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## Shareholder General Meeting – 7 July 2020

*Questions & Answers to assist Pioneer shareholders in understanding the reasons behind the four resolutions*

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### THE FOUR RESOLUTIONS

- ⇒ **Resolution 1** – Change of Company name to Essential Metals Limited
- ⇒ **Resolution 2** – Consolidation of Capital with every ten (10) Shares/securities being consolidated into one (1) Share/security
- ⇒ **Resolution 3** – Issue of 10,000,000 Options to Craig McGown, Independent Non-Executive Chairman
- ⇒ **Resolution 4** – Issue of 6,000,000 Options to Paul Payne, Independent Non-Executive Director

### RESOLUTION 1 – Change of name

**Question** – *Why change the name from Pioneer Resources?*

**Answer** – The name is the first connection that anyone has with a company. We believe the name should convey a message about what the company stands for and we think Essential Metals does precisely that. “Essential Metals for a Sustainable Future” will be our motto and we will endeavour to adopt an approach based on Environmental, Social, and Governance (ESG) principles. We will of course also need to ‘walk the ESG talk’ when we engage with potential customers and suppliers, existing and new shareholders, regulators and other stakeholders.

**Question** – *Isn't it a distraction and shouldn't the company be focussed on exploration?*

**Answer** – The name change process is an important part of rebranding the company but takes up minimal time and is handled by our corporate personnel and not our geologists. They continue to remain completely focussed on exploration activities to advance our projects.

**Question** – *Isn't it a waste of money?*

**Answer** – The cost of the whole name change process, including the shareholder meeting, will be around \$5,000. The Board considers this to be very good use of money to reposition how the Company is perceived going forward. It should also be pointed out that we have reduced the annualised cost of corporate personnel including Directors by around \$250,000 and we are using our technical consultants/contractors in a more targeted way, saving another ~\$100,000 per annum.

## RESOLUTION 2 – 10:1 Consolidation of Capital

**Question** – *What is a Consolidation of Capital?*

**Answer** – The company is decreasing the number of shares/securities it has on issue using a fixed ratio of 10:1 and in principal the nominal value of each share/security increases by the same ratio. Thus, the value of each shareholders' holding remains unchanged relative to the market capitalisation of the Company.

**Example:**

- *Pre-consolidation: A holder has 1,000,000 (one million) shares and the share price is \$0.01 (one cent) per share. The holding value is = 1,000,000 x \$0.01 = \$10,000*
- *After a 10:1 Consolidation and before re-commencement of trading, the holder will have 100,000 (one hundred thousand) shares and the share price becomes \$0.10 (ten cents) per share. The holding value is = 100,000 x \$0.10 = \$10,000*

**Question** – *Why have a consolidation?*

**Answer** – The Company has a relatively stable Top-50 shareholder group who have been loyal but are understandably frustrated with the share price performance over the past few years. Each increase in price following good news is typically met with a sell-down, frequently at the closing of the trading day.

The Company has over 1.5 billion shares on issue and trades at just over 1 cps. It is difficult to build sustainable growth in the price when 'very short-term momentum traders' come in and out of the stock on news flow, having very little regard or knowledge of the Company's fundamentals. I review the holder changes each day and see the same names in and out, in and out.

By consolidating the number of shares on issue, and increasing the price per share, the aim is to make the Company more attractive to fundamental investors and less impacted by day traders who have little regard for the fundamental business of your Company.

**Question** – *Don't consolidations almost always result in the Company's market value falling?*

**Answer** – No. Austex Resource Opportunities ([www.austexresources.com](http://www.austexresources.com)), published a report earlier this year summarising the performance of small and mid-cap resource companies that completed a share consolidation in calendar year 2019. The report is attached as an Appendix. Overall, 68% of the 31 companies that conducted a consolidation saw their market capitalisation **increase** during the year. Looking at the 19 companies with a sub-\$20M market cap, 63% saw an **increase** in market value.

As would be expected, consolidations typically have a poor outcome when a company's market value is above its fundamental value range. However, we are confident that this is not the case for Pioneer – excellent progress is being made across our asset portfolio to support growth in the Company's market value following completion of the share consolidation.

We may see some selling as the 'day traders' exit and move on, but I would hope that provides an opportunity for fundamental investors.

