

## QUARTERLY ACTIVITY REPORT

### Quarter ending 31 March 2024

Frontier Energy Limited (ASX: FHE; OTCQB: FRHYF) (Frontier or the Company) is pleased to provide its quarterly activity report for the quarter ending 31 March 2024. The Company's Waroona Renewable Energy Project (Project) is located in the South West region of Western Australia, approximately 120km from Perth and 8km from the town of Waroona.

### HIGHLIGHTS

- **Frontier released its Definitive Feasibility Study (DFS) for a 120MWdc Solar Facility with integrated 80MW 4-hour battery (Stage One). DFS Highlights included:**
  - Stage One generates average EBITDA<sup>1</sup> of \$68 million pa over first five years of production and \$63m pa over first 10 years of production
  - Post-tax payback<sup>1</sup> of 5.8 years (4.6 years pre-tax) based on \$304m total initial capital cost
  - Leveraged<sup>2</sup> post-tax Internal Rate of Return (IRR) is 21.6%<sup>1</sup> and pre-tax IRR is 27.3%<sup>1</sup>.
- **Procurement and EPC contracts nearing conclusion with all equipment selection being with tier one providers**
  - Tender process resulted in cost estimates for all major long lead items in line with or lower than DFS estimates
  - Final equipment selection and contract negotiations on track for conclusion in Q2
- **Phase One of the debt process confirmed strong interest from banks to provide debt funding solutions in line with the terms outlined in the DFS, including approval of debt carrying capacity of 70% which equates to \$225 million**
- **A select number of leading Australian and international banks have been shortlisted (Phase 2) as part of the debt financing process**
  - The Company anticipates credit approved terms to be provided during the next 8 to 12 weeks, assuming successful completion of due diligence
- **The strategic equity investor process is ongoing, with NDAs in place with a number of Australian and international groups**
- **WA peak electricity operational demand reached a new record of 4.23GW in February 2024, and exceeded the record peak six times during the March quarter**
  - A significant rise in peak prices (4pm – 9pm) occurred during the March quarter, increasing by 65% to \$172/MWh compared to the previous year
  - The average energy price in 1Q24 was \$78.5/MWh, 6% higher than 1Q23 (\$74.2/MWh)
  - On 14 occasions during the quarter, the Australian Energy Market Operator paid for demand reduction to ensure stability and reliability of the system
- **As at 31 March 2024, Frontier had cash of \$10.3m (unaudited)**

<sup>1</sup> Nominal – Base Case Scenario

<sup>2</sup> 70% leverage assumptions – subject to confirmation during debt financing process

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## Stage One DFS confirms strong financial returns

The Company's Stage One DFS highlights Frontier's unique opportunity to be a near-term major renewable energy producer in Western Australia, at a time when energy demand continues to outpace supply in WA, resulting in electricity prices reaching record highs. The key project assumptions determined by the DFS are highlighted in Table 1 below.

The DFS forecasts annual renewable electricity generation of approximately 258GWh (year one). Of this, 120GWh is stored in integrated DC coupled batteries and sold in the Wholesale Electricity Market (**WEM**) at peak demand times, with a charging and discharging efficiency loss of 15% or 18GWh.

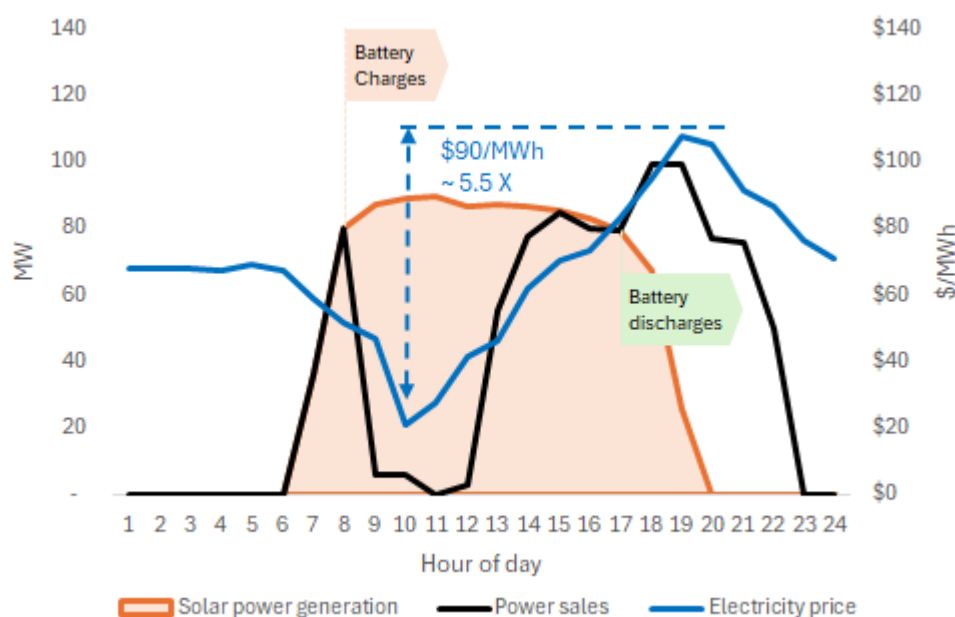
Key Assumptions	Unit	DFS Yr 1
Life of operation	Years	30
<b>Solar</b>		
Energy production (Year 1)	GWh	258
Annual degradation	%	0.5
Availability	%	98
<b>Battery</b>		
Nominal capacity	MW	80
Storage capacity	MWh	320
Annual degradation (average over first 20 years, varies by year)	%	1.3
Energy sold (pa)	GWh	120
Charge / discharge loss factor	%	15
<b>Costs – Operating<sup>1</sup></b>		
Total (Real)	A\$ m pa	\$5.0
<b>Capital</b>		
Integrated solar and battery	A\$ m	\$304.0

