

29 October 2004

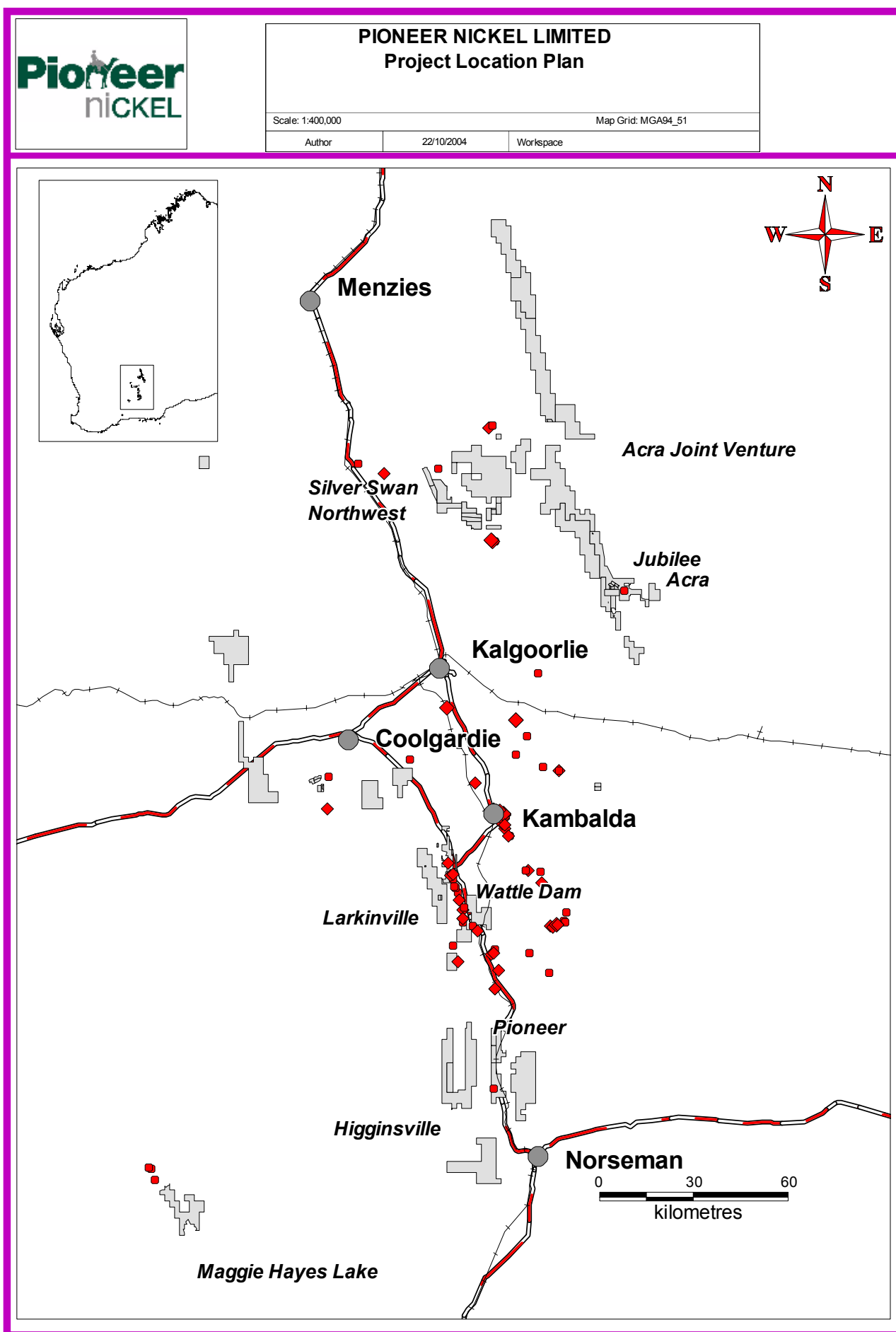
The Company Announcement Officer
Australian Stock Exchange Limited
Post Office Box H224 - Australia Square
SYDNEY NSW 2000

Phone: (08) 9091 6974
Fax: (08) 9022 2294
Email: pioneer@pioneernickel.com.au
Web: <http://www.pioneernickel.com.au>

Dear Sir / Madam

QUARTERLY REPORT FOR THE PERIOD ENDING 30 SEPTEMBER 2004.

