to the net cash flows used in operating activities</b>				
Loss from ordinary activities after income tax	(1,326,408)	(490,880)	(1,326,051)	(454,364)
<i>Non-cash items:</i>				
Depreciation	130,345	44,048	130,345	44,048
Exploration written off	1,492,008	-	1,492,008	-
Profit on sale of investments	(411,147)	(383,100)	(411,147)	(383,100)
Asset written off	12,000	1,100	12,000	1,100
Reversal of provision for diminution in the value of investments	-	(130,000)	-	(130,000)
Reversal of provision for recoverability of loan to controlled entity	-	-	-	(36,221)
Proceeds received upon exploration option fee	(700,000)	(70,000)	(700,000)	(70,000)
Expense of share-based payments	91,808	296,965	91,808	296,965
<i>Change in operating assets and liabilities:</i>				
Decrease/(increase) in prepayments	(7,449)	2,168	(7,449)	2,168
Decrease/(increase) in receivables	63,913	(27,619)	63,913	(27,619)
Increase/(decrease) in trade creditors	61,293	(10,614)	61,294	(10,614)
Increase in employee entitlements	19,632	20,348	19,632	20,348
Net cash outflows used in operating activities	<u>(574,005)</u>	<u>(747,584)</u>	<u>(573,647)</u>	<u>(747,289)</u>

# PIONEER NICKEL LIMITED AND ITS CONTROLLED ENTITY

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2008

### 23. NOTES TO THE STATEMENT OF CASH FLOWS

#### (c) Stand-By Credit Facilities

As at 30 June 2008 the Company has a business credit card facility available totaling \$30,000 (2007:\$25,000) of which \$17,003 (2007: \$10,937) was utilised.

#### (d) Non Cash Financing and Investing Activities

During the financial year ended 30 June 2008 the Company had no non-cash financing or investing activities.

During the prior financial year ended 30 June 2007 the Company issued 1,000,000 unlisted options to a controlled entity of Jubilee Mines NL ("Jubilee"), at an exercise price of 25 cents each and expiring on 31 August 2011 which were independently valued at \$69,000.

The issue of options was in satisfaction of the Company's agreement with Jubilee in relation to the Acra Project.

### 24. FINANCIAL INSTRUMENTS

The consolidated entity's activities expose it to a variety of financial risks and market risks. The consolidated entity's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the consolidated entity.

#### (a) Interest Rate Risk

The consolidated entity's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market, interest rates and the effective weighted average interest rates on those financial assets, is as follows:

2008

	Note	Weighted Average Effective Interest %	Funds Available at a Floating Interest Rate \$	Assets/ (Liabilities) Non Interest Bearing \$	Total
<u>Financial Assets</u>					
Cash and cash equivalents	23(a)	6.7%	1,605,235	615	1,605,850
Other receivables	6	-	-	310,026	310,026
Other financial assets	7	-	-	57,985	57,985
Total Financial Assets			1,605,235	368,626	1,973,861
<u>Financial Liabilities</u>					
Payables	11	-	-	(311,900)	(311,900)
Total Financial Liabilities			-	(311,900)	(311,900)
Net Financial Assets			1,605,235	56,726	1,661,961



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2008

## 24. FINANCIAL INSTRUMENTS

## (a) Interest Rate Risk

2007

	Note	Weighted Average Effective Interest %	Funds Available at a Floating Interest Rate \$	Assets/ (Liabilities) Non Interest Bearing \$	Total
<u>Financial Assets</u>					
Cash and cash equivalents	23(a)	6.3%	3,283,731	615	3,284,346
Other receivables	6	-	-	87,323	87,323
Other financial assets	7	-	-	945,536	945,536
Total Financial Assets			3,283,731	1,033,474	4,317,205
<u>Financial Liabilities</u>					
Payables	11	-	-	(520,529)	(520,529)
Total Financial Liabilities			-	(520,529)	(520,529)
Net Financial Assets			3,283,731	512,945	3,796,676

## (b) Credit Risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date, is the carrying amount, net of any provisions for doubtful debts, as disclosed in the balance sheet and in the notes to the financial statements.

The consolidated entity does not have any material credit risk exposure to any single debtor or group of debtors, under financial instruments entered into by it.

## (c) Commodity Price Risk and Liquidity Risk

At the present state of the consolidated entity's operations it has minimal commodity price risk. The consolidated entity's objective is to maintain a balance between continuity of exploration funding and flexibility through the use of available cash reserves.

## (d) Net Fair Values

For assets and other liabilities, the net fair value approximates their carrying value. No financial assets and financial liabilities are readily traded on organised markets in standardised form. The consolidated entity has no financial assets where the carrying amount exceeds net fair values at balance date.

The aggregate net fair values and carrying amounts of financial assets and financial liabilities are disclosed in the balance sheet and in the notes to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2008

25. EMPLOYEE ENTITLEMENTS AND SUPERANNUATION COMMITMENTS

*Employee Entitlements*

The aggregate employee entitlement liability is disclosed in Note 12.

*Directors, Officers, Employees and Other Permitted Persons Option Plan*

Details of the Company's Directors, Officers, Employees and Other Permitted Persons Option Plan are disclosed in Note 17.

*Superannuation Commitments*

The Company contributes to individual employee accumulation superannuation plans at the statutory rate of the employees' wages and salaries, in accordance with statutory requirements, to provide benefits to employees on retirement, death or disability.

Accordingly no actuarial assessment of the plans are required.

Funds are available for the purposes of the plans to satisfy all benefits that would have been vested under the plans in the event of:

- termination of the plans;
- voluntary termination by all employees of their employment; and
- compulsory termination by the employer of the employment of each employee.
- during the year employer contributions to superannuation plans (including salary sacrifice amounts) totaled \$83,949 (2007: \$57,899).

26. CONTINGENT LIABILITIES

There were no material contingent liabilities not provided for in the financial statements of the consolidated entity as at 30 June 2008 other than:

**Native Title and Aboriginal Heritage**

Native title claims have been made with respect to areas which include tenements in which the consolidated entity has an interest. The consolidated entity 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 consolidated entity 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 consolidated entity has an interest.

27. 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 Securities Exchange since balance date.

DIRECTORS' DECLARATION

In the opinion of the Directors of Pioneer Nickel Limited ("the Company"):

- (a) the financial statements and notes, set out on pages 32 to 62, are in accordance with the *Corporations Act 2001*, including:
  - (i) complying with Accounting Standards in Australia and the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
  - (ii) giving a true and fair view of the financial position of the Company and consolidated entity as at 30 June 2008 and of their performance, as represented by the results of their operations and their cash flows, for the financial year ended on that date.
- (b) there are reasonable grounds to believe that Pioneer Nickel Limited will be able to pay its debts as and when they become due and payable.

The Directors have been given the declarations required by section 295A of the *Corporations Act 2001* from the Managing Director and the Company Secretary for the financial year ended 30 June 2008.

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

Signed at Perth this 30th day of September 2008.

A handwritten signature in blue ink, appearing to read 'D J Crook', with a horizontal line underneath it.

**D J Crook**  
**Managing Director**

**INDEPENDENT AUDITOR REPORT  
TO THE MEMBERS OF PIONEER NICKEL LIMITED**

Chartered  
Accountants



**Report on the Financial Report**

We have audited the attached financial report of Pioneer Nickel Limited (the company) which comprises the balance sheet as at 30 June 2008, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for both Pioneer Nickel Limited and the Pioneer Nickel Group (the consolidated entity). The consolidated entity comprises the company and the entities it controlled at the year's end or from time to time during the financial year.

**Directors' Responsibility for the Financial Report**

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including Australian Accounting Interpretations) and the Corporations Act 2001.

This responsibility also includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

**Auditor's Responsibility**

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**BUTLER  
SETTINERI**

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**Locked Bag 18  
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Directors:

**Colin Butler**  
FCA

**Paul Chabrel**  
FCA

**Lucy Gardner**  
CA

**Butler Settineri (Audit) Pty Ltd**

A.C.N. 112 942 373

Registered Company Auditor Number 289109

*Liability limited by a scheme approved under Professional Standards Legislation*

[www.butlersettineri.com.au](http://www.butlersettineri.com.au)

## **Independence**

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001.

## **Auditor's Opinion**

In our opinion, the financial report of Pioneer Nickel Limited is in accordance with the Corporations Act 2001, including:

- a) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2008 and of their performance for the year ended on that date; and
- b) complying with Australian Accounting Standards (including Australian Accounting Interpretations) and the Corporations Regulations 2001.

## **Report on the Remuneration Report**

We have audited the remuneration report included on pages 27 to 29 of the directors' report for the year ended 30 June 2008.

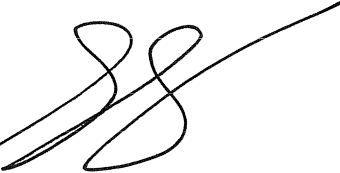
The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001.

Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

## **Auditor's Opinion**

In our opinion the Remuneration Report of Pioneer Nickel Limited for the year ended 30 June 2008, complies with section 300A of the Corporations Act 2001.

BUTLER SETTINER (AUDIT) PTY LTD



COLIN P BUTLER  
Director

Perth

Date: 30 September 2008



## **PIONEER NICKEL LIMITED**

**ABN 44 103 423 981**

# **2008**

## **CONCISE FINANCIAL REPORT**

The CONCISE FINANCIAL REPORT has been derived from Pioneer Nickel Limited's and its controlled entity 2008 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 2008 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).

**21 Ord Street, West Perth WA 6005**

**PO Box 1787, West Perth WA 6872**

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# PIONEER NICKEL LIMITED

ABN 44 103 423 981

## CORPORATE DIRECTORY

### DIRECTORS

Craig I McGown  
*Non-Executive Chairman*

David J Crook  
*Managing Director*

Allan Trench  
*Non-Executive Director*

Peter Langworthy  
*Non-Executive Director*

### COMPANY SECRETARY

Julie A Wolseley

### PRINCIPAL REGISTERED OFFICE

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Western Australia 6005

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West Perth  
Western Australia 6872

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### AUDITOR

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Unit 16, 1<sup>st</sup> Floor  
100 Railway Road  
Subiaco  
Western Australia, 6008

### SHARE REGISTRY

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770 Canning Highway  
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Facsimile: (08) 9315 2233  
Email: [registrar@securitytransfer.com.au](mailto:registrar@securitytransfer.com.au)

### SECURITIES EXCHANGE LISTING

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

### ASX CODE

PIO - ordinary shares

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Dear Shareholder,

It is with pleasure that I present to you the 2008 Annual Report for Pioneer Nickel Limited. This report provides a review of what has been a very successful year of exploration for the Company. Pioneer has maintained its commitment to shareholders to provide a high level of field-orientated exploration activity for the investment dollar. Significant progress has been achieved on the priority projects which will provide Pioneer with a strong foundation for the next 12 months.

