



**QUARTERLY ACTIVITIES REPORT
FOR THE PERIOD ENDED 31 DECEMBER 2008**

Pioneer Nickel Limited (ASX: PIO) today released to investors its December 2008 Quarterly Activities Report which provided a brief summary of the recent exploration activities for the Company.

In light of the current economic circumstances Pioneer has completed a strategic review of the Company's project portfolio, scaled back its exploration activities and commenced a capital raising.

During the past six months your Company has chosen to mitigate its commitments to certain of its projects by selling equity in those projects and deferring discretionary expenditure on others.

This has included:

- Restructuring the Acra Joint Venture. Under the restructure:
 - Xstrata Nickel Investments Pty Ltd took a placement in Pioneer raising \$170,000; and
 - Xstrata Nickel Australasia Pty Limited ("Xstrata") will provide to Pioneer \$150,000 per quarter for two years (**Total \$1.2M**) to implement exploration programs at Acra.
 - In return Xstrata will now earn an 80% interest in the project, up from 75%.
- Selling an 80% interest in the Pioneer Dome Project to Panoramic Resources Limited raising \$100,000, and retaining a 20% free-carried interest.

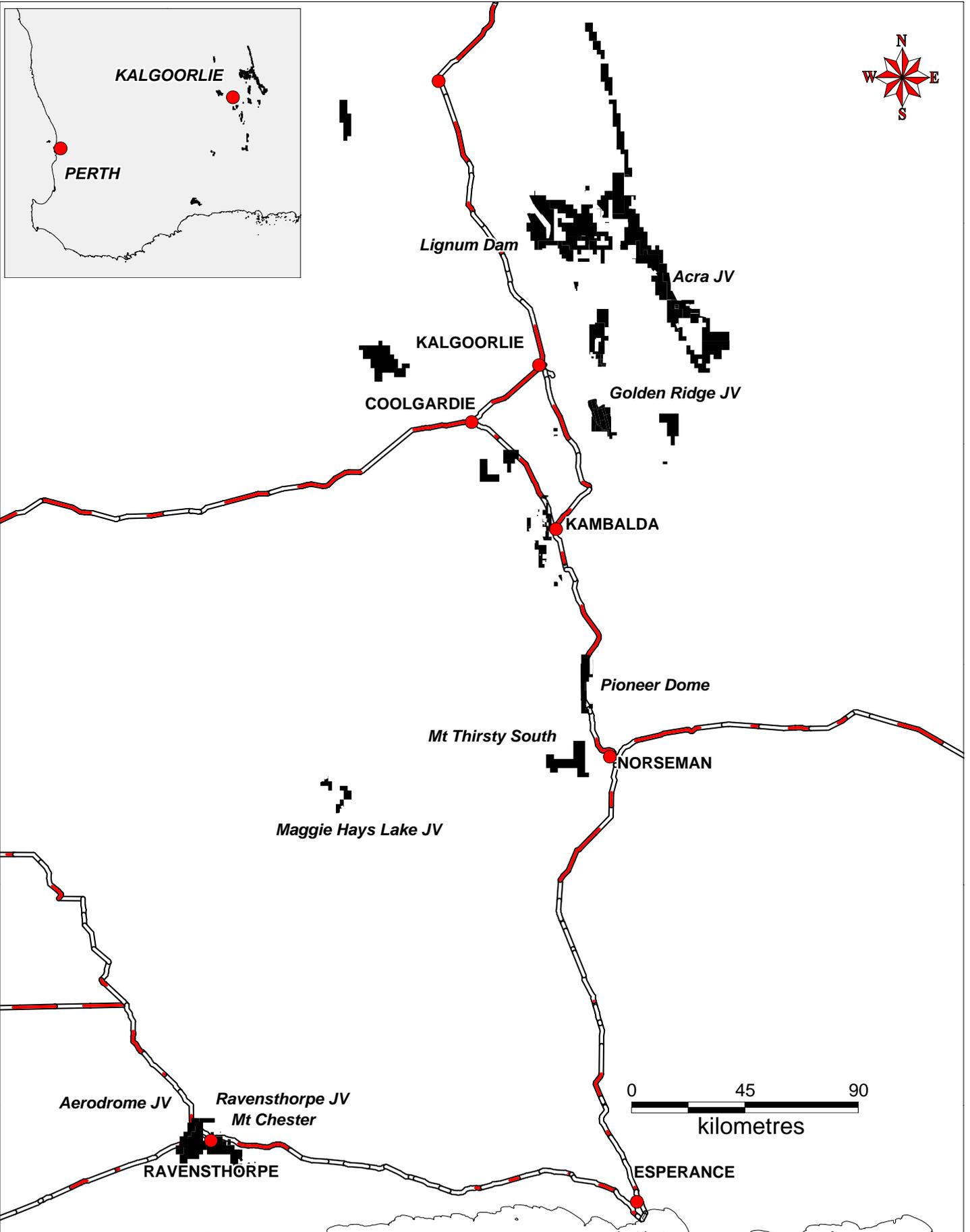
Your Company is also continuing to negotiate the divestment of equity in other projects.

