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31 October 2006

**ASX RELEASE****QUARTERLY REPORT  
FOR THE PERIOD ENDING 30 SEPTEMBER 2006**

Pioneer Nickel Limited (ASX: PIO) is pleased to provide to shareholders the September 2006 Quarterly Activities Report, which provides a summary of the progress made by your Company.

**KEY ACHIEVEMENTS SEPTEMBER 2006 QUARTER*****Exploration:******At the Ravensthorpe JV Project (10km SE of Ravensthorpe. Farm-in Copper-Gold).***

- Initial drill holes return excellent results including:
  - **11m at 1.06% Copper and 0.31g/t Gold.**
  - **5m at 1.27% Copper and 0.57g/t Gold.**
  - **1m at 9.56% Copper and 53.8g/t Gold.**

***At the Golden Ridge JV Project (30km SE of Kalgoorlie. Farm-in Nickel).***

- Indicated resource calculated for Blair South Project;
- 7,600 metres of RAB drilling completed;
- Very anomalous nickel values returned in three RAB holes adjacent to previously unidentified ultramafic contact positions including:
  - **2m at 0.70% Nickel and 0.08% Copper.**

***For the Wattle Dam and Larkinville Projects (50km S and E of Kalgoorlie. Farm-out/Option)***

- Option agreement to sell certain project interests to Ramelius Resources Limited;
- A 1 x 0.5km soil geochemical anomaly identified at the Guest Leases Prospect. Subsequent rock chip sampling returned values of up to 13.8g/t.

***For the Acra Project (50km S of Kalgoorlie. Farm-out Nickel)***

- Jubilee Mines NL reported that 1,320 metres of drilling was completed.

***Corporate:******Capital.***

- Pioneer completed a series of capital raisings to professional investors and a share purchase plan subscribed to by existing shareholders which raised in total \$2.84 million by issuing 22.75 million ordinary shares. Jubilee Mines NL participated to its fullest extent, maintaining its 17.4% interest in the Company.
- Jubilee Mines NL has now paid to Pioneer \$430,000 pursuant to the Acra Joint Venture. Pioneer has transferred a 60% interest in the Project to Jubilee.
- As at 30 September 2006 the Company had cash reserves of \$3.61 million and no debt.