Key Achievements <ul style="list-style-type: none"> • Drilling at Acra returns broad nickel sulphide intercepts and extends strike of mineralisation. • \$6.9 Million Joint Venture with Jubilee Mines NL ("Jubilee") established for the Acra Project. • RAB drilling results confirm nickel sulphide targets at Wattle Dam. • Jubilee agrees to acquire up to 10% of issued capital in Pioneer Nickel Limited ("Pioneer").
Key Objectives December Quarter <ul style="list-style-type: none"> • Test drill targets at the Wattle Dam and Pioneer Projects. • Geological confirmation of targets at the Silver Swan Northwest Project. • Jubilee scheduled to commence drilling at the Acra Joint Venture in mid November 2004.
Overview <p>Drilling results from the Acra Project confirm the presence of a large mineralised system, with disseminated nickel sulphides now intersected in drill holes over a strike of 600m. New results include 18m at 0.67% Ni from 15m and 15m at 0.61% Ni from 74m. The calibre of the Acra Project was sufficient to attract Jubilee Mines NL into a major joint venture.</p> <p>RAB drilling at Wattle Dam has confirmed three anomalous ultramafic zones, with holes returning 15m at 0.64% Ni from 11m at 1A South and 17m of 0.44% Ni from 5m at 5B South.</p> <p>Mapping and geochemistry is ongoing at Silver Swan Northwest, Wattle Dam and Pioneer Projects.</p> <p>Work completed during the quarter included:</p> <ul style="list-style-type: none"> • Reverse Circulation ("RC") Drilling: 14 drill holes for 1,856m at Acra. 2 drill holes for 190m at Wattle Dam. • Rotary Air Blast ("RAB") drilling at Wattle Dam: 3,272m drilled in 107 holes to test four targets. • Soil Geochemistry: 614 samples at Wattle Dam. 128 samples at Pioneer.
Capital <p>Subject to Pioneer shareholder approval, Jubilee to subscribe for up to 4,077,623 Pioneer shares at \$0.15 cents per share. Jubilee will also receive 3,750,000 options to purchase Pioneer shares for \$0.25 cents per share within 5 years. On completion, Jubilee will hold 4.75 million Pioneer shares representing around 10% of the Company on an undiluted basis, which will position Jubilee as Pioneer's second largest shareholder.</p> <p>As at 30 September 2004 the Company has cash reserves of \$2.84 million and is debt free. On completion of the Acra Joint Venture Agreement and placement to Jubilee, Pioneer will receive an additional \$0.84 million in cash.</p>



1 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.

Gossan forms at surface when massive sulphides oxidise.

RAB drilling is an inexpensive, medium depth drilling technique used in weathered rock to generate geochemical samples.

Very significant nickel assays have been returned from a first pass programme of shallow RAB drilling completed at Wattle Dam.

Drill holes were designed to test anomalies generated by soil geochemistry and mapping by Pioneer earlier this year. In addition, the drilling was used to confirm the location of nickel anomalies indicated from work undertaken during the 1970s.

Work completed this quarter included:

- 107 RAB drill holes for 3,272 metres.
- 2 RC drill holes for 190m.
- 614 geochemical samples.

Soil Geochemistry and Mapping

Mapping and soil geochemistry is continuing at the 5K and 1M prospects.

Rotary Air Blast Drilling

RAB drilling tested four targets including:

- 1H where drilling from the 1970s encountered anomalous Ni results.
- 1A south, where an ultramafic zone with anomalous Ni values has been identified.
- 1M where a gossan was located.
- 5B south where geochemistry and favourable geology are identified adjacent to the 5B nickel sulphide deposit of Breakaway Resources Limited.