Subsequent to 31 December 2008, Pioneer has initiated a capital raising strategy which includes an initial placement to sophisticated investors. To date the Company has received cleared funds of \$150,000 and firm offers for a further \$50,000.

Like many of its peers, Pioneer has implemented other cost cutting measures including staff retrenchments, salary and Director fee reductions and downsizing of the Kalgoorlie office.

Corporate:

- At 31 December 2008 Pioneer had cash reserves of \$0.4 million and no debt.
- During the quarter Pioneer completed a share placement of 3,400,000 shares to its major shareholder, Xstrata Nickel Investments Pty Ltd, raising \$170,000. On completion Xstrata held 19.8% of Pioneer's issued capital.
- Subsequent to the end of the Quarter the Company has received the following:
 - \$150,000 pursuant to the amended Acra Joint Venture Agreement;
 - \$50,000 as part payment from Panoramic Resources Limited for an 80% interest in the Pioneer Dome Project. \$50,000 remains payable upon the receipt of certain approvals which we anticipate will be received in the next few weeks.
 - \$150,000 received following a placement to a sophisticated investor of 7,500,000 ordinary shares at an issue price of 2 cents per share.
 - Firm offers from additional sophisticated investors for a further \$50,000, committing to subscribe for 2,500,000 ordinary shares at an issue price of 2 cents per share.



Results from a Strategic Review of Company Projects.

The strategic review included forming an opinion on the market outlook for the commodities identified within the Company's project portfolio. This has resulted in increased emphasis for the Company's gold project at Lignum Dam as a value proposition, along with the Acra JV Project for nickel sulphides (funded by Xstrata). Other projects will receive sufficient expenditure to keep them in good standing or will be divested.

By assuming management of the Acra JV from Xstrata, Pioneer is able to use its in-house nickel sulphide expertise and continue advancing this highly prospective project without drawing on its cash reserves. The Company maintains the view that the nickel market is cyclic, and with lower nickel supply now forecast following mine closures and construction delays, the expected supply reduction may result in some recovery to the nickel price the medium term. Pioneer retains the support of its major shareholder, Xstrata, which understands that in the current market junior explorers have to adapt to market conditions if they are to survive and continue to grow.

Subject to raising adequate funding and in addition to the Acra JV, your Company intends to focus on its 100% owned Lignum Dam Gold Project, located near Kalgoorlie. The next phase of work will be resource identification RC drilling at the Tregurtha Prospect, with additional RAB drilling to better define a number of other anomalies already identified within the project area.

In summary, the exploration work planned for the Lignum Dam Project funded by Pioneer, and the Acra JV Project funded by Xstrata, will allow the Company to continue to grow and provide news flow to investors as milestones are met.

Lignum Dam Gold Project.

Pioneer 100%.

The Project is approximately 21km NE from the Paddington Gold Mill and 35km NNW of the Kanowna Belle Gold Mill.

Previously reported work by Pioneer identified a 1,200m long geochemical corridor based on RAB drilling, encompassing the Tregurtha and Hughes Prospects. Drill results from Tregurtha include **29m at 2.03g/t Au, 8m at 2.52g/t Au and 4m at 3.34g/t Au**. The Company is encouraged by both the length of the RAB geochemical anomaly and the elevated grades returned from shallow, wide spaced drilling.