In preparing this letter I reviewed last year's Chairman's review from which it is immediately evident that we are living in a significantly different world economic environment than was the case 12 months ago. The current environment is one of erratic and primarily downward movements in international equities markets, which has had a consequential impact on your Company as a participant in this market.

Despite the anticipated negative reaction by the local equity market to the international financial crisis, many well regarded economists still expect strong demand for commodities from BRIC countries in particular. Production constraints in commodities including iron, nickel, manganese and gold are forecast to continue for the next several years, with strong prices anticipated, and it is against this backdrop that Pioneer has taken the view that the commodity market will recover and your Company plans to be in a position to take full advantage of it.

It was based on this premise that your Company focused exploration efforts over the past year within its large tenement portfolio and has been rewarded with a number of very significant discoveries in nickel, gold, manganese and cobalt. During the 2007-2008 financial year your Company expended \$3.4 million to achieve these results.

Recognising the prevailing market conditions however, Pioneer is required to maintain a very focused approach to its projects including a pragmatic approach to the rationing of capital, both existing and new, going forward.

Your Company's management has undertaken a ranking of its current projects and has prioritised the allocation of funds to those which are most likely to result in a cash flow, whether in the medium or long term. In this regard your Company's focus remains on the Golden Ridge Nickel Project, while advancing the Mt Chester Manganese, Lignum Dam Gold and the Mt Thirsty Nickel South Cobalt-Nickel Projects, and in this report we have provided a brief view of how we think each of these projects value could be unveiled.

I would like to take this opportunity to thank shareholders, including Xstrata Nickel Australasia Investments Pty Ltd, who supported capital raisings during the year or supported the Company on-market. We are very conscious of putting "investor dollars" to good use and have seen exciting results generated this year. We are confident that continuing exploration will lead to further success.

Pioneer remains a company whose technical competence provides it with the platform to explore efficiently, to build a resource inventory and proceed to development of that resource. In this regard I would like to particularly thank David Crook and his team for their efforts and also to my fellow Board members whose enthusiasm and understanding of the mineral exploration industry has impressed me considerably in the short time that I have been Chairman of your Company.

I would also like to sincerely thank the outgoing Chairman, Reg Gillard, for his efforts over the past three years.

Craig McGown  
Chairman

## **Company Strategy – Capitalising on Exploration Success**

Pioneer is a specialist explorer with a strategically located portfolio of tenements in well mineralised areas of the Eastern Goldfields of Western Australia.

This year saw very encouraging results generated from four projects. These represent opportunities in nickel, gold, cobalt and manganese, and will be the priority for the Company going forward.

The results generated this year confirm that real opportunities do exist within the Company's tenement portfolio, and that a multi-commodity exploration strategy can generate exciting results which will translate into increased value for shareholders.

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.

The Company will continue to uncover value through aggressive exploration programs. At times this will mean entering into partnerships with other well regarded mining companies to ensure exploration momentum is maintained. Pioneer will also continue to review external project opportunities as they become evident.

While cognisant that market conditions are currently very difficult for junior explorers, the Company maintains a medium to long-term growth strategy driven by genuine discovery, and looks forward to emerging into a recovering market in good shape.

## Corporate Overview

The Australian stock market leading indicator, the ASX All Ordinaries Index, peaked at 6873 points on 1<sup>st</sup> November 2007 and has been declining steadily since. Pioneer's share price started its decline at the beginning of December 2007 from 24c, coming off rapidly until the end of March 2008, but continuing to dwindle to today's price. While this is no consolation, many other ASX listed explorers, and even miners with robust cash flows, have been equally sold down.

What it means to your Company however is:

- Investment capital for junior companies is currently very scarce;
- Where capital is available, brokers are requiring large discounts to market to complete fundraisings;
- With a depressed share price, new issues are very dilutive; and
- Significant raisings are hampered by a rule which caps the quantum of shares available for issue to 15% of the already issued capital.

Pioneer expended \$3.4 million on exploration expenditure for the year which was paid for from existing cash reserves, sale of its stake in listed Galaxy Resources Limited and a placement of 13,410,000 shares which raised an additional \$1.139,850. At the end of the financial year the Company had 103,208,479 ordinary shares on issue.

Bearing in mind the current market, your Company is implementing a strategy which will include expanding alliances with existing partners and developing additional alliances with other companies through project equity divestment, thereby minimising highly dilutive conventional capital raisings. The overriding priority however, is to remain sufficiently funded, permitting priority exploration programs to go ahead while remaining well prepared should the downturn in the equities market become protracted.

During the year Mr Reg Gillard resigned as Chairman and non-executive Director following a decision to reduce his work commitments. On behalf of your Company, the Board extends its thanks to Mr Gillard for his valued contribution to the growth of Company since 2005.

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

- Xstrata Nickel Australasia Pty Limited managing the Acra JV Project;
- Lake Johnston Ltd (Norilsk) 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 Larkinville JV Projects; and
- Bass Metals Ltd managing the Heazlewood and Whyte River Royalty Agreement (Tasmania).

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.

## Operational Statistics for 2007-2008

<b>Soil Sampling      17,324 samples</b>		
• Ravensthorpe JV	575 sites	
• Balagundi	1,868sites	
• Silver Swan NW	1,618sites	
• Ida Fault	941 sites	
• Aerodrome JV	344 sites	
• Acra JV	11,978 sites	
<b>RC and Diamond Drilling    132holes    25,813m</b>		
• Golden Ridge JV	5 holes	1,685m
• Ravensthorpe JV	21holes	5,540m
• Balagundi	10 holes	1,255m
• Larkinvile	35 holes	3,668m
• Wattle Dam	21 holes	3,993m
• Acra	40 holes	9,672m
•		
<b>RAB/Aircore Drilling      49,287m</b>		
• Golden Ridge JV	14,183m	
• Silver Swan NW	19,624m	
• Wattle Dam	15,480m	

In addition to the employees who have put in another exemplary year, the Directors would like to acknowledge and thank the casual and part-time geologists, field assistants, database managers and consultants who have provided a valuable contribution to the Company during the year.

## Summary of Work Programs for Pioneer Managed Projects 2007-2008

During the year the Company's commitment to 'spending money in the ground' has proved very successful with new sulphide nickel and gold discoveries made within core projects areas.

The Company believes that its decision to diversify its commodity mix is generating results with quality targets generated for gold, manganese, lateritic cobalt-nickel and copper-lead-zinc. Importantly these projects have all been generated from within the Company's extensive land bank.

### Lignum Dam Gold Project (60km N of Kalgoorlie. PIO 100%)

- Located 60km N of Kalgoorlie, Western Australia.
- Tregurtha - a green-fields gold discovery, within the Rainbow Dam Granodiorite.
- RAB drilling completed, returning anomalous gold values:
 

SSB0412	29m at 2.08 g/t Au
SSB0413	8m at 2.43 g/t Au
SSB0400	4m at 3.31 g/t Au

### Golden Ridge JV Nickel Project (PIO 51%).

- Located 30km SE of Kalgoorlie, Western Australia.
- 4 new targets identified:
 

Leo Dam	68m at 0.56% Ni, 403ppm Cu and 279ppb Pt+Pd
Central 2:	11m at 0.35% Ni, 118ppm Cu and 32ppb Pt+Pd
Central 8:	13m at 0.53% Ni, 397ppm Cu and 71ppb Pt+Pd
Central 16:	5m at 0.37% Ni, 717ppm Cu and 148ppb Pt+Pd
- Disseminated nickel sulphides intersected at Leo Dam.

### Mt Chester (Ravensthorpe JV) Manganese Project (PIO 75%).

- Located 10km SE of Ravensthorpe, Western Australia.
- Manganese exploration commenced.
- Spot outcrop samples assayed between 30% and 49% manganese over a 500m strike length.

### Mt Thirsty South Cobalt, Nickel, Manganese Project (160km S of Kalgoorlie. PIO 100%)

- Located 160km S of Kalgoorlie, Western Australia.
- Lateritic cobalt-nickel-manganese mineralisation identified.
- Mineralisation is along the strike extension of a known resource.

## Highlights from JV Exploration

### Acra Joint Venture Project (Farm-out, Nickel, Gold, PIO 40%)

- Located 70km E of Kalgoorlie, Western Australia.
- Nickel sulphides have been intersected for the first time on an intact basal ultramafic contact.

### The Ramelius Alliance Area (Farm-out, Nickel-Gold, PIO 20-25%)

- Located 70km SW of Kalgoorlie, Western Australia.
- New nickel sulphide targets identified in RAB drilling at Wattle Dam.
- Narrow zone of high nickel tenor massive sulphide confirms prospectivity at 1A Prospect.
- Positive gold results returned from drilling at Larkinville West JV.

### The Heazlewood JV Project (Royalty Agreement, Polymetallic, PIO 2% NSR)

- Located NW Tasmania, Tasmania.
- Pioneer converted its equity in the Project into a 2% Net Smelter Return royalty.
- Venture Minerals Limited enters into an iron and tungsten JV for the project

## Outlook – Discoveries Develop Into Drilling Targets

### Golden Ridge Project – Nickel Sulphide Discovery at Leo Dam

The Company's systematic approach to exploring the Golden Ridge JV Project is proving effective following the discovery of disseminated nickel sulphides at its Leo Dam Prospect, and the identification of other priority targets along the Central Ultramafic Unit. This is a direct result of an in-house process of geochemically fingerprinting ultramafic units.

Following aircore drilling, deeper RC drill holes, which target the ultramafic footwall, will be used as DHTEM platforms. This is a technique used to locate massive sulphide accumulations, if present, near the drill hole.

**Mt Chester Manganese Project – Strategically Located Manganese Mineralisation**  
Reconnaissance work by the Company has located high value manganese in outcrop for 500m of strike. Spot samples returning assays between 30% and 49% Mn. Mt Chester is approximately 160km from the Esperance Port.

Initial drilling will test the manganese-bearing horizon with five fans of holes planned from an easily accessible area near an old sampling adit.

