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PO Box 883, Kalgoorlie WA 6430

ABN 44 103 423 981

26 July 2004

The Company Announcement Officer
Australian Stock Exchange Limited
Post Office Box H224 - Australia Square
SYDNEY NSW 2000

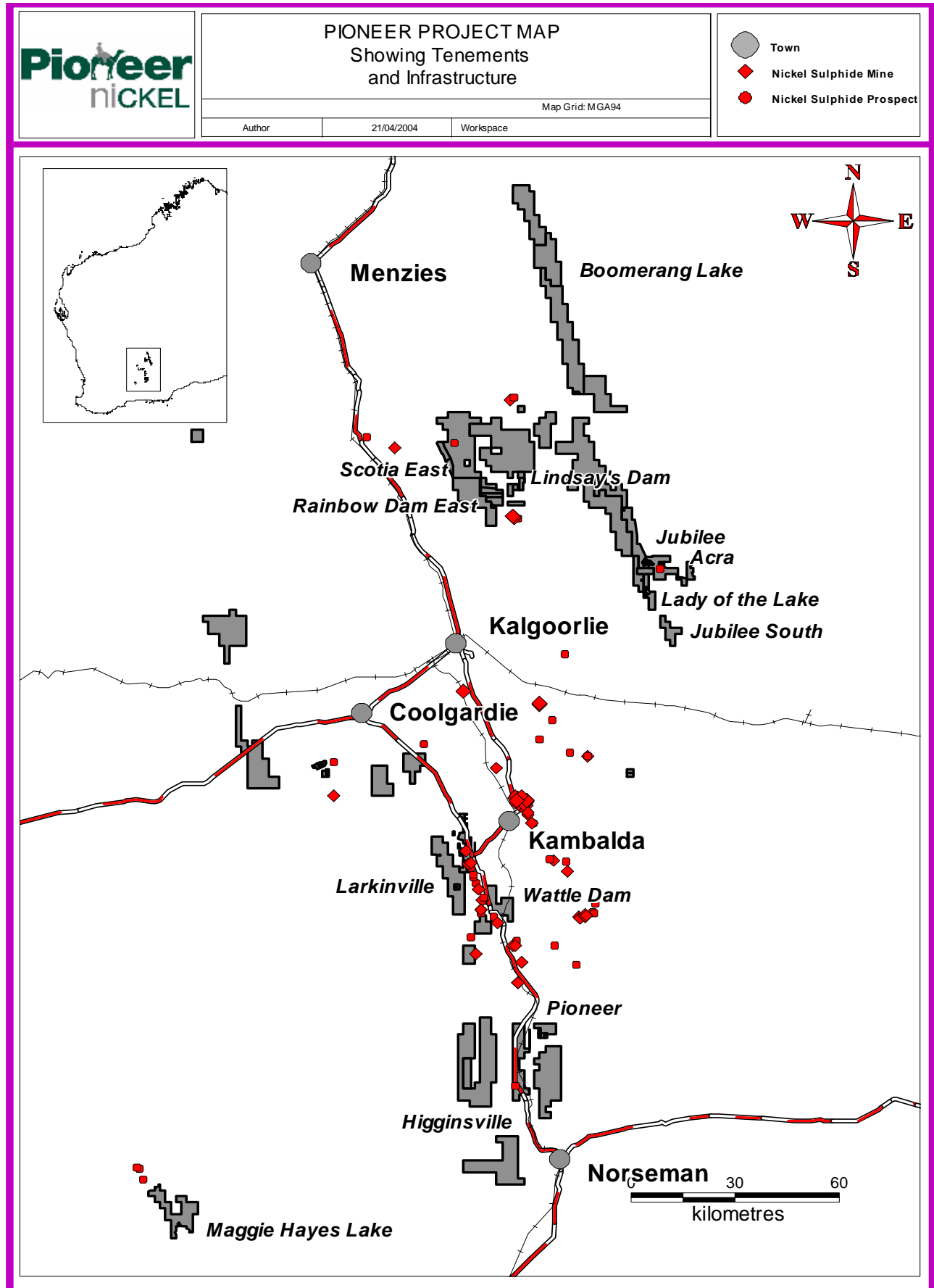
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Dear Sir / Madam

