

QUARTERLY ACTIVITY REPORT

Quarter ending 31 December 2023

Frontier Energy Limited (ASX: FHE; OTCQB: FRHYF) (Frontier or the Company) is pleased to provide its quarterly activity report for the quarter ending 31 December 2023.

HIGHLIGHTS

- **Frontier completed the acquisition of Waroona Energy Inc. (Waroona) to create a large-scale Australian renewable energy company.**
 - Frontier now can access two grid connections capable of exporting >1GW to the grid via the electricity terminal located less than 1km from the Project, and holds 868ha of freehold land ideal for renewable energy opportunities
 - 147 million Frontier shares issued to Waroona shareholders
- **Key changes in government policies enhance investment case for solar / battery**
 - Energy Policy WA's Coordinator of Energy adopted a 4-hour battery as the reference technology for Benchmark Reserve Capacity (BRCP)
 - Reserve Capacity Payments (RCP) for an 80MW 4-hour battery are forecast to generate ~\$24 million in revenue in 2026/27 (excluding RCPs from solar)
- **The Company progressed its Definitive Feasibility Study (DFS) for a 120MWdc Solar Facility (Stage One) due for completion in early 2024, and included an 80MW battery**
 - Integrating battery enhances the Project's returns (compared to solar alone) through increased revenue from RCP, shifting of energy sales from the midday low to early evening peak prices, and reducing curtailment
- **WA's electricity grid constraints highlighted by Independent Assessment of the South West Interconnected System (SWIS)**
 - Independent consultant ResourcesWA completed a review of the SWIS
 - The Report concluded "there are no other opportunities that exist on the SWIS for the development of a connected generator to the scale of the Project in the short or medium term".
- **Dec quarter electricity prices increased ~15% YoY driven by higher peak prices**
 - 2023 year average was \$87/MWh, up 32% YoY – with solar period prices at \$68/MWh (up 19% YoY) and peak period prices \$143/MWh (up 47% YoY)
- **Frontier continued to advance its dual fuel green hydrogen peaking power plant Study due in 2Q2024**
 - Following discussions with suppliers, the Company is also assessing a leasing option which could minimise upfront capital costs
 - In addition, Frontier Energy and the City of Perth plan to develop WA's first publicly available green hydrogen refuelling station in West Perth
- **Management team restructured to deliver project execution**
 - Adam Kiley, experienced equity and debt capital markets executive, appointed Chief Executive Officer (CEO)
 - Warren King, experienced project development and construction engineer, appointed Chief Operating Officer (COO)
- **As at 31 December 2023, Frontier had cash of \$11.6m (unaudited)**
 - Cash outflows in the quarter included land acquisition cost of ~\$4.4m

Completion of Waroona Energy Inc acquisition creates WA's largest renewable energy development company

The acquisition of Waroona was completed with Waroona shareholders voting overwhelming in favour of the Transaction. 147m Frontier shares have been issued to Waroona shareholders.

Frontier can access two grid connections capable of exporting >1GW renewable energy to the grid, with the Landwehr Terminal located less than 1km from the Project; and a freehold landholding of 868ha ideal for solar, hydrogen and other renewable energy opportunities. Solar development approvals are already in place for 355MW, ranking the Project as one of Australia's largest solar farms once developed.

Key changes to Government policy enhance investment case for battery storage integrated with solar development

The Reserve Capacity Mechanism (RCM) in the Wholesale Electricity Market (WEM) is designed to ensure that there is adequate generation capacity available to meet forecast peak electricity demand. The RCM is unique to Western Australia and not available in other Australian jurisdictions.

Under the RCM, electricity generation plants are certified and allocated capacity credits based on the size of the facility capacity. The benchmark price has increased over the past number of years.

Earlier in 2023, the WA Government announced a package of WEM reform initiatives¹ aimed at enhancing investment certainty for renewable and storage proponents in the SWIS. Subsequent to this initial announcement, the Government confirmed a 200MW / 800MWh lithium-ion battery energy storage system (BESS), with a 330kV connection was selected as the new benchmark technology² in the future. This change will allow for a 4-hour battery to receive 100% of the RCP.

During the quarter the Economic Regulation Authority determined that the BRCP increase to \$230,000 per MW for the 2026/27 year³. When the market is forecast to be in deficit, an additional 30% premium is applied to this price. The Australian Market Energy Operator (AMEO) has forecast the WEM to be in deficit for the next decade⁴.

