

QUARTERLY ACTIVITY REPORT

Quarter ending 31 December 2022

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 2022.

During the quarter the Company's activities focused on advancement of the Bristol Springs Green Hydrogen Project ("Project") located 120km from Perth in the Southwest of Western Australia.

HIGHLIGHTS

- **The Company completed a Pre-FEED for Stage One (36.6MW hydrogen facility) that confirmed the cost and viability of the facility:**
 - Capital costs were estimated at \$71.7 million (\$69.8 million - PFS)
 - Direct operating costs associated with the hydrogen facility was estimated at \$2.89 million pa
 - **The Stage One Definitive Feasibility Study (DFS) is on track to be completed and released during 1Q2023**
 - **Equity Lifting Solutions (ELS) was appointed to assist the Company regarding offtake negotiations for green hydrogen, with advanced discussions underway**
 - **The Western Australian Government awarded the Project "Lead Agency Status". This Status recognises the importance of the Project for the development of the renewable energy industry in WA, including the green hydrogen industry**
 - **Frontier and Waroona Energy signed a Collaboration Agreement to benefit both companies regarding their respective strategies for renewable energy production:**
 - Waroona Energy is developing a 241MW solar farm adjacent to Project
 - **Hydrogen Australia, a division of the Smart Energy Council, has commenced pre-certification process assessing the Project's capacity to produce Zero Carbon Renewable Hydrogen**
 - **Highly experienced energy and hydrogen expert Mr Sam Lee Mohan was appointed as Managing Director.**
 - **The Company raised \$10m at \$0.42 per share. Funds raised are being used to accelerate the development of the Project:**
 - Executive Chair, Grant Davey subscribed for \$1m of the placement, subject to the receipt of shareholder approval
 - **As at 31 December 2022, Frontier had cash of \$9.7 million (unaudited, excludes Metallum cash balance)**
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Strong results from Hydrogen Pre-FEED Study

Following the Pre-Feasibility Study (PFS) for the Project, which outlined a 114MW solar farm to power a 36.6MW alkaline electrolyser, the Company engaged global engineering firm GHD to complete Pre-Front end Engineering Design (Pre-FEED), assessing a hydrogen production facility including a 36 MW electrolyser. The key outcomes of this are:

- Operating cost estimates for the hydrogen facility total \$3.69 million per annum compared to \$3.5 million pa in the PFS or a 5% increase. These costs relate to direct operating costs only and excludes the cost to acquire additional electrons from the power grid;
- Capital costs for the construction of a 36.6MW facility and associated infrastructure were estimated at \$71.7 million, compared to \$69.8 million in the PFS or a 3% increase; and
- Pre-FEED did not find any technical barriers to development of the Project.

Following this positive result, the Company is finalising a Definitive Feasibility Study (DFS) that will combine all results from the hydrogen Pre-FEED, updated solar estimates as well as updated market estimates. The DFS is on track to be released during 1Q2023.

Capital Estimate

The PRE-FEED estimate for the total direct capital costs of a 36.6MW Hydrogen facility is \$71.7 million. A breakdown of the cost estimate is as follows:

Direct Construction Costs – Hydrogen Facility	A\$ m
Civil works	\$9.3m
Facility	\$35.4m
Loading and blending	\$3.3m
Utilities	\$1.2m
Instrumentation and interconnecting piping, fittings and valves	\$3.4m
Buildings	\$4.8m
Electrical	\$14.4m
Total Construction Cost	\$71.7m
Pre-Production - Working Capital	A\$ m
Commissioning and First Fills	\$1.2m
Owners Team	\$1.8m

Table 1: Capital cost estimate for Hydrogen facility construction

Cost estimates were derived from various techniques including vendor quotes, budget quotes and historical projects in regional WA estimated or executed in the last 3 years.

Operating Costs

The PRE-FEED estimate for total direct operating cost on an annualised basis for a 36.6MW Hydrogen facility was \$2.89 million per annum. A breakdown of the cost estimate is as follows:

Direct Operating Costs – Hydrogen Facility	A\$ 000's
Brine Pond Cleanout Costs	\$225k
Electrolyser Overhaul (annualised)	\$1,020k
Equipment O&M	\$800k
Site Labour	\$720k
Miscellaneous	\$125k
Total Direct Operating Cost (pa)	\$2,890k

Table 2: Operating cost estimate for Hydrogen facility

This cost estimate above is exclusive of water costs which were included in the total direct operating costs of \$3.5 million in the PFS estimate. Through negotiations with the Water Corporation, the estimated water cost is approximately \$0.8 million per annum based on expected consumption.

