

31 January 2007  
**ASX RELEASE**

**QUARTERLY REPORT  
FOR THE PERIOD ENDING 31 DECEMBER 2006**

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

**KEY ACHIEVEMENTS DECEMBER 2006 QUARTER**

***Exploration:***

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

- 3,273m of reverse circulation drilling (20 holes) completed;
- Excellent results returned including:
  - **5m at 1.48% Nickel; and**
  - **4m at 1.14% Nickel.**
- Seven new basal contact targets indicated from RAB drilling results;
- Following drilling success, RAB drilling scheduled to re-commence in February 2007; and
- Detailed gravity survey completed.

***At the Ravensthorpe JV Project (10km SE of Ravensthorpe. Farm-in Copper-Gold).***

- 1,035m of reverse circulation drilling (19 holes) completed;
- Excellent results returned, including:
  - **15m at 2.32% Copper and 1.04g/t Gold;**
  - **7m at 2.00% Copper and 1.48g/t Gold; and**
  - **5m at 1.71% Copper and 0.33g/t Gold.**
- Detailed V-TEM and Aeromagnetic/Radiometric surveys commenced.

***The Balagundi VMS Project Acquired (30km NE of Kalgoorlie. 100% Pioneer, Copper)***

- Previous drilling intersected:
  - **4 metres at 3.2% Copper; and**
  - **7 metres at 0.7% Copper.**

***Corporate:***

- As at 30 December 2006 the Company had cash reserves of \$2.85 million and no debt.
- **Mr James Guy** has been appointed as Chief Geologist for the Company. His role will include managing exploration for the Ravensthorpe District and regional projects. James has 23 years experience as a geologist in Western Australia with experience in exploration for nickel sulphides, copper and gold. Most recently he was exploration manager for Breakaway Resources Limited, helping develop the company from Arrow Resources Management Pty Ltd, including the recent acquisition of the LionOre exploration tenement portfolio.
- Galaxy Resources Limited is scheduled to list on ASX early in February, 2006. On listing Pioneer will hold 3.1% of Galaxy's listed capital.
- The Company is continuing to assess a number of business development and corporate opportunities. This activity lead to the acquisition of the Balagundi Project and additional tenure at Ravensthorpe.