**Table 1: Key project assumptions**

<sup>1</sup> – Excludes financing, depreciation and corporate costs

The key advantage of integrating the battery with the solar array is that this enables solar electricity, typically generated during the time of day when there is an oversupply of electricity and prices are low or negative, to be stored and sold later in the day when there is peak demand and prices are at their highest. This is illustrated in Image 1.

Integrating a battery not only results in an optimisation of revenue, it also enables the Project to receive larger Reserve Capacity Payments (**RCPs**).



**Image 1: Integrated solar and battery enables price 'shifting'**

In the Base Case price forecast scenario, the Study demonstrated that Stage One has the capacity to generate average annual revenue of \$74m, as illustrated in Table 2 below. The largest portion of revenue, 33%, is from battery RCPs, a fixed revenue stream that can be locked in for five years.

Revenues		Year 1	5-year Av.
Reserve capacity credits - Battery	\$m	24.8	24.7
Reserve capacity credits - Solar	\$m	2.3	2.4
Battery power	\$m	16.9	19.6
Solar power	\$m	8.9	12.9
LGCs	\$m	12.9	12.1
FCESS	\$m	1.7	2.2
<b>Total Revenue</b>	<b>\$m</b>	<b>67.7</b>	<b>74.0</b>

**Table 2: Project Revenue – Base Case Scenario**

Operating costs are ~\$5m per annum (real), with the Project generating annual EBITDA of \$68m in the first five years of operation, equivalent to ~27c/kWh.

This strong profitability drives a payback period of 5.8 years and a pre-tax unleveraged project IRR of 18.1% and a post-tax IRR of 14.8%. Key financial outputs are highlighted in Table 3 below.

Project Cash flows	Unit	5-year average
EBITDA	\$m	68.1
Returns – Project ungeared	Unit	Number
Payback period	years	5.8
Pre-tax IRR – ungeared project	%	18.1

Returns – Project ungeared	Unit	Number
Post-tax IRR – ungeared project	%	14.8
Post-tax NPV <sub>7%</sub>	\$m	262
Target funding parameters <sup>1</sup>		
Gearing	%	70
Indicative return on equity <sup>2</sup>		
Pre-tax IRR	%	27.3
Post-tax IRR	%	21.6