With gold at all time price highs in Australian dollar terms, and many commentators forecasting higher prices to come, Pioneer has given this project a high priority. Subject to a successful capital raising the proposed exploration pipeline includes:

- RC resource identification drilling for Tregurtha, followed by definition drilling;
- Infill RAB drilling at Hughes and new anomaly drilling along the SE geochemical corridor.

The Company believes that the Lignum Dam Project has the hallmarks of a moderately sized gold system with a number of features analogous to the nearby Golden Cities Camp. Pioneer plans to advance the project with the objective of securing a decision to develop and mine within the next two to three years.

Acra Joint Venture Project.

Xstrata earning 80%, Pioneer diluting to 20%, free carried.

Following a variation to the Acra Joint Venture, Pioneer has resumed technical management of the Acra JV Project. Under the variation, a budget of \$1,200,000 has been agreed for the next two years, to be fully funded by Xstrata. On completion, Xstrata will have earned an 80% interest in the project. Pioneer will continue to be free carried for further exploration.

Last year the Joint Venture announced the discovery of an intact, nickel sulphide-mineralised, basal ultramafic contact, which greatly enhances the prospectivity of the project.

Work scheduled for completion includes a detailed review of the prospect geology in light of the nickel discovery, followed by ground EM surveys and drilling later in the year.

Mt Thirsty South Cobalt Nickel Project.

Pioneer 100%.

Results from RAB drilling successfully confirmed the presence cobalt mineralisation on 5 of the 7 lines drilled. Drill holes were on a 400x80m or 400x40m grid and results included **6m at 0.15% Co, 0.35% Ni, 1.04% Mn, and 3m at 0.46% Co, 0.26% Ni, 5.80% Mn.**

Pioneer's project is geologically continuous with, and immediately south of, the Mt Thirsty Cobalt Nickel Project, a joint venture between Barra Resources Limited (50%) and Fission Energy Limited (50%). Barra and Fission are currently undertaking metallurgical, economic and engineering studies for the Mt Thirsty Project and both have reported very encouraging results (*refer BAR and FIS announcements 15/01/2009*).

Much of this information is directly applicable to Pioneer's project. Once the study outcomes are released Pioneer will embark on a drill-out of the mineralisation identified in earlier RAB drilling.

Mt Chester Manganese Prospect.

Pioneer 75%, Galaxy Resources Limited 25%, contributing interest.

The Joint Venture has reported a target based on a 600m long rock chip and soil geochemical anomaly. The outcropping manganiferous horizon has been identified in a historic surface costean and subsurface adit, with an indicated width of 10-15m. Results of rock chip sampling range between 30% and 49% Mn. Mineralogy work on samples shows the dominant manganese mineral to be Pyrolusite.

The Mt Chester Prospect has significant infrastructure advantages over some manganese operations on mainland Australia being 10km from an established town and 180km from a deep water port.

The Joint Venture has received permits to complete up to 12 drillholes to test the prospect. Four of the holes are regarded as high priority and will be completed prior to committing to the remaining eight holes.

The Joint Venture is actively seeking a partner to advance this project.

Golden Ridge Joint Venture.

Pioneer 54%, Australian Mines Limited 46%, contributing interest.

The Company has generated a number of high priority targets, in particular the Leo Dam Prospect where strongly anomalous nickel, copper and PGE assay results were returned from shallow drilling completed last year. Results are consistent with a nickel sulphide source for the weathered ultramafic rock anomaly.

The Company's Joint Venture partner is currently suspended from the ASX. During the December 2008 quarter the partner has not contributed to exploration expenditure and accordingly has diluted its participating interest. In the current market Pioneer will restrict expenditure to that required to keep tenements in good standing.

I, David John Crook:

- I have read and understood the requirements of the 2004 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves ("2004 JORC Code").
- I am a Competent Person as defined by the 2004 JORC Code, having five years experience which is relevant to the style of mineralisation and type of deposit described in the Report, and to the activity for which I am accepting responsibility.
- I am a Member of *The Australasian Institute of Mining and Metallurgy*.
- I have reviewed the Report to which this Consent Statement applies.
- I am a full time employee of Pioneer Nickel Limited.