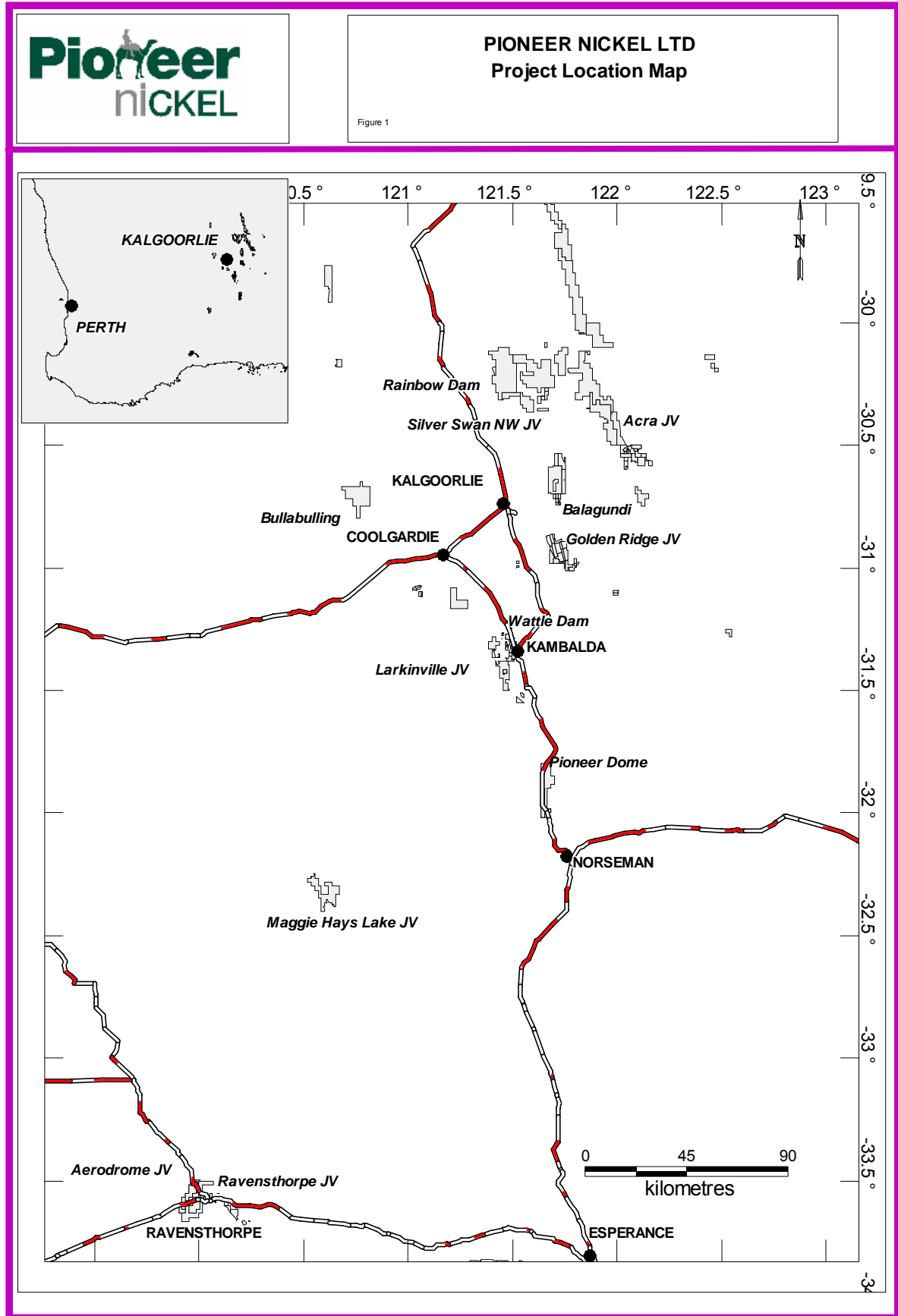


Figure 1. Project Location Plan.

## 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”).

### PROJECT STATUS

#### **Blair South**

At the Blair South Prospect the thickened zone of mineralisation identified earlier during 2006, which grades better than 1% Ni, has been extended towards the surface. To date, matrix and disseminated nickel sulphide minerals appear fresh, and therefore likely to be amenable to a conventional flotation circuit for extraction. A scoping study has commenced.

Five of six drill holes testing for southerly strike extensions have had assays returned. 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.