**Table 3: Project Returns – Base Case Scenario**

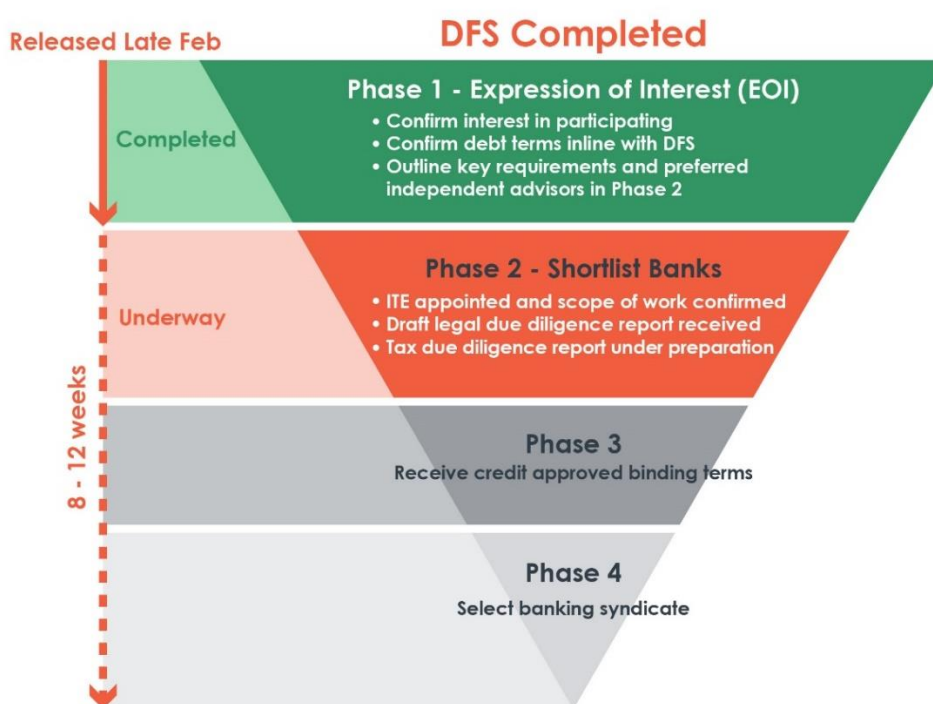
1 – Debt funding is indicative, subject to completion of the project financing process

2 – Equity returns and NPV estimates are indicative, subject to completion of the project financing process

In addition to the Stage One development, Frontier continues to assess expansion opportunities. Stage One covers only a third of Frontier's freehold landholdings, and the Company can potentially export multiples of Stage One by virtue of accessing two connections to the Landwehr Terminal.

## Funding, EPC and Procurement processes for Stage One well advanced, FID targeted in mid-2024

Phase One of the debt financing process generated strong interest from Australian and international banks, confirming interest in providing senior debt financing which aligns with the DFS assumptions, acceptance of the selected original equipment manufacturers, key due diligence requirements (and the proposed third-party service providers to undertake the work to meet those requirements), and ability to meet the proposed timetable.



**Image 2: Waroona Project – Debt Financing Process and indicative timing**

Frontier has shortlisted preferred banks ahead of additional due diligence to enable submission of binding, credit approved terms. Shortlisted financial institutions have been notified, with Frontier undertaking further engagement and due diligence across key areas, including:

- **Appointment of independent technical engineer (ITE)** on behalf of potential financiers. Completion of the ITE's work provides the technical and ESG due diligence sign off required by potential debt financiers.
- **Engineering, procurement and construction (EPC) contract:** Frontier carried out an expression of interest process that identified potential EPC contractors which have a track record of developing and delivering industrial scale solar farms and renewable energy projects, in order to have the EPC contract ready for execution by mid-2024.
- **Legal team appointed** to undertake legal due diligence, and to assist with the EPC contract, key procurement contracts and loan documentation.
- **Procurement of long lead items** including the battery storage unit, photovoltaic panels and inverters has advanced. All pricing received from suppliers during the procurement process has to date been in line with or lower than the capital cost estimates in the DFS. All suppliers have indicated they can supply equipment within the specified schedule. The combined cost of this equipment accounts for approximately 50% of the total project capex.

The Company anticipates that on successful completion of Phase Two of the Debt Process, credit approved binding terms will be available, after which the final syndicate of financiers can be determined and financing documentation executed.

In addition, Frontier has retained Barrenjoey as a financial advisor to co-ordinate engagement with potential strategic investors. Frontier has taken this position following multiple unsolicited approaches over the past 12 months. Partnering with a strategic investor could potentially minimise dilution of existing shareholders as well as accelerate the Project's expansion beyond the development of Stage One.

NDA's have been put in place with a number of Australian and international groups and the process is ongoing.

## Strong demand places WEM under pressure in early 2024

Average operational demand in 1Q24 was 223MW higher than in 1Q23, an increase of 8% YoY. During the first two months of 2024, the previous record operational electricity demand was exceeded six times following extreme temperatures over lengthy periods of time. Each instance of record demand occurred during the late afternoon, putting supply under pressure and resulting in higher peak pricing. To maintain power system security and reliability during periods of high demand, the Australian Energy Market Operator (**AEMO**) paid for demand reduction on 14 occasions during the quarter. During one such record demand

