

Pioneer Nickel Limited
ABN 44 103 423 981
ASX Code: **PIO**

KALGOORLIE:

45 Brookman St,
Kalgoorlie WA 6430
Post: PO Box 883,
Kalgoorlie WA 6433
Ph: (08) 9091 6974
Fax: (08) 9022 2294

PERTH:

Level 1, 16 Ord Street
West Perth WA 6005
Ph: (08) 9322 6974

Contact David Crook,
Managing Director

pioneer@pionernickel.com.au
www.pionernickel.com.au

Key Objectives

September 2006 Quarter

Pioneer has planned a very active second half to 2006, focussing on its very exciting **Ravensthorpe** and **Golden Ridge Projects**, where we have committed substantial funds for drilling.

This includes:

- First Drilling Programme at **Elverdton-Mt Desmond** in 35 years;
- Drilling 2.8 km of untested ultramafic rocks between **Blair South** and the **Blair Mine**.

Silver Swan North West JV Project Tenements are well into the grant process and we look forward to the first programmes of exploration managed by BHP-Billiton there shortly.

Jubilee Mines NL has also indicated that it expects to resume drilling at the **Acra JV** project later this year.

We would like to take this opportunity to thank the South West Aboriginal Land and Sea Council for facilitating a land access agreement in a timely and professional manner, which will result in the grant of a key mining lease at Elverdton-Mt Desmond.

Strong partnering with industry leaders ✓ Attained
Advanced projects ✓ Secured ✓ Focus Maintained
Active exploration programme ✓ On-going and accelerating



Gaining Ground

Summary

Pioneer Nickel Limited (ASX: PIO) is pleased to provide to shareholders the June 2006 Quarterly Activities Report, which summarises the progress made recently by your Company.

Key Exploration Achievements

June 2006 Quarter

At the Ravensthorpe JV Project

(10km southwest of Ravensthorpe. Farm-in Copper-Gold)

- Settlement reached with Native Title Claimants for the grant of key tenement, M74/163; and
- Inaugural drilling programme scheduled to commence in August 2006.

At the Golden Ridge JV Project

(30 km southeast of Kalgoorlie. Farm-in Nickel)

- 10 reverse circulation ("RC") holes completed for 1,985 metres. Two holes intersected a thick lens of mineralisation identified last quarter. Results included:
GRR014 10m at 1.27% Nickel and 0.11% Copper; and
GRR015 16m at 1.27% Nickel and 0.12% Copper.
- Target Generation Drilling has resumed between Blair South and the Blair Mine.

For the Silver Swan Northwest JV Project

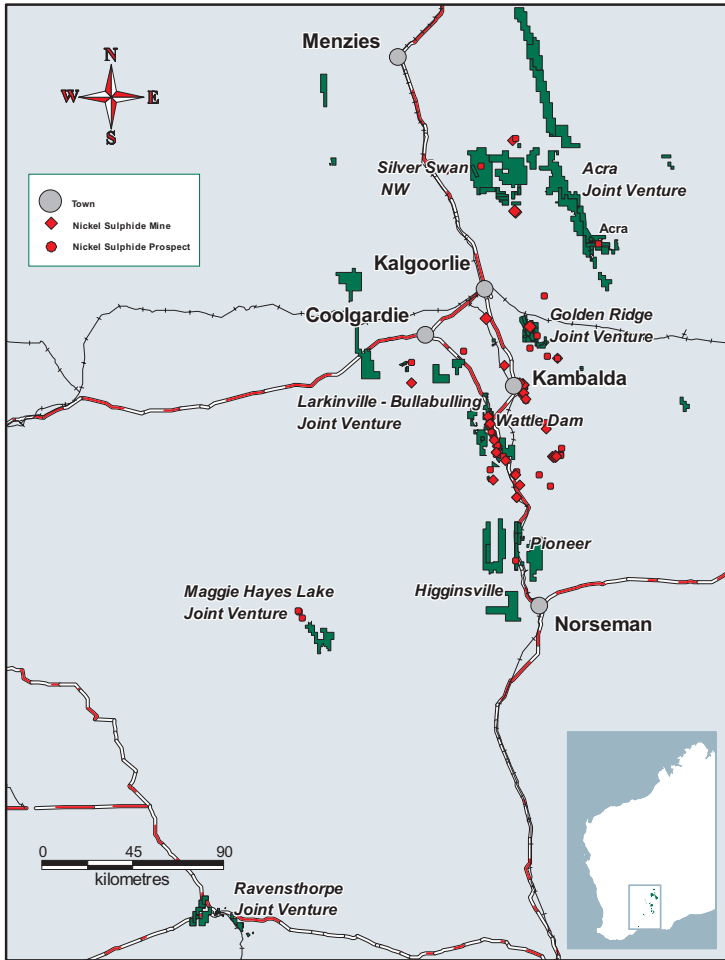
(50km north of Kalgoorlie. Farm-out Nickel)