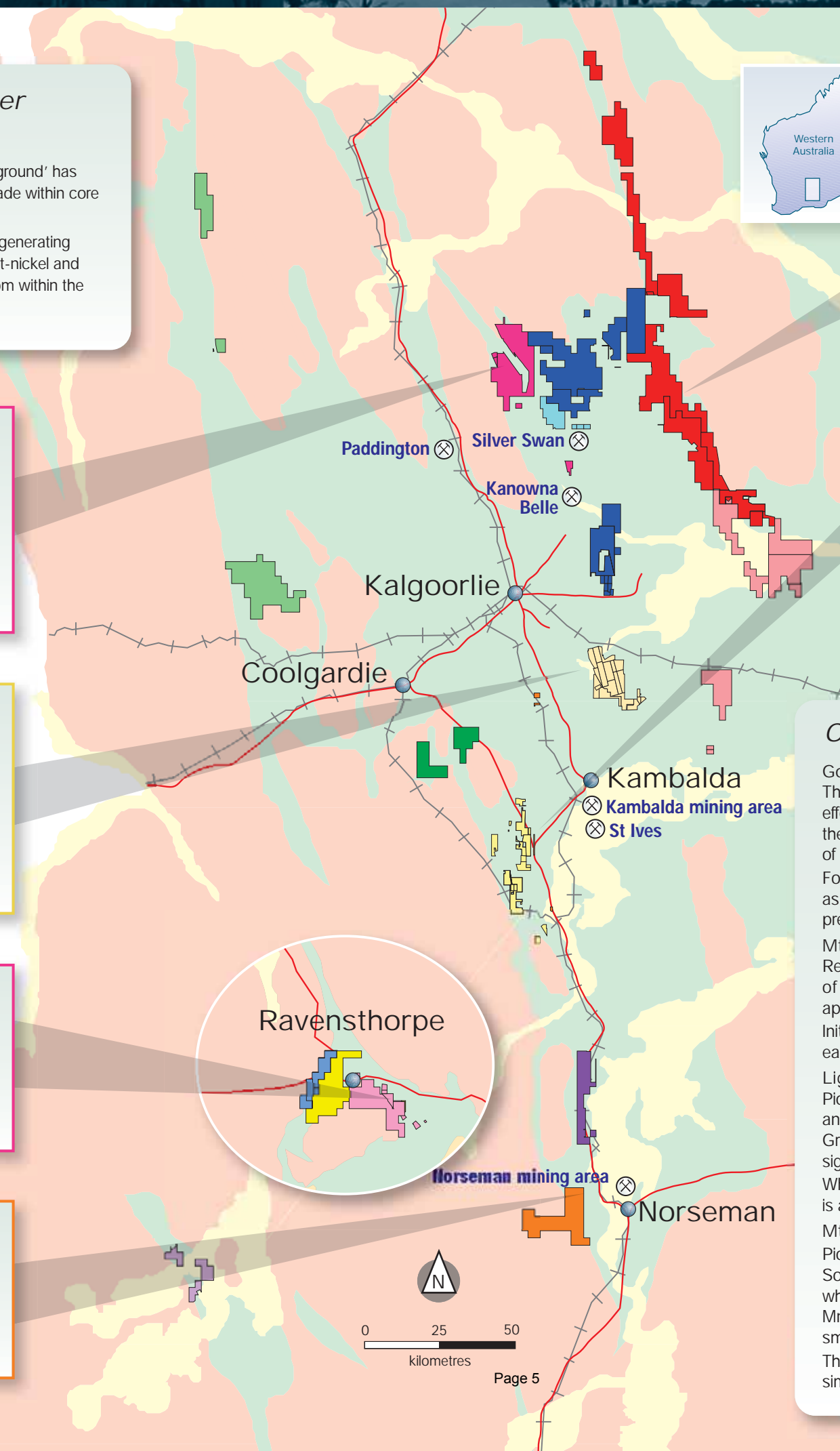
### Lignum Dam Gold Project – Greenfield Gold Hits at Tregurtha

Pioneer's new gold discovery is located entirely within sheared granodiorite. This environment is analogous to the setting of the Federal and Golden Cities Deposits, hosted in the Rainbow Dam Granodiorite. 15km to the southwest. RAB drilling to date has generated a series of very significant results.

While RAB drilling is still required to infill and extend 3 of 4 anomalies identified to date, Tregurtha is at a stage where mineral resource definition drilling can commence.

**Mt Thirsty South Cobalt-Nickel-Manganese Project - Potential for High Grade Cobalt**  
Pioneer has identified potential cobalt-nickel-manganese lateritic mineralisation. The Mt Thirsty South Project is the immediate southern extension of the Mt Thirsty Project (not held by Pioneer) which has a published mineral resource of 29 million tonne of 0.56% Ni, 0.12% Co and 0.88% Mn. Drilling will initially confirm the presence of a mineralised weathering mantle and locate smaller lenses of high cobalt material.

The Company anticipates that it will pursue a joint development plan with other companies with similar mineralisation, who presently operate in the area.



## **OPERATIONS REPORT**

### ***Golden Ridge Joint Venture Project***

*Pioneer has a 51% interest in the project. Australian Mines Limited has a 49% contributing interest.*

The Golden Ridge Project targets ultramafic stratigraphy that is well endowed in respect of nickel mineralisation, hosting the Blair Nickel Mine and a number of other occurrences, including the Leo Dam discovery made this year. The Blair Mine is excluded from the JV, as are rights to gold within the project.

The project includes 100km<sup>2</sup> of predominantly granted mining leases which are accessed by well formed roads, being 20 minutes drive from the mining centre of Kalgoorlie. The Blair Mine, within the project perimeter, has scheme electricity and other mining infrastructure in place, including a haul road direct to the Kambalda Nickel Concentrator. The Company has a 'good faith' access agreement for mine infrastructure if required. This ensures that when a discovery is made, the transition to mining will be expeditious.

### ***Nickel: Reconnaissance Drilling Leads to a New Discovery***

Nickel sulphide exploration is about locating the specific geological environment where mineralisation deposition may occur. The joint venture uses reconnaissance drilling as the principal exploration tool to locate this environment, which directly led to the discovery of nickel at the Leo Dam Prospect.

Drilling for the year totalled 14,183m of aircore, 408m of RC and 1,277m of diamond core.

### ***Pioneer's New Geological Model Adds Focus for the Next Exploration Phase***

A comprehensive interpretation of the project geology has been completed, drawing information from drilling programs and geophysical data. Geological and geochemical characteristics that are consistent with 'Kambalda-style' nickel sulphide deposits have been identified for a number of zones including the anomalous Leo Dam Ultramafic Unit and the Central Ultramafic Unit.

As a direct result of the new geological model, four nickel sulphide targets have been identified. The Leo Dam Prospect and three targets along the basal contact of the Central Ultramafic Unit feature coincident zones of Ni-Cu-PGE anomalism at or near apparent thermal erosion channels.

- Leo Dam        68m at 0.56% Ni, 403ppm Cu and 279ppb Pt+Pd
- Central 2:    11m at 0.35% Ni, 118ppm Cu and 32ppb Pt+Pd
- Central 8:    13m at 0.53%Ni, 397ppm Cu and 71ppb Pt+Pd
- Central 16:    5m at 0.37% Ni, 717ppm Cu and 148ppb Pt+Pd

### ***Positive Outlook – Follow-Up Drilling Planned***

From a technical standpoint, the Company has developed a clear exploration strategy, which has resulted in the identification of four new priority targets. The Company will focus on further testing these targets, while continuing generative work in other areas of the project.

## ***Ravensthorpe Joint Venture Project***

*Western Copper Pty Limited (a wholly owned subsidiary of Pioneer) has a 75% interest in the Project. Galaxy Resources Limited has a 25% contributing interest.*

Located approximately 10km from Ravensthorpe WA and 180km from the Esperance Port, the Company initially targeted the historical Mt Desmond and Elverdton copper mines, however emphasis has now changed to the Mt Chester Manganese Project, located within a granted mining lease. The project is accessed by sealed road and has scheme electricity running through the tenement.

### ***Manganese: A High Value Commodity With a Good Future Identified at Mt Chester***

Manganese is an essential component and is currently in high demand in the burgeoning Chinese steel industry. Manganese has experienced unprecedented price increases, exceeding 600% in some reports, throughout 2007 and 2008. Market fundamentals indicate continued future price strengthening, due to a global shortage of high-grade manganese ore. Pioneer therefore considers this to be a very important project.

Rock-chip assays from a geochemistry program which targeted the out-cropping manganese-rich horizon returned very significant values above 30% Mn, to a maximum value of 49% Mn over a strike length of 500m. Soil covers the horizon at each end; however soil samples anomalous in manganese may indicate obscured strike extensions.

The mineralised horizon was previously tested by an adit at approximately 30m below the surface, which was dug before 1909. The adit was mapped and sampled during the 1980s by Metana Minerals NL, with a report recording 15m at 17.7% Mn from the sampling. No other work is evident. The mineralogy of samples collected by Pioneer from the adit dumps indicates that the predominant manganese mineral is the high value pyrolusite.

### ***Outlook – Drilling To Test Depth Potential Of Mineralisation***

The joint venture views that the Mt Chester Prospect has the potential to provide high-grade manganese ore and notes the favourable proximity to the deep water port of Esperance, a strategic advantage should drilling prove successful.

An initial 250m of strike length will be drilled to provide orientation material and subsequent programs will test the full strike length of outcrop and other manganese anomalies in the area. Key elements to be tested include how wall rocks would respond in a mining proposition and the capacity of the mineralisation to respond to beneficiation.

### ***Mt Desmond–Elverdton Copper-Gold Prospect***

Copper-gold mineralisation intersected in drilling is interpreted to occur as thin, discontinuous lenses, and it is considered unlikely that a significant underground mining proposition exists directly beneath the workings. Better results were returned from the northern Mt Desmond Mine to PLP Workings where extensions to mineralisation remain untested, assuming a shallow northerly plunge.

## ***Aerodrome Joint Venture Project***

*Pioneer is earning a 75% interest in the project through expending \$0.5 million. Galaxy Resources Limited 100%.*

Soil geochemistry and geological mapping was completed over areas of ultramafic stratigraphy, VTEM and MLTEM anomalies. Coincident nickel-copper-PGE anomalies were identified adjacent to magnetic highs warranting further work.

### ***Silver Swan Northwest Group of Projects***

*Pioneer has a 100% interest in the projects.*

The Silver Swan Northwest group of projects, including Balagundi, has an area of 635km<sup>2</sup> which covers sequences of ultramafic, mafic and felsic units, intruded by granites, which are considered prospective for nickel sulphide, gold and volcanogenic massive sulphide mineralisation. During the year all tenements within the project were granted and in-ground exploration activity commenced in earnest.