QUARTERLY REPORT FOR THE PERIOD ENDING 30 JUNE 2004.

| |
|---|
| Key Achievements |
| <ul style="list-style-type: none">• Drilling extends strike of disseminated nickel sulphide mineralisation at Acra. ARC20 returns 26m at 0.74%Ni• Fresh nickel sulphide mineralisation identified in a gossan at Wattle Dam;• Drill targets generated at Rainbow Dam East and Scotia East;• Aerodrome nickel sulphide Joint Venture initiated at Ravensthorpe; |
| Key Objectives |
| <ul style="list-style-type: none">• Generate drill targets through geological mapping, detailed geochemistry and TEM;• Drilling programmes at Wattle Dam, Rainbow Dam East and East Scotia scheduled. |
| Overview |
| <p>Pioneer Nickel Limited ("Pioneer") is continuing its programmes of intensive field evaluations involving mapping, geochemistry and TEM surveys to generate and test nickel sulphide targets.</p> <p>This quarter the extent of known nickel sulphide mineralisation at Acra has been increased; and four new nickel sulphide targets were tested on a first pass basis with drilling. In addition, a further eight targets, at Rainbow Dam East, Scotia East and Wattle Dam, have been identified and scheduled for drilling during the September quarter.</p> <p>A collaborative effort between a prospector, joint tenement holder and Pioneer geologists has resulted in the discovery of nickel sulphide in outcrop at Wattle Dam. Mapping, detailed geochemistry and TEM is in progress.</p> <p>Work completed during the quarter included:</p> <ul style="list-style-type: none">• Seven drill holes for 1,034m at Acra, Jubilee and Lady of the Lake: Prospective stratigraphy encountered in five holes; Off-hole conductors recorded in 2 of 3 holes surveyed; Nickel intercepts returned include 26m at 0.74% Ni.• Detailed mapping and geochemistry at Wattle Dam: 3,820 geochemical samples taken highlighting 5 priority nickel sulphide target areas.• 440 station MLTEM and soil geochemistry completed at Rainbow Dam East: Four TEM targets with supporting geochemistry identified; Target modelling complete and drilling scheduled.• 41 station MLTEM completed at Lindsay's Dam:• 58 station MLTEM completed at Scotia East: One target identified to date, programme is ongoing. <p>As at 30 June 2004 the Company's cash reserve was \$3.507 or \$0.078 per share. By comparison with other explorers with a similar market capitalisation, this is very high at 58% of the current share price.</p> |

Project Review



Project Review

1 ACRA PROJECT

Acra is located 80km E of Kalgoorlie

The current drilling programme at Acra is continuing to test multiple, broad zones of disseminated nickel sulphides. In many Western Australian examples high grade, massive nickel sulphide ore lenses are spatially related to disseminated nickel sulphide occurrences.

Transient Electromagnetic Surveys ("TEM") can either be:

- *Moving Loop ("MLTEM");*
- *Fixed Loop ("FLTEM"); or*
- *Down hole ("DHTEM").*

Disseminated nickel sulphides have been intersected in drilling by Pioneer and previous explorers over a strike length of 200m.

Pioneer has completed TEM; and soil sampling which returned anomalous Ni-Cu-PGM geochemistry results. When combined with records of gossans in historical drilling, this indicates that the strike of the mineralised ultramafic basal contact could be up to 0.75km. New drilling results support this interpretation.

Work completed this quarter included:

- Five RC holes drilled for 633 metres. Three intersected significant nickel sulphide mineralisation;
- ARC018 surveyed by DHTEM. An off-hole conductor was detected.

Drilling and DHTEM surveys are continuing at Acra.