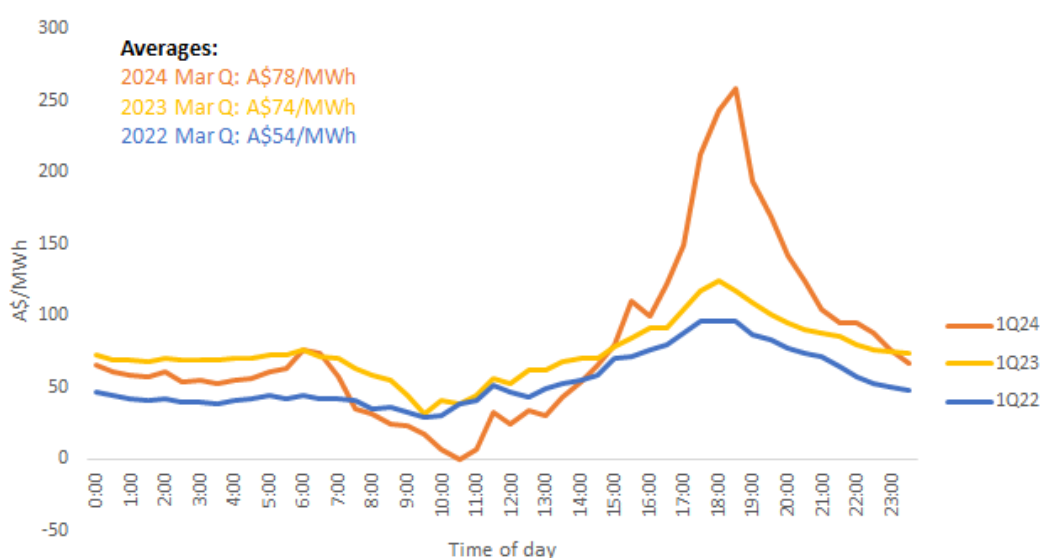
period, over 18 and 19 February 2024, additional diesel generated supply was required, as well as ~235MW of demand reduction measures<sup>3</sup>.

Wholesale electricity market prices in the March quarter averaged \$78.50/MWh, a 6% increase on March quarter 2023 prices of \$74.20/MWh, which was a 36% increase on March 2022 prices of \$54.50/MWh. Peak prices increased dramatically year-on-year as can be seen in Table 4 and Image 3, with the average price between 4pm and 9pm, the afternoon peak, increasing to \$172/MWh in the March quarter, a 65% increase on \$104/MWh recorded in the March quarter 2023.

Period	Jan	Feb	March	March Qtr
<b>Average Energy Price</b>				
2024	78.5	75.8	81.0	<b>78.5</b>
2023	67.6	73.3	81.7	<b>74.2</b>
% change	16%	3%	(1%)	<b>6%</b>
<b>Peak Energy Price</b>				
2024	182.7	147.9	182.7	<b>171.6</b>
2023	96.5	101.1	114.9	<b>104.2</b>
% change	89%	46%	59%	<b>65%</b>

**Table 4: WEM prices<sup>4</sup>**

The increased volatility has resulted in an increase in the number of half hourly intervals with extreme price points. The number of half hourly intervals with extreme prices more than tripled, with 863 intervals > \$150/MWh in the March quarter (up from 258 in March quarter 2023), and 341 intervals < \$0/MWh (up from 89 in March quarter 2023).



**Image 3: WEM half hourly prices, averaged over the March quarter (2022-2024)**

<sup>3</sup> see ASX announcement 21 March 2024 for more detail

<sup>4</sup> AEMO pre-October 2023; <https://data.wa.aemo.com.au/public/market-data/wemde/referenceTradingPrice/> from Oct 2023; straight averages, no price cut-offs applied

The high level of intra-day volatility in electricity prices provides further validation of the Company's strategy to incorporate a battery storage facility with the solar farm. This approach will enable the Company to generate electricity during periods of low prices, and supply electricity during periods of peak demand and higher prices.

## Corporate

### Cash at the end of the Quarter

At 31 March 2024, Frontier had cash on hand of \$10.3m (unaudited).

Board and management acquired over 1.3 million Frontier shares on market during the quarter and now holds approximately 12% of Frontier's total shares on issue.

### Payments to Related Parties

During the quarter, payments to related parties for directors' fees totalled \$80,500.

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 \$231,157.