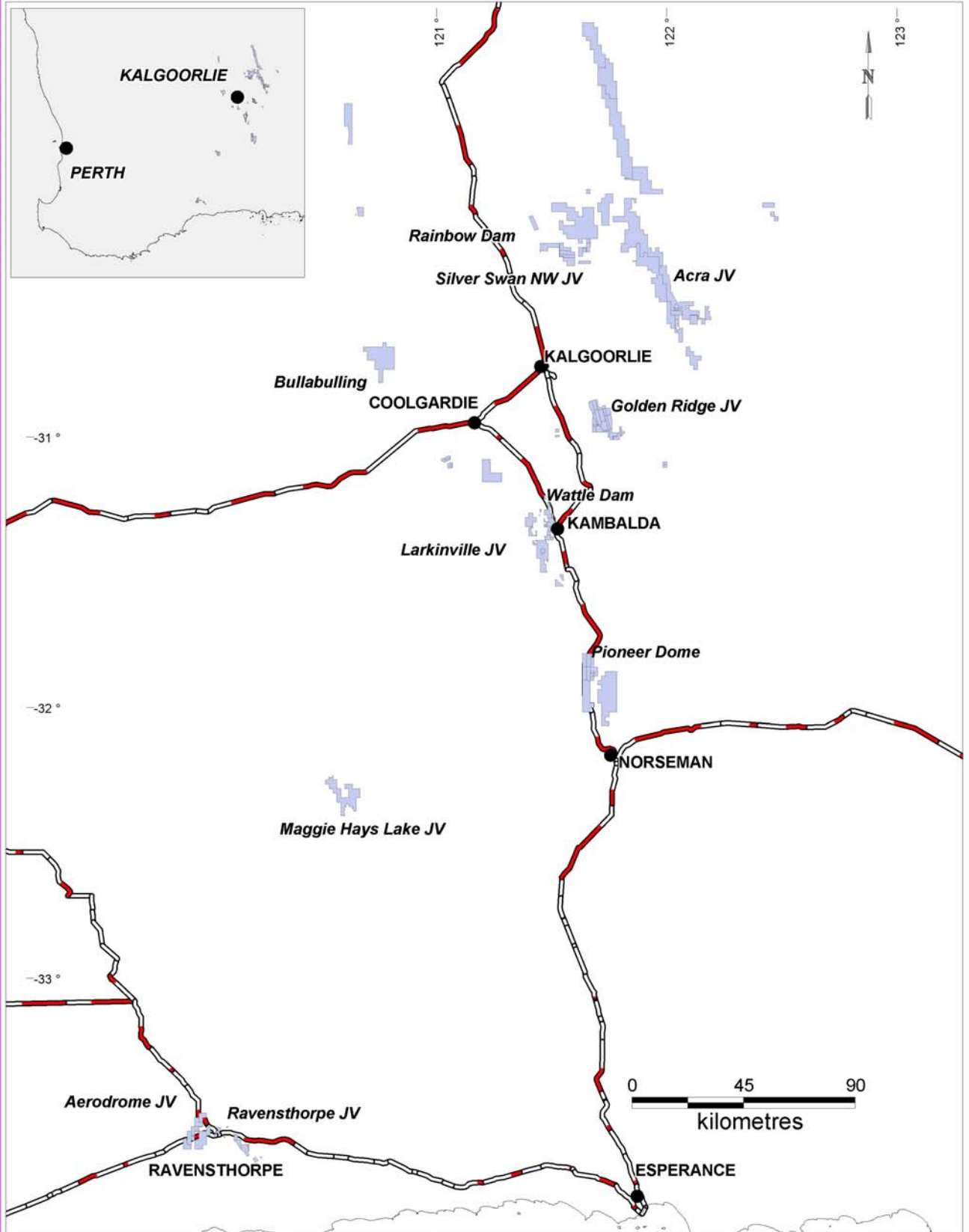


Figure 1. Pioneer tenement locations.

## 1 GOLDEN RIDGE PROJECT

- The Golden Ridge Project is located 30km SE of Kalgoorlie and 30km N of Kambalda in WA.
- Pioneer has the right to earn an initial interest of 51% and up to 80% in the project from Australian Mines Limited (“AUZ”).

Pioneer has now completed 140 rotary air blast (“RAB”) drill holes designed to confirm geological interpretations. Company geologists had concluded that unidentified ultramafic contact surfaces were likely to be present between the Blair Mine and Blair South Project (“Blair Zone”).

As the sole purpose of this drilling programme was to provide detailed geological information, it is very encouraging to have strongly anomalous nickel assays returned from two areas, both adjacent to ultramafic contact surfaces.

Approximately 50% of the results for samples submitted have been received to date. Significant results are presented in Table 1.

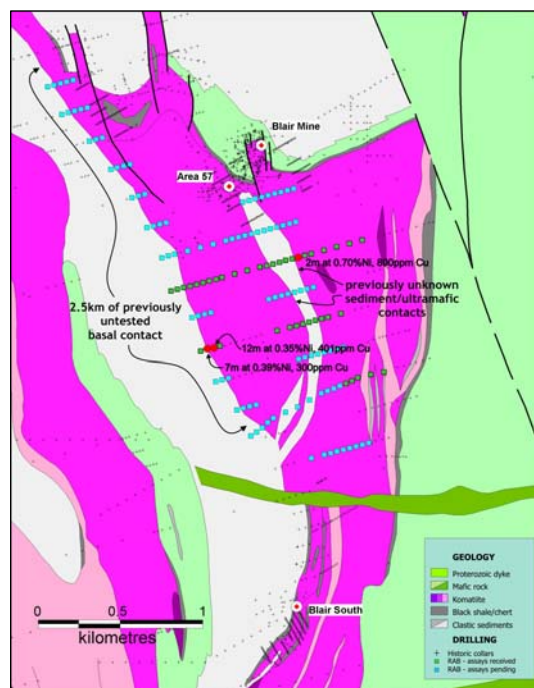


Figure 2. Geological interpretation of the Blair Mine to Blair South (“Blair Zone”) ultramafic zone.

Assay results have been received for holes marked by a green dot. Assays are pending for holes marked by blue dots.

**Table 1**  
**Significant RAB Drilling Results: Golden Ridge Joint Venture**

Prospect	Hole ID	East (m)	North (m)	From (m)	To (m)	Intercept (m)	Ni (%)	Cu (ppm)
Blair Zone	GRB0014	377,483	6,578,782	5	10	5	0.48	640
	including			5	7	2	0.70	800
	GRB0021	376,946	6,578,220	55	62	7	0.39	300
	GRB0022	376,977	6,578,229	18	30	12	0.35	401

- Assays were completed by Genalysis Laboratory Services using a 4 acid digest and ICP-OES finish. Mineralised intervals also assayed using 4 acid digest, AAS finish.
- Intercepts are “down-hole” metres. No estimate regarding true thickness is made or implied.
- Collar coordinates are MGA 94 (zone 51).