Results are considered very encouraging with 16 holes returning anomalous nickel results. Intercepts with a 0.40% Ni lower cutoff, often indicative of a nickel sulphide environment when supported by anomalous copper values, are listed in Table 1.

Table 1 Rotary Air Blast Drilling Assay Summary								
Hole ID	Prospect	East MGA94-51	North MGA94-51	From (m)	To (m)	Intercept (m)	Ni (%)	Cu (ppm)
WAC008	5B(S)	357,830	6,528,425	5	9	4	0.55	205
WAC015	5B(S)	357,840	6,528,325	5	22	17	0.44	131
WAC077	1A(S)	356,810	6,533,600	11	26	15	0.64	168
WAC106	1H	356,430	6,534,400	22	24	2	0.57	248

Reverse Circulation Drilling

Upgraded targets identified in RAB drilling will be RC drilled, with holes designed to act as DHTM platforms.

Two shallow RC drill holes were completed at 1M to provide information about an identified nickel sulphide gossan. Gossanous material was not intersected.



PIONEER NICKEL LIMITED **Wattle Dam RAB Drill Hole Locations** **and Maximum Ni % Values**

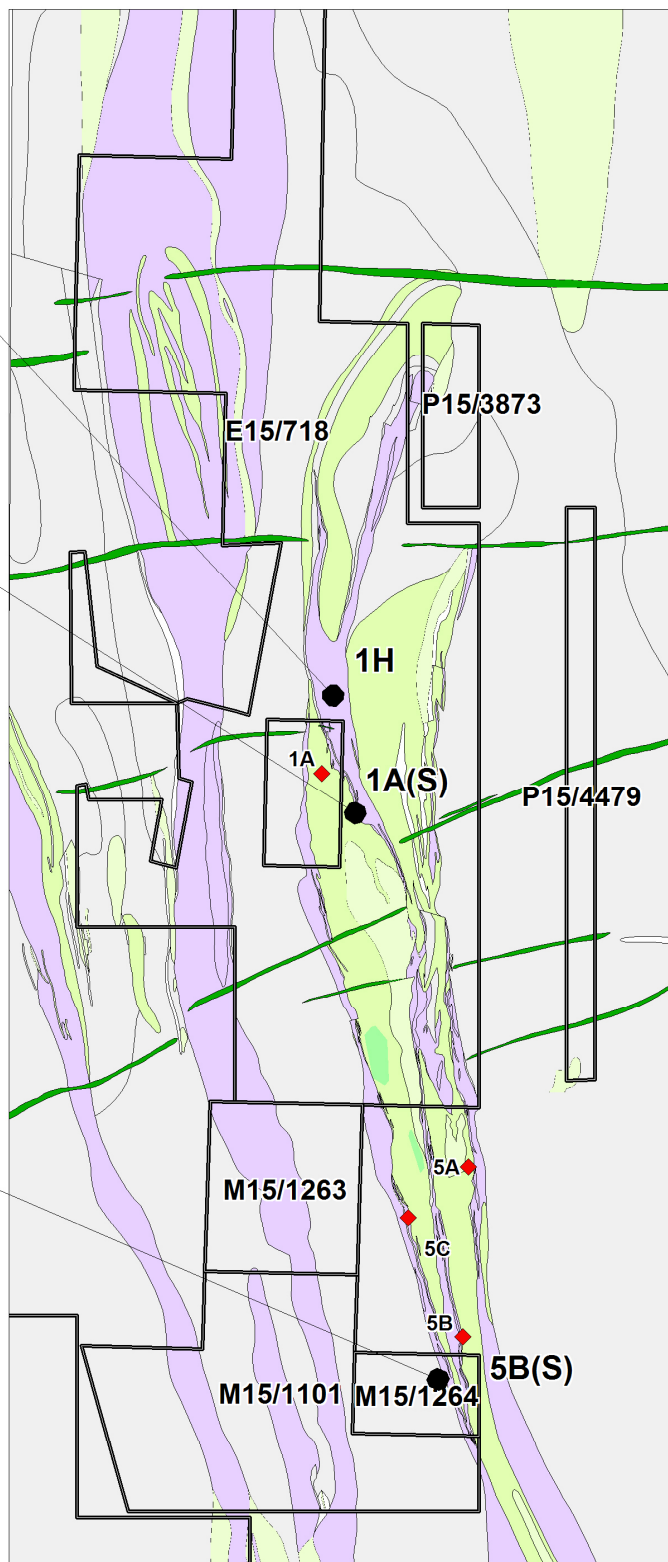
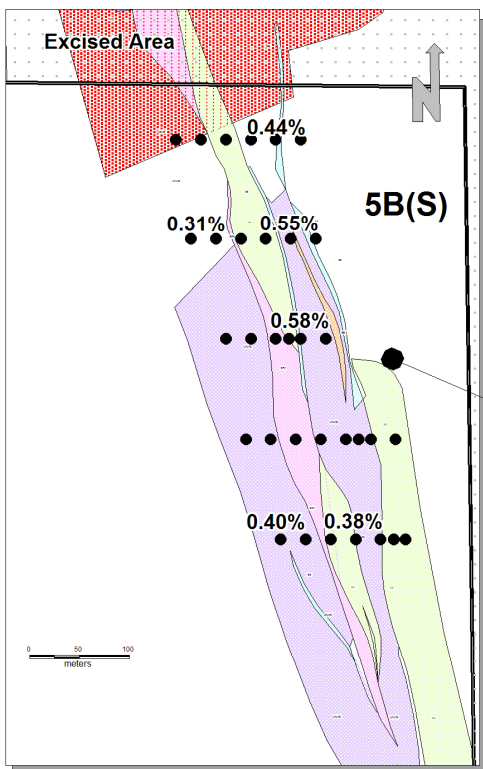
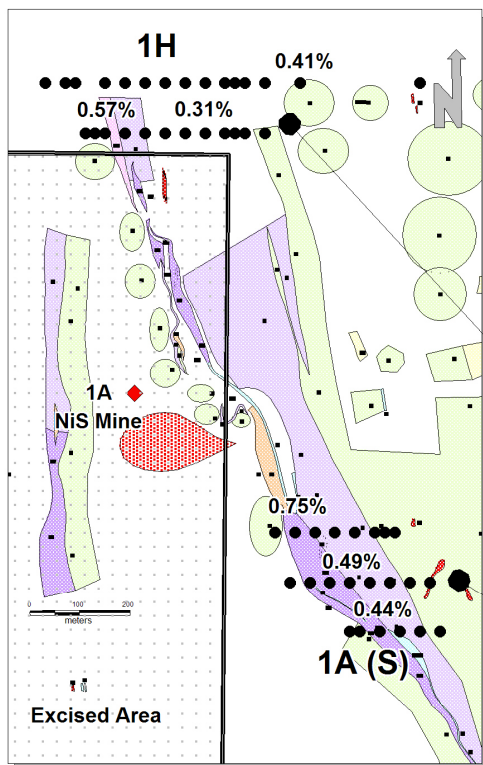
Scale: 1:400,000

Map Grid: MGA94_51

Author

22/10/2004

Workspace



2 ACRA PROJECT (Including Jubilee and Boomerang Lake)

Jubilee Mines NL has the right to earn up to 75% through sole funding expenditure of \$6.9 million.

Acra is located
80km E of
Kalgoorlie

Recent RC drilling has confirmed the presence of a large disseminated nickel sulphide zone at Acra. Nickel sulphide mineralisation has been intersected in drilling by Pioneer over a strike length of 600m, remaining open at 250m.

Work completed by Pioneer this quarter included:

- 14 RC holes drilled for 1,856 metres. Eight intersected significant nickel sulphide mineralisation.
- 10 RC drill holes tested by DHTEM. While several weak responses were noted, a problem with the transmitter used means that at least four of the surveys were ineffective.

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

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

Acra Joint Venture

Pioneer and Jubilee Mines NL recently announced the formation of the Acra Joint Venture incorporating the Acra, Jubilee and Boomerang Lake Projects.