### ***Gold: A New Discovery at the Lignum Dam Project***

The Lignum Dam Project occurs within granodiorite, an environment analogous to the setting of the Federal and Golden Cities Deposits (currently being mined by Norton Gold Fields Limited) located 15km SSW, which had a combined in-ground mineral resource exceeding 1 million ounces of gold. The Project is approximately 21km NE from the Paddington Gold Mill and 35km NNW of the Kanowna Belle Gold Mill.

Pioneer completed 19,624m of RAB drilling to test a 12km long structural and geochemical anomaly which resulted in the discovery of a new fertile gold corridor. Initial targets include the Tregurtha, Pianto and Top gold prospects.

Holes have been completed on traverses between 400m and 100m apart and spaced at 80m or 40m apart along the lines. Significant results from the Tregurtha Prospect included:

- SSB0400 4m at 3.13 g/t Au from 12m
- SSB0400 2m at 2.11 g/t Au from 40m
- SSB0412 29m at 2.08 g/t Au from 36m
- SSB0413 8m at 2.43 g/t Au from 36m

### ***Outlook for the Gold Discovery***

The Tregurtha gold anomaly is now sufficiently defined that resource definition drilling can commence.

### ***Nickel: Ultramafic Units with Nickel Sulphide Potential are Mapped***

A compilation and interpretation of open file data, geophysical data and new geochemistry was undertaken. Within the project, three ultramafic units are considered prospective for nickel sulphide mineralisation.

A MLTEM conductor detected within the Scotia East Ultramafic Unit was drilled with three RC holes. The conductor was attributed to a sulphide-rich chert horizon at the basal ultramafic contact.

### ***Outlook – Continued Testing of Ultramafic Units for Nickel Sulphides***

While the sulphide mineralisation encountered in first pass drilling was not nickeliferous, the ultramafic rocks are anomalous and therefore the Scotia Ultramafic Unit remains prospective for nickel sulphide mineralisation elsewhere.

Regional exploration programs for the Rainbow Dam and Wishbone Ultramafic Units will commence during the year.



### ***Volcanogenic Massive Sulphide: Gindalbie Terrane Yields Targets***

The Gindalbie Terrane VMS Project targets geological units which are considered by the GSWA to be prospective for volcanogenic massive sulphide ("VMS") style copper-lead-zinc deposits.

The project aggregates the eastern tenements of the Silver Swan Northwest Project with the Balagundi Project. This target style includes Golden Grove and Teutonic Bore Mines as Western Australian examples.

A compilation of information for over 2,200 km<sup>2</sup> of Gindalbie Terrane stratigraphy was completed. This analysis drew information from historical drilling programs and geophysical data, and resulted in the production of a series of base maps of the geological, weathering and erosion systems that interplay within Pioneer's project area.

Pioneer also completed:

- A 3,486 site geochemical sampling program, which generated two stand-out anomalies at the Red Bluff Gully and Trapdoor Prospects;
- PIMA analysis of samples from pre-existing RAB drilling to map rock alteration patterns, often a feature of mineralised systems; and
- A 10 hole RC program at the Trapdoor Prospect. Two holes intersected a zone of weak malachite (copper) mineralisation.

### ***Outlook - a Systematic Approach to VMS exploration***

The Company has commenced detailed geological mapping and sampling to validate targets ahead of the next phase of drilling.

### ***Mt Thirsty South Cobalt-Nickel-Manganese Project***

*Pioneer has a 100% interest in the project.*

The Mt Thirsty South Project is a single exploration licence with an area of 114km<sup>2</sup>, which is located on the sealed Kalgoorlie-Esperance Highway, 20km N of Norseman. The tenement was recently granted and drilling commenced. Pioneer believes that it has located two zones of highly weathered ultramafic rocks which exhibit characteristics of a nickel laterite deposit.

The tenement is immediately adjacent to the Mt Thirsty Joint Venture Project ("MTJV") (Barra Resources Limited and Fission Energy Limited) where a mineral resource of 29 million tonne of 0.56% Ni, 0.12% Co and 0.88% Mn has been reported. When compared to other Goldfields lateritic nickel deposits, Mt Thirsty contains very elevated cobalt concentrations.

### ***Cobalt: Favourable Deposition Environment Identified for this High Value Metal***

Pioneer previously flew a detailed aeromagnetic survey to cover the Mt Thirsty Ultramafic Complex. Images show a 3km long demagnetised zone which represents the pervasively weathered olivine cumulate-textured peridotite, being the southern strike extension of the MTJV's deposit. This was confirmed by drilling RAB traverses.

### ***Outlook – Delineating Cobalt-Nickel Laterite Resources***

The Company is aware that for a project of this size and nature to succeed, a scheme of arrangement with neighbouring companies will be required.

The project is differentiated from other lateritic nickel projects due to the elevated concentrations of cobalt reported for Mt Thirsty. This, and advances in moderate temperature, ambient pressure leaching technology to recover key payable metals could mean that an eventual treatment plant would have a much lower construction cost when compared with PAL alternatives.

## FARM-OUT PROJECTS

### **Acra Joint Venture Project**

*Pioneer 40%. Xstrata Nickel Australasia Pty Limited ("Xstrata"), currently holds a 60% interest and is earning up to a 75%. Heron Resources Limited retains rights to nickel laterite ore.*

### **Nickel: Deep Drilling Intersects an Intact Mineralised Basal Contact**

Xstrata has now identified nickel sulphide mineralisation at three locations, the Jubilee-JSW Gossan, Jubilee West and Acra South Prospects, along the southern ultramafic unit limb in addition to the original Acra Prospect.

Xstrata has notified Pioneer that RC and diamond drilling, amounting to 40 holes for 9,672m, was completed during the year. Holes tested geological and geophysical targets, and were subsequently tested with DHTEM surveys.

Disseminated nickel sulphide mineralisation intersected internal to the ultramafic host unit at the JSW Gossan Prospect included:

- JBDD004 3.0 metres at 0.56% Ni from 249.5 metres.
- JBDD008 0.29 metres at 0.98% Ni from 273.81 metres.
- JBDD009 4.3 metres at 0.55% Ni from 299.75 metres.
- JBRC021 10.0 metres at 0.79% Ni from 10 metres (including 2m at 1.38% Ni from 16m).
- JBRC028 16.0 metres at 0.70% Ni from 16 metres.

and the Jubilee West Prospect drilling intersected minor disseminated nickel sulphides internal to the ultramafic unit as well as narrow stringer massive nickel sulphides and cloud sulphides in an interpreted overturned, basal contact position, which assayed:

- JBDD014 - 0.1 metres at 2.58% Ni from 553.72 metres.

This intersection is significant as it represents the first intact Type 1 nickel sulphide intersection within the project area.

### **Ramelius Alliance - Wattle Dam Joint Venture Project**

*Pioneer 20% of nickel rights. Ramelius Resources Limited holds a 100% interest in gold and tantalum rights and 80% of nickel rights.*

Nickel exploration programs are targeting the mineralised Spargoville Ultramafic Unit, which hosts the Spargoville 1A, 5B and Andrew's Shaft Deposits (located in small excisions held by Breakaway Resources Limited).

### **Nickel Sulphides Intersected at the 1A North Nickel Prospect**

Drilling to test for mineralised extensions to an earlier intersection of 0.45m at 2.0% Ni intersected an encouraging 0.1m of massive sulphides grading 5.0% nickel within 1ANDH0002. Further drilling will evaluate an associated DHTEM conductor.

Additional RAB, aircore and RC drilling tested the ultramafic sequence north of the 1A North Prospect. Best results included:

- (RC drilling) 6m at 0.50% Ni (including 1m at 1.0% Ni).
- (RAB drilling) 18m at 0.77% Ni (including 4m at 1.1% Ni).

### ***Ramelius Alliance - Larkinville Joint Venture Project***

*Pioneer 20%-25%. Ramelius Resources Limited holds a 75% interest in gold and tantalum rights and 80% of nickel rights.*

### ***Encouraging Gold Results Returned at the Larkinville West Gold Prospect***

Ramelius has reported to Pioneer that RC drilling which targeted a RAB anomaly returned significant results within two mineralised zones:

- Supergene zone: LWRC0020 12m at 2.6g/t Au;
- Fresh rock zone: LWRC0026 3m at 4.9g/t Au and 1m at 20.6g/t Au.

First pass deeper drilling beneath the fresh rock intercepts did not return significant results.

### ***Heazlewood Joint Venture***

*Pioneer 2% NSR*

### ***A New Joint Venture Partner for Iron and Tin***

Bass Metals Ltd has entered into a joint venture covering its iron, tin and tungsten prospects with Venture Minerals Limited. Rights to all commodities other than Fe, Sn and W are retained by Bass.

As well as being prospective for gold, nickel and platinum group metal deposits, the Heazlewood and Whyte River Projects are prospective for magnetite skarn-type mineralisation. At Heazlewood the same geological sequence that hosts significant magnetite-tin-tungsten mineralisation at the Mt Lindsay Project occurs in the south of the tenement, with a strong magnetic signature. The Whyte River licence contains the Rocky River group which also hosts the Savage River Magnetite Mine located approximately 10km to the north.



David Crook  
**Managing Director**

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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.

Data in this report have previously been lodged with ASX during the prior 12 months. Supplementary information pertaining to the data is available in the earlier reports.

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## **Definitions**

Transient Electromagnetic Surveys (“TEM”) detect conductive rock units (which may include lenses of nickeliferous sulphides). Configurations include:

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

Superconducting quantum interference device (“SQUID”) and Fluxgate are types of TEM receivers.

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.

Pressure Acid Leach (“PAL”) is a technique using high pressure, high temperature acid contained in an autoclave to dissolve nickel laterite ore.

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.