During the quarter Australian Mines Limited notified Pioneer that an initial Indicated Resource had been calculated for the Blair South Deposit. This is summarised in Table 2.

**Table 2**  
**Blair South Prospect: Indicated Resource**

Prospect	Tonnes (t)	Ni (%)	Contained Ni (t)	JORC Category
Blair South	151,331	1.43	2,164	Indicated

The resource calculation for the Blair South Prospect was supplied to Pioneer by Australian Mines Limited. The calculation was compiled by Mr Ernie Poole, who is a full time employee of Australian Mines Limited, is a Member of the AusIMM with more than 20 years of experience in the mining industry, including relevant experience in relation to the mineralisation being reported on and qualifies as a Competent Person as defined in the Joint Ore Reserves Committee (JORC) of the AusIMM. Mr Poole agrees to the inclusion of this information in the form and context in which it appears in this report.

**KEY OBJECTIVES DECEMBER 2006 QUARTER**

Pioneer will resume RC drilling during November 2006 at the Blair South Prospect, with 3,000m contracted. This will include:

- An initial 14 holes that will test for extensions to the Blair South resource;
- A further 7 holes to systematically test beneath anomalous shallow drilling located to the north and south of the Blair South resource; and
- The latter holes will act as platforms for DHTeM surveys;

As a precursor to the next round of target generation drilling:

- A gravity survey has commenced, which will provide data to facilitate geological interpretations; and
- Detailed aeromagnetic survey data and existing surface EM data is being reviewed for inclusion into the new geological model.

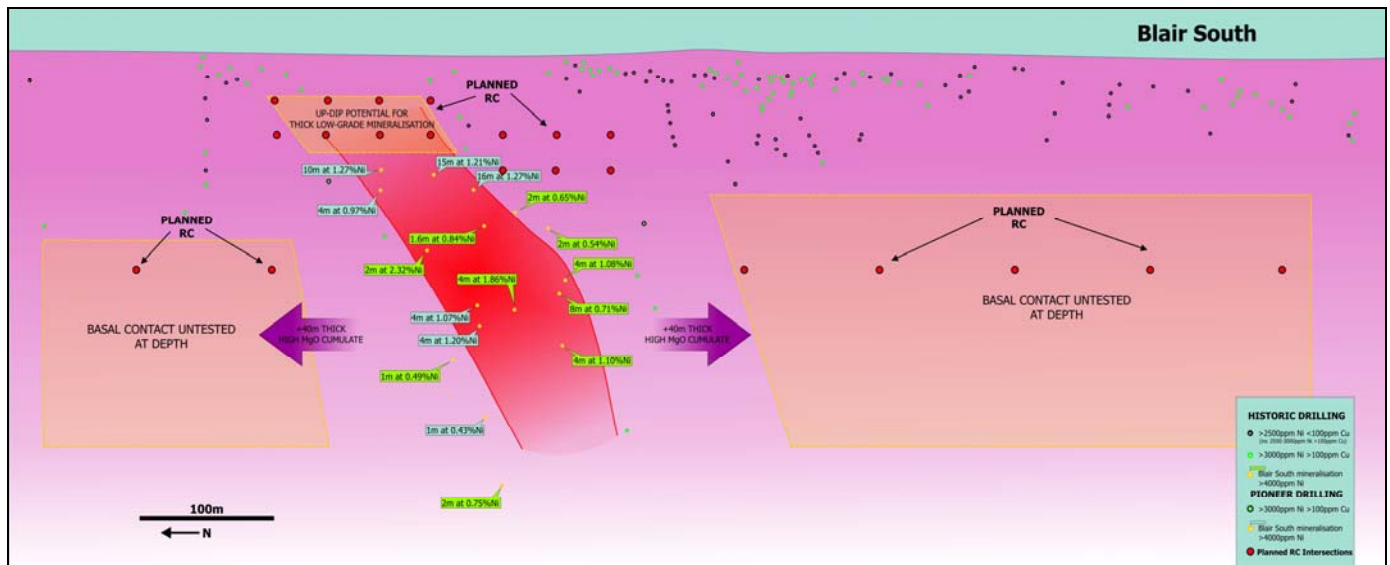


Figure 3. Long Section of the Blair South Prospect, looking East. Red dots indicate the planned pierce point of drill holes through the basal ultramafic contact.

**2 RAVENSTHORPE COPPER-GOLD PROJECT**

- The Ravensthorpe Copper-Gold Joint Venture Project is located 10km SE of Ravensthorpe, WA.
- Western Copper Pty Limited (a wholly owned subsidiary) has the right to earn a 75% interest in the project through sole funding exploration expenditure totalling \$0.5 million.

