



PIONEER NICKEL LIMITED

ABN 44 103 423 981

**Interim Financial Report
for the
Half-Year ended 31 December 2006**

PIONEER NICKEL LIMITED
ABN 44 103 423 981

CORPORATE DIRECTORY

DIRECTORS

Reginald N Gillard
Non-Executive Chairman

David J Crook
Managing Director

Allan Trench
Non-Executive Director

Peter Langworthy
Non-Executive Director

COMPANY SECRETARY

Julie A Wolseley

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AUDITOR

Butler Settineri (Audit) Pty Ltd
35 – 37 Havelock Street
West Perth
Western Australia, 6005

SHARE REGISTRY

Security Transfer Registrars Pty Limited
770 Canning Highway
Applecross
Western Australia, 6153
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Facsimile: (08) 9315 2233
Email: registrar@securitytransfer.com.au

**STOCK EXCHANGE
LISTING**

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

ASX CODE

PIO - ordinary shares

PIONEER NICKEL LIMITED

ABN 44 103 423 981

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PIONEER NICKEL LIMITED
and its controlled entity

DIRECTORS' REPORT

Your Directors present their report on the consolidated financial statements for the half-year ended 31 December 2006. In order to comply with the provisions of the Corporations Act 2001, the Directors report as follows:

DIRECTORS

The following persons held office as Directors of Pioneer Nickel Limited during the half-year and until the date of this report:

Reginald N Gillard – BA, FCPA, FAICD, JP
Non-Executive Chairman

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

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

Mr Crook is a geologist with over 26 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 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, a major petroleum company and is currently retained by a London-based resource research company.

Peter Langworthy – B.Sc (Hons), MAusIMM
Non-Executive Director

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

The Directors named above each held office as at 31 December 2006.

Mr Ian J. Buchhorn resigned as a Director on 30 June 2006.

PIONEER NICKEL LIMITED
and its controlled entity

DIRECTORS' REPORT

COMPANY SECRETARY

Julie Wolseley – B.Com, CA, MAICD

Ms Wolseley is the principal of a corporate advisory company with over 15 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.

REVIEW OF OPERATIONS

The consolidated entity recorded an operating loss after income tax for the half-year ended 31 December 2006 of \$548,747 compared to the 31 December 2005 operating loss after income tax of \$410,686.

During the half-year ended 31 December 2006 the consolidated entity incurred a total of \$802,758 on exploration expenditure. A significant proportion of the exploration and evaluation expenditure was incurred on the consolidated entity's Golden Ridge JV and Ravensthorpe Copper Gold JV Projects in Western Australia.

During the half-year the Company conducted drilling at its Golden Ridge JV Project where it is earning the right to a 51% interest in the project from Australian Mines Limited. RAB drilling focussed on identifying prospective ultramafic contact surfaces between the Blair Mine and the Blair South Prospect. RC drilling, also undertaken, successfully tested for extensions to the Blair South resource as well as systematically testing for geological repetitions to the north and south of the Blair South resource. A thick zone of disseminated nickel mineralisation was intersected in four of the five holes, with two holes returning assays of more than 1% Ni. In addition, a western contact to the Blair Mine ultramafic unit was delineated, yielding seven targets, requiring further testing during the second half of this year.

Two successfully completed down-hole electromagnetic surveys identified several weak conductors, with more scheduled when drill holes are completed.

Continued development of the geological model for the Blair to Blair South exploration zone remains a priority as nickel sulphide mineralisation occurs in a very specific geological setting. RAB drilling continues to be an important "first pass" tool which provides geological and geochemical information.

During the half-year the Company's controlled entity Western Copper Pty Ltd continued to earn a 75% interest in the Ravensthorpe Copper Gold JV Project from Galaxy Resources Ltd. An RC drill programme of 19 holes covering 1,035 metres was completed with significant copper and gold intersections returned from shallow depths, including 3m at 13.8% Cu and 4.3g/t Au, 15m at 2.32% Cu and 1.04 g/t Au as well as 7m at 2.00% Cu and 1.48 g/t Au. Detailed regional V-TEM and Aeromagnetic/radiometric surveys were commenced.

Drilling at the Ravensthorpe Copper Gold Project is expected to recommence by the end of the 31 March 2007 quarter once regulatory approvals are obtained.

During the half-year the Company issued a total of 22,749,251 ordinary shares at an issue price of 12.5 cents each raising \$2,843,656. The proceeds raised were applied towards exploration programmes at the Golden Ridge JV Project and Ravensthorpe Copper Gold JV Project as well as further pursuing the Company's other regional projects.