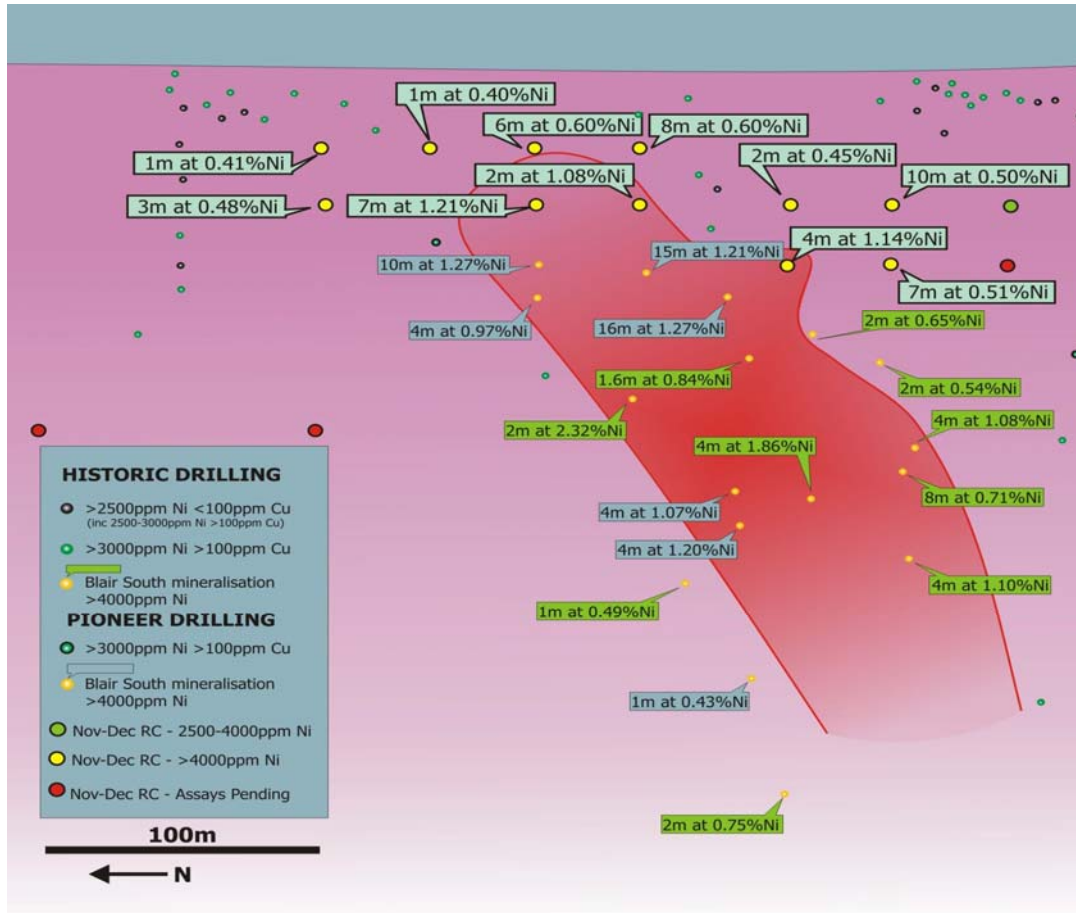


Figure 2. Blair South Long Section

An additional 5 holes were drilled as down-hole electromagnetic (“DHTEM”) survey platforms. Most holes intersected pyrrhotite-pyrite dominant disseminated sulphide minerals, however assays have not been received. Several holes require completing using diamond drilling tools before outstanding DHTEM surveys can be undertaken.

**Results received included:**

Table 1 Reverse Circulation Drilling Golden Ridge JV: Significant Mineralisation Summary										
Hole ID	Easting GDA94-51 (m)	Northing GDA94-51 (m)	Dip	Azimuth	Total Depth (m)	From (m)	To (m)	Interval (m)	Ni %	Cu %
GRR020	377,465	6,576,770	-60	90	110	63	70	7	1.22	0.13
inc						64	69	5	1.48	0.17
GRR021	377,483	6,576,770	-60	90	80	43	49	6	0.60	0.05
GRR022	377,446	6,576,730	-60	90	110	76	86	10	0.74	0.06
inc						79	81	2	1.08	0.08
GRR023	377,472	6,576,730	-60	90	154	48	56	8	0.60	0.07
GRR024	377,424	6,576,680	-60	90	130	97	108	11	0.74	0.07
inc						100	104	4	1.14	0.11
GRR026	377,405	6,576,640	-60	90	142	105	112	7	0.51	0.05
GRR027	377,423	6,576,640	-60	90	124	87	97	10	0.50	0.04
inc						87	88	1	1.14	0.12

- Assays were completed by Genalysis Laboratory Services Perth, using a 4 acid digest, ICP-OES finish.
- Intercepts are "down-hole" metres. No estimate regarding true thickness is made or implied.

**Blair to Blair South Exploration Zone**

The recently completed Blair-Blair South RAB drilling programme has generated very encouraging results, providing seven areas of significant nickel and copper anomalism within a strike length of 2.0km. This work clearly indicates that the western contact of the Blair Mine Ultramafic Unit is highly prospective for nickel sulphide mineralisation and will be one focus of target development exploration during the next quarter.

