

14 July 2006

ASX/MEDIA RELEASE

**PIONEER ANNOUNCES PLACEMENT AND
SHARE PURCHASE PLAN TO RAISE \$2 MILLION**

Pioneer Nickel Limited (ASX: PIO) ("Pioneer" or the "Company") is pleased to announce a capital raising to raise approximately \$2 million to advance much anticipated exploration programmes at the Company's Ravensthorpe and Golden Ridge Joint Venture Projects.

The capital raising will occur in two tranches. Pioneer has today completed a placement of 8,300,000 ordinary shares at an issue price of 12.5 cents each to raise \$1,037,500 (before costs). Patersons Securities Limited ("Patersons") acted as Lead Manager and Kefu Underwriters Pty Ltd also facilitated the placement.

Major Pioneer shareholder Jubilee Mines NL participated in this placement to maintain its current 17.4% interest in the Company.

Pioneer has also engaged Patersons to act as Lead Manager and Underwriter of a Share Purchase Plan (SPP). Under the SPP, up to \$5,000 (40,000 shares) worth of shares will be offered to each registered holder of ordinary Pioneer shares at **5.00pm WST, Friday 28 July 2006**. Subject to shareholder approval, Patersons will underwrite the issue of up to 8,300,000 Pioneer shares under the SPP to raise a further \$1,037,500 before costs.

Pioneer Managing Director David Crook said the capital raising had been structured in such a way as to allow all shareholders to participate in the fund raising whilst allowing Pioneer to raise sufficient funds to push ahead with its exciting exploration programmes at Ravensthorpe and Golden Ridge.

"This placement and SPP will fund drilling campaigns at our Ravensthorpe project, where we have a well regarded copper-gold system to explore; and at Golden Ridge where we already have had significant nickel sulphide drill intercepts at Blair South. We are now keen to follow up targets between Blair South and the Blair Mine," Mr Crook said.

"Ravensthorpe houses what was one of WA's biggest copper mines – the Elverdton-Mt Desmond Mine – and we believe the project offers us near-term production potential. We are looking forward to starting drilling there."

"Drilling is booked to commence at Golden Ridge is later this month, and at Ravensthorpe next month."

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For more detailed information please contact:

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Details of Placement

The gross amount raised through the private placement and SPP will be a minimum of \$2,075,000 (before issue costs).

Under the private placement, Pioneer has issued 8,300,000 ordinary shares at an issue price of 12.5 cents each to sophisticated and professional investors to raise \$1,037,500 (before placement costs). The share placement was co-ordinated by Patersons. Kefu Underwriters Pty Ltd also participated in the capital raising. The placees are clients/sub-underwriters of Patersons who are sophisticated and professional investors in accordance with section 708 of the Corporations Act 2001.

Terms of Share Placement Plan (SPP)

Pioneer will also offer shares to existing Pioneer shareholders by means of a Share Purchase Plan ("SPP"). Under the terms of the SPP, the subscription price for new shares will be 12.5 cents each which represents an approximate 14.6% discount to the weighted average closing price of the Company's shares for the five (5) trading days prior to the 12 July 2006.

The offer will be open to all Pioneer shareholders who are registered as holders of ordinary shares in the Company at **5.00pm WST on Friday 28 July 2006**. The SPP documentation is expected to be posted to eligible Pioneer shareholders in early August.

Subject to shareholder approval, Patersons will underwrite the issue of up to 8,300,000 ordinary shares under the SPP to raise at least a further \$1,037,500 (before costs). Shareholder approval for the issue of shares pursuant to the underwriting of the SPP shortfall will be sought at a meeting of Pioneer shareholders to be convened for late August 2006.

The Company is not in possession of any information of the kind that would be required to be disclosed under subsection 713(5) of the Act if a prospectus were to be issued in reliance on section 713 of the Act relating to the offer of these securities.

Exploration Priorities

The funds raised from the placement and SPP will be dedicated towards drilling programmes designed for the Ravensthorpe Copper-Gold JV and Golden Ridge Nickel JV Projects.

Ravensthorpe Copper-Gold JV Project

The Ravensthorpe Project is a farm-in joint venture where Pioneer may earn up to an 85% interest from unlisted Galaxy Resources Limited.

The Ravensthorpe district has a long history of copper and gold production. From 1897 to 1971 the district produced nearly 50% of Western Australia's copper. The most significant producing mines in the district included the Elverdton, Mt Desmond, Mt Cattlin and Marion Martin Mines, all of which occur within the Ravensthorpe JV Project area. The mines closed in 1971 due to prevailing low copper prices.

On 6 July 2006, the Native Title Tribunal stated that the key Mining Lease (M74/163) covering the Elverdton and Mt Desmond Mines may now be granted. A drilling rig has been secured and drilling is due to commence at the Elverdton-Mt Desmond Mine on 11 August, following the grant of the tenement.

Pioneer believes there is potential for the discovery of a number of ore styles in the immediate mine area. Mineralised styles to be tested for include:

- Copper oxide/carbonate mineralisation which may be treated using heap leach technology*;
- Disseminated copper sulphide mineralisation that may be mined by open cut methods*;
- Strike and plunge extensions to known high grade ore shoots;
- Significant gold credits associated with the copper ore*; and
- New copper and gold ore positions within Pioneer's 80 sq kilometre holding.

Golden Ridge JV

The Golden Ridge Project is a farm-in joint venture with Australian Mines Limited (ASX: AUZ) where Pioneer may earn up to an 80% interest.

Five instances of nickel sulphide mineralisation (including the Blair Mine which is excised from the JV) have been identified by previous explorers, demonstrating the significant nickel mineralisation potential of the project. The known deposits occur in areas of outcropping geology; however more than three-quarters of the project area is estimated to be covered with alluvial material.

Drilling is due to commence at Golden Ridge on 24 July. This drilling will test targets in the highly prospective, but under-explored, ground between Pioneer's recent drill intercepts at Blair South and the Blair Mine. Exploration will target this zone of covered ultramafic rocks, some 2.8 kilometres in length, looking for new nickel sulphide deposits.

Drilling will include:

- Traverses of RAB drilling to locate prospective geological units and, in particular, prospective ultramafic contacts;
- RC drilling traverses to act as platforms for a variety of tests, including geology, geochemistry and down-hole geophysics;
- Electromagnetic surveys targeting areas of prospective basal ultramafic contact;
- Diamond drilling to produce core for detailed geological appraisal and to provide metallurgical samples; and
- RC and diamond drilling to delineate mineralisation found.

Budget and Expenditure Timetable

Golden Ridge		
Q3 2006	Advanced target drilling	\$355,000
Q4 2006	Target and sectional drilling	\$385,000
Q1 2007	Further target drilling	\$375,000
Ravensthorpe		
Q3 2006	Elverdton diamond core drilling	\$320,000
Q4 2006	Regional target drilling	\$400,000
Q1 2007	Further target drilling	\$370,000
Total		\$2,205,000

Yours faithfully

PIONEER NICKEL LIMITED



DJ Crook

Managing Director

* Process routes noted are considerations for this style of mineralisation. Final process routes and elements recovered will be determined by the extent and nature of resources discovered, if any, and the completion of a feasibility study.