The Company's cash position remained strong at the end of the half-year at \$2,854,046.

PIONEER NICKEL LIMITED
and its controlled entity

DIRECTORS' REPORT

AUDITOR'S INDEPENDENCE DECLARATION

Section 307C of the Corporations Act 2001 requires our auditors, Butler Settineri (Audit) Pty Ltd, to provide the Directors of the Company with an Independence Declaration in relation to the review of the half-year financial report. This Independence Declaration is set out on page 4 and forms part of the Directors' Report for the half-year ended 31 December 2006.

This report is made and signed in accordance with a resolution of Directors.

Dated at Perth this 15 March 2007.

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

DJ Crook
Managing Director



AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of Pioneer Nickel Limited for the half year ended 31 December 2006, 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 review; and
- b) no contraventions of any applicable code of professional conduct in relation to the review.

Butler Settineri (Audit) Pty Ltd

BUTLER SETTINERI (AUDIT) PTY LTD

COLIN P BUTLER
Director

Perth
Date: 15 March 2007

**BUTLER
SETTINERI**

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Directors:
Colin Butler
FCA
Paul Chabrel
FCA
Lucy Gardner
CA

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

Chartered
Accountants



Scope

We have reviewed the accompanying financial report of the Pioneer Nickel Limited Group (the consolidated entity) which comprises the balance sheet as at 31 December 2006, and the income statement, statement of changes in equity and cash flow statement for the half year ended on that date, a statement of accounting policies, other selected explanatory notes and the directors' declaration. The consolidated entity comprises both Pioneer Nickel Limited (the company) and the entity it controlled during the half year.

Directors' Responsibility for the Half Year Financial Report

The directors of the company are responsible for the preparation and fair presentation of the half year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the half year 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 a conclusion on the half year financial report based on our review. We conducted our review in accordance with the Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2006 and its performance for the half year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Pioneer Nickel Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual report.

A review of a half year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain the assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

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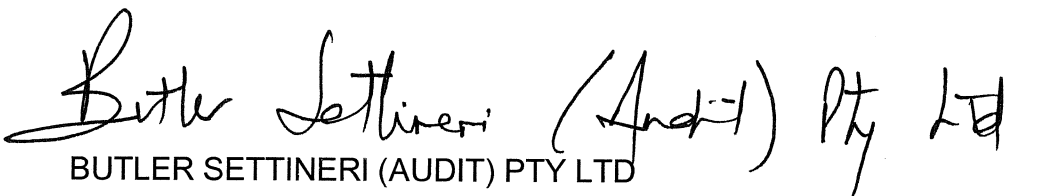
Independence

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

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half year financial report of Pioneer Nickel Limited is not in accordance with the *Corporations Act 2001* including:

- a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2006 and of its performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134: *Interim Financial Reporting* and the *Corporations Regulations 2001*.


BUTLER SETTINERI (AUDIT) PTY LTD



COLIN P BUTLER
Director

Perth
Date: 15 March 2007

PIONEER NICKEL LIMITED
and its controlled entity

DIRECTORS' DECLARATION

In accordance with a resolution of the Directors of Pioneer Nickel Limited, I state that:

In the opinion of the Directors:

1. The financial statements and notes of the consolidated entity, as set out on pages 8 to 14:
 - (a) comply with Accounting Standards and the Corporations Regulations 2001; and
 - (b) give a true and fair view of the financial position as at 31 December 2006 and the performance for the half-year ended on that date of the consolidated entity.
2. In the Director's opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

On behalf of the Board

Dated at Perth this 15 March 2007.



DJ Crook
Managing Director

PIONEER NICKEL LIMITED
and its controlled entity

CONDENSED CONSOLIDATED INCOME STATEMENT

For the half-year ended 31 December 2006

	Note	31 December 2006 \$	31 December 2005 \$
Other income		157,099	91,272
<hr/>			
Total revenue		157,099	91,272
Employee expenses		(290,782)	(260,055)
Corporate expenses		(109,739)	(63,567)
Depreciation		(18,485)	(20,061)
Exploration expenditure written off		-	(13,084)
Rental expense on operating leases		(48,505)	(17,979)
Non-Executive Directors' fees		(60,000)	(62,500)
Insurance expenses		(20,574)	(22,119)
Employee costs recharged to capitalised exploration		188,697	166,423
Expense of share-based payments		(208,969)	(54,635)
Exploration costs reimbursed		-	(35,000)
Other expenses		(137,489)	(119,381)
Reversal of provision for diminution in the value of investments		130,000	-
<hr/>			
Loss before income tax		(418,747)	(410,686)
Income tax		-	-
<hr/>			
Net loss attributable to members of the Company		(418,747)	(410,686)
<hr/>			
Basic earnings/(loss) per share (cents per share)	3	(0.58)	(0.77)
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Diluted earnings/(loss) per share (cents per share)	3	(0.58)	(0.77)
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The accompanying notes form an integral part of these financial statements.