**Results received included:**

Table 2 RAB Drilling Golden Ridge JV: Significant Anomalism Summary										
Hole ID	Easting GDA94-51 (m)	Northing GDA94-51 (m)	Dip	Azimuth	Total Depth (m)	From (m)	To (m)	Interval (m)	Ni ppm	Cu ppm
GRB0014	377,483	6,578,782	-60	90	20	5	14	9	3,847	398
inc						5	7	2	6,944	823
GRB0021	376,946	6,578,220	-60	90	65	55	62	7	3,897	299
inc						59	62	3	4,656	348
GRB0022	376,977	6,578,230	-60	90	53	18	30	12	3,500	401
GRB0089	376,174	6,579,660	-60	90	79	18	22	4	2,923	117
GRB0098	376,479	6,579,136	-60	90	61	34	58	24	2,745	109
GRB0108	377,264	6,579,136	-60	90	66	40	44	4	5,143	138
GRB0110	377,341	6,579,160	-60	90	49	36	38	2	3,197	199
GRB0118	376,894	6,578,830	-60	90	59	5	17	12	2,821	137
GRB0132	376,840	6,578,400	-60	90	39	30	34	4	2,750	182
GRB0133	376,878	6,578,411	-60	90	48	25	27	2	3,082	109
GRB0146	376,856	6,578,403	-60	90	61	12	16	4	2,581	393
GRB0147	376,616	6,578,959	-60	90	48	32	41	9	3,004	202

- Assays were completed by Genalysis Laboratory Services Perth, using a 4 acid digest, ICP-OES finish.
- Intercepts are "down-hole" metres. No estimate regarding true thickness is made or implied.

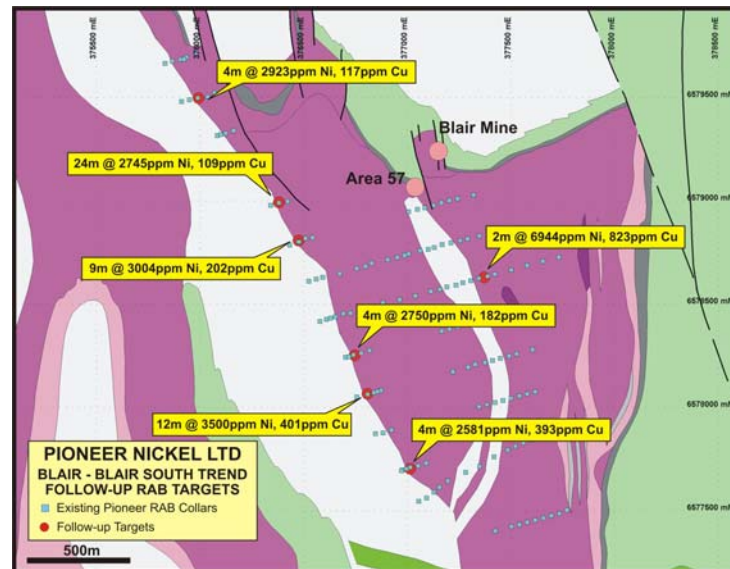


Figure 3. RAB drilling: Significant Geochemical Intercepts.

## Geophysics

Two successfully completed DHTEM surveys have identified several weak conductors. Two large, low order anomalies were identified, one off-hole and another off-the-end-of-hole, that have yet to be placed in context with the known stratigraphy. One further conductor correlates with a sulphidic shale.

Basic processing of detailed gravity data collected during this quarter has been completed. An image of gravity response (which is related to rock density) correlates well with geological information observed in RAB drilling, and has highlighted areas where further basal ultramafic contact positions may exist.

With the benefit of the new geological model, a review of existing surface electromagnetic surveys will be completed, and new surveys commissioned.

## KEY OBJECTIVES JANUARY 2007 QUARTER

Continued development of the geological model for the Blair to Blair South Exploration Zone remains the priority as nickel sulphide mineralisation occurs in a very specific geological setting.

Following the success of earlier programmes, RAB drilling is scheduled to re-commence in early February 2007. The new programme is designed to generate greater detailed information for the nickel anomalies generated to date and to extend geological knowledge beyond the current Blair-Blair South Exploration Zone. RAB drilling continues to be a primary exploration tool in areas of alluvial cover.