At Acra, Jubilee and Boomerang Lake, Pioneer has all mineral rights except to nickel oxide ore.

| Table 2.1.1 Reverse Circulation Drilling Assay Summary | | | | | | | | |
|---|--------------------------|---------------------------|-------------------------------|-----------|------------------|-----------|-------------|----------------|
| Hole ID | Easting GDA 94 (m) | Northing GDA 94 (m) | From (m) | To (m) | Intercept (m) | Ni (%) | Cu (ppm) | Pd+Pt (ppb) |
| Acra | | | | | | | | |
| ARC018 | 413352 | 6621461 | NSR* DHTEM Conductor recorded | | | | | |
| ARC020 | 413462 | 6621718 | 9 | 35 | 26 | 0.74 | 455 | 49 |
| ARC022 | 413584 | 6621720 | NSR | | | | | |
| ARC023 | 413551 | 6621670 | 9 | 17 | 6 | 0.74 | 601 | 123 |
| | | | 86 | 99 | 13 | 0.62 | 354 | 52 |
| | | | 108 | 114 | 6 | 0.64 | 503 | 79 |
| ARC024 | 413511 | 6621612 | 4 | 11 | 7 | 0.63 | 38 | 10 |
| | | | 25 | 36 | 11 | 0.66 | 487 | 122 |

NSR No significant Result. ARC19 and ARC21 not yet drilled.

3D modelling of disseminated nickel sulphide intercepts will resolve the geometry of the plunging shoots and facilitate future drill targeting.

The model will also form the basis of a mineral resource for the project, and samples from the drilling will be submitted for metallurgical extraction test work.

Project Review

2 WATTLE DAM PROJECT

Wattle Dam is located 20km SW of Kambalda and covers the Spargoville Nickel sulphide mine sequence. There are 5 nickel sulphide mines immediately adjacent to Pioneer's project.

Nickel Boom explorers used "costeans" - trenches up to 2m deep - excavated across the basal contact of ultramafic rocks as an exploration tool.

Sulphide minerals found in nickel sulphide deposits include: nickel minerals pentlandite and violarite; copper minerals chalcopyrite and covellite; and iron minerals pyrrhotite and pyrite.

Gossan forms at surface when massive sulphides oxidise.

Pioneer is a joint tenement holder at Wattle Dam. Ramelius Resources Limited holds gold and tantalite rights. Heron Resources Limited holds a pre-emptive right to nickel oxide ore.

A programme of mapping and geochemistry is underway at Wattle Dam. This is rated as HIGH PRIORITY following the discovery of fresh Nickel Sulphides within a gossan sample.

A collaborative effort between prospector Mr Trent Stehn, joint tenement holder Ramelius Resources Limited and Pioneer geologists has resulted in the **discovery of nickel sulphides in a gossan at Wattle Dam**. Stehn alerted Pioneer to the gossan location and in subsequent sampling, weathered and fresh nickel sulphides have been identified.

A sample is described as "A silicified, ferruginised gossan after Fe-Ni-Cu sulphides." The gossan is geochemically very anomalous, assaying 0.45%Ni, 0.24%Cu and 80ppb Pt+Pd ("PGM").

Work completed this quarter included:

Soil Geochemistry and Mapping

Following the completion of regional 200x50m soil sampling, a programme of detailed costean and grid geochemistry; and mapping was instigated, focussing on anomalous areas to evaluate as drill targets. Mapping and sampling is on-going.

Areas investigated include:

- Stehn's gossan location;
- 5B South prospect – the southern strike extension of the 5B Nickel sulphide deposit; and
- 5K prospect, with three ultramafic zones (thought to be structural repetitions of a single ultramafic unit). Anomalous geochemistry coincides with basal contact positions.

During this programme 3,820 geochemical samples have been taken to date confirming 5 priority areas. In areas where the geology is amenable, detailed FLTEM surveys will be used to corroborate target models before drilling.

Aeromagnetic Survey

Detailed aeromagnetic data has been interpreted by Southern Geoscience Consultants. The interpretation, in conjunction with Pioneer mapping, is used to trace ultramafic stratigraphy, interpret the mineralised basal contact and identify possible accumulations of magnetic sulphide mineralisation.

Petrography

Pioneer's consultant describes the Stehn gossan sample as:

"Remnant sulphides consist of supergene pyrite pseudomorphing pyrrhotite. Former primary pentlandite (10%) as 2.0mm sized grains are thinly disseminated throughout the pyrrhotite and also form as narrow veinlets within the groundmass. A small number of remnant violarite patches up to 0.5mm in size are preserved within the sulphidic zone. Minor very fine aggregates of covellite after former chalcopyrite are associated with the violarite."