Offtake discussions accelerate following advisor appointment

Highly experienced gas and power specialist, Equity Lifting Solutions Pty Ltd (ELS) was appointed to assist the Company regarding offtake negotiations for green hydrogen production.

ELS was selected due to its team's vast experience in the energy industry, most notably in contracting and offtake capabilities with major Australian and international groups producing gas from WA's North West Shelf.

Offtake discussions are accelerating in 2023, with detailed discussions/negotiations underway and site trips for prospective offtake parties to occur during 1Q23. The Company will continue to keep the market updated as these discussions progress.

WA Government awards the Project Lead Agency Status

The Western Australian Government has awarded the Project "Lead Agency Status". This recognises the importance of the Project for the development of the renewable energy industry in WA, including the development of a green hydrogen industry.

The Lead Agency framework is designed to ensure proponents are guided effectively through all government approvals processes. Lead Agency Case Management support, as confirmed for the Project, is only awarded to projects that are of significance to the State.

The Department of Jobs, Tourism, Science and Innovation (JTSI) is the lead agency for the Project and the direct facilitator between the Government and the Company.

JTSI involvement includes the following responsibilities:

- Negotiating and managing agreements between the Company and the WA Government;
- Promoting Western Australian exports and attracting direct foreign investment; and
- Developing and coordinating State-significant projects with the State's infrastructure.

Lead Agency Case Management support has been granted to the Company for at least the next three years.

Collaboration Agreement signed with Waroona Energy Pty Ltd

Frontier and Waroona Energy Pty Ltd ("Waroona Energy") signed an agreement for collaboration on their respective projects ("Agreement").

Waroona Energy is developing a 241MW solar farm adjacent to the Project as shown in Image 1 below. Like Frontier, Waroona Energy has key approvals in place, with construction of the Waroona Project targeted to commence in 2023.

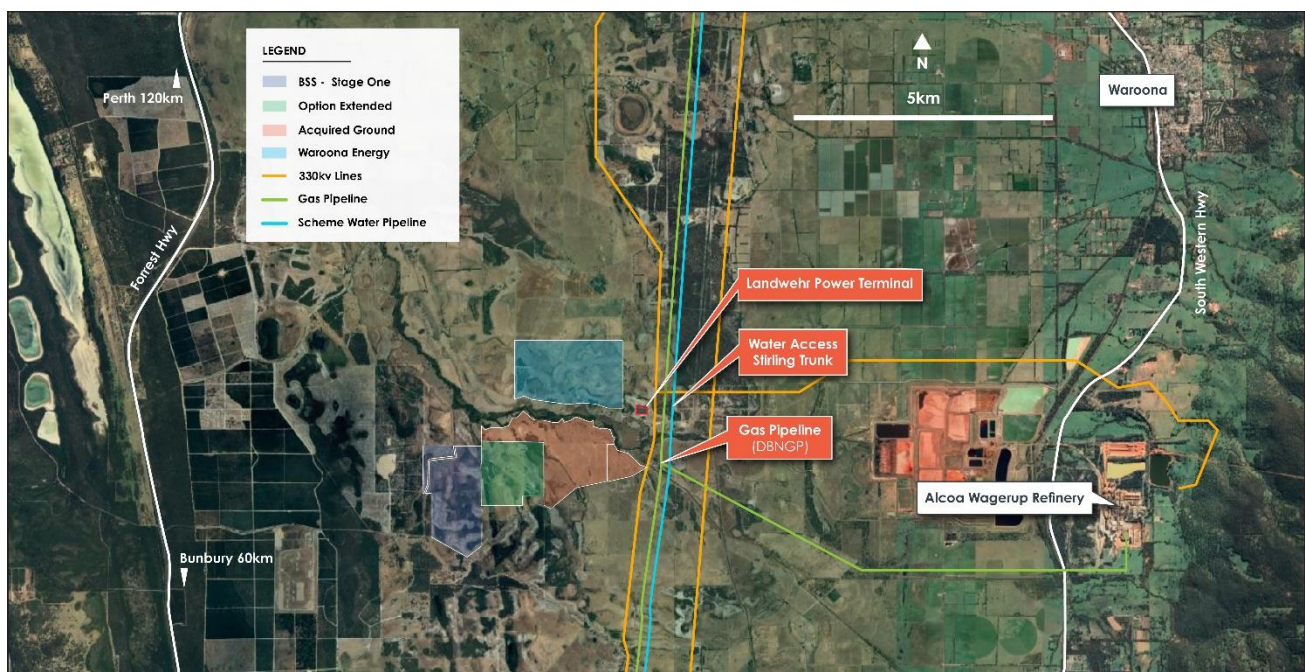


Image 1: Location of BSSF Project and surrounding infrastructure

The objective of this Agreement is to enable open dialogue between the companies, ultimately allowing for shared discussions with stakeholders regarding renewable energy in the region. These stakeholders include government, financiers and potential offtake partners. In addition, collaboration under the Agreement will aim to deliver cost savings for both companies in the short term through shared services, and with long term potential for major capital cost savings through shared infrastructure.