RC drill holes completed during 2006 and January 2007 at the Blair South Prospect will have DHTEM surveying completed. This technique is used to locate conductive bodies, including nickel sulphide mineralisation, in the vicinity of the holes drilled.

In other areas, diamond drilling is scheduled to resume at Marshall and Blair South Prospects to test deeper targets.

## 2 RAVENSTHORPE DISTRICT

- *Western Copper Pty Limited (a wholly owned subsidiary) has the right to earn a 75% interest in the Ravensthorpe Copper-Gold Project from Galaxy Resources Limited (“Galaxy”) through sole funding exploration expenditure totalling \$0.5 million on tenements covering the historical Mt Desmond and Elverdton Mines.*
- *Western Copper Pty Limited also has a 100% interest in additional tenements prospective for copper and gold in the Ravensthorpe District.*
- *Pioneer has the right to earn a 75% interest in the Aerodrome Nickel Project from Galaxy Resources Limited (“Galaxy”) through sole funding exploration expenditure totalling \$0.5 million.*

### PROJECT STATUS

#### **Ravensthorpe Copper Gold Project**

Located approximately 10km from Ravensthorpe WA, the project covers the historical Elverdton and Mt Desmond Copper-Gold mines that historically produced copper and gold via a series of underground working. No significant exploration has been conducted in the area since mining operations ceased in the 1970s.

Pioneer believes that the area offers the opportunity to develop into a near term cash flow proposition from open pit operations around the old mine areas.

During the quarter an initial 19 drill holes, from a 7,000m drilling programme targeting the upper 100m of the Desmond and Elverdton workings, were completed. The drilling returned very significant copper and gold intersections from shallow depths.

Results of the drilling include:

- **Hole ELV009 15m at 2.32% Copper and 1.04g/t Gold;**
- **Hole ELV005 7m at 2.00% Copper and 1.48g/t Gold; and**
- **Hole ELV008 5m at 1.71% Copper and 0.33g/t Gold**

First pass drilling has now tested approximately 180m of the 850m mineralised strike length indicated from old mine plans of the Elverdton and Mt Desmond Mines.

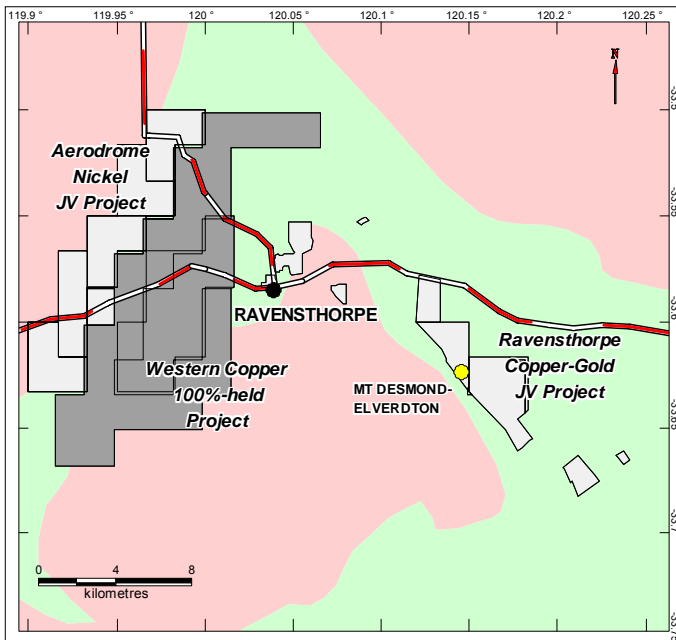


Figure 4. Ravensthorpe District Project Locations

A multi-element relationship is clearly evident from assays received to date, with elevated copper assays correlating with gold (up to 54g/t), silver (up to 17g/t) and uranium (up to 542ppm). Metal assemblages may connote a mineralisation genesis model, which will influence the exploration techniques used.

A listing of significant results of the drilling received to date is presented in table 3.

During the December 2006 quarter Galaxy advised Pioneer that a possible dispute has arisen in respect of Mining Lease M74/102 held by Paxton Enterprises Pty Ltd (“Paxton”). Following a meeting and several rounds of correspondence, Paxton has not yet provided details of the dispute.