The discovery is of great importance as it is the first record of nickel sulphide mineralisation within Pioneer's Wattle Dam tenements.

Project Review



WATTLE DAM SUMMARY MAP Showing Target Locations Based on Multi-element Geochemistry

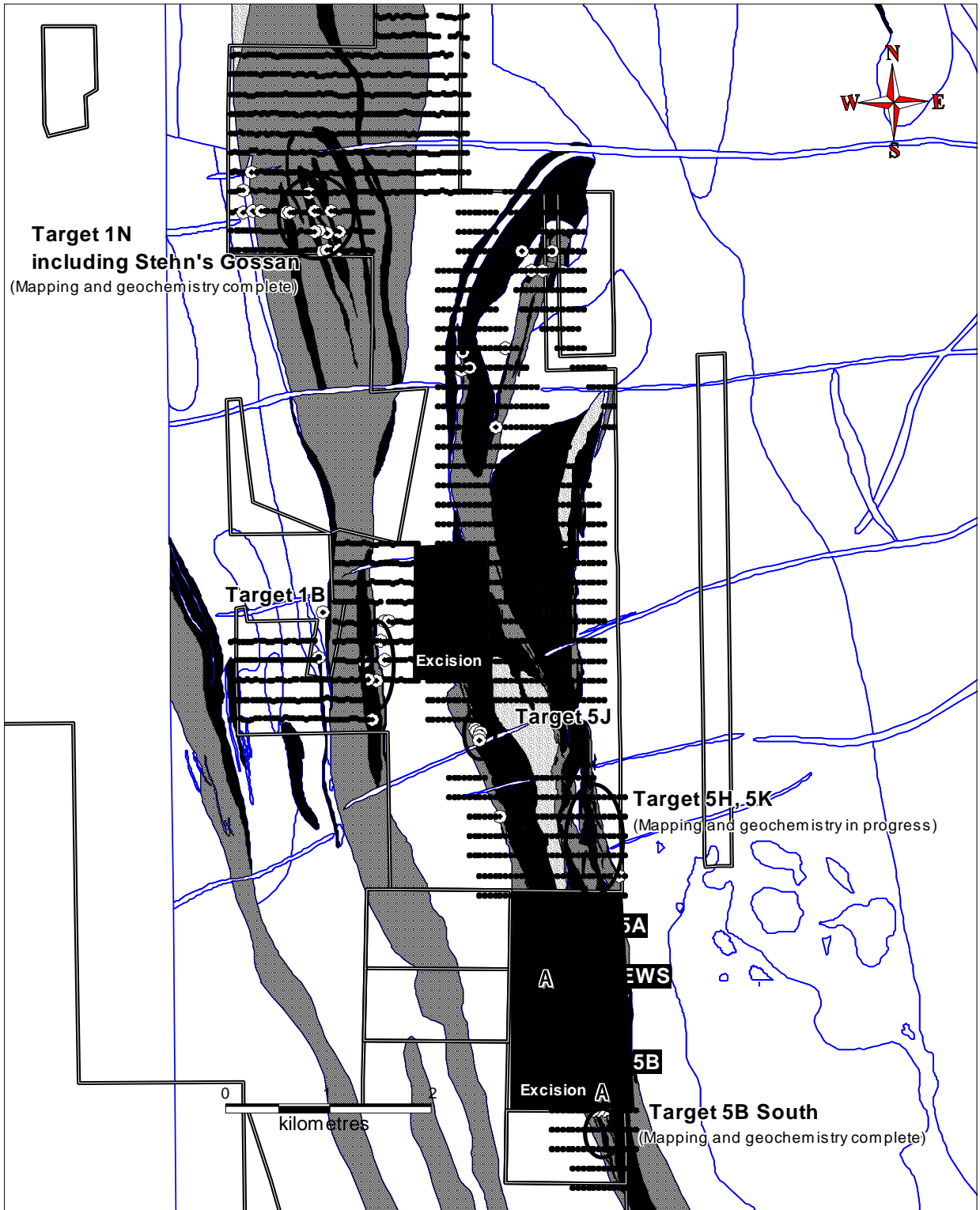
Scale: 1:40,000

Map Grid: MGA94

Author

21/04/2004

Workspace



Project Review

3 SILVER SWAN NORTHWEST PROJECT

3.1 Rainbow Dam East

Silver Swan Northwest is located approximately 6km NW along strike of the Black Swan nickel sulphide mine.