PIONEER NICKEL LIMITED
and its controlled entity

CONDENSED CONSOLIDATED BALANCE SHEET

As at 31 December 2006

	Note	31 Dec 2006 \$	30 June 2006 \$	31 Dec 2005 \$
CURRENT ASSETS				
Cash and cash equivalents		2,854,046	833,455	2,032,606
Other receivables		59,979	283,844	279,743
Other financial assets		13,988	27,204	15,966
TOTAL CURRENT ASSETS		2,928,013	1,144,503	2,328,315
NON-CURRENT ASSETS				
Investments		200,000	70,000	70,000
Property, plant and equipment		141,215	130,885	144,548
Capitalised mineral exploration and evaluation expenditure		5,292,724	4,489,966	3,615,082
TOTAL NON-CURRENT ASSETS		5,633,939	4,690,851	3,829,630
TOTAL ASSETS		8,561,952	5,835,354	6,157,945
CURRENT LIABILITIES				
Trade and other payables		310,373	184,161	204,824
Provisions		30,465	11,834	16,929
TOTAL CURRENT LIABILITIES		340,838	195,995	221,753
TOTAL LIABILITIES		340,838	195,995	221,753
NET ASSETS		8,221,114	5,639,359	5,936,192
EQUITY				
Contributed equity	2	10,048,554	7,326,021	7,326,021
Option Reserve		493,294	215,325	164,858
Accumulated losses		(2,320,734)	(1,901,987)	(1,554,687)
TOTAL EQUITY		8,221,114	5,639,359	5,936,192

The accompanying notes form an integral part of these financial statements.

PIONEER NICKEL LIMITED
and its controlled entity

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the half-year ended 31 December 2006

	31 December 2006 \$	31 December 2005 \$
Total equity at the beginning of the half-year	5,639,359	5,164,742
<i>Adjustments to equity:</i>		
Option Reserve – share based payments	277,969	54,636
Loss for the half-year	(418,747)	(410,686)
Total recognised income and expense for the half-year	(140,778)	(356,050)
Transactions with equity holders in their capacity as equity holders:		
Contributions of equity, net of transaction costs	2,722,533	1,127,500
	2,722,533	1,127,500
Total equity at the end of the half-year	8,221,114	5,936,192

The accompanying notes form an integral part of these financial statements.

PIONEER NICKEL LIMITED
and its controlled entity

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the half-year ended 31 December 2006

	31 Dec 2006 \$ Inflows/(Outflows)	31 Dec 2005 \$ Inflows/(Outflows)
Cash flows from operating activities		
Interest received	77,099	67,411
Farm in income	70,000	-
Other income	10,000	-
Payments to suppliers and employees (inclusive of goods and services taxes)	<u>(469,787)</u>	<u>(359,417)</u>
Net cash flows used in operating activities	<u>(312,688)</u>	<u>(292,006)</u>
Cash flows from investing activities		
Payments for exploration and evaluation	(785,940)	(484,801)
Payments for plant and equipment	(28,814)	(12,597)
Payments for bonds	(4,500)	-
Receipt of earn in funds pursuant to Acra Joint Venture	430,000	-
Refund of tenement bonds	-	30,000
Reimbursement of exploration expenditure	<u>-</u>	<u>35,000</u>
Net cash flows used in investing activities	<u>(389,254)</u>	<u>(432,398)</u>
Cash flows from financing activities		
Proceeds from the issue of shares	2,843,656	1,147,500
Payments for the issue of shares	<u>(121,123)</u>	<u>(20,000)</u>
Net cash flows provided by financing activities	<u>2,722,533</u>	<u>1,127,500</u>
Net increase in cash held	2,020,591	403,096
Cash at the beginning of the half-year	<u>833,455</u>	<u>1,629,510</u>
Cash at the end of the half-year	<u><u>2,854,046</u></u>	<u><u>2,032,606</u></u>

The accompanying notes form an integral part of these financial statements.

PIONEER NICKEL LIMITED
and its controlled entity

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the half-year ended 31 December 2006

1. BASIS OF PREPARATION OF HALF-YEAR FINANCIAL STATEMENTS

These general purpose half-year financial statements for the half-year ended 31 December 2006 have been prepared in accordance with the requirements of the Corporations Act 2001, applicable accounting standards including Accounting Standard AASB 134: Interim Financial Reporting and other authoritative pronouncements of the Australian Accounting Standards Board ("AASB"). Compliance with AASB 134 ensures compliance with IAS "Interim Financial Reporting".