¹ https://www.wa.gov.au/system/files/2023-08/reserve_capacity_mechanism_review_-_information_paper_stage_2.pdf

² <https://www.wa.gov.au/media/43698/download?inline>

³ <https://www.erawa.com.au/cproot/23833/2/2024-benchmark-reserve-capacity-price-for-the-202627-capacity-year.PDF>

⁴ https://aemo.com.au/-/media/files/electricity/wem/planning_and_forecasting/esoo/2023/2023-wholesale-electricity-market-electricity-statement-of-opportunities-wem-esoo.pdf

Indicatively, based on an 80MW / 320MWh BESS, the 2026/27 BRCP of \$230k/MW would generate \$18.4m (no deficit market factor), increasing to \$23.9m (deficit market factor) per annum in Reserve Capacity payments.

DFS for 120MWdc solar farm, with integrated 80MW / 4-hour battery, progresses

The Company's Definitive Feasibility Study (DFS) on a 120MWdc solar farm was well progressed when in late 2023, Energy Policy WA issued a consultation paper⁵ on the potential change in the reference technology for BRCP to a BESS from an Open Cycle Gas Turbine (OCGT).

Following this announcement, Frontier proactively engaged SpringCity Pty Ltd (a Perth based engineering consultancy in the electricity, power and energy industry) to evaluate the potential and approach that should be used in integrating a battery.

After reviewing the preliminary results of this work, compared to a range of alternative strategies, Frontier concluded the optimal strategy for a Stage One development consists of a 120MW solar facility and an 80MW battery. A DC coupled battery integrated in the solar facility, sharing the solar inverters, will have a lower capital cost and will also provide a greater efficiency compared to an AC coupled, separate BESS facility.

Initial results indicated this strategy provides the strongest potential financial returns with least risk, driven by:

- Lowest relative capital investment
- Relatively low technical risk given the maturity of the respective technologies and implementation in Australia
- Arbitrage opportunity created by batteries that allows for shift from low energy priced period (midday) to high price in demand period (early evening)
- Guaranteed revenues through substantial, fixed RCP revenues compared to solar only option (also allowing significant debt leverage); and
- Upside exposure to the WEM, which is forecast by the AEMO to remain in deficit over the next decade.

Revision of the solar farm design and inclusion of a BESS, which is anticipated to have significantly better economics than solar alone, will be released during February 2024.

In addition, the Company has commenced preliminary work regarding project financing with strong interest shown by a range of local and international financial institutions for debt financing, as well as strong interest in equity participation at both corporate and project levels. The Company will provide further information regarding this in the coming weeks.

⁵ <https://www.wa.gov.au/government/announcements/brcp-reference-technology-review-consultation-paper>

WA's electricity grid constraints highlighted by Independent Assessment of the SWIS

A Report by independent consultant ResourcesWA⁶ was commissioned by the Company to gain a better understanding of new large-scale developments on the SWIS, similar to the potential of the Waroona Project (**Project**) in the short to medium term. The Report focused on evaluating potential capacity for large scale connections at existing substations and terminals across the 330kV and 220kV transmission network from now until 2032.

The Report concluded **“there are no other opportunities that exist on the SWIS for the development of a connected generator of the scale of the Project in the short or medium term”**. The reasons for this include:

- The North Region is limited due to the existing thermal constraints on the 330kV and 132kV transmission networks in this region
- The East Region does not present any opportunities for large scale network connected generation in the near term due to limitations on 220kV transmission
- The South Region Terminals present immediate and near-term opportunities for large scale network connection. However, terminals are either already utilised or have limited surrounding land availability; and
- Until 2030, only Landwehr Terminal (where the Project is located) can readily accommodate new large scale renewable connections of 250 MW or greater.



Figure 1: SWIS 330kV – 220kV network and Regions

⁶ <https://cdn-api.markitdigital.com/apiman-gateway/ASX/asx-research/1.0/file/2924-02735090-6A1178587>

The report supports the assessment by the AEMO that there is urgency in advancing generation, storage, demand side management and transmission projects to bolster reliability and support a rapid and orderly energy transition.

Electricity prices increased further

Figure 2 compares the most recent quarter's wholesale electricity prices to previous December quarters (to compare like-for like seasonality). Prices continued to increase, with the December 2023 quarter average price of \$84/MWh representing a 15% YoY increase. The afternoon price peak increased sharply over the period.

