

13 March 2009

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19 – 31 December 2008 Interim Financial Report

Company Announcements Office  
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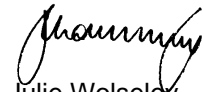
Dear Sir/Madam

**INTERIM FINANCIAL REPORT FOR THE HALF YEAR ENDED 31 DECEMBER 2008**

Pursuant to the Corporations Act 2001 and ASX Listing Rule 4.2B please find attached the Interim Financial Report for the half year ended 31 December 2008.

Yours faithfully

**PIONEER NICKEL LIMITED**



Julie Wolseley  
**Company Secretary**



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

**Interim Financial Report  
for the  
Half-Year ended 31 December 2008**

**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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**AUDITOR**

Butler Settineri (Audit) Pty Ltd  
Unit 16, First Floor  
100 Railway Road  
Subiaco  
Western Australia, 6008

**SHARE REGISTRY**

Security Transfer Registrars Pty Limited  
770 Canning Highway  
Applecross  
Western Australia, 6153  
Telephone: (08) 9315 0933  
Facsimile: (08) 9315 2233  
Email: [registrar@securitytransfer.com.au](mailto: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**

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Your Directors present their report on the consolidated financial statements for the half-year ended 31 December 2008. 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:

***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. Mr McGown holds directorships in Bass Metals Ltd, Peel Exploration Limited and Entek Energy Ltd.

***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 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 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, mineral sands, oil and gas and copper. 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 an independent business consultant.

Dr Trench currently holds directorships in Navigator Resources Ltd Limited and Venturex Resources Limited.

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

Mr Langworthy was appointed a Director on 29 November 2004. Mr Langworthy is presently a technical consultant to a number of resource companies including Xstrata Nickel Australasia Pty Ltd (formerly Jubilee Mines NL) where until recently he was the Business Development Manager and prior to that position took responsibility 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.

Mr Langworthy currently holds directorships in Northern Star Resources Ltd and Falcon Minerals Ltd.

The Directors named above each held office as at 31 December 2008.

**PIONEER NICKEL LIMITED**  
**and its controlled entity**

**DIRECTORS' REPORT**

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**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. Ms Wolseley also holds a directorship in OM Holdings Ltd.

**REVIEW OF OPERATIONS**

The consolidated entity recorded an operating loss after income tax for the half-year ended 31 December 2008 of \$3,664,907 compared to the 31 December 2007 operating loss after income tax of \$1,112,333. Included within the result were exploration write-downs totalling \$3,140,680 related primarily to the Ravensthorpe Joint Venture, Pioneer and Aerodrome Joint Venture Projects.

During the half-year the consolidated entity incurred a total of \$1,081,787 on exploration expenditure (net of joint venture contributions made by joint venture participants in accordance with joint venture arrangements). A significant proportion of the exploration and evaluation expenditure was incurred on the consolidated entity's Silver Swan Northwest, Golden Ridge JV, Balagundi and Ravensthorpe JV Projects in Western Australia.

During the half year the Company completed a share placement to Xstrata Nickel Australasia Investments Pty Ltd, comprising 3,400,000 ordinary shares at an issue price of 5 cents per share which raised \$170,000 for the purpose of supporting the Company's working capital requirements.

The Company's cash position at the end of the half-year was \$386,544 however this has been supplemented by the following since the end of the half-year:

- (i) Xstrata Nickel Australasia Pty Ltd ("Xstrata") has funded in January 2009 the first \$150,000 towards exploration the Company will undertake on behalf of Xstrata in accordance with the Acra Joint Venture. Following a variation to the Acra Joint Venture Agreement, a budget of \$1,200,000 has been agreed over the next two years to be funded by Xstrata. On completion Xstrata will have earned an 80% interest in the joint venture project.
- (ii) The Company has issued 14,500,000 ordinary shares at an issue price of 2 cents per share which raised \$290,000 (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. The funds raised will be used to supplement the Company's working capital requirements.
- (iii) The Company has disposed of an 80% interest in a tenement for \$100,000 and subsequent to half-year end has received the first instalment of \$50,000 with the balance due upon completion of certain statutory requirements.
- (iv) On 18 February 2009, the Company announced that it would be implementing a Share Purchase Plan ("SPP") whereby eligible shareholders would each be entitled to subscribe for up to \$5,000 of ordinary shares at an issue price of 2 cents per share. The SPP closes on 27 March 2009. Dependent upon the scale of funds raised the funds raised will be applied to working capital requirements and to undertake a drill program at the Company's Lignum Dam Project.