- A new US\$5.0 million joint venture for Pioneer's Silver Swan Northwest Project, with BHP-Billiton.

Share Placement

- During July 2006, the Company successfully completed a placement of 8.3 million shares at 12.5 cents each which raised \$1.03 million (before costs) to sophisticated and professional investors. The Company also announced a share placement plan, underwritten to \$1.03 million, to raise funds to be dedicated to the Ravensthorpe JV and Golden Ridge JV Projects as well as augment working capital.

Figure 1. Pioneer Nickel Project Location Plan



RAVENSTHORPE COPPER-GOLD PROJECT

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

The project provides diversity into gold and copper for Pioneer, through its subsidiary Western Copper Pty Ltd, with potential for an early cash flow from the discovery of new ore positions near the Elverdton-Mt Desmond Mine.

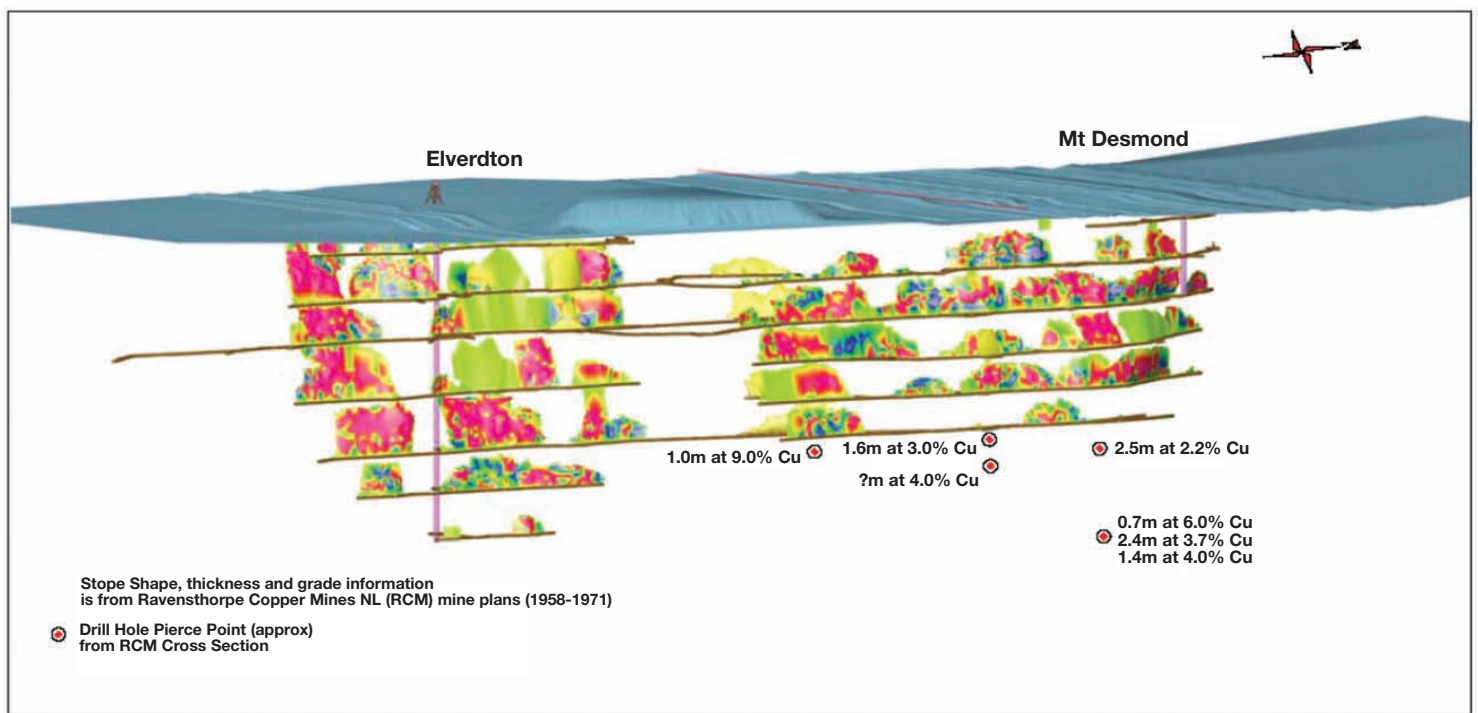
In addition, Pioneer has acquired in its own right E74/253, a 30 km² exploration licence with a geological setting similar to the Elverdton-Mt Desmond mine area. Records show a number of old gold and copper workings occur within the new tenement.