### Summary of Tenements

Prospect	Tenement	Holder	Status	Responsible	Notes
<b>Western Australia</b>					
<b>Pioneer</b>					
Pioneer	E63/1030	Pioneer Nickel Ltd	G	Pioneer Nickel Ltd	1,2
<b>Higginsville</b>					
Theatre Rocks	E63/1182	Pioneer Nickel Ltd	G	Pioneer Nickel Ltd	
Widiemoontha	P15/4749	Pioneer Nickel Ltd	P	Pioneer Nickel Ltd	
Feysville	P26/3287	Pioneer Nickel Ltd	G	Pioneer Nickel Ltd	
Feysville	P26/3295	Pioneer Nickel Ltd	G	Pioneer Nickel Ltd	
<b>Golden Ridge JV</b>					
Golden Ridge	M26/219	Blair Nickel Mine Pty Ltd	G	Pioneer Nickel Ltd	4
Blair Nickel Mine	M26/220	Blair Nickel Mine Pty Ltd	G	Pioneer Nickel Ltd	4
Golden Ridge	M26/221	Blair Nickel Mine Pty Ltd	G	Pioneer Nickel Ltd	4
Golden Ridge	M26/222	Blair Nickel Mine Pty Ltd	G	Pioneer Nickel Ltd	4
Golden Ridge	M26/223	Blair Nickel Mine Pty Ltd	G	Pioneer Nickel Ltd	4
Golden Ridge	M26/225	Blair Nickel Mine Pty Ltd	G	Pioneer Nickel Ltd	4
Duplex Hill	M26/284	Blair Nickel Mine Pty Ltd	G	Pioneer Nickel Ltd	4
Duplex Hill	M26/285	Blair Nickel Mine Pty Ltd	G	Pioneer Nickel Ltd	4
Duplex Hill	M26/286	Blair Nickel Mine Pty Ltd	G	Pioneer Nickel Ltd	4
Duplex Hill	M26/287	Blair Nickel Mine Pty Ltd	G	Pioneer Nickel Ltd	4
Duplex Hill	M26/288	Blair Nickel Mine Pty Ltd	G	Pioneer Nickel Ltd	4
Duplex Hill	M26/289	Blair Nickel Mine Pty Ltd	G	Pioneer Nickel Ltd	4
Blair Nickel Mine	M26/384	Blair Nickel Mine Pty Ltd	G	Pioneer Nickel Ltd	4
Golden Ridge	M26/508	Blair Nickel Mine Pty Ltd	P	Pioneer Nickel Ltd	4
<b>Wattle Dam</b>					
Wattle Dam	M15/1101	Ramelius Resources Ltd	G	Ramelius Resources Ltd	1,5,6
Wattle Dam	M15/1263	Ramelius Resources Ltd	G	Ramelius Resources Ltd	1,5,6
Wattle Dam	M15/1264	Ramelius Resources Ltd	G	Ramelius Resources Ltd	1,5,6
Wattle Dam	M15/1323	Ramelius Resources Ltd	G	Ramelius Resources Ltd	1,5,6
Wattle Dam	M15/1338	Ramelius Resources Ltd	G	Ramelius Resources Ltd	1,5,6
Spargoville	M15/1769	Ramelius Resources Ltd	G	Ramelius Resources Ltd	1,5,6
Spargoville	M15/1770	Ramelius Resources Ltd	G	Ramelius Resources Ltd	1,5,6
Wattle Dam	M15/1771	Ramelius Resources Ltd	G	Ramelius Resources Ltd	1,5,6
Wattle Dam	M15/1772	Ramelius Resources Ltd	G	Ramelius Resources Ltd	1,5,6
Wattle Dam North	M15/1773	Ramelius Resources Ltd	G	Ramelius Resources Ltd	1,5,6
Wattle Dam	P15/4479	Ramelius Resources Ltd	G	Ramelius Resources Ltd	1,5,6
<b>Larkinville</b>					
Scahill	E15/896	Pioneer Nickel Ltd	G	Ramelius Resources Ltd	1,7,8
Larkinville	E15/689	Pioneer Nickel Ltd / Ramelius	G	Ramelius Resources Ltd	7,8
Wannaway NE	E15/742	Pioneer Nickel Ltd / Ramelius	G	Ramelius Resources Ltd	7,8
Yallari	E15/1039	Pioneer Nickel Ltd	P	Ramelius Resources Ltd	7,8
Larkinville	P15/4213	Pioneer Nickel Ltd / Ramelius	G	Ramelius Resources Ltd	7,8
Larkinville	P15/4214	Pioneer Nickel Ltd / Ramelius	G	Ramelius Resources Ltd	7,8
Larkinville	M15/1449	Pioneer Nickel Ltd / Ramelius	P	Ramelius Resources Ltd	7,8
Logans	P15/4790	Pioneer Nickel Ltd / Ramelius	P	Ramelius Resources Ltd	7,8
Larkinville	P15/4904	Pioneer Nickel Ltd / Ramelius	P	Ramelius Resources Ltd	7,8
Larkinville	P15/4905	Pioneer Nickel Ltd / Ramelius	P	Ramelius Resources Ltd	7,8
Burnam North	P15/4765	Pioneer Nickel Ltd	P	Ramelius Resources Ltd	7,8

<b>Silver Swan NW</b>					
Ringlock Dam	E24/146	Pioneer Nickel Ltd	G	Pioneer Nickel Ltd	1
Mt Jewell	E27/300	Pioneer Nickel Ltd	G	Pioneer Nickel Ltd	1
Whitehead Dam	E27/335	Pioneer Nickel Ltd	G	Pioneer Nickel Ltd	
Carr Boyd South	E27/336	Pioneer Nickel Ltd	G	Pioneer Nickel Ltd	1
Gordon	E27/340	Pioneer Nickel Ltd	G	Pioneer Nickel Ltd	1
Lindsays Find NW	E27/365	Pioneer Nickel Ltd	G	Pioneer Nickel Ltd	1
Mulgarrie East	E27/388	Pioneer Nickel Ltd	P	Pioneer Nickel Ltd	
Lindsays Find	E27/400	Western Copper Pty Ltd	P	Pioneer Nickel Ltd	
Carr Boyd	E31/617	Pioneer Nickel Ltd	G	Pioneer Nickel Ltd	1
Scotia East	P24/4233	Pioneer Nickel Ltd	G	Pioneer Nickel Ltd	
Scotia East	P24/4234	Pioneer Nickel Ltd	G	Pioneer Nickel Ltd	
<b>Balagundi</b>					
Mt Gwynne	E27/304	Avoca Resources Ltd	G	Pioneer Nickel Ltd	9
Balagundi	E27/310	Western Copper Pty Ltd	G	Pioneer Nickel Ltd	
Lake Perolilli	E27/341	Western Copper Pty Ltd	P	Pioneer Nickel Ltd	
Balagundi	P25/1945	Western Copper Pty Ltd	G	Pioneer Nickel Ltd	
Balagundi	P25/1946	Western Copper Pty Ltd	G	Pioneer Nickel Ltd	
Balagundi	P25/1947	Western Copper Pty Ltd	G	Pioneer Nickel Ltd	
Balagundi	P25/1948	Western Copper Pty Ltd	G	Pioneer Nickel Ltd	
Balagundi	P25/1949	Western Copper Pty Ltd	G	Pioneer Nickel Ltd	
Balagundi	P25/1950	Western Copper Pty Ltd	G	Pioneer Nickel Ltd	
Balagundi	P25/1951	Western Copper Pty Ltd	G	Pioneer Nickel Ltd	
<b>Silver Swan NW JV</b>					
Silver Swan North	E27/333	Pioneer Nickel Ltd	G	BHP Minerals	1,10
Silver Swan North	P27/1819	Heron Resources Ltd	G	BHP Minerals	1,9,10
Silver Swan North	P27/1820	Heron Resources Ltd	G	BHP Minerals	1,9,10
Silver Swan North	P27/1821	Heron Resources Ltd	G	BHP Minerals	1,9,10
<b>Acra</b>					
Horseshoe Dam	E25/381	Western Copper Pty Ltd	P	Pioneer Nickel Ltd	
Lady of the Lake	E28/1783	Pioneer Nickel Ltd	P	Pioneer Nickel Ltd	11
Gundocketa Hill	E28/1865	Pioneer Nickel Ltd	P	Pioneer Nickel Ltd	
Mt Parkin	E28/1866	Pioneer Nickel Ltd	P	Pioneer Nickel Ltd	
Gundocketa Hill Sth	E28/1875	Pioneer Nickel Ltd	P	Pioneer Nickel Ltd	
Emu Lake	E31/827	Western Copper Pty Ltd	P	Pioneer Nickel Ltd	
Kurrajong Well	E31/843	Western Copper Pty Ltd	P	Pioneer Nickel Ltd	
Mt Monger	P25/1811	Pioneer Nickel Ltd	G	Pioneer Nickel Ltd	
Mt Monger	P25/1812	Pioneer Nickel Ltd	G	Pioneer Nickel Ltd	
Jubilee	P28/1013	Pioneer Nickel / Xstrata	G	Pioneer Nickel Ltd	
<b>Acra JV</b>					
Sampson	E27/273	Pioneer Nickel / Xstrata	G	Xstrata Nickel Australasia Operations P/L	9,12,13
Kalpini	E27/278	Pioneer Nickel / Xstrata	G	Xstrata Nickel Australasia Operations P/L	9,12,13
Acra	E28/1223	Pioneer Nickel / Xstrata	G	Xstrata Nickel Australasia Operations P/L	12,13
Acra South	E28/1515	Pioneer Nickel	G	Xstrata Nickel Australasia Operations P/L	
Jubilee	E28/1746	Pioneer Nickel / Xstrata	G	Xstrata Nickel Australasia Operations P/L	
Boomerang Lake	E31/519	Pioneer Nickel	G	Xstrata Nickel Australasia Operations P/L	12,13
Mt Ballona	E31/575	Pioneer Nickel	G	Xstrata Nickel Australasia Operations P/L	9,12,13
Boomerang North	E31/581	Pioneer Nickel	G	Xstrata Nickel Australasia Operations P/L	12,13
Jubilee	P28/1120	Pioneer Nickel / Xstrata	G	Xstrata Nickel Australasia Operations P/L	12
Mid East Tank	P31/1707	Pioneer Nickel	G	Xstrata Nickel Australasia Operations P/L	12