Jubilee has indicated that RC drilling is scheduled for mid-November 2004.

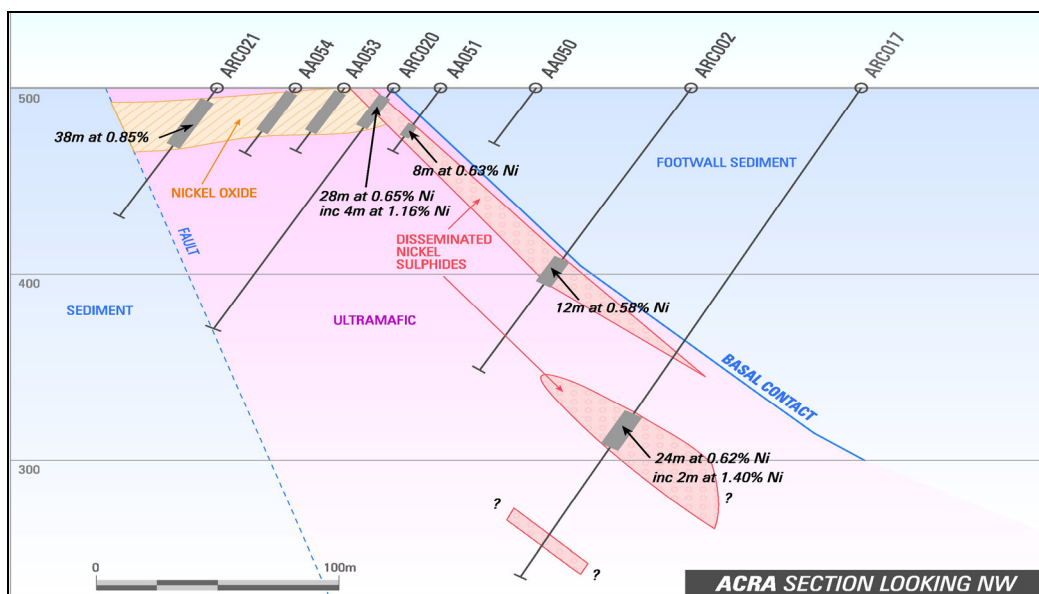
Reverse Circulation Drilling

RC drilling this quarter targeted strike extensions to known disseminated nickel sulphide mineralisation, geochemical targets and a recorded gossan. Significant intercepts returned from this programme are listed in Table 2.

Table 2
Reverse Circulation Drilling Assay Summary

Hole ID	East MGA94-51	North MGA94-51	From (m)	To (m)	Intercept (m)	Ni (%)	Cu (ppm)	Pt+Pd (ppb)
ARC019	413,300	6,621,830	32	48	16	0.56	269	131
ARC021	413,411	6,621,663	1	43	42	0.78*	50	44
ARC025	413,659	6,621,686	74	89	15	0.61	319	127
ARC027	413,720	6,621,582	95	99	4	0.94	578	405
Including			96	98	2	1.19	713	349
ARC028	413,669	6,621,499	1	18	17	0.65	55	28
ARC031	414,060	6,621,190	15	33	18	0.67	511	102
ARC032	413,885	6,621,233	15	41	26	0.54	176	115
ARC033	413,738	6,621,290	80	85	5	0.61	545	121
Including			81	82	1	1.23	1020	16
ARC034	413,050	6,621,855	176	178	2	0.87	78	265

* Denotes nickel oxide intercept.



3 PIONEER DOME PROJECT

The Pioneer Project is located approximately 135km S of Kalgoorlie.

WMC Resources Limited has a right to negotiate an off-take agreement with Pioneer to treat NiS ore from this project.

A 128 sample soil orientation programme has been completed. The programme was designed to test a variety of partial leach geochemical techniques for their applicability to the Pioneer area.

Pioneer has scheduled a TEM survey which will include detailed orientation lines over known mineralisation at the JH and BB Prospects, and the surrounding prospective strike of the basal ultramafic unit. This work is expected to be completed during November 2004.