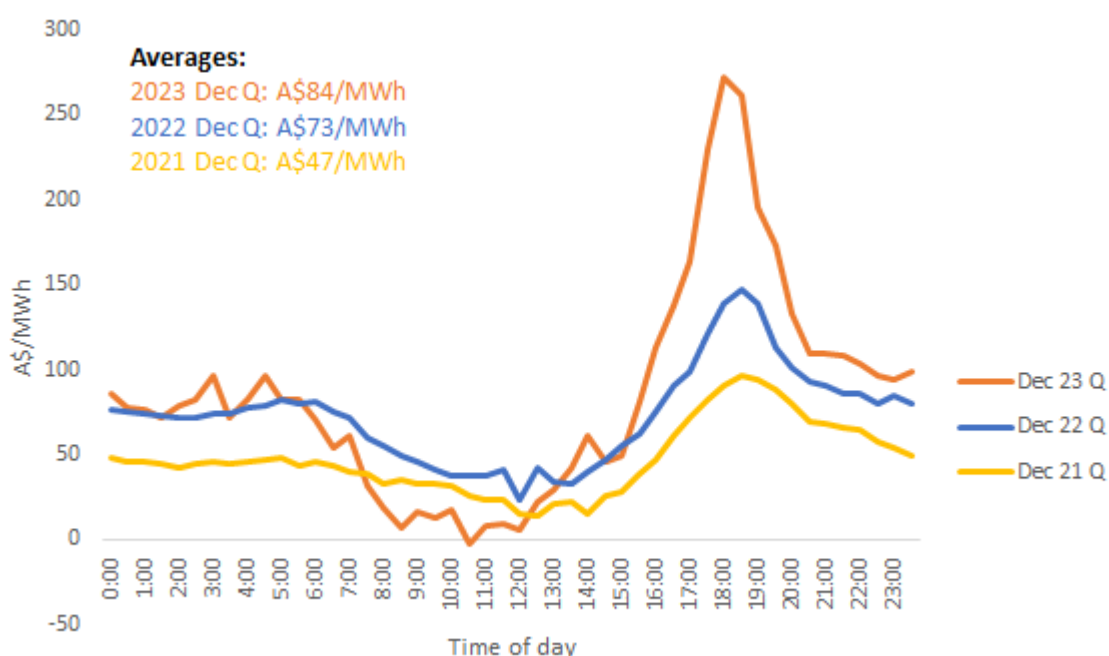


Figure 2: Average quarterly wholesale power price (\$/MWh), in each half hour interval⁷

This price dynamic supports Frontier's strategy of delivering renewable generation capacity from the Project's solar farm (Stage One), that is stored in a 4-hour battery which supplies electricity when required at peak times. Any excess solar electricity can be sold directly into the WEM during peak or off-peak times.

Over the whole of 2023, wholesale electricity prices averaged \$87/MWh, up 32% YoY and up 75% on 2021 – with solar period prices at \$68/MWh (up 19% YoY and up 63% on 2021) and peak period prices, between 4pm and 9pm, at \$143/MWh in 2023, up 47% YoY and up 81% on 2021.

⁷ Source: AEMO; arithmetic average of price in each half-hour interval, with no price cut-offs

Frontier remains committed to the potential of green hydrogen

Frontier submitted a comprehensive EOI for the Federal Government's \$2bn "Hydrogen Headstart" program in November 2023, which was not successful. The Company however remains committed to the green hydrogen industry in the long term and will continue to assess future opportunities. This includes the assessment of a peaking plant that will be powered by green hydrogen.

Frontier has significantly progressed its study of a 120MW hydrogen fuelled dual-fuel peaking power plant ("Study"). Following discussions with suppliers, the final Study will also consider a leasing option, to reduce initial capital cost compared to the owner/build option. The Company will also consider different sized electrolysers as part of this assessment. The Company aims to release the Study in 2Q24.

In addition to this Study, Frontier and the City of Perth have identified and selected a convenient and accessible location for a refuelling station on City of Perth-owned land at Thomas Street, West Perth (2km from Central Perth, near the Mitchell and Kwinana freeway access points). The Company will continue to work through the various approval requirements, technical studies and financing options prior to making a Financial Investment Decision.

Corporate

Senior Management restructure to accelerate project development

Frontier restructured its senior management team with a specific focus on project execution ahead of planned FID for its 120MWdc solar farm / integrated 80MW battery in 1H2024. Adam Kiley was appointed CEO and Warren King Chief COO. Sam Lee Mohan stepped down as Managing Director.