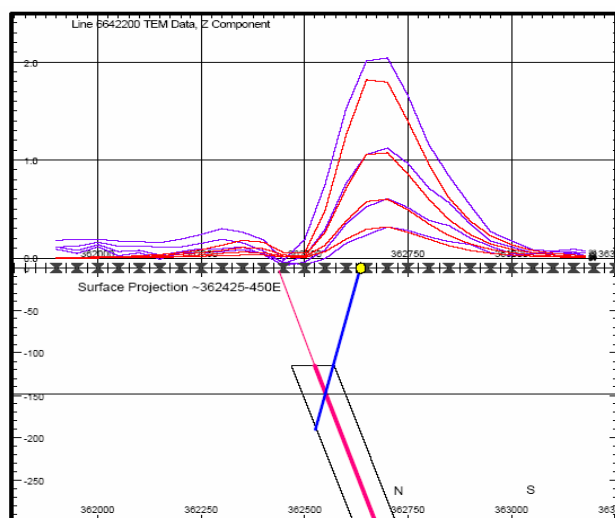
At Silver Swan NW Pioneer has all mineral right, except nickel oxide ore.

Pioneer, in conjunction with its consultant Newexco Services Pty Ltd, has completed an interpretation of geology and historical drilling for the Rainbow Dam East prospect within E27/145. During the quarter Pioneer has supplemented this information with geochemistry and TEM surveys.

The geological units that host Black Swan nickel sulphide mine, located 6km to the southeast, are interpreted to continue into Pioneer's tenements.

Work completed this quarter included:

- Acquisition of aeromagnetic data;
- Completion of a 16 traverse MLTEM survey with 440 stations;
- 373 geochemical samples.



Four moderate to strong conductors have been identified from the TEM survey. Geological interpretations and coincident Ni-Cu-PGM geochemical anomalism highlight at least three of the resulting targets as priority drill targets.

Figure 3: The upper panel shows the MLTEM response at RDE-3, a conductor at Rainbow Dam East.

The lower panel shows the model of a hypothetical conductor that would create the response, and a proposed test drill hole.

3.2 Scotia East

The geological units of Rainbow Dam East continue into Scotia East.

Pioneer has acquired the remaining "non-nickel" rights to the Scotia East tenement E27/169. With it comes a substantial database which includes geology and drilling results

Work completed this quarter included:

- Completion of a two traverse orientation MLTEM survey with 58 stations;

A strong TEM anomaly has been partially defined on the northern survey line. The preliminary interpretation is that the source has potential for a significant strike and depth extent, is situated near western-most basal ultramafic contact and has coincident anomalous Ni-Cu-PGM geochemistry.

3.3 Lindsay's Dam

Previous explorers located a TEM conductor at Lindsay's Dam.

Pioneer has completed three lines of detailed MLTEM comprising 41 stations, to confirm the orientation of a target ahead of drilling. The target is an excellent conductor within a host mafic volcanic rock, however may be due to a shale horizon evident in historic drilling.

Project Review

4 JUBILEE REGIONAL PROJECT

4.1 Jubilee

Jubilee is located approximately 5km NW along strike from Acra.

One hole, JRC001, was drilled to test TEM conductor JBC_1. Geological units intersected were dominated by ultramafic rocks considered prospective for nickel sulphide mineralisation.

Drilling and a DHTeM survey did not explain the conductor and further field work is planned.

4.2 Lady of the Lake

Lady of the Lake is located approximately 7.5km SW from Acra.

The Lady of the Lake project covers a sequence of mafic and ultramafic rocks parallel to and south of the Acra project. The area is within a salt lake and sand dune environment with little geological outcrop. Surface geochemistry is ineffective.