A diamond drill hole has been planned to provide structural and mineralogical information about the known mineralisation.

4 SILVER SWAN NORTHWEST PROJECT

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

Pioneer has received an interpretation of geology based on detailed aeromagnetic data and historical drilling from its consultant Newexco Services Pty Ltd.

The interpretation shows that the geological units that host nickel sulphide mineralisation at Ringlock Dam, East Scotia and Rainbow Dam are interpreted to continue into Pioneer's tenements, therefore prioritising areas for geochemistry and TEM surveys.

Mapping and detailed geochemistry is planned to confirm five TEM targets identified earlier this year.

5 RAVENSTHORPE PROJECT

Pioneer has the right to earn up to 85% through sole funding expenditure of \$0.5 million.

The Aerodrome project is located 5km west of Ravensthorpe.

The project hosts 12 kilometres of prospective ultramafic rocks.

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.

Pioneer has acquired aeromagnetic data for the project ahead of mapping and soil sampling.



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 SEPTEMBER 2004

Consolidated statement of cash flows

		Current quarter \$A'000	Year to date (3 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	(563)	(563)
	(b) development	-	-
	(c) production	-	-
	(d) administration	(133)	(133)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	39	39
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		(657)	(657)
Cash flows related to investing activities			
1.8	Payment for purchases of: (a) prospects	-	-
	(b) equity investments	(100)	(100)
	(c) other fixed assets	(25)	(25)
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	(30)	(30)
Net investing cash flows		(155)	(155)
1.13	Total operating and investing cash flows (carried forward)	(812)	(812)

+ See chapter 19 for defined terms.

1.13	Total operating and investing cash flows (brought forward)	(812)	(812)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	-	-
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 – Proceeds from the sale of unmarketable shareholdings	147	147
	Net financing cash flows	147	147
	Net increase (decrease) in cash held	(665)	(665)
1.20	Cash at beginning of quarter/year to date	3,507	3,507
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	Cash at end of quarter	2,842	2,842

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) Legal consultancy fees paid to Pullinger Readhead Lucas an entity related to CL Readhead - \$7k (iii) Office rental expenses paid to an entity related to IJ Buchhorn- \$7k	

+ See chapter 19 for defined terms.

Non-cash financing and investing activities

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

NIL

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

NIL

Financing facilities available

Add notes as necessary for an understanding of the position.

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

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	350
4.2 Development	NIL
Total	350

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	11	5
5.2 Deposits at call	2,831	3,502
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	2,842	3,507

+ 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	EL2311	Registered Applicant	100	0
	EL2363	Registered Applicant	100	0
	EL2364	Registered Applicant	100	0
	P15/4664	Registered Applicant	100	0
	P15/4665	Registered Applicant	100	0
	P15/4666	Registered Applicant	100	0
	P15/4667	Registered Applicant	100	0
6.2 Interests in mining tenements acquired or increased	E28/1507	Registered Applicant	0	100
	E28/1508	Registered Applicant	0	100
	E31/1679	Registered Applicant	0	100
	E36/2003	Registered Holder	0	100
	EL6306	Registered Holder	0	100
	EL6307	Registered Holder	0	100
	EL6308	Registered Holder	0	100
	P26/3287	Registered Applicant	0	100
	P26/3288	Registered Applicant	0	100
	P26/3295	Registered Applicant	0	100

+ 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 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	38,356,061		Fully Paid
7.4 Changes during quarter (a) Shares quoted following in specie share distribution on 10 Sept 04 (b) Decreases through returns of capital, buy-backs	- -	10,616,061 -		
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	3,500,000	-	<i>Exercise price</i> 25 cents each	<i>Expiry date</i> 31 Dec 2007
Unlisted options	3,500,000	-	25 cents each	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	-	-		

+ See chapter 19 for defined terms.

7.11	Debentures (totals only)		
7.12	Unsecured notes (totals only)		

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: 26 Oct 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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+ See chapter 19 for defined terms.