## RESOLUTIONS 3 & 4 – Issues of Incentive Options to the two Non-Executive Directors

**Question** – *What are Incentive Options?*

**Answer** – Incentive Options are a remuneration mechanism that help align a remuneration package with the company’s share price performance. The Options provide the director with an opportunity to purchase shares, but at a price higher than the market price, aligning them with shareholders in benefitting from a higher share price.

The options that we propose to issue to the Company’s two Non-Executive Directors are unlisted and non-transferable and are convertible into ordinary shares at various exercise prices of 2.5c, 3.5c and 4.5c. These exercise prices are 108%, 191% and 275% respectively above the current share price of 1.2c.

If the Consolidation of capital is approved under Resolution 2, the quantity of options will be reduced tenfold and the exercise price will increase tenfold.

**Example:**

- *Pre-consolidation: 3,333,333 Options with a 2.5c exercise price: The Director pays (3,333,333 x \$0.025 = \$83,333 to the Company) to receive 3,333,333 shares*
- *After a 10:1 Consolidation: 333,333 Options with a 25c exercise price: The Director pays (333,333 x \$0.25 = \$83,333 to the Company) to receive 333,333 shares*

**Question** – *Don’t the non-executive directors get paid enough?*

**Answer** – The director wishing to convert the options into shares must make **payment to** the Company of the relevant exercise price per option.

The Options have no intrinsic value at the time of issue as the exercise price is above the market share price and the Director cannot realise the ‘time value’ of the Option as they are non-transferable and so cannot be sold.

The Director does benefit from being able to convert the Options into shares at a fixed price (the exercise price) between the time of issue and the Option expiry date. This would of course only be done if the share price is much higher than where it is currently is, something that all shareholders want.

In the case of Craig McGown, the exercise of all his options will result in him subscribing for a further \$350,000 worth of shares in Pioneer and in the case of Paul Payne the exercise of his options will result in him subscribing for \$210,000 worth of shares in Pioneer.

**Question** – *Have the Directors invested their own money in Company shares?*

**Answer** – Yes. Craig McGown has purchased 12,476,189 shares during his tenure as Chairman of the Company. Paul Payne has purchased 2,000,000 shares on-market since his appointment as a non-executive Director in January this year and Tim Spencer has purchased 3,600,000 shares on-market over the same period.

*This ASX release has been approved by the Board of Directors*

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## About Pioneer Resources Limited

Following successful completion of the Sinclair Caesium Mine, Pioneer is now a well-funded and active explorer focused on key global demand-driven commodities, looking for its next opportunity to create shareholder wealth through exploration and project development. The Company operates a portfolio of strategically located lithium, caesium, nickel, cobalt and gold projects in mining regions in Western Australia, plus a high-quality lithium asset in Canada.

### Lithium:

- The **Pioneer Dome LCT Project** is highly prospective for lithium, evidenced by the discovery of multiple spodumene bearing pegmatites in the Dome North area. It includes the Cade Deposit, on which a maiden JORC Inferred Resource of 8.2 million tonnes @ 1.23% Li<sub>2</sub>O was estimated in November 2019.
- The Company holds a 51% Project interest in the **Mavis Lake Lithium Project**, Canada where Company drilling has intersected spodumene.

**Nickel:** The Company owns the **Blair-Golden Ridge Project** which includes the suspended Blair Nickel Sulphide Mine, located between Kalgoorlie and Kambalda, WA. Near-mine target generation is continuing, with the Company announcing a new disseminated nickel sulphide drilling discovery at the Leo Dam Prospect in 2018, highlighting the prospectivity of the greater project area and this work has now been progressed by recent drilling.

**Cobalt:** Also found as a wide-spread hydromorphic layer throughout the eastern Golden Ridge Project, cobalt is another commodity with demand expanding in response to its requirement in the manufacture of cobalt-based batteries in certain electric vehicles and electricity stabilisation systems (powerwalls). Other uses for cobalt include in the manufacture of super-alloys, including jet engine turbine blades, and for corrosion resistant metal applications.

**Gold:** Pioneer's key gold projects are free-carried with well credentialed JV partners:

- **Acra JV Project** near Kalgoorlie W.A.: Northern Star Resources Limited (ASX:NST) has earned a 75% Project Interest and continues to fully fund exploration programmes until a decision to mine with Pioneer retaining a 25% interest.
- **Kangan Project** in the West Pilbara W.A.: A farmin & JV agreement with Novo Resources Corp (TSXV:NVO) and Sumitomo Corporation will fully fund gold exploration programmes until a decision to mine is made, with Pioneer retaining a 30% interest.
- **Balagundi Project:** A farmin & JV agreement with where Black Cat Syndicate Limited (ASX:BC8) is earning a 75% interest in the Project located at Bulong, near Kalgoorlie, W.A. Black Cat will then fully fund gold exploration programmes until a decision to mine is made, with Pioneer retaining a 25% interest.