A drilling rig has been secured and a 4,500m drilling programme is due to commence at the Elverdton-Mt Desmond Mine during August 2006, following the grant of the tenement. This will be the first drilling into the mine area since its closure in 1971. Drill holes will be completed on 100 and 200m traverses testing for:

- Copper oxide/carbonate mineralisation;
- Disseminated copper sulphide mineralisation;
- Strike and plunge extensions to known high grade ore shoots; and
- Gold associated with the copper ore.

Pioneer's 100 square kilometre tenement holding will also be appraised for new copper and gold ore positions.

Figure 2. The Elverdton and Mt Desmond mines were joined on the No 2, 3 and 5 levels. The strike length mined is approximately 850m and at its deepest part, the No 7 level beneath the Elverdton headframe, was accessed to 350 metres. Records show very little exploratory drilling beneath the mine, but those recorded indicate significant copper intercepts. Gold was not routinely assayed for, but is recorded in sampling for part of the No 2 level; and in copper concentrates in significant amounts.



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").

New drilling, specifically holes GRR014 and GRR015, confirmed a new, broad zone of nickel sulphide mineralisation over a horizontal strike of approximately 100m. Significant results for the quarter are summarised in Table 1.

The Blair South Prospect is located approximately 2.8km south of the Blair Nickel Mine (29,000t past production of nickel metal, owned by AUZ). The mineralised ultramafic basal contact at Blair South is interpreted by Pioneer geologists to be continuous, although structurally affected, with the contact at the Blair Mine, located 2.8km to the north (see Figure 3).

Drilling is currently testing this high priority zone between Blair South and the Blair Mine for new nickel mineralisation occurrences.

Previous evaluations of this zone included surface mapping and sparse near-surface geochemical drilling and sampling. There has been no exploration at depth.