Pioneer recently announced the results from the first four reverse circulation ("RC") drill holes drilled at the Ravensthorpe copper-gold project. The holes completed were the first of a planned 7,000m of drilling, which will test the old workings on sections spaced at 80m intervals.

Significant results are listed in Table 3 below, and collar locations shown on figure 4.

Prospect	Hole ID	East (m)	North (m)	From (m)	To (m)	Intercept (m)	Cu (%)	Au (g/t)
Mt Desmond	ELV_09_06_001	235,370	6,276,371	13	18	5	1.27	0.57
	including			14	16	2	2.19	1.15
Mt Desmond	ELV_09_06_002	235,366	6,276,329	18	22	4	1.56	0.36
				26	27	1	9.56	53.8
Mt Desmond	ELV_09_06_003	235,397	6,276,304	10	14	4	0.74	0.34
	including			20	21	1	1.49	2.02
				19	30	11	1.06	0.31
Mt Desmond	ELV_09_06_004	235,400	6,276,260	19	20*	1	1.01	0.48

\* End of hole – Old working intersected.

**Notes to Table 3.**

- Assays were completed by Kalassay Group using a 4 acid digest and ICP-OES finish. Check assays have not been performed.
- Company standards were not submitted with these samples. Material from this drilling programme will be used to manufacture standards for internal Company quality control.
- True thickness of mineralised intercept could be less than that noted.
- Collar coordinates are MGA 94 (zone 51).

These results, in conjunction with old mine information, confirm that the narrow, high grade ore mined during the 1960s at Mt Desmond has an accompanying broad zone of disseminated copper mineralisation with significant gold credits, that could form the basis for an open pit mining operation when fully quantified.

Clearing Permit applications have been lodged and additional botanic surveys will also be completed in preparation for future drilling.

**KEY OBJECTIVES DECEMBER 2006 QUARTER**

Drilling will resume, initially from cleared areas, but moving onto traverses as Clearing Permits are received.

In addition, Pioneer, through geophysicists Southern Geoscience Consultants, has put into place the following work programmes which will be initiated during the December 2006 quarter.

- A detailed aeromagnetic and radiometric survey for all Ravensthorpe projects. Aeromagnetic surveys provide data that is used to interpret geological trends (important when planning other types of survey) and may indicate magnetic mineralisation positions;
- Following interpretation of the aeromagnetic survey data, a V-TEM (helicopter-borne electro-magnetic) survey will be completed. This technique has been shown to be effective for locating conductive geological features, which may include Elverdton-style mineralisation.
- Detailed mapping of project areas will commence; in conjunction with
- Detailed soil geochemistry programmes; and
- Progressive flora and fauna surveys.



Figure 4. Ravensthorpe Project (Northern Mt Desmond Mine area) showing completed drill holes (red dots) with azimuth indicated and significant assays; and rock chips (green dots) with significant assays. Red grid lines are the subject of a clearing permit application currently being processed by DoIR. Yellow lines are part of a wider ranging flora and fauna survey that will be included as an addendum to the clearing application when complete.

### 3 ACRA PROJECT

- *The Acra Project is located approximately 75km north east of Kalgoorlie.*
- *Jubilee Mines NL (“Jubilee”) holds a 60% interest and is earning a 75% interest in the project.*

Jubilee has notified Pioneer that RC drilling, totalling 6 holes for 1,320 metres, further tested the Southern Acra contact near drill hole ACRC018 (7m at 0.83% Ni).

Whilst assay results have not been received, the programme identified what has been interpreted as a footwall embayment which has associated nickel mineralisation. This result further supports the view that the southern contact is the basal contact which is prospective for massive nickel sulphide mineralisation. Future drilling will continue to target this embayment.

### 4 RAMELIUS ALLIANCE AREA

#### WATTLE DAM PROJECT

- *Pioneer 100% of nickel mineral rights.*
- *Ramelius holds title and a 100% interest in gold and tantalum mineral rights.*
- *Ramelius has an Option to purchase an 80% interest in nickel rights for \$500,000.*

#### LARKINVILLE-BULLABULLING PROJECT

- *Pioneer 100% of all mineral rights.*
- *Ramelius may earn up to a 75% interest in the gold and tantalum mineral rights.*
- *Ramelius has an Option to purchase an 80% interest in nickel rights for the Larkinville Project.*

Pioneer recently announced the terms of two option agreements with Ramelius Resources Limited (“Ramelius”), which complement existing JV’s between the companies. Pioneer considers that the Ramelius Alliance is an important step in the exploration development of the Northern Widgiemooltha Greenstone Belt.

