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ABN 44 103 423 981

28 January 2005

The Company Announcement Officer  
Australian Stock Exchange Limited  
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SYDNEY NSW 2000

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Dear Sir / Madam

***QUARTERLY REPORT FOR THE PERIOD ENDING 31 DECEMBER 2004.***

<b>Key Achievements</b>
<ul style="list-style-type: none"><li>• Drilling at the Pioneer JH Prospect returns massive nickel sulphide intercepts;</li><li>• Four drill-ready nickel sulphide targets confirmed at the Wattle Dam Project;</li><li>• Jubilee Mines NL completes its first drilling programme at the Acra Joint Venture Project.</li></ul>
<b>Key Objectives March 2005 Quarter</b>
<ul style="list-style-type: none"><li>• Aircore and reverse circulation drilling has commenced at four Wattle Dam targets;</li><li>• Reverse circulation drilling scheduled for the Pioneer JH and BB Prospects;</li><li>• Jubilee to resume geophysical surveys and drilling at the Acra Joint Venture Project.</li></ul>
<b>Overview</b>
<p>Massive nickel sulphide was intersected in diamond drill hole PND001 at the <b>Pioneer JH Prospect</b>. Intercepts, considered very encouraging, include <b>0.38m at 3.91% Ni</b> within <b>3.75m at 1.04% Ni</b>. The mineralised basal contact at JH and BB will be targeted at a greater depth with drilling in March 2005.</p> <p>Rotary Air Blast drilling at the <b>Wattle Dam Prospect</b> returned <b>15m at 0.64% Ni</b> at 1A South and <b>17m of 0.44% Ni</b> at 5B South. These results are considered high priority and Pioneer has commenced a programme of aircore and reverse circulation drilling to test four targets.</p> <p>Jubilee Mines NL has completed a 2,900m reverse circulation drilling programme at the <b>Acra Joint Venture Project</b>, which returned <b>40 metres at 0.57% Ni and 242ppm Cu</b>.</p> <p>Work completed during the quarter included:</p> <ul style="list-style-type: none"><li>• <b>Diamond Drilling:</b> 1 drill hole for 138.4m at the Pioneer JH Prospect.</li><li>• <b>Reverse Circulation Drilling:</b> 12 drill holes for 2,900m at the Acra Joint Venture - Acra Prospect; and 3 drill holes for 233m at the Maggie Hays Lake Joint Venture Project.</li><li>• <b>Soil Geochemistry:</b> 90 MMI soil samples at the Kurnalpi Project; 93 costean samples at the Wattle Dam - Hilditch North Prospect; and 419 samples at Acra Joint Venture – Boomerang Lake Prospect.</li><li>• <b>Geophysics:</b> Moving Loop electromagnetic surveys at the Pioneer - JH and BB Prospects, Higginsville - Spinifex Prospect and Acra Joint Venture - Boomerang Lake Prospect; and Down hole electromagnetic survey of PND001 at the Pioneer JH Prospect.</li></ul>
<b>Working Capital</b>
<p>As at 31 December 2004 the Company had cash reserves of \$2.82 million and is debt free. In accordance with the Acra Joint Venture Agreement Pioneer is due to receive an additional \$0.23 million in cash from Jubilee Mines NL.</p>















## 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")

**31 DECEMBER 2004**

#### Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (6 months) \$A'000
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for		
(a) exploration and evaluation	(356)	(919)
(b) development	-	-
(c) production	-	-
(d) administration	(156)	(289)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	24	63
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other (provide details if material)	-	-
<b>Net Operating Cash Flows</b>	<b>(488)</b>	<b>(1,145)</b>
<b>Cash flows related to investing activities</b>		
1.8 Payment for purchases of:		
(a) prospects	-	-
(b) equity investments	-	(100)
(c) other fixed assets	(3)	(28)
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)
<b>Net investing cash flows</b>	<b>(3)</b>	<b>(158)</b>
1.13 Total operating and investing cash flows (carried forward)	<b>(491)</b>	<b>(1,303)</b>

+ See chapter 19 for defined terms.

**Appendix 5B**  
**Mining exploration entity quarterly report**

1.13	Total operating and investing cash flows (brought forward)	(491)	(1,303)
<b>Cash flows related to financing activities</b>			
1.14	Proceeds from issues of shares, options, etc.	611	611
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	6	153
	Payments to unmarketable holders	(153)	(153)
	<b>Net financing cash flows</b>	464	611
	<b>Net increase (decrease) in cash held</b>	(27)	(692)
1.20	Cash at beginning of quarter/year to date	2,842	3,507
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	<b>Cash at end of quarter</b>	<b>2,815</b>	<b>2,815</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	\$93
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 - \$72k
(ii)	Legal consultancy fees paid to Pullinger Readhead Lucas an entity related to CL Readhead - \$14k
(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
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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	450
4.2 Development	NIL
<b>Total</b>	<b>450</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	56	11
5.2 Deposits at call	2,759	2,831
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
<b>Total: cash at end of quarter</b> (item 1.22)	<b>2,815</b>	2,842

+ 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	EPM14549	Registered Applicant	100	0
	EPM14551	Registered Applicant	100	0
	EPM14552	Registered Applicant	100	0
6.2 Interests in mining tenements acquired or increased	E28/1515	Registered Applicant	0	100
	E63/753	Registered Holder	0	100
	M24/901	Registered Applicant	0	100
	M24/902	Registered Applicant	0	100
	M27/439	Registered Applicant	0	100
	M27/440	Registered Applicant	0	100
	P15/1812	Registered Holder	0	100

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+ 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)	48,077,633	42,433,684		Fully Paid
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	4,077,623 -	4,077,623 -	15 cents	Fully paid
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> Unlisted options (PIOAK) Unlisted options (PIOAK) Unlisted options (PIOAO)	3,500,000 3,500,000 3,750,000	- - -	<i>Exercise price</i> 25 cents each 25 cents each 25 cents each	<i>Expiry date</i> 31 Dec 2007 31 Dec 2007 28 Nov 2009
7.8 Issued during quarter	-	-		
7.9 Exercised during quarter	-	-		
7.10 Expired during quarter	-	-		

+ See chapter 19 for defined terms.

**Appendix 5B**  
**Mining exploration entity quarterly report**

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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: 24 Jan 2005  
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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