Work completed this quarter included:

Pioneer has an option to purchase all mineral rights except gold.

- Completion of a 505 station MLTEM survey generating two drill targets;
- Two RC drill holes for 331m.

Lady of the Lake and Jubilee South provide access to 20km of Gindalbie Terrain ultramafic.

Drill hole LLR001 was drilled entirely within mafic rocks, however did not intersect the targeted conductor. Follow-up DHTeM has located an off-hole conductor which will be investigated.

Drill hole LLR002 encountered a broad, deeply weathered, structural zone that was consistent with the modelled conductor.

The next phase of exploration will include shallow drilling to facilitate mapping and develop a geochemical profile for the project.

4.3 Boomerang Lake

Boomerang Lake is situated 80km NE of Kalgoorlie.

Boomerang Lake provides tenure to a 110km strike of mafic and ultramafic rocks of the Gindalbie Terrain. The project includes possible strike extensions to the ultramafic rocks that host Pioneer's Acra and Jubilee prospects, and also ultramafics of the Emu Lake nickel sulphide prospect, a joint venture between Jubilee Mines NL and Image Resources NL.

At Boomerang Lake, Pioneer has all mineral rights except for nickel oxide ore.

The project has been sporadically explored for gold and base metals, but there is no record of specific nickel exploration. A zinc-lead prospect occurs within the project.

Pioneer has been approached by a party seeking to earn an interest in the project. Terms of a possible agreement have been drafted.

Project Review

5 RAVENSTHORPE PROJECT

5.1 Aerodrome JV

The Aerodrome project is located 5km west of Ravensthorpe.

The project hosts 12 kilometres of prospective ultramafic rocks.

Pioneer has agreed to the terms of a joint venture with Galaxy Resources Limited whereby Pioneer may earn a 75% interest in the tenement that covers the Aerodrome ultramafic, near Ravensthorpe.

The Aerodrome ultramafic is in a similar geological setting to the host of the RAV 8 nickel sulphide deposit, located 30km to the east. The property is far less explored than the eastern ultramafic belt, although soil geochemical sampling by Falconbridge in 1974 returned many anomalous assays in excess of 1,500ppm nickel.

In addition, at Bandalup Hill ultramafic rocks have developed into nickel laterite ore, where BHP Billiton has commenced the construction of an ore treatment facility.

6 EASTERN AUSTRALIA

Pioneer's Eastern State tenements provide a future option to participate in gold, in well mineralised areas with comparatively little recent exploration.

The Eastern Australian projects all contain historically mined gold-bearing veins and stockworks and many have reports of base metal occurrences. Within Pioneer's tenements, Department of Mineral Resources New South Wales records show historical production which includes:

- The Pioneer and Homeward Bound Mines, which produced **212,000t for 1.611t Au (7.6g/t), 0.026 t Ag**. The mine had finished production by 1938.
- The Falkner mine, in the Panbula Gold Field, with recorded production of **23,754 t for 1.095t Au (46g/t)**.
- The Day Dawn Mine, which operated from 1880 to 1908, is reported to have been mined to the 122m level, with a shaft to 147m. Production was "**estimated at 40,000oz**" and it "ceased working because of depth of water"

Pioneer has commenced compiling historical data for the projects.



Managing Director

The information within this report as it relates to geology and mineralisation was compiled by Mr David Crook who is a member of the Australasian Institute of Mining and Metallurgy and is a competent person 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.

Information of a geophysical nature is based on work completed by R Mortimer of Newexco Services Pty Ltd, or W.S. Peters of Southern Geoscience Consultants. These people consent to the inclusion of information in the form and context in which it appears in this report.