Details of the nature of the relationship between Galaxy, Paxton and Pioneer have been released in previous announcements to the ASX.

Pioneer does not believe that there is any basis for a dispute in respect of the contracts that govern the relationship between Galaxy and Paxton, and is seeking to resolve this issue in a timely manner.

<b>Table 3</b>										
<b>Reverse Circulation Drilling Ravensthorpe JV: Significant Mineralisation Summary</b>										
Hole ID	Easting GDA94-51 (m)	Northing GDA94-51 (m)	Dip	Azimuth	Total Depth (m)	From (m)	To (m)	Interval (m)	Cu %	Au g/t
ELV005	235,351	6,276,360	-60	90	86m	11	18	7	2.00	1.48
ELV007	235,383	6,276,354	-60	270	53m	15	18	3	1.27	0.2
		including				34	37	3	2.74	0.37
ELV008	235,398	6,276,340	-60	270	95m	27	32	5	1.71	0.33
		including				35	42	7	1.11	0.21
ELV009	235,361	6,276,325	-60	90	61m	34	49	15	2.32	1.04
		including				39	42	3	6.50	1.17
		including				46	49	3	2.23	3.41
ELV010	235,366	6,276,304	-60	90	44m	32	33	1	1.51	17.85
ELV011	235,400	6,276,312	-60	270	47m	35	37	2	1.63	0.9
ELV012	235,370	6,276,290	-60		68m	59	62	3	1.38	4.31
ELV013	235,375	6,276,278	-60	90	70m	31	34	3	3.78	0.39
		including				49	53	4	1.40	0.67
ELV014	235,375	6,276,255	-60	90	58m	36	38	2	0.97	0.29
		including				40	43	3	1.54	0.55
ELV015	235,378	6,276,234	-60	90	88m	42	43	1	6.36	7.38
		including				82	84	2	1.02	0.79
ELV017	235,340	6,275,840	-60	255	62m	57	59	2	2.14	0.55
ELV019	235,350	6,275,800	-60	270	82m	50	59	9	0.80	N/A
		including				50	51	1	441 ppm U	
		including				59	60	1	542 ppm U	

- Assays were completed by KalAssay Group Perth, using a 4 acid digest and ICP-OES finish.
- Intercepts are "down-hole" metres. No estimate regarding true thickness is made or implied.

## **KEY OBJECTIVES MARCH 2007 QUARTER**

### **Drilling**

Drilling at the Ravensthorpe Copper Gold Project will recommence on receipt of a Clearing Permit from the Department of Industry and Resources. Holes have been designed to extend drill coverage over the untested line of lode, as well as to target beneath broad zones of copper and gold mineralisation intersected in earlier Pioneer drill holes. Samples from the drilling will also be used to undertake preliminary metallurgical studies.

### **Geophysics**

Low level aeromagnetic and V-TEM airborne geophysical surveys are currently being flown over the entire project area, with both surveys scheduled for completion in early February 2007. The data will greatly facilitate mapping of prospective structures and aid in new-target generation.

### **Ravensthorpe Nickel Project**

Through the Aerodrome JV, Pioneer is exploring for komaiite-hosted nickel sulphide deposits along 12 strike kilometres of under explored ultramafic stratigraphy west of Ravensthorpe.

Aeromagnetic and V-TEM surveys currently being flown will include this project.

### 3 BALAGUNDI COPPER PROJECT

- Pioneer (Through Western Copper Pty Limited) 100%.

The project comprises three exploration licences and seven prospecting licences acquired during the quarter, totalling 123km<sup>2</sup>. Balagundi is located approximately 30 km NE of Kalgoorlie.

#### PROJECT STATUS

The Balagundi Project has a geological setting that is considered by Pioneer's geological consultant as typical of that hosting volcanogenic massive sulphide deposits. This target style includes Golden Grove and Teutonic Bore Mines as Western Australian examples.