**PIONEER NICKEL LIMITED**  
and its controlled entity

**DIRECTORS' REPORT**

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**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 2008.

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

Dated at Perth this 12 March 2009.



**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 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 review; and
- b) no contraventions of any applicable code of professional conduct in relation to the review.

BUTLER SETTINERI (AUDIT) PTY LTD

COLIN P BUTLER  
Director

Perth

Date: 12 March 2009

**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 Pioneer Nickel Limited (the consolidated entity) which comprises the balance sheet as at 31 December 2008, 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 entities it controlled during the half year.

**Directors' Responsibility for the Half Year Financial Report**

The directors 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 establishing 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 2008 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.

**BUTLER  
SETTINERI**

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Directors:

**Colin Butler**  
FCA

**Paul Chabrel**  
FCA

**Lucy Gardner**  
CA

## 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 2008 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*.

## Inherent uncertainty regarding going concern

Without qualification to the conclusion expressed above, attention is drawn to the following matter. As a result of matters referred to in note 1 to the interim financial statements "Going Concern", there is an inherent uncertainty whether the Consolidated Entity will be able to continue as a going concern and therefore, whether it will be able to pay its debts as and when they fall due and whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the interim financial report. The interim financial report does not include any adjustments relating to the recoverability and classification of recorded assets or to the amounts and classification of liabilities that might be necessary should the consolidated entity not continue as a going concern.

BUTLER SETTINERI (AUDIT) PTY LTD



COLIN P BUTLER  
Director

Perth  
Date: 12 March 2009

**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 16:
  - (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 2008 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 12 March 2009.



**DJ Crook**  
Managing Director

**PIONEER NICKEL LIMITED**  
and its controlled entity

**CONDENSED CONSOLIDATED INCOME STATEMENT**

**For the half-year ended 31 December 2008**

	Note	31 December 2008 \$	31 December 2007 \$
Other income		31,295	987,569
<hr/>			
Total revenue		31,295	987,569
Employee expenses		(473,389)	(500,008)
Corporate expenses		(81,327)	(82,758)
Cost base of investments sold		-	(55,791)
Depreciation		(26,564)	(28,212)
Rental expense on operating leases		(55,099)	(61,989)
Non-Executive Directors' fees		(75,175)	(60,000)
Insurance expenses		(15,469)	(21,506)
Employee costs recharged to capitalised exploration		319,417	377,764
Expense of share-based payments		(31,984)	(76,643)
Exploration costs written off	2	(3,140,680)	(1,448,845)
Other expenses		(115,932)	(141,734)
<hr/>			
Loss before income tax		(3,664,907)	(1,112,333)
Income tax		-	-
<hr/>			
Net loss attributable to members of the Company		(3,664,907)	(1,112,333)
<hr/>			
Basic earnings/(loss) per share (cents per share)	4	(3.52)	(1.24)
<hr/>			
Diluted earnings/(loss) per share (cents per share)	4	(3.52)	(1.24)
<hr/>			

*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 2008**

	Note	31 Dec 2008 \$	30 June 2008 \$	31 Dec 2007 \$
<b>CURRENT ASSETS</b>				
Cash and cash equivalents		386,544	1,605,850	1,765,233
Other receivables		91,328	310,026	598,983
Other financial assets		29,778	57,985	728,226
<b>TOTAL CURRENT ASSETS</b>		<b>507,650</b>	1,973,861	3,092,442
<b>NON-CURRENT ASSETS</b>				
Plant, equipment and motor vehicles		104,155	99,933	194,973
Capitalised mineral exploration		6,358,283	8,417,176	7,102,109
<b>TOTAL NON-CURRENT ASSETS</b>		<b>6,462,438</b>	8,517,109	7,297,082
<b>TOTAL ASSETS</b>		<b>6,970,088</b>	10,490,970	10,389,524
<b>CURRENT LIABILITIES</b>				
Trade and other payables		242,394	311,900	624,208
Provisions		63,360	51,814	44,866
<b>TOTAL CURRENT LIABILITIES</b>		<b>305,754</b>	363,714	669,074
<b>TOTAL LIABILITIES</b>		<b>305,754</b>	363,714	669,074
<b>NET ASSETS</b>		<b>6,664,334</b>	10,127,256	9,720,450
<b>EQUITY</b>				
Contributed equity	3	13,343,433	13,173,433	12,074,996
Share option reserve		705,082	673,098	657,933
Investments revaluation reserve		-	-	492,721
Accumulated losses		(7,384,181)	(3,719,275)	(3,505,200)
<b>TOTAL EQUITY</b>		<b>6,664,334</b>	10,127,256	9,720,450