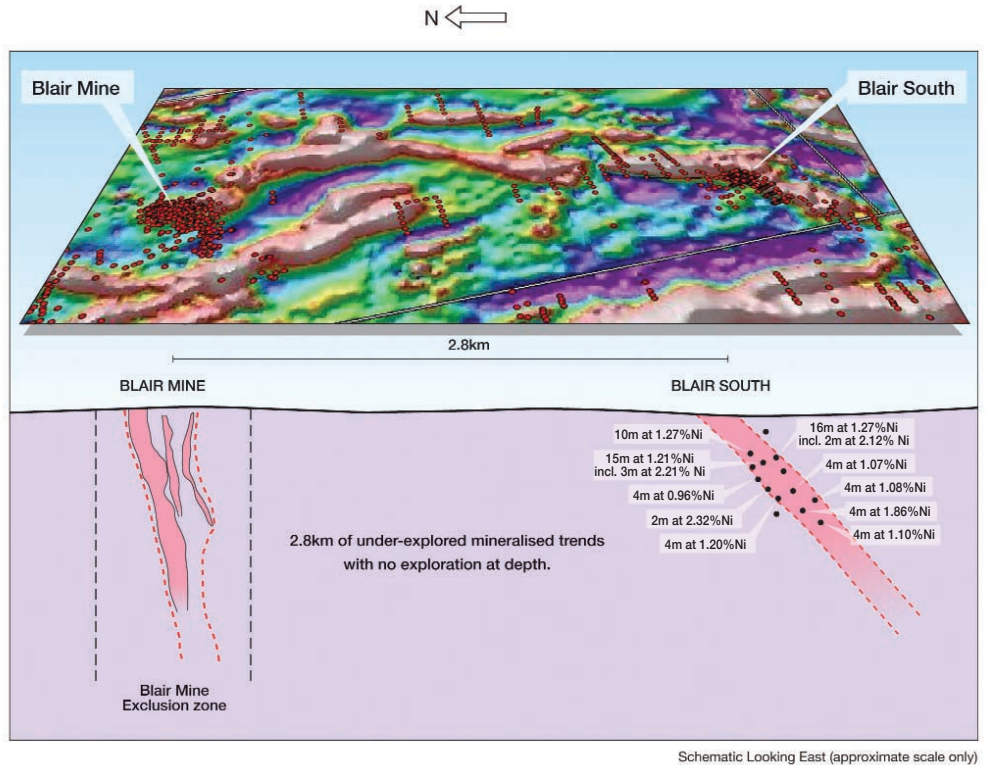


Figure 3. Top: Aeromagnetic image with drill hole collars
Bottom: Long Section Schematic showing known mineralisation



Table 1 - Significant Results From RC Drilling at Blair South Prospect

Hole ID	North (m)	East (m)	From (m)	To (m)	Intercept (m)	Ni (%)	Cu (%)
GRR008*	6,576,729	377,414	98	113	15	1.21	0.13
		Including	102	105	3	2.21	0.27
GRR012	6,576,693	377,355	213	217	4	1.28	0.15
GRR013	6,576,776	377,441	106	110	4	0.97	0.08
GRR014	6,576,777	377,457	86	96	10	1.27	0.11
		Including	91	92	1	1.93	0.15
GRR015	6,576,699	377,423	99	115	16	1.27	0.12
		Including	107	109	2	2.12	0.19
GRR016	6,576,700	377,355	203	207	4	1.07	0.11
		Including	203	205	2	1.65	0.18

- 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.
- Assuming mineralisation dips with concordant geological units, intercepts will approximate true thickness.
- Collar coordinates are MGA 94 (zone 51).
- * Results from GRR008 were previously reported in Pioneer's March 2006 Quarterly Activity Report.

SILVER SWAN NORTHWEST JOINT VENTURE PROJECT

- Silver Swan Northwest is located 50km N of Kalgoorlie WA.
- Pioneer 100% of all minerals.

During the quarter Pioneer announced the terms of a new farm-out joint venture with BHP-Billiton for the Silver Swan Northwest Project. Under the new agreement BHP-Billiton may earn up to an 80% interest in the project, located approximately 50km north of Kalgoorlie, by spending US\$5.0 million on the ground. The project provides access to geological targets located from 5 km of the Silver Swan and Black Swan Nickel Sulphide Mines.

Pioneer is very pleased to have attracted BHP, a world leader in nickel exploration and production, to invest in this project.

CORPORATE NEWS JUNE 2006 QUARTER

As at 30 June 2006 the Company had cash of \$0.83 million and no debt. This excludes funds raised by the recent share placement completed in July 2006.