Drilling results from previous tenement holders report a 31m deep vertical RAB hole which intersected **4m at 3.2% Cu**, ending in 4 metres at 0.4% Cu. Another drill hole located 5km along strike at Mt. Youle intersected **7 metres at 0.7% Cu** in a metamorphosed tuff-sediment sequence. Importantly, the volcanogenic sequence includes pyrite-pyrrhotite within a chert marker horizon, which has formed prominent gossanous outcrops.

The reported drill intersections are on strike with an untested aeromagnetic feature and field work is underway to investigate the potential of the area.

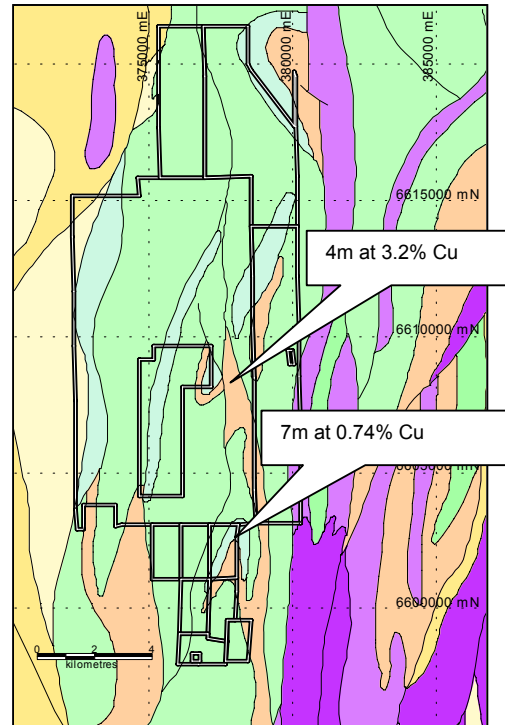


Figure 5. Balagundi Copper Project showing recorded anomalous drill holes.

#### KEY OBJECTIVES MARCH 2007 QUARTER

Pioneer has commenced a 1,600 soil sampling geochemistry and mapping programme which will cover an initial priority 5km<sup>2</sup> target, encompassing the previously reported copper anomalies and gossans.

RAB drill-testing in the vicinity of the copper anomalism will immediately follow receipt of the geochemistry results.

### 4 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 is currently earning a 75% interest in the Acra Project, which is located approximately 75km north east of Kalgoorlie WA. The project provides a dominant ownership position over a 140km strike length of a highly prospective ultramafic sequence that has been demonstrated to host both high tenor massive and disseminated sulphides at a number of locations.

During the quarter, exploration programmes consisted of surface geochemical sampling which targeted a series of magnetic features interpreted as ultramafic stratigraphy beneath shallow cover. The results of these surveys will be reported next quarter.



## 5 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.

### Larkinville (Guest Leases)

A 61 reverse circulation drill-hole programme was completed for 2,055 metres, (average depth 34m) to test previously announced auger-soil gold anomalism. The Guest Leases are a prospect within the Larkinville Joint Venture, located near Widgiemooltha WA.

### Results received included:

Table 4 Reverse Circulation Drilling: Significant Gold Mineralisation Summary									
Hole ID	Easting GDA94-51 (m)	Northing GDA94-51 (m)	Dip	Azimuth	Total Depth (m)	From (m)	To (m)	Interval (m)	Au (g/t)
GLRC0040	361,556	6,512,526	-65	225	32	22	26	4	1.2
GLRC0048	361,680	6,512,508	-65	225	38	30	32	2	2.8
GLRC0058	361,846	6,512,109	-60	225	34	23	25	2	3.9

- The Information herewith is based on information supplied to the ASX by Ramelius Resources Limited recently, which should be read in conjunction with this report.

An additional 245 auger-soil samples were completed to extend previously completed sampling over the entire tenement. The majority of the auger holes returned results  $\leq 50$ ppb Au with four holes returning  $\geq 100$ ppb Au, (maximum of 205ppb Au).

### Larkinville (Bullabulling)

A total of 666 Auger holes were completed at a grid spacing of 40 metres x 200 metres over tenements P15/4435 - 4437. Results from the auger are expected early in the March Quarter



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.

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