<b>Ida Fault</b>					
Jaurdie Hills	E16/363	Pioneer Nickel Ltd	P	Pioneer Nickel Ltd	
Riverina	E30/364	Pioneer Nickel Ltd	P	Pioneer Nickel Ltd	
<b>Maggie Hayes Hill JV</b>					
Maggie Hayes Hill	E63/625	Pioneer Nickel Ltd	G	Lake Johnston Ltd	14
<b>Aerodrome JV</b>					
Elstree Farm	E74/334	Galaxy Resources Ltd	G	Pioneer Nickel Ltd	15
Aerodrome	E74/398	Galaxy Resources Ltd	G	Pioneer Nickel Ltd	15
<b>Ravensthorpe JV</b>					
Ravensthorpe	E74/406	Western Copper / Galaxy Resources	P	Pioneer Nickel Ltd	16
Mosaic	M74/136	Dowling, Locsei, Wanless, Chaytor, Walker	P	Pioneer Nickel Ltd	16
Marion Martin	M74/158	Galaxy Resources	P	Pioneer Nickel Ltd	17
Mt Cattlin	M74/159	Galaxy Resources	P	Pioneer Nickel Ltd	17
Elverdton Sth	M74/162	Galaxy Resources	P	Pioneer Nickel Ltd	16
Desmond	M74/163	Galaxy Resources	G	Pioneer Nickel Ltd	16
Hecla	P74/304	Galaxy Resources	G	Pioneer Nickel Ltd	16
Fed	P74/305	Galaxy Resources	G	Pioneer Nickel Ltd	16
Fed	P74/306	Galaxy Resources	G	Pioneer Nickel Ltd	16
<b>Ravensthorpe</b>					
Ravensthorpe	E74/399	Western Copper Pty Ltd	P	Pioneer Nickel Ltd	
Mt Desmond	P74/259	Western Copper Pty Ltd	P	Pioneer Nickel Ltd	
Elverdton South	P74/260	Western Copper Pty Ltd	P	Pioneer Nickel Ltd	
<b>Eastern States</b>					
<b>Tasmania</b>					
Heazlewood	E31/2003	Pioneer Nickel Ltd	G	Bass Metals Ltd	18
Whyte River	E36/2003	Pioneer Nickel Ltd	G	Bass Metals Ltd	18

<b>NOTES</b>	
1	Heron Resources Limited retains pre-emptive right to purchase Nickel Laterite Ore
2	BHP Billiton Minerals Pty Ltd has a right to negotiate an off-take agreement
3	Royalty of \$2/tonne of ore mined payable to Oroya Mining and Exploration Pty Ltd on part of tenement
4	Golden Ridge JV with Australian Mines Limited: Pioneer has earned 51% and both parties contribute to joint venture
5	Title, Gold and Tantalum Rights held by Ramelius Resources Limited
6	Ramelius has purchased an 80% interest in Pioneer's nickel rights
7	Larkinsville JV Agreement; Ramelius 75% in Gold and Tantalite
8	Ramelius has purchased an 80% interest in Pioneer's nickel rights
9	Pioneer beneficial holder
10	Silver Swan NW JV Agreement: BHP Billiton Minerals Pty Ltd right to earn 80% nickel by spending US\$5.0m
11	Pioneer all mineral rights except gold which is held by Bill Allen
12	Acra JV Agreement: Xstrata Nickel Australasia Operations Pty Ltd holds 60% with right to earn 75% by spending \$3.5m
13	Heron retains nickel laterite ore
14	Maggie Hays Lake JV Agreement: Lake Johnston Ltd 70% Pioneer 30% & free carried interest to commencement of mining
15	Aerodrome JV Agreement with Galaxy Resources Limited: Pioneer right to earn 75% in all minerals by spending \$0.5m
16	Ravensthorpe JV Agreement with Galaxy: Pioneer has earned 75% in all minerals
17	Ravensthorpe JV Agreement with Galaxy: Pioneer has earned 75% in all minerals except tantalite, spodumene
18	Heazlewood and Whyte River JV: Bass Metals Ltd, Venture Minerals. Pioneer 2% NSR.
<b>STATUS</b>	
G	Granted
P	Pending

# PIONEER NICKEL LIMITED AND ITS CONTROLLED ENTITY

## CORPORATE GOVERNANCE STATEMENT

This statement outlines the main corporate governance practices in place during 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 ("consolidated 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 delegation 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 of this report and is contained on the Company's website.

The Board represents shareholders' interests in developing and then continuing a successful mineral resources 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 the 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.

## **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 judgement.

The consolidated entity recognises the importance of Non-Executive Directors and the external perspective and advice that Non-Executive Directors can offer. Mr McGown the Non-Executive Chairman and Dr Trench a Non-Executive Director are considered independent. Mr Langworthy a Non-Executive Director is not considered to be independent. From the Company's perspective Directors are considered to be independent when they are independent of management and free from any business or other relationship which could materially interfere with – or could reasonably be perceived to materially interfere with – the exercise of their unfettered and independent judgement.

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

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
- 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 committee's 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.

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 executives in a manner that is market competitive and consistent with best practice as well as supporting the interests of shareholders.

There is no scheme to provide retirement benefits, other than statutory superannuation, to Non-Executive Directors.

For a full discussion of the Company's remuneration philosophy and framework and the remuneration received by Directors in the current period please refer to the Remuneration Report, which is contained within the Directors' Report.

### **2.3 Nomination Committee**

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

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

Directors are appointed based on the specific governance skills required by the 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.

#### 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 the 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.

The Company supports the Indigenous Community:

- is committed to conducting its business in accordance with applicable heritage laws and regulations and encourages all employees to have regard for the specific rights of indigenous communities when carrying out their jobs; and
- encourages all employees to engage in activities beneficial to the indigenous community.

#### *Responsibility to the Individual*

The Company is committed to keeping private information which has been provided by employees and investors confidential and protecting 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 their personal interests and the interests of the Company.

#### *How the Company Monitors and Ensures Compliance with its Code*

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

Disciplinary measures may be imposed for violating the Code.

## **4. DISCLOSURE OF INFORMATION**

### **4.1 Continuous Disclosure to ASX**

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

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

Information is not material and need not be disclosed if:

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

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 to be 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 the 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.

# PIONEER NICKEL LIMITED AND ITS CONTROLLED ENTITY

## 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 2008.

### DIRECTORS

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

***Craig Ian McGown*** – *B Comm, FCA, ASIA*  
**Non-Executive Chairman**

Mr McGown was appointed a Director on 13 June 2008. Mr McGown is an investment banker with over 35 years experience consulting to companies in Australia and internationally, particularly in the natural resources sector. He holds a Bachelor of Commerce degree, is a Fellow of the Institute of Chartered Accountants and an Affiliate of the Financial Services Institute of Australasia. Mr McGown is an executive director of the corporate advisory business New Holland Capital Pty Ltd and prior to that appointment was the chairman of DJ Carmichael Pty Limited. Mr McGown has had extensive experience in the corporate finance sector, including mergers and acquisitions, capital raisings in both domestic and international financial markets, asset acquisitions and asset disposals, initial public offerings and corporate restructurings. During the three year period to the end of the financial year, Mr McGown held directorships in Bass Metals Ltd (7 July 2004 to present), Peel Exploration Limited (1 February 2008 to present) and Entek Energy Ltd (18 July 2008 to present).

***David J Crook*** – *B.Sc, MAusIMM, MAICD*  
**Managing Director**

Mr Crook was appointed a Director on 11 August 2003. Mr Crook is a geologist with over 27 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.

***Allan Trench*** – *B.Sc (Hons), Ph. D, M.Sc (Min. Econ), MBA (Oxon), ARSM, AWASM, MAusIMM, MAICD*  
**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 has subsequently worked with McKinsey and Company, KCGM Pty Ltd and is now with CRU, an independent business analysis and consultancy group, based in London.

During the three year period to the end of the financial year, Dr Trench also held a directorship in Navigator Resources Ltd (14 November 2005 to present) and Heron Resources Limited (8 December 2003 to 5 February 2007).

***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 Xstrata Nickel Australasia Pty Ltd (formerly 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.

During the three year period to the end of the financial year, Mr Langworthy also held a directorship in Northern Star Resources Ltd (16 June 2006 to present) and Falcon Minerals Ltd (18 February 2008 to present).

***Reginald N Gillard*** – *BA, FCPA, FAICD, JP*

Mr Gillard who was appointed a Director on 17 March 2005 resigned as a Director on 13 June 2008.

# PIONEER NICKEL LIMITED AND ITS CONTROLLED ENTITY

## DIRECTORS' REPORT

### COMPANY SECRETARY

*Julie 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 16 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 a directorship on the board of OM Holdings Ltd.

### 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 \$1,326,408 (2007: \$490,880).

### 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 "Review of Operations" in this Annual Report.

### Corporate and Financial Position

As at 30 June 2008 the consolidated entity had cash reserves of \$1,605,850.

### 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 consolidated entity's mineral assets located in Western Australia through exploration success;
- (ii) Specifically advance the consolidated entity's Golden Ridge JV, Silver Swan, Mt Thirsty, Ravensthorpe JV and Acra JV Projects; 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 6 full-time employees as at 30 June 2008 (2007: 5 employees).

### SHAREHOLDER RETURNS

	2008 Cents	2007 Cents
Basic loss per share	(1.4)	(0.6)
Diluted loss per share	(1.4)	(0.6)
Share price – 30 June 2008	8.1	20.0



# PIONEER NICKEL LIMITED AND ITS CONTROLLED ENTITY

## DIRECTORS' REPORT

### 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 20 May 2008 the Company completed a share placement of 13,000,000 ordinary shares at an issue price of 8.5 cents per share which raised \$1,105,000 (before issue costs). The share placement was offered and accepted by professional and sophisticated investors within the exemptions detailed in section 708 of the *Corporations Act 2001*.
- On 26 May 2008 the Company completed a further share placement of 410,000 ordinary shares at an issue price of 8.5 cents per share which raised \$34,850 (before issue costs). The share placement was offered and accepted by professional and sophisticated investors within the exemptions detailed in section 708 of the *Corporations Act 2001*.

Proceeds from the placements completed during the year were applied towards exploration programmes at the Company's Golden Ridge JV, Silver Swan and Mt Thirsty Projects and for working capital.

### OPTIONS OVER UNISSUED CAPITAL

#### Unlisted Options

During the financial year the Company granted the following fully vested unlisted options over unissued shares to the following party:

Issued to:	Number of Options Granted	Exercise Price	Value per Option at Grant date	Value of Options Granted	Expiry Date
Employee	100,000	25 cents each	5.17 cents	\$5,170	30 June 2011

Since the end of the financial year and following shareholder approval obtained on 29 July 2008 the Company granted the following unlisted options over unissued shares to the following Director as part of his remuneration:

Director	Number of Options Granted	Exercise Price	Value per Option at Grant Date	Value of Options Granted	Vesting Date	Expiry Date
CI McGown	750,000	20 cents each	2.91 cents	\$21,825	29 August 2008	30 June 2012
CI McGown	750,000	22 cents each	3.78 cents	\$28,350	29 August 2009	30 June 2013

Further details on the value per options are disclosed in Note 19 to the full financial report.

During the financial year 8,550,000 unlisted options expired and were cancelled.

Since 30 June 2008 and to the date of this report other than the above options no unlisted options have been issued.