Mr Kiley was previously the CEO of Waroona Energy and has 20 years' experience in equity capital markets and debt financing sectors. Mr King is an engineer with 25 years of experience, specialising in project management of engineering, design, procurement and construction.

Cash at the end of the Quarter

At 31 December 2023, Frontier had cash on hand of \$11.6m (unaudited).

During the quarter, the Company exercised options to acquire two land parcels for \$4.4m (excluding transaction costs), with a total land area of 238 hectares.

Payments to Related Parties

During the Quarter, payments to related parties for directors' fees totalled \$500,066, including a termination payment to Sam Lee Mohan.

Mr Grant Davey, who is a Director of the Company, is a director and shareholder of Matador Capital Pty Ltd ("Matador Capital"). The Company makes payments to Matador Capital under Shared Services and Office Use Agreements in which Matador Capital provides office space, general office administration services and accounting services to the Company. The services provided by Matador Capital are recovered from the Company on a cost-plus basis and totalled \$163,459.

Use of Funds

In relation to the Company's Quarterly Activity Report and Appendix 4C for the quarter ended 31 December 2023, the Company provides a comparison of expenditure against the Use of Funds as set out in the Company's Prospectus dated 12 January 2022 pursuant to Listing Rule 4.7C.2.

Use of funds	Prospectus	Actual spend
Land Options	1,650,000	1,650,000
Lease Fees	220,000	210,000
Solar Feed	265,104	265,104
Generator Model Study	126,500	126,500
Interconnection Works	55,000	55,000
Solar Financing	154,000	-
Solar Offtake	572,000	288,235
Solar Expansion Study	123,750	123,750
Battery Integration Study	74,250	74,250
Wind Integration Study	126,500	126,500
Hydrogen Integration Study	234,850	234,850
Corporate Costs	2,873,220	3,656,416
Transaction Costs	741,630	741,630
Working Capital	783,196	-
TOTAL	8,000,000	7,552,235

Table 1: Use of funds

The higher level of corporate costs incurred to date compared to the prospectus, which was for a two-year period, reflect significant progress with the Project since re-listing in March 2022, with the Company expanding its Board and Management Team, undertaking greater than expected investor relations and stakeholder engagement activities and incurring higher than expected compliance costs.

Authorised for release by Frontier Energy's Board of Directors.

To learn more about the Company, please visit www.frontierhe.com, or contact:

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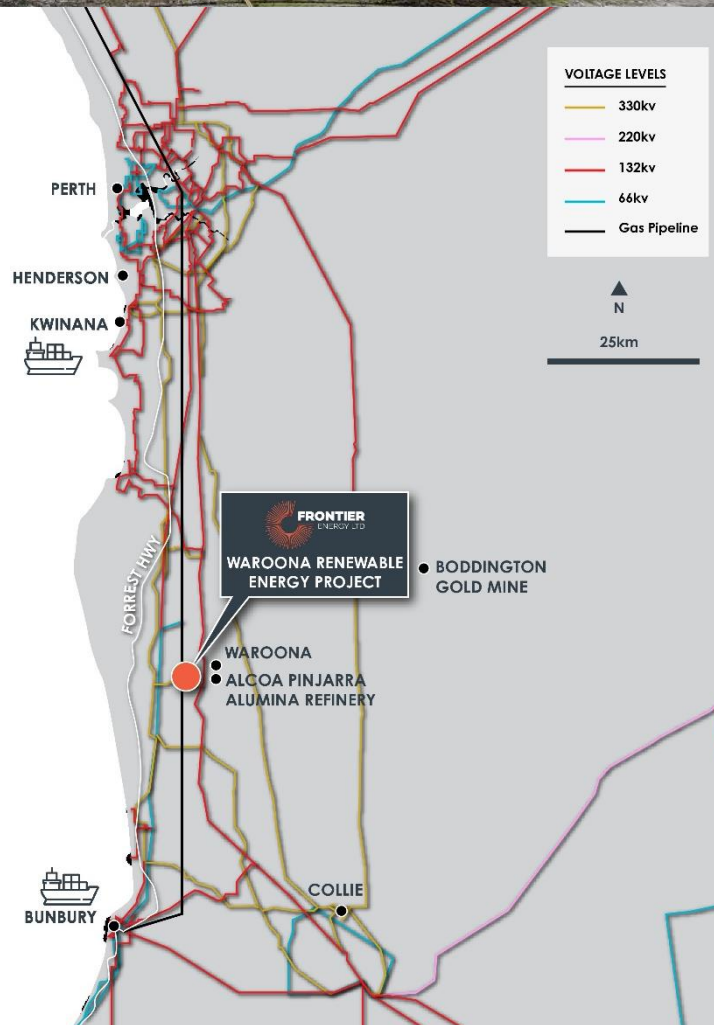
About Frontier Energy

Frontier Energy Ltd (ASX: FHE; OTCQB: FRHYF) is developing the Waroona Renewable Energy Project (the Project) located 120km from Perth in Western Australia.