Ramelius recently announced the identification of a major geochemical anomaly (gold values up to 800ppb or 0.8g/t) over 1km of strike and up to 500 metres wide at the Larkinville Guest Leases Prospect. Subsequent rock chip sampling returned values up to 13.8g/t gold. The prospect is located approximately 5km W of Widgiemooltha.

### **KEY OBJECTIVES DECEMBER 2006 QUARTER**

An RC drilling program of approximately 30 holes for a total of 2,400 metres has commenced at the Guest Leases Prospect. Results will be announced as they are returned.



David Crook  
Managing Director

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 specifically disclosed elsewhere in this report) who 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.

For more detailed information please see below or contact;

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On Behalf of:  
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Managing Director  
Pioneer Nickel Limited  
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## 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")

**30 SEPTEMBER 2006**

### Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (3 months) \$A'000
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for (a) exploration and evaluation	(216)	(216)
(b) development	-	-
(c) production	-	-
(d) administration	(258)	(258)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	28	28
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other – Farm in option fees	70	70
Receipts re: Joint venture arrangements	430	430
<b>Net Operating Cash Flows</b>	<b>54</b>	<b>54</b>
<b>Cash flows related to investing activities</b>		
1.8 Payment for purchases of: (a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	-	-
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 – Refund of tenement bonds	-	-
<b>Net investing cash flows</b>	<b>-</b>	<b>-</b>
1.13 Total operating and investing cash flows (carried forward)	<b>54</b>	<b>54</b>

+ See chapter 19 for defined terms.

1.13	Total operating and investing cash flows (brought forward)	54	54
<b>Cash flows related to financing activities</b>			
1.14	Proceeds from issues of shares, options, etc.	2,844	2,844
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	(121)	(121)
<b>Net financing cash flows</b>		<b>2,723</b>	<b>2,723</b>
<b>Net increase (decrease) in cash held</b>		<b>2,777</b>	<b>2,777</b>
1.20	Cash at beginning of quarter/year to date	833	833
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	<b>Cash at end of quarter</b>	<b>3,610</b>	<b>3,610</b>

**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	\$77
1.24	Aggregate amount of loans to the parties included in item 1.10	-
1.25	Explanation necessary for an understanding of the transactions	
<p><i>Within item 1.2</i></p> <p>(i) Managing Director and Non-Executive Directors' remuneration - \$77k</p>		

+ 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
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- 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
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### 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	785
4.2	Development	NIL
<b>Total</b>		<b>785</b>

### 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	17	33
5.2 Deposits at call	3,593	800
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
<b>Total: cash at end of quarter</b> (item 1.22)	<b>3,610</b>	<b>833</b>

+ 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	E15/573	Registered Holder	100%	0%
	E15/804	Registered Holder	100%	0%
	E15/807	Beneficial Applicant	100%	0%
	E15/842	Registered Holder	100%	0%
	E24/143	Registered Applicant	100%	0%
	E28/1055	Registered Holder	100%	0%
	E63/846	Registered Holder	100%	0%
	E63/847	Registered Holder	100%	0%
	E63/849	Registered Holder	100%	0%
6.2 Interests in mining tenements acquired or increased	Nil			

+ See chapter 19 for defined terms.

### 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 <b>Preference + securities</b> <i>(description)</i>	-	-	-	-
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 <b>+Ordinary securities</b> Ordinary Shares (PIO)	78,085,634	78,085,634		Fully Paid
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	22,749,251	22,749,251		
7.5 <b>+Convertible debt securities</b> <i>(description)</i>	-	-		
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 <b>Options</b>			<i>Exercise price</i>	<i>Expiry date</i>
Unlisted options (PIOAK)	3,000,000	-	25 cents each	31 Dec 2007
Unlisted options (PIOAK)	3,050,000	-	25 cents each	31 Dec 2007
Unlisted options (PIOAO)	3,750,000	-	25 cents each	28 Nov 2009
Unlisted options	250,000	-	30 cents each	31 Dec 2008
Unlisted options	500,000	-	30 cents each	1 April 2009
Unlisted options	2,500,000	-	30 cents each	24 Nov 2007
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

+ See chapter 19 for defined terms.

7.8	Issued during quarter				
	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
7.9	Exercised during quarter	-	-		
7.10	Expired during quarter (lapsed)	-	-		
7.11	<b>Debentures</b> <i>(totals only)</i>				
7.12	<b>Unsecured notes</b> <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: 30 October 2006  
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.
- 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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+ See chapter 19 for defined terms.