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
3,750,000 (i)*	25 cents each	28 November 2009
250,000*	30 cents each	31 December 2008
500,000*	30 cents each	1 April 2009
1,000,000 (i)*	25 cents each	31 August 2011
2,400,000 *	20 cents each	8 September 2010
2,400,000 *	22 cents each	8 September 2011
200,000 *	25 cents each	31 March 2012
250,000 *	25 cents each	30 June 2011
250,000 *	30 cents each	30 June 2011
100,000 *	25 cents each	30 June 2011
750,000 *	20 cents each	30 June 2012
750,000 (ii)*	22 cents each	30 June 2013
<b>12,600,000</b>		

(i) unlisted options held by Xstrata Nickel Australasia Investments Pty Ltd (formerly a wholly owned controlled entity of Jubilee Mines NL).

(ii) unlisted options have a 12 month vesting period prior to exercise which can occur on 29 August 2009.

\* unlisted options fully vested.

## PIONEER NICKEL LIMITED AND ITS CONTROLLED ENTITY

### DIRECTORS' REPORT

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

The holders of unlisted options are not entitled to any voting rights until the options are exercised into ordinary shares.

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

No person entitled to exercise any option has or had, by virtue of the option, a right to participate in any share issue of any other body corporate.

### 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 Securities Exchange since balance date.

### 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	Title	Directors' Interests in Ordinary Shares	Directors' Interests in Unlisted Options
Craig I McGown	Non-Executive Chairman Appointed on 13 June 2008	-	1,500,000
David J Crook	Managing Director Appointed on 11 August 2003	1,045,111	1,750,000
Allan Trench	Non-Executive Director Appointed on 8 September 2003	303,426	500,000
Peter Langworthy	Non-Executive Director Appointed on 29 November 2004	-	-

# PIONEER NICKEL LIMITED AND ITS CONTROLLED ENTITY

## 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
C I McGown	1	1	-	-
R N Gillard	10	10	2	2
D J Crook	10	10	2	2
A Trench	10	9	2	2
P Langworthy	10	9	2	2

During the financial year there were ten general Directors' meetings for which formal notice of meeting was given. In addition, there were two 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, with no performance conditions. 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 and executive objectives with shareholder and business 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 or all 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 or Binomial valuation methodology. In accordance with current accounting policy the value of these options is expensed over the relevant vesting period.

#### 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.

On 29 July 2008 shareholders approved the issue to an entity associated with Mr Craig McGown of 750,000 unlisted options exercisable at 20 cents each by 30 June 2012 and 750,000 unlisted options exercisable at 22 cents each by 30 June 2013, as part of his remuneration. The options had no performance conditions attached to the share based remuneration.

## DIRECTORS' REPORT

### REMUNERATION REPORT (CONTINUED)

#### 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 in line 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 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*.

# PIONEER NICKEL LIMITED AND ITS CONTROLLED ENTITY

## DIRECTORS' REPORT

### REMUNERATION REPORT (CONTINUED)

#### Service Agreement (Continued)

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/accrued during the year are as follows:

#### 2008

Director	Primary			Post Employment	Equity Compensation	Other	Total
	Base Emolument/Fees	Motor Vehicle	Other Benefits	Superannuation/ Salary Sacrifice Contributions	Options	Insurance	
	\$	\$	\$	\$	\$	\$	
C I McGown (Non – Executive Chairman) (i)	2,914	-	-	-	-	208	3,122
R N Gillard (ii)	47,665	-	-	-	-	4,009	51,674
D J Crook (Managing Director)	203,569	10,000	4,556	26,331	-	4,217	248,673
A Trench (Non-Executive Director)	32,110	-	-	2,890	-	4,217	39,217
P Langworthy (iii) (Non-Executive Director)	35,000	-	-	-	-	4,217	39,217
Total	321,258	10,000	4,556	29,221	-	16,868	381,903

(i) Mr McGown was appointed on 13 June 2008.

(ii) Mr Gillard resigned on 13 June 2008.

(iii) Mr Langworthy's fees were paid to a wholly owned controlled entity of Jubilee Mines NL or Xstrata Nickel Australasia Pty Ltd.

#### 2007

Director	Primary			Post Employment	Equity Compensation	Other	Total
	Base Emolument/Fees	Motor Vehicle	Other Benefits	Superannuation/ Salary Sacrifice Contributions	Options	Insurance	
	\$	\$	\$	\$	\$	\$	
R N Gillard (Non-Executive Chairman)	50,000	-	-	-	50,737	5,075	105,812
D J Crook (Managing Director)	206,157	10,000	4,302	22,559	101,475	5,075	349,568
A Trench (Non-Executive Director)	32,110	-	-	2,890	33,825	5,075	73,900
P Langworthy (i) (Non-Executive Director)	35,000	-	-	-	-	5,075	40,075
Total	323,267	10,000	4,302	25,449	186,037	20,300	569,355

(i) Mr Langworthy's fees were paid to a wholly owned controlled entity of Jubilee Mines NL.

Option remuneration as a percentage of total remuneration for the year ended 30 June 2008 for all Directors was 0% (30 June 2007: RN Gillard was 48%, for DJ Crook was 29% and for A Trench 46%).

Other than the Directors disclosed above there were no other executive officers who received emoluments during the financial year ended 30 June 2008.

# PIONEER NICKEL LIMITED AND ITS CONTROLLED ENTITY

## DIRECTORS' REPORT

### 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 Settinieri (Audit) Pty Ltd, to provide the Directors of the Company with an Independence Declaration in relation to the audit of the financial report. This Independence Declaration is attached and forms part of this Directors' Report.

### NON-AUDIT SERVICES

No fees for non-audit services were paid/payable to the external auditors (Butler Settinieri (Audit) Pty Ltd) during the year ended 30 June 2008.

### PROCEEDINGS ON BEHALF OF THE COMPANY

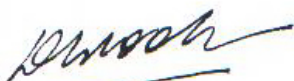
No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings. The Company was not party to any such proceedings during the year.

### 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 30th day of September 2008.

Signed in accordance with a resolution of the Directors.



D J Crook  
Managing Director

The **CONCISE FINANCIAL REPORT** has been derived from Pioneer Nickel Limited's and its controlled entity 2008 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 2008 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).



## AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of Pioneer Nickel Limited for the year ended 30 June 2008, 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 (AUDIT) PTY LTD

COLIN P BUTLER  
Director

Perth

Date: 30 September 2008

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Directors:

**Colin Butler**  
FCA

**Paul Chabrel**  
FCA

**Lucy Gardner**  
CA

**Butler Settineri (Audit) Pty Ltd**

A.C.N. 112 942 373

Registered Company Auditor Number 289109

*Liability limited by a scheme approved under Professional Standards Legislation*

[www.butlersettineri.com.au](http://www.butlersettineri.com.au)

**PIONEER NICKEL LIMITED AND ITS CONTROLLED ENTITY**

**INCOME STATEMENT**

For the year ended 30 June 2008

	<u>NOTE</u>	<u>CONSOLIDATED</u> <u>2008</u> \$	<u>2007</u> \$
<b>Continuing operations</b>			
Other income	2	<u>1,496,173</u>	749,949
Total revenue	2	<u>1,496,173</u>	749,949
Exploration expenditure written off	2	<u>(1,492,008)</u>	-
Employee expenses		<u>(1,001,345)</u>	(686,573)
Cost base of investments sold		<u>(237,500)</u>	(127,500)
Depreciation	2	<u>(130,345)</u>	(44,048)
Corporate expenses		<u>(123,382)</u>	(156,602)
Non-Executive Directors' Fees		<u>(120,579)</u>	(120,000)
Rental expense on operating lease	2	<u>(108,795)</u>	(95,111)
Expense of share-based payments	2	<u>(91,808)</u>	(296,965)
Insurance expenses		<u>(39,591)</u>	(42,369)
Employee costs recharged to capitalised exploration		<u>794,125</u>	494,606
Administration costs recharged to capitalised exploration		<u>50,591</u>	-
Reversal of provision for diminution in value of investments	2	-	130,000
Other expenses		<u>(321,944)</u>	(296,267)
Loss before income tax		<u>(1,326,408)</u>	(490,880)
Income tax		-	-
Net loss attributable to members of the Company	3, 4	<u>(1,326,408)</u>	(490,880)
<b>Earnings/(loss) per share from continuing operations</b>			
Basic earnings/(loss) per share (cents per share)	6	<u>(1.4)</u>	(0.6)
Diluted earnings/(loss) per share (cents per share)	6	<u>(1.4)</u>	(0.6)

*The above income statement should be read in conjunction with the accompanying discussion and analysis and the notes to the concise financial report.*



**PIONEER NICKEL LIMITED AND ITS CONTROLLED ENTITY**

**BALANCE SHEET**

As at 30 June 2008

	<u>NOTE</u>	<u>CONSOLIDATED</u> <u>2008</u> \$	<u>2007</u> \$
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents		1,605,850	3,284,346
Other receivables		310,026	87,323
Other financial assets		57,985	945,536
<b>TOTAL CURRENT ASSETS</b>		<b>1,973,861</b>	<b>4,317,205</b>
<b>NON-CURRENT ASSETS</b>			
Plant and equipment and motor vehicles		99,933	199,842
Capitalised mineral exploration		8,417,176	6,944,583
<b>TOTAL NON-CURRENT ASSETS</b>		<b>8,517,109</b>	<b>7,144,425</b>
<b>TOTAL ASSETS</b>		<b>10,490,970</b>	<b>11,461,630</b>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Trade and other payables		311,900	520,529
Provisions		51,814	32,182
<b>TOTAL CURRENT LIABILITIES</b>		<b>363,714</b>	<b>552,711</b>
<b>TOTAL LIABILITIES</b>		<b>363,714</b>	<b>552,711</b>
<b>NET ASSETS</b>		<b>10,127,256</b>	<b>10,908,919</b>
<b>EQUITY</b>			
Contributed equity		13,173,433	12,074,996
Share option reserve		673,098	581,290
Investments revaluation reserve		-	645,500
Accumulated losses	3	(3,719,275)	(2,392,867)
<b>TOTAL EQUITY</b>	<b>4</b>	<b>10,127,256</b>	<b>10,908,919</b>

*The above balance sheet should be read in conjunction with the accompanying discussion and analysis and the notes to the concise financial report.*