Pioneer and Jubilee Mines NL have now executed a Deed of Covenant and Assignment for the Acra Joint Venture Project. Pioneer will shortly receive \$430,000 and will transfer to Jubilee a 60% Participating Interest in the Acra Project. In addition Pioneer will also issue 1 million unlisted options to Jubilee, exercisable within 5 years for \$0.25 per share (subject to shareholder approval at a General Meeting to be convened in late August 2006).

On 30 June 2006, Mr Ian Buchhorn resigned from the Board of Pioneer. Ian was a founding Director of the Company and is a strong supporter. The remaining Board members would like to thank Ian for his contribution to the Company and wish him well with his other business ventures.



David Crook
Managing Director

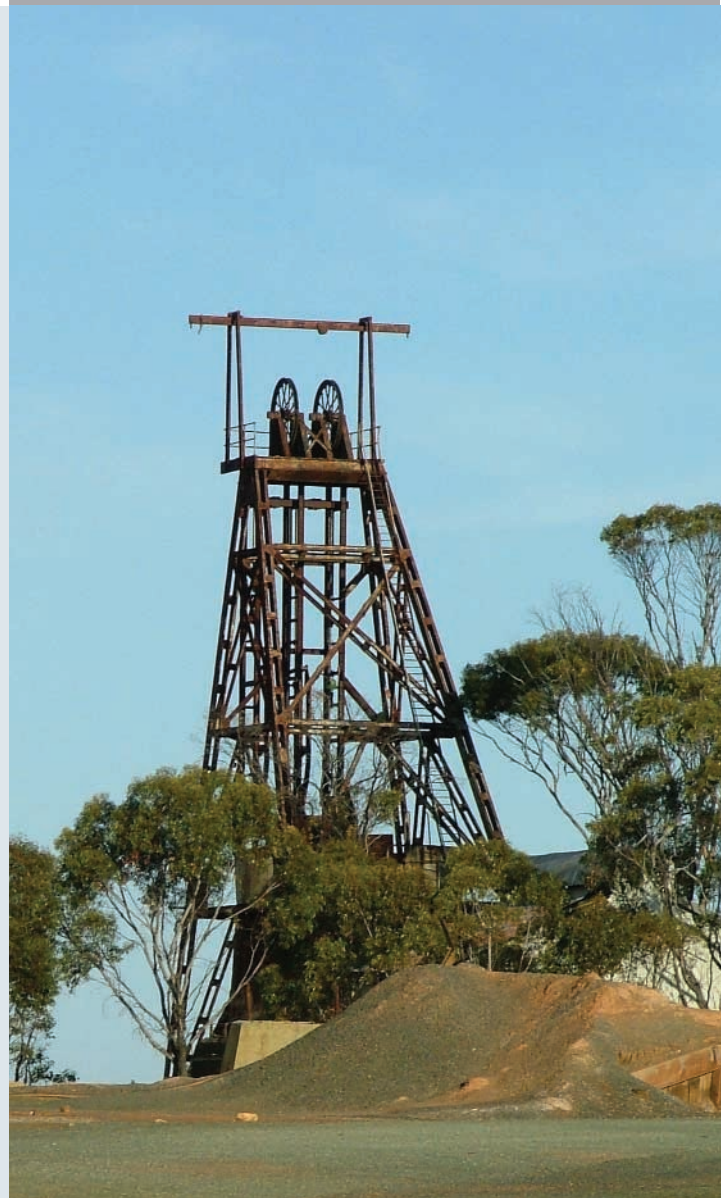
Pioneer
nickel

For more information:

David Crook, Managing Director
(08) 9322 6974
pioneer@pioneernickel.com.au

Jim Hawtin, Consultant, Porter Novelli
(08) 9386 1233
jhawtin@wa.porternovelli.com.au

Or visit: www.pioneernickel.com.au



The information within this report as it relates to geology and mineralisation was compiled by Mr David Crook 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 25 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.