### **Caution Regarding Forward Looking Information**

*This document may contain forward looking statements containing estimates based on specific assumptions.*

*Forward-looking statements are not statements of historical fact and actual events and results may differ materially from those described in the forward-looking statements as a result of a variety of risks, uncertainties and other factors. Forward-looking statements are inherently subject to business, economic, competitive, political and social uncertainties and contingencies. Many factors could cause the Company's actual results to differ materially from those expressed or implied in any forward-looking information provided by the Company, or on behalf of, the Company. Such factors include, among other things, risks relating to additional funding requirements, metal prices, variations to sales agreements, exploration, development and operating risks, competition, production risks, regulatory restrictions, including environmental regulation and liability and potential title disputes.*

*Forward looking statements in this document would be based on the Company's beliefs, opinions and estimates as of the dates the forward-looking statements are made, and no obligation is assumed to update forward looking statements if these beliefs, opinions and estimates should change or to reflect other future developments.*

*Circumstances or management's estimates or opinions could change. The reader is cautioned not to place undue reliance on forward-looking statements.*

**Appendix – Extract from Austex Resource Opportunities Report 3 January 2020**

**2019 SHARE CONSOLIDATIONS RESULTS –**

Companies included have >50% less shares on issue at the end of 2019 as compared to the start of 2019.

CODE	COMPANY	YEAR END MARKET CAP \$M	START OF YEAR MARKET CAP \$M	Percentage MARKET CAP CHANGE	Percentage SHARES ON ISSUE CHANGE OVER 2019
WGO	WARREGO ENERGY	148.8	6.0	2381%	-69.7%
SKY	SKY METALS	23.4	2.1	986%	-56.6%
CMM	CAPRICORN METALS	400.8	50.1	700%	-55.3%
MNC	METMINCO	12.2	2.3	439%	-85.2%
LOT	LOTUS RESOURCES	14.2	3.6	292%	-84.0%
EEG	EMPIRE ENERGY	114.2	34.7	229%	-88.8%
VAR	VARISCAN MINES	8.2	2.5	224%	-83.8%
GPR	GEOPACIFIC RESOURCES	84.5	31.2	171%	-91.4%
SPB	SOUTH PACIFIC RESOURCES	2.9	1.2	153%	-89.0%
TMK	TAMASKA OIL & GAS	4.0	2.0	105%	-58.9%
REE	RAREX LIMITED	13.4	7.0	91%	-91.1%
CAI	CALIDUS RESOURCES	45.3	23.8	91%	-76.3%
KSN	KINGSTON RESOURCES	32.7	20.8	57%	-85.6%
GBZ	GBM RESOURCES	6.4	4.4	48%	-83.6%
HAR	HARANGA RESOURCES	2.3	1.7	41%	-93.6%
ZMI	ZINC OF IRELAND	10.4	7.8	34%	-93.3%
PM8	PENSANA METALS	25.2	19.2	31%	-87.3%
EMP	EMPEROR ENERGY	3.1	2.4	28%	-91.6%
SRI	SIPA RESOURCES	10.7	9.2	16%	-90.7%
AKM	ASPIRE MINING	73.6	66.5	11%	-84.7%
TKM	TREK METALS	3.7	3.5	5%	-60.1%
DTM	DART MINING	5.4	5.6	-4%	-94.2%
TTM	TITAN MINERALS	53.4	61.5	-13%	-88.4%
PSC	PROSPECT RESOURCES	34.6	43.0	-19%	-89.4%
AUL	AUSTAR GOLD	10.5	13.6	-23%	-99.0%
GGE	GRAND GULF ENERGY	2.3	3.1	-25%	-50.0%
KPE	KINA PETROLEUM CORP	15.9	22.2	-29%	-96.7%
GNM	GREAT NORTHERN	3.5	6.3	-45%	-75.4%
KLH	KALIA LIMITED	1.8	4.1	-57%	-98.8%
FFR	FIREFLY RESOURCES	5.0	11.9	-58%	-96.0%
LRS	LATIN RESOURCES	2.5	8.4	-70%	-85.1%