PIONEER NICKEL LIMITED AND ITS CONTROLLED ENTITY

STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2008

	<u>NOTE</u>	CONSOLIDATED	
		<u>2008</u>	<u>2007</u>
		\$	\$
Total equity at the beginning of the year		<u>10,908,919</u>	<u>5,639,359</u>
<i>Adjustments to equity:</i>			
Share option reserve		91,808	365,965
Investments revaluation reserve		(645,500)	645,500
Loss for the year		<u>(1,326,408)</u>	<u>(490,880)</u>
Total recognised income and expense for the year		<u>(1,880,100)</u>	<u>520,585</u>
Transactions with equity holders in their capacity as equity holders:			
Contributions of equity, net of transaction costs		<u>1,098,437</u>	<u>4,748,975</u>
		<u>1,098,437</u>	<u>4,748,975</u>
Total equity at the end of the year	4	<u><u>10,127,256</u></u>	<u><u>10,908,919</u></u>

*The above statement of changes in equity should be read in conjunction with the accompanying discussion and analysis and the notes to the concise financial report.*

**PIONEER NICKEL LIMITED AND ITS CONTROLLED ENTITY**

**CASH FLOW STATEMENT**

For the year ended 30 June 2008

	<b>CONSOLIDATED</b>	
	<b><u>2008</u></b>	<b><u>2007</u></b>
	<b>\$</b>	<b>\$</b>
	<b><u>Inflows/(Outflows)</u></b>	
<b>Cash flows from operating activities</b>		
Interest received	124,271	157,249
Other income	15,932	12,100
Payments to suppliers and employees (inclusive of goods and services tax)	(714,208)	(916,933)
<b>Net cash used in operating activities</b>	<b>(574,005)</b>	<b>(747,584)</b>
<b>Cash flows from investing activities</b>		
Payments for exploration and evaluation	(4,096,322)	(2,238,635)
Joint venture contributions received	607,222	-
Receipt of exploration option fee	700,000	70,000
Receipt of earn in funds re: Acra Joint Venture	-	430,000
Proceeds from sale of investments	648,647	510,600
Payments for investments	-	(202,500)
Refund of tenement bonds	29,360	-
Payments for bonds	(61,400)	(5,860)
Payments for plant and equipment and motor vehicles	(30,435)	(114,105)
<b>Net cash used in investing activities</b>	<b>(2,202,928)</b>	<b>(1,550,500)</b>
<b>Cash flows from financing activities</b>		
Proceeds from the issue of shares	1,139,850	4,951,968
Payments for transactions costs relating to the issue of shares	(41,413)	(202,993)
<b>Net cash provided by financing activities</b>	<b>1,098,437</b>	<b>4,748,975</b>
<b>Net increase/(decrease) in cash held</b>	<b>(1,678,496)</b>	<b>2,450,891</b>
<b>Cash at the beginning of the financial year</b>	<b>3,284,346</b>	<b>833,455</b>
<b>Cash at the end of the financial year</b>	<b>1,605,850</b>	<b>3,284,346</b>

*The above cash flow statement should be read in conjunction with the accompanying discussion and analysis and the notes to the concise financial report.*

# PIONEER NICKEL LIMITED AND ITS CONTROLLED ENTITY

## NOTES TO THE CONCISE FINANCIAL REPORT

For the year ended 30 June 2008

### 1. BASIS OF PREPARATION OF CONCISE FINANCIAL REPORT

#### (a) Basis of Preparation

The concise financial report has been prepared in accordance with the Corporations Act 2001 and Accounting Standard AASB 1039 'Concise Financial Reports'. The concise financial report, including the financial statements and specific disclosures included in the concise financial report, has been derived from the full financial report of Pioneer Nickel Limited ("the Company").

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.

Pioneer Nickel Limited is a company limited by shares incorporated and domiciled in Australia whose shares are publicly traded on the official list of the Australian Securities Exchange. The financial statements are presented in Australian dollars which is the Company's functional currency.

The financial report has been prepared on the historical cost basis except that the available-for-sale investments are carried at fair value.

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

These accounting policies have been consistently applied by each entity in the consolidated entity.

The concise financial report was authorised for issue by the Directors on 30 September 2008.

CONSOLIDATED	
<u>2008</u>	<u>2007</u>
\$	\$

### 2. INCOME/EXPENSES/DIVIDENDS

#### (a) Income

Sales revenue	-	-
Interest revenue	124,271	157,249
Proceeds from the sale of investments	655,970	510,600
Proceeds from exploration farm-in option	700,000	70,000
Other income	15,932	12,100
	<u>1,496,173</u>	<u>749,949</u>

#### (b) Expenses

Contributions to employees superannuation plans	83,949	57,899
Share based payments expense	91,808	296,965
Depreciation	130,345	44,048
Rental expense on operating leases	108,795	95,111
Provision for employee entitlements	19,632	20,348
Exploration expenditure written off	1,492,008	-
Reversal of provision for diminution in the value of investments	-	(130,000)

#### (c) Dividends paid or proposed

Dividends paid or proposed	-	-
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**PIONEER NICKEL LIMITED AND ITS CONTROLLED ENTITY**

**NOTES TO THE CONCISE FINANCIAL REPORT**

For the year ended 30 June 2008

	<b>CONSOLIDATED</b>	
	<b><u>2008</u></b>	<b><u>2007</u></b>
	<b>\$</b>	<b>\$</b>
<b>3. ACCUMULATED LOSSES</b>		
Accumulated losses at the beginning of the year	2,392,867	1,901,987
Net loss attributable to members	<u>1,326,408</u>	490,880
Accumulated losses at the end of the year	<u><u>3,719,275</u></u>	<u><u>2,392,867</u></u>
<b>4. TOTAL EQUITY RECONCILIATION</b>		
Total equity at the beginning of the year	10,908,919	5,639,359
Add: Contributions of equity	1,139,850	4,951,968
Less: Cost of contributions of equity	(41,413)	(202,993)
Add: Share option reserve	91,808	365,965
Add: Investments revaluation reserve	(645,500)	645,500
Add: Share of operating loss	<u>(1,326,408)</u>	<u>(490,880)</u>
Total equity at the end of the year	<u><u>10,127,256</u></u>	<u><u>10,908,919</u></u>

**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.

	<b>CONSOLIDATED</b>	
	<b><u>2008</u></b>	<b><u>2007</u></b>
	<b>\$</b>	<b>\$</b>
<b>6. EARNINGS/(LOSS) PER SHARE</b>		
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	<u>(1,326,408)</u>	<u>(490,880)</u>
	<b><u>Number of</u></b>	<b><u>Number of</u></b>
	<b><u>Shares</u></b>	<b><u>Shares</u></b>
	<b><u>2008</u></b>	<b><u>2007</u></b>
Weighted average number of ordinary shares used in calculating basic earnings/(loss) per share:	91,334,808	76,997,904
<i>Effect of dilutive securities</i>		
Share options*	-	-
Adjusted weighted average number of ordinary shares used in calculating diluted earnings/(loss) per share	<u><u>91,334,808</u></u>	<u><u>76,997,904</u></u>

**\*Non-dilutive securities**

As at balance date, 11,100,000 unlisted options (30 June 2007: 19,550,000 unlisted options) which represent potential ordinary shares were not dilutive as they would decrease the loss per share.

**Conversions, calls, subscriptions or issues after 30 June 2008**

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.

**PIONEER NICKEL LIMITED AND ITS CONTROLLED ENTITY**

**NOTES TO THE CONCISE FINANCIAL REPORT**

**For the year ended 30 June 2008**

**7. CONTINGENT LIABILITIES**

There were no contingent liabilities not provided for in the financial statements of the consolidated entity as at 30 June 2008 other than:

**Native Title and Aboriginal Heritage**

Native title claims have been made with respect to areas which include tenements in which the consolidated entity has an interest. The consolidated entity 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 consolidated entity 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 consolidated entity 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 Securities Exchange since balance date.

**9. FULL FINANCIAL REPORT**

Further financial information can be obtained from the full financial report which is available from the Company, free of charge, on request. A copy may be requested by calling the Company on (08) 9322 6974.

**PIONEER NICKEL LIMITED AND ITS CONTROLLED ENTITY**

**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 2008, set out on pages 32 to 38.

- (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 30th day of September 2008.

A handwritten signature in black ink, appearing to read 'D J Crook', with a horizontal line drawn underneath it.

**D J Crook**  
**Managing Director**

**INDEPENDENT AUDIT REPORT  
TO THE MEMBERS OF PIONEER NICKEL LIMITED**

Chartered  
Accountants



**Report on the Concise Financial Report**

The accompanying concise financial report of Pioneer Nickel Limited comprises the balance sheet as at 30 June 2008, the income statement, statement of changes in equity and cash flow statement for the year then ended and related notes, derived from the audited financial report of Pioneer Nickel Limited for the year ended 30 June 2008. The concise financial report does not contain all the disclosures required by Australian Accounting Standards.

**Directors' Responsibility for the Concise Financial Report**

The directors are responsible for the preparation and presentation of the concise financial report in accordance with Australian Accounting Standard AASB 1039: Concise Financial Reports, and the Corporations Act 2001. This responsibility includes establishing and maintaining internal control relevant to the preparation of the concise financial report; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

**Auditor's Responsibility**

Our responsibility is to express an opinion on the concise financial report based on our audit procedures. We have conducted an independent audit, in accordance with Australian Auditing Standards, of the financial report of Pioneer Nickel for the year ended 30 June 2008. Our audit report on the financial report for the year was signed on 30 September 2008 and was not subject to any modification. The Australian Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

Our procedures in respect of the concise financial report included testing that the information included in the concise financial report is derived from, and is consistent with, the financial report for the year, and examination on a test basis, of evidence supporting the amounts and other disclosures which were not directly derived from the financial report for the year. These procedures have been undertaken to form an opinion whether, in all material respects, the concise financial report complies with Accounting Standards AASB 1039: Concise Financial Reports.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Independence**

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001.

**Butler Settinieri (Audit) Pty Ltd**

A.C.N. 112 942 373

Registered Company Auditor Number 289109

*Liability limited by a scheme approved under Professional Standards Legislation*

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Directors:

**Colin Butler**  
FCA

**Paul Chabrel**  
FCA

**Lucy Gardner**  
CA

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**Auditor's Opinion on the Concise Financial Report**

In our opinion, the concise financial report, of Pioneer Nickel Limited for the year ended 30 June 2008 complies with Australian Accounting Standard AASB 1039: Concise Financial Reports.

**Auditor's Opinion on the AASB 124 Remuneration Disclosures contained in the Directors' Report**

In our opinion the remuneration disclosures that are contained in pages 27 to 29 of the directors' report comply with section 300A of the Corporations Act 2001.

BUTLER SETTINERI (AUDIT) PTY LTD

A handwritten signature in black ink, appearing to be 'CB', written over a horizontal line.

COLIN P BUTLER  
Director

Perth

Date: 30 September 2008