*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 2008**

	31 December 2008 \$	31 December 2007 \$
<b>Total equity at the beginning of the half-year</b>	<b>10,127,256</b>	10,908,919
<i>Adjustments to equity:</i>		
Option reserve – share based payments	<b>31,985</b>	76,643
Investments revaluation reserve	-	(152,779)
Loss for the half-year	<b>(3,664,907)</b>	(1,112,333)
Total recognised income and expense for the half-year	<b>(3,632,922)</b>	(1,188,469)
Transactions with equity holders in their capacity as equity holders:		
Contributions of equity, net of transaction costs	<b>170,000</b>	-
	<b>170,000</b>	-
Total equity at the end of the half-year	<b>6,664,334</b>	9,720,450

*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 2008**

	31 Dec 2008 \$ Inflows/(Outflows)	31 Dec 2007 \$ Inflows/(Outflows)
<b>Cash flows from operating activities</b>		
Interest received	31,295	81,702
Farm in income	-	700,000
Other income	-	2,600
Payments to suppliers and employees (inclusive of goods and services taxes)	<u>(485,852)</u>	<u>(382,442)</u>
Net cash flows (used in)/from operating activities	<u>(454,557)</u>	<u>401,860</u>
<b>Cash flows from investing activities</b>		
Payments for exploration and evaluation	(903,963)	(2,049,780)
Payments for plant and equipment	(30,786)	(23,343)
Payments for bonds	-	(60,000)
Refund of tenement bonds	-	10,000
Proceeds from the sale of investments	<u>-</u>	<u>202,150</u>
Net cash flows used in investing activities	<u>(934,749)</u>	<u>(1,920,973)</u>
<b>Cash flows from financing activities</b>		
Proceeds from the issue of shares	<u>170,000</u>	-
Net cash flows provided by financing activities	<u>170,000</u>	-
Net increase/(decrease) in cash held	(1,219,306)	(1,519,113)
Cash at the beginning of the half-year	<u>1,605,850</u>	<u>3,284,346</u>
Cash at the end of the half-year	<u>386,544</u>	<u>1,765,233</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 2008**

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**1. BASIS OF PREPARATION OF HALF-YEAR FINANCIAL STATEMENTS**

These general purpose half-year financial statements for the half-year ended 31 December 2008 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 2008 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 2008 annual financial report for the financial year ended 30 June 2008.

In the half-year ended 31 December 2008, 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 2008.

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.

**Going Concern**

The ability of the consolidated entity to continue to fulfil its mineral exploration activities and hence the continued adoption of the going concern assumption, is dependent upon the Company raising additional funding as and when required. In the forthcoming period, the consolidated entity expects to continue its mineral exploration activities.

The financial statements have been prepared on a going concern basis which assumes that the Company and the consolidated entity will continue to meet its commitments and can therefore continue normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business. In arriving at this position, the Directors have considered the following pertinent matters:

- (i) Xstrata Nickel Australasia Pty Ltd ("Xstrata") has funded in January 2009 the first \$150,000 towards exploration the Company will undertake on behalf of Xstrata in accordance with the Acra Joint Venture. Following a variation to the Acra Joint Venture Agreement, a budget of \$1,200,000 has been agreed over the next two years to be funded by Xstrata. On completion Xstrata will have earned an 80% interest in the joint venture project.
- (ii) Since the end of the half-year the Company has issued 14,500,000 ordinary shares at an issue price of 2 cents per share which raised \$290,000 (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. The funds raised will be used to supplement the Company's working capital requirements.



**PIONEER NICKEL LIMITED**  
and its controlled entity

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

**For the half-year ended 31 December 2008**

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**1. BASIS OF PREPARATION OF HALF-YEAR FINANCIAL STATEMENTS (Continued)**

**Going Concern (Continued)**

- (iii) The Company has disposed of an 80% interest in a tenement for \$100,000 and subsequent to half-year end has received the first instalment of \$50,000 with the balance due upon completion of certain statutory requirements.
- (iv) On 18 February 2009, the Company announced that it would be implementing a Share Purchase Plan ("SPP") whereby eligible shareholders would each be entitled to subscribe for up to \$5,000 of ordinary shares at an issue price of 2 cents per share. The SPP closes on 27 March 2009. Dependent upon the scale of funds raised the funds raised will be applied to working capital requirements and to undertake a drill program at the Company's Lignum Dam Project.
- (v) Directors of the Company have expressed an interest to subscribe for up to 3.5 million shares at 2 cents per share, raising up to \$70,000. The Company has convened a General Meeting to be held on 30 March 2009 for shareholders to consider and approve the issue. In addition at the General Meeting the Company will seek to ratify recent share placements conducted under its 15 % placement capacity, so as to allow it flexibility in assessing the raising of additional funds in the future through equity raisings.