I verify that the Report is based on and fairly and accurately reflects in the form and context in which it appears, the information in my supporting documentation relating to Exploration Results.

Appendix 5B

Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001.

Name of entity

PIONEER NICKEL LIMITED

ABN

44 103 423 981

Quarter ended ("current quarter")

31 DECEMBER 2008

Consolidated statement of cash flows

	Current quarter \$A'000	Year to date (6 months) \$A'000
Cash flows related to operating activities		
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for (a) exploration and evaluation	(502)	(903)
(b) development	-	-
(c) production	-	-
(d) administration	(220)	(486)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	7	31
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other – Sundry	-	-
Net Operating Cash Flows	(715)	(1,358)
Cash flows related to investing activities		
1.8 Payment for purchases of: (a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	(2)	(31)
1.9 Proceeds from sale of: (a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	-	-
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other – Payment for tenement bond	-	-
Other – Tenement bonds refunded	-	-
Net investing cash flows	(2)	(31)
1.13 Total operating and investing cash flows (carried forward)	(717)	(1,389)

+ See chapter 19 for defined terms.

1.13	Total operating and investing cash flows (brought forward)	(717)	(1,389)
Cash flows related to financing activities			
1.14	Proceeds from issues of shares, options, etc.	170	170
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other – Share issue costs	-	-
Net financing cash flows		170	170
Net increase (decrease) in cash held		(547)	(1,219)
1.20	Cash at beginning of quarter/year to date	934	1,606
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	Cash at end of quarter	387	387

Payments to directors of the entity and associates of the directors
Payments to related entities of the entity and associates of the related entities

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	\$96k
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

Within item 1.2

(i) Managing Director and Non-Executive Directors' remuneration - \$96k

+ See chapter 19 for defined terms.

Non-cash financing and investing activities

- 2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

NIL

- 2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

NIL

Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	NIL	NIL
3.2 Credit standby arrangements	NIL	NIL

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	150
4.2 Development	NIL
Total	150

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	25	16
5.2 Deposits at call	362	918
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	387	934

+ See chapter 19 for defined terms.

Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1 Interests in mining tenements relinquished, reduced or lapsed	E28/1515	Registered holder	40%	0%
	E31/519	Registered holder	40%	0%
	P25/1812	Registered Holder	100%	0%
6.2 Interests in mining tenements acquired or increased				

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

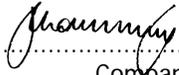
	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 Preference + securities <i>(description)</i>	-	-	-	-
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 +Ordinary securities Ordinary Shares (PIO)	106,608,479	106,608,479		Fully Paid
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	3,400,000	3,400,000		
7.5 +Convertible debt securities <i>(description)</i>	-	-		
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				

+ See chapter 19 for defined terms.

7.7	Options			<i>Exercise price</i>	<i>Expiry date</i>
	Unlisted options (PIOAO)	3,750,000	-	25 cents each	28 Nov 2009
	Unlisted options	500,000	-	30 cents each	1 April 2009
	Unlisted options	1,000,000	-	25 cents each	31 Aug 2011
	Unlisted options	2,400,000	-	20 cents each	8 Sept 2010
	Unlisted options	2,400,000	-	22 cents each	8 Sept 2011
	Unlisted options	200,000	-	25 cents each	31 March 2012
	Unlisted options	350,000	-	25 cents each	30 June 2011
	Unlisted options	250,000	-	30 cents each	30 June 2011
	Unlisted options	750,000	-	20 cents each	30 June 2012
	Unlisted options	750,000	-	22 cents each	30 June 2013
			-		
7.8	Issued during quarter	-	-		
7.9	Exercised during quarter	-	-		
7.10	Expired during quarter (lapsed) Unlisted options	250,000		30 cents each	31 December 2008
7.11	Debentures <i>(totals only)</i>				
7.12	Unsecured notes <i>(totals only)</i>				

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act [or other standards acceptable to ASX \(see note 4\)](#).
- 2 This statement does give a true and fair view of the matters disclosed.

Sign here:  Date: 28 January 2009
Company Secretary

Print name: JULIE-ANNE WOLSELEY

Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.

+ See chapter 19 for defined terms.

5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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Rule 5.3

+ See chapter 19 for defined terms.