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

To learn more about the Company, please visit [www.frontierhe.com](http://www.frontierhe.com), or contact:

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**Grant Davey**

**Executive Chair**

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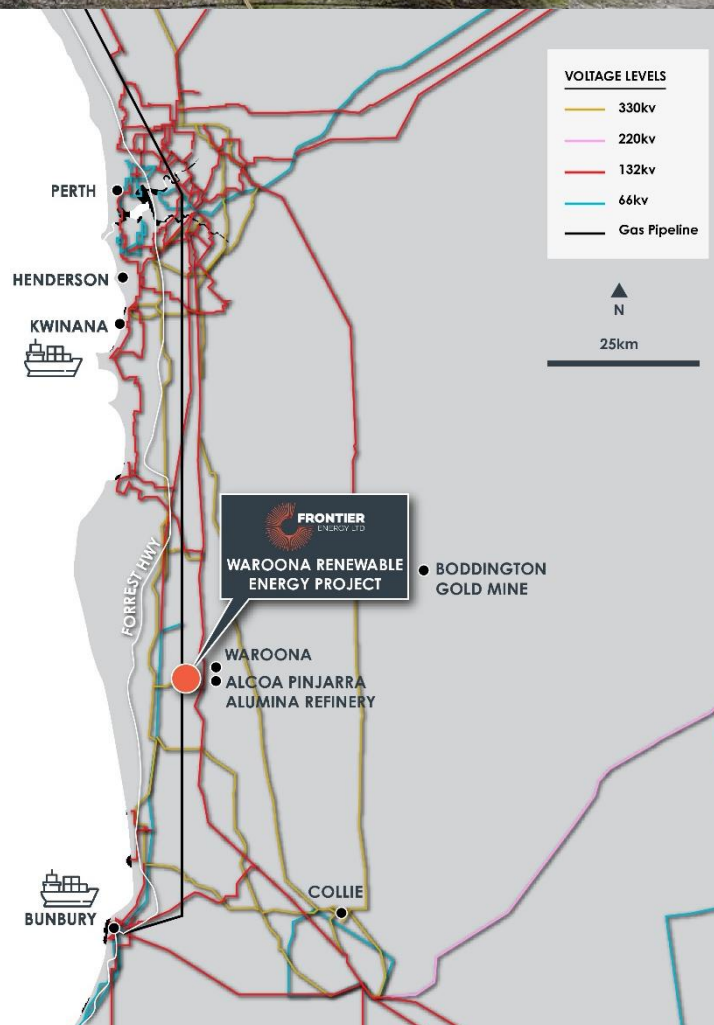
## About Frontier Energy

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

Waroona has the potential to become one of Western Australia's largest standalone renewable energy projects, as the Company controls 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 released a positive DFS on a Stage One development that consists of a 120MW solar farm and 80MW 4-hour battery.

Frontier is fully committed to making the Project 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](http://asx.com.au) and [frontierhe.com](http://frontierhe.com), respectively.

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## 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 March 2024

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
<b>1. Cash flows from operating activities</b>		
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	(246)	(246)
(f) administration and corporate costs	(353)	(353)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	140	140
1.5 Interest and other costs of finance paid	(1)	(1)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (Rent received)	24	24
1.8 Other (Study)	(7)	(7)
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(443)</b>	<b>(443)</b>

<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire or for:		
(g) entities	-	-
(h) businesses	-	-
(i) property, plant and equipment	(940)	(940)
(j) investments	-	-
(k) intellectual property	-	-

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Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
	(l) other non-current assets	-	-
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	-
	(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 (provide details if material)	-	-
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>(940)</b>	<b>(940)</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	-
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 payments)	(50)	(50)
<b>3.11</b>	<b>Net cash from / (used in) financing activities</b>	<b>(50)</b>	<b>(50)</b>

<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	11,574	11,574
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(443)	(443)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(940)	(940)

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (3 months) \$A'000</b>
4.4	Net cash from / (used in) financing activities (item 3.11 above)	(50)	(50)
4.5	Effect of movement in exchange rates on cash held	167	167
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>10,308</b>	<b>10,308</b>

<b>5.</b>	<b>Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	<b>Current quarter \$A'000</b>	<b>Previous quarter \$A'000</b>
5.1	Bank balances	2,379	391
5.2	Call deposits	7,929	11,183
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>10,308</b>	<b>11,574</b>

<b>6.</b>	<b>Payments to related parties of the entity and their associates</b>	<b>Current quarter \$A'000</b>
6.1	Aggregate amount of payments to related parties and their associates included in item 1	312
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. <b>Financing facilities</b> <i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
7.1 Loan facilities	-	-
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
7.4 <b>Total financing facilities</b>	-	-
7.5 <b>Unused financing facilities available at quarter end</b>		-
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. <b>Estimated cash available for future operating activities</b>	<b>\$A'000</b>
8.1 Net cash from / (used in) operating activities (item 1.9)	(443)
8.2 Cash and cash equivalents at quarter end (item 4.6)	10,308
8.3 Unused finance facilities available at quarter end (item 7.5)	-
8.4 Total available funding (item 8.2 + item 8.3)	10,308
8.5 <b>Estimated quarters of funding available (item 8.4 divided by item 8.1)</b>	23.3
<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: 30 April 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.