**31 December  
2008  
\$**

**31 December  
2007  
\$**

**2. RESULT FOR THE HALF-YEAR**

The result for the half-year includes the following item that was unusual because of its size:

Exploration costs written off	<b>3,140,680</b>	1,448,845
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**PIONEER NICKEL LIMITED**  
and its controlled entity

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

**For the half-year ended 31 December 2008**

	31 Dec 2008 \$	30 June 2008 \$	31 Dec 2007 \$
<b>3. CONTRIBUTED EQUITY</b>			
<b>(a) Issued Capital</b>			
106,608,479 ordinary shares; (30 June 2008: 103,208,479 ordinary shares); (31 December 2007: 89,798,479)	<b>13,343,433</b>	13,173,433	12,074,996

During the half year 3,400,000 ordinary shares were issued at an issue price of 5 cents each raising \$170,000 for the purpose of augmenting working capital.

**(b) Options**

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

- 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.
- 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.
- 200,000 options exercisable at 25 cents each on or before 31 March 2012.
- 100,000 options exercisable at 25 cents each on or before 30 June 2011.
- 250,000 options exercisable at 25 cents each on or before 30 June 2011.
- 250,000 options exercisable at 25 cents each on or before 30 June 2011.
- 750,000 options exercisable at 20 cents each on or before 30 June 2012.
- 750,000 options exercisable at 22 cents each on or before 30 June 2013.

**(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 2008:

Number of Options	750,000	750,000
Expiry date	30 June 2012	30 June 2013
Volatility (%)	100%	100%
Risk-free interest rate (%)	6.5%	6.5%
Exercise price (cents)	20	22
Weighted average share price at grant date (cents)	7	7
Value per option (cents)	2.97	3.78

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**

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**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

**For the half-year ended 31 December 2008**

	<b>31 Dec 2008</b>	<b>31 Dec 2007</b>
	<b>\$</b>	<b>\$</b>
<b>4. 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	<b>(3,664,907)</b>	(1,112,333)
	<hr/> <hr/>	<hr/> <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:	<b>104,243,262</b>	89,798,479
<i>Effect of dilutive securities</i>		
Share options*	-	-
	<hr/> <hr/>	<hr/> <hr/>
Adjusted weighted average number of ordinary shares used in calculating diluted earnings/(loss) per share	<b>104,243,262</b>	89,798,479

**\*Non-dilutive securities**

As at balance date, 12,350,000 unlisted options (which represent 12,350,000 potential ordinary shares) (31 December 2007: 11,100,000 unlisted options) which represent potential ordinary shares were not dilutive as they would decrease the loss per share.

**5. DIVIDENDS**

No dividend has been declared or paid during the half-year ended 31 December 2008.

**6. EVENTS SUBSEQUENT TO BALANCE DATE**

Since 31 December 2008, 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 except for the following:

- (i) Xstrata Nickel Australasia Pty Ltd ("Xstrata") has funded in January 2009 the first \$150,000 towards exploration the Company will undertake on behalf of Xstrata in accordance with the Acra Joint Venture. Following a variation to the Acra Joint Venture Agreement, a budget of \$1,200,000 has been agreed over the next two years to be funded by Xstrata. On completion Xstrata will have earned an 80% interest in the joint venture project.
- (ii) Since the end of the half-year the Company has issued 14,500,000 ordinary shares at an issue price of 2 cents per share which raised \$290,000 (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. The funds raised will be used to supplement the Company's working capital requirements.

# **PIONEER NICKEL LIMITED**

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## **NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

**For the half-year ended 31 December 2008**

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### **6. EVENTS SUBSEQUENT TO BALANCE DATE (Continued)**

- (iii) On 18 February 2009, the Company announced that it would be implementing a Share Purchase Plan ("SPP") whereby eligible shareholders would each be entitled to subscribe for up to \$5,000 of ordinary shares at an issue price of 2 cents per share. The SPP closes on 27 March 2009. Dependent upon the scale of funds raised the funds raised will be applied to working capital requirements and to undertake a drill program at the Company's Lignum Dam Project.

### **7. CONTINGENT ASSETS AND LIABILITIES**

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

### **8. 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.