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 JUNE 2004

Consolidated statement of cash flows

| | Current quarter \$A'000 | Year to date (12 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 | (520) | (1,075) |
| (b) development | - | - |
| (c) production | - | - |
| (d) administration | (14) | (392) |
| 1.3 Dividends received | - | - |
| 1.4 Interest and other items of a similar nature received | 51 | 132 |
| 1.5 Interest and other costs of finance paid | - | - |
| 1.6 Income taxes paid | - | - |
| 1.7 Other (provide details if material) | - | - |
| Net Operating Cash Flows | (483) | (1,335) |
| Cash flows related to investing activities | | |
| 1.8 Payment for purchases of: (a) prospects | (20) | (35) |
| (b) equity investments | - | - |
| (c) other fixed assets | (40) | (170) |
| 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 – Payments for tenement bonds | - | (17) |
| Net investing cash flows | (60) | (222) |
| 1.13 Total operating and investing cash flows (carried forward) | (543) | (1,557) |

| | | | |
|---|--|--------------|--------------|
| 1.13 | Total operating and investing cash flows (brought forward) | (543) | (1,557) |
| Cash flows related to financing activities | | | |
| 1.14 | Proceeds from issues of shares, options, etc. | - | 5,528 |
| 1.15 | Proceeds from sale of forfeited shares | - | - |
| 1.16 | Proceeds from borrowings – Heron Resources Ltd | - | 20 |
| 1.17 | Repayment of borrowings – Heron Resources Ltd | - | (164) |
| 1.18 | Dividends paid | - | - |
| 1.19 | Other – Issue Costs | - | (353) |
| | Net financing cash flows | - | 5,031 |
| | Net increase (decrease) in cash held | (543) | 3,474 |
| 1.20 | Cash at beginning of quarter/year to date | 4,050 | 33 |
| 1.21 | Exchange rate adjustments to item 1.20 | - | - |
| 1.22 | Cash at end of quarter | 3,507 | 3,507 |

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 | \$81 |
| 1.24 | Aggregate amount of loans to the parties included in item 1.10 | - |

1.25 Explanation necessary for an understanding of the transactions

| | |
|------------------------|--|
| <i>Within item 1.2</i> | |
| (i) | Managing Director and Non-Executive Directors' remuneration - \$67k |
| (ii) | Administration recharges paid to Heron Resources Ltd an entity related to Messrs Buchhorn, Readhead and Trench- \$2k |
| (iii) | Legal consultancy fees paid to Pullinger Readhead Stewart an entity related to CL Readhead - \$5k |
| (iv) | Office rental expenses paid to an entity related to IJ Buchhorn- \$7k |

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 | 450 |
| 4.2 Development | NIL |
| Total | 450 |

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 | 5 | 30 |
| 5.2 Deposits at call | 3,502 | 4,020 |
| 5.3 Bank overdraft | - | - |
| 5.4 Other (provide details) | - | - |
| Total: cash at end of quarter (item 1.22) | 3,507 | 4,050 |

Changes in interests in mining tenements

| | Tenement reference | Nature of interest | Interest at beginning of Quarter | Interest at end of Quarter |
|-----|---|--------------------|----------------------------------|----------------------------|
| 6.1 | Interests in mining tenements relinquished, reduced or lapsed | E15/847 | 100 | 0 |
| | | P63/1278 | 100 | 0 |
| 6.2 | Interests in mining tenements acquired or increased | E16/311 | 0 | 100 |
| | | M15/1464 | 0 | 100 |
| | | M63/560 | 0 | 100 |
| | | P25/1811 | 0 | 100 |
| | | P25/1811 | 0 | 100 |
| | | P28/1013 | 0 | 100 |
| | | ELA2363 | 0 | 100 |
| | | ELA2364 | 0 | 100 |

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) | 44,000,010 | 27,740,000 | | Fully Paid |
| 7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs | 100,000 - | 100,000 - | | |
| 7.5 +Convertible debt securities <i>(description)</i> | - | - | | |
| 7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted | | | | |
| 7.7 Options Unlisted options Unlisted options | 3,500,000 3,250,000 | - - | <i>Exercise price</i> 25 cents each 25 cents each | <i>Expiry date</i> 31 Dec 2007 31 Dec 2007 |
| 7.8 Issued during quarter | 250,000 | - | 25 cents each | 31 Dec 2007 |
| 7.9 Exercised during quarter | - | - | | |
| 7.10 Expired during quarter | - | - | | |
| 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: 21 July 2004
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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