Waroona has potential to become one of Australia's largest standalone renewable energy projects, as the Company owns 868ha of adjoining freehold land whilst also having approvals in place for a connection onto the WA electricity network (SWIS) with a terminal adjacent to the Project.

The Company is rapidly advancing the Stage One development that consists of a 120MW solar farm and 80MW battery towards a Final Investment Decision in 2024.

Frontier is fully committed to making it one of WA's major renewable energy hubs, incorporating multiple value-adding initiatives including batteries and green hydrogen, with full renewable energy potential of more than 1GW based on connection capacity.



Directors and Management

Mr Grant Davey
Executive Chairman

Mr Adam Kiley
Chief Executive Officer

Mr Chris Bath
Executive Director

Ms Dixie Marshall
Non-Executive Director

Ms Amanda Reid
Non-Executive Director

Registered Office

Level 20, 140 St Georges Terrace
Perth WA 6000

Share Registry

Automatic Registry Services
Level 5, 126 Philip Street
Sydney NSW 2000

For a comprehensive view of information that has been lodged on the ASX online lodgement system and the Company website, please visit asx.com.au and frontierhe.com, respectively.

Appendix 4C

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Name of entity

Frontier Energy Limited

ABN

64 139 522 553

Quarter ended ("current quarter")

31 December 2023

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	-	-
(c) advertising and marketing	-	-
(d) leased assets	-	-
(e) staff costs	(559)	(1,358)
(f) administration and corporate costs	(273)	(1,467)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	84	277
1.5 Interest and other costs of finance paid	(3)	(15)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (Waroona Energy Inc. - exploration expenditure)	-	(3)
1.8 Other (Rent received)	10	14
1.8 Other (Study)	5	(3)
1.9 Net cash from / (used in) operating activities	(736)	(2,555)

2. Cash flows from investing activities

2.1 Payments to acquire or for:

(g) entities	-	-
(h) businesses	-	-
(i) property, plant and equipment	(5,353)	(6,996)

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Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
	(j) investments	-	-
	(k) intellectual property	-	-
	(l) other non-current assets (exploration and evaluation assets)	-	(110)
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	2
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (release of cash on deconsolidation of Waroona Energy Inc.)	-	(13,441)
2.5	Other (cash acquired from acquisition of Waroona Energy Inc.)	11,009	11,009
2.5	Other (proceeds from research and development incentive)	76	211
2.6	Net cash from / (used in) investing activities	5,732	(9,325)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	9,637
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	960
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	(342)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (lease-related transactions)	2	(86)
3.10	Net cash from / (used in) financing activities	2	10,169

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	6,858	13,455
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(736)	(2,555)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	5,732	(9,325)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	2	10,169
4.5	Effect of movement in exchange rates on cash held	(282)	(170)
4.6	Cash and cash equivalents at end of period	11,574	11,574

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	391	858
5.2	Call deposits	11,182	6,000
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	11,574	6,858

6.	Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	664
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-
<i>Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.</i>		

7. Financing facilities	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
<i>Note: the term "facility" includes all forms of financing arrangements available to the entity.</i>		
<i>Add notes as necessary for an understanding of the sources of finance available to the entity.</i>		
7.1 Loan facilities	-	-
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
7.4 Total financing facilities	-	-
7.5 Unused financing facilities available at quarter end		-
7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.		

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (item 1.9)	(736)
8.2 Cash and cash equivalents at quarter end (item 4.6)	11,574
8.3 Unused finance facilities available at quarter end (item 7.5)	-
8.4 Total available funding (item 8.2 + item 8.3)	11,574
8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1)	15.7
<i>Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.</i>	
8.6 If item 8.5 is less than 2 quarters, please provide answers to the following questions:	
8.6.1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?	
Answer: Not applicable	
8.6.2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?	
Answer: Not applicable	
8.6.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?	
Answer: Not applicable	
<i>Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.</i>	

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: 31 January 2024

Authorised by: **By the Board**

(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.