It is recommended that these half-year financial statements and reports be read in conjunction with the Annual Report for the year ended 30 June 2006 and any public announcements made by Pioneer Nickel Limited and its controlled entity during the half-year in accordance with continuous disclosure obligations arising under the Corporations Act, 2001.

The half-year report has been prepared on the accruals basis and in accordance with the historical cost convention. Cost is based on the fair value of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

The half-year financial report does not include all notes of the type normally included within the annual financial report and therefore 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.

For the purpose of preparing the half-year financial statements, the half-year has been treated as a discrete reporting period.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the Company's 2006 annual financial report for the financial year ended 30 June 2006.

In the half-year ended 31 December 2006, the consolidated entity has reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for annual reporting periods beginning on or after 1 July 2006.

It has been determined by the Group that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, therefore, no change is necessary to the consolidated entity's accounting policies.

PIONEER NICKEL LIMITED
and its controlled entity

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the half-year ended 31 December 2006

	31 Dec 2006 \$	30 June 2006 \$	31 Dec 2005 \$
2. CONTRIBUTED EQUITY			
(a) Issued Capital			
78,085,634 ordinary shares; (30 June 2006: 55,336,383 ordinary shares); (31 December 2005: 55,336,383)	10,048,554	7,326,021	7,326,021

During the half year a total of 22,749,251 ordinary shares were issued at an issue price of 12.5 cents per share raising \$2,843,656 for the purpose of further advancing the consolidated entity's exploration projects and to augment working capital.

(b) Options

The following unlisted options are outstanding in respect of ordinary shares:

- 6,050,000 options exercisable at 25 cents each on or before 31 December 2007.
- 3,750,000 options exercisable at 25 cents each on or before 28 November 2009.
- 500,000 options exercisable at 30 cents each on or before 1 April 2009.
- 250,000 options exercisable at 30 cents each on or before 31 December 2008.
- 2,500,000 options exercisable at 30 cents each on or before 24 November 2007.
- 1,000,000 options exercisable at 25 cents each on or before 31 August 2011.
- 2,400,000 options exercisable at 20 cents each on or before 8 September 2010.
- 2,400,000 options exercisable at 22 cents each on or before 8 September 2011.

(c) Share Based Payments

The fair value of the equity-settled share options granted is estimated as at the date of grant using a Black-Scholes 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 half-year ended 31 December 2006:

Number of Options	1,000,000	2,400,000	2,400,000
Volatility (%)	100%	60%	60%
Risk-free interest rate (%)	6%	6%	6%
Expected life of option (years)	5	4	5
Exercise price (cents)	25	20	22
Weighted average share price at grant date (cents)	14	14	14
Value per option (cents)	6.9	6.5	7.03

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. No other features of options granted were incorporated into the measurement of fair value.

PIONEER NICKEL LIMITED

and its controlled entity

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the half-year ended 31 December 2006

	31 Dec 2006 \$	31 Dec 2005 \$
3. EARNINGS/(LOSS) PER SHARE		
The following reflects the loss and share data used in the calculations of basic and diluted earnings/(loss) per share:		
Earnings/(loss) used in calculating basic and diluted earnings/(loss) per share	(418,747)	(410,686)
	Number of Shares 2006	Number of Shares 2005
Weighted average number of ordinary shares used in calculating basic earnings/(loss) per share:	72,172,159	53,534,196
<i>Effect of dilutive securities</i>		
Share options*	-	-
Adjusted weighted average number of ordinary shares used in calculating diluted earnings/(loss) per share	72,172,159	53,534,196

*Non-dilutive securities

As at balance date, 18,850,000 unlisted options (which represent 18,850,000 potential ordinary shares) (31 December 2005: 13,350,000 unlisted options) which represent potential ordinary shares were not dilutive as they would decrease the loss per share.

4. DIVIDENDS

No dividend has been declared or paid during the half-year ended 31 December 2006.

5. EVENTS SUBSEQUENT TO BALANCE DATE

Since 31 December 2006, no event has arisen that would be likely to materially affect the operations of the consolidated entity, the results of the consolidated entity or the state of affairs of the consolidated entity not otherwise disclosed in the consolidated entity's financial statements.

6. CONTINGENT ASSETS AND LIABILITIES

Since the last reporting date, there has been no change of any contingent liabilities or contingent assets.

7. 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.