Extension of settlement date for land acquisition until late 2023

The Company agreed with the vendors of two significant land parcels to vary the settlement date under the contract for sale from 31 December 2022 to 30 November 2023.

Under the terms of the original agreement, settlement was to occur on 31 December 2022 and require a final payment of approximately \$4.8 million.

By agreeing to this variation, the Company now has greater flexibility on multiple other initiatives it continues to assess, including a number of other land acquisition opportunities surrounding the Project. A summary of the current position regarding all land parcels (ASX Announcements 2 August & 6 December 2022) is set out in Table 3 below, with the variation in settlement terms highlighted.

Land Parcel	Landowner	Option Expiry	Option Extension fee \$	Land purchase price \$	Status
1.	Galtis Pty Ltd	Q3 2023	15,000	520,000	Good Standing
2.	Zaxgames Pty Ltd	Q3 2023	15,000	600,000	Good Standing
3.	V R Nominees Pty Ltd	-	192,000	4,187,650	Settlement deferred to 30 November 2023
4.	R A Pitter	-	48,000	612,350	Settlement deferred to 30 November 2023
5.	Ranger Loaders Pty Ltd	Q3 2024	N/A	396,094	Good Standing
6.	R & A Caratti	Q4 2022	N/A	3,213,523	Terminated
7.	R & A Caratti	Q4 2022	N/A	1,868,327	Terminated
8.	R & A Caratti	Q4 2022	N/A	1,918,149	Terminated

Table 3: Land costs and current status

The Company is in advanced discussions with a property fund for a transaction that, if completed, would finance future land acquisition opportunities. The Company anticipates this arrangement to be in place during 1H2023.

Pre-Certification for the Zero Carbon Certification Scheme commences by Clean Energy Council

Hydrogen Australia, a division of the Smart Energy Council, commenced a process, through an independent auditor, to provide a pre-certification assessment regarding the Project's ability to produce zero carbon renewable hydrogen. The Smart Energy Council is the independent body for the Australian smart energy industry.

This pre-certification will give assurance to the Company and its customers that the Project can produce a specified volume of renewable hydrogen (provided it is built and operated according to specifications). The pre-certification will be managed by Hydrogen Australia.

The pre-certification audit will provide an assessment of any and all, direct and indirect, greenhouse gas emissions associated with the production and storage of the renewable hydrogen at the facility, excluding the emissions related to the construction material of the facility.

This will include an assessment and confirmation that 100% renewable electricity is being used to make the renewable hydrogen at the facility. This assessment will correspond to the requirements for renewable energy under the Renewable Energy Target, as legislated by the Australian Federal Government.

Corporate

Cash at the end of the Quarter

As at 31 December 2022, Frontier had cash on hand of \$9.7 million (unaudited, excludes Metallum cash balance).

As a result of the Group having control over MZN, the cash flows of MZN are consolidated in the Appendix 4C quarterly cash flow report. This therefore increases the cash position in the cash flow report to \$13.4 million.

Strong demand for \$10 million placement to investors

The Company completed a \$10 million capital raising (before costs) during the quarter to accelerate the development of Project.

The issue price of the Placement was \$0.42 per new share (Placement). The Placement was strongly supported by institutional and high-net-worth investors, demonstrating the market's significant support for the Company.

Executive Chair Grant Davey subscribed for \$1 million of the Placement, with shareholder approval required before this can be completed. This is expected to occur at the Company's upcoming Annual General Meeting, to be held during 2Q2023.

Metallum Resources Inc.

As part of the divestment of the Superior Lake zinc asset, Ophiolite Holdings Pty Ltd, which Frontier holds an 87.5% interest in, owns 128.9 million shares in TSXV listed, Metallum Resources Inc (MZN.TSXV). This holding has a current valuation of approximately A\$4m (share price C\$0.03 per share – 30 January 2023).

As a result of the Group having control over MZN, the cash flows of MZN are required to be included in the Appendix 4C quarterly cash flow report.

Change to Board and Management Structure

During the quarter the Company appointed highly experience hydrogen expert, Mr Sam Lee Mohan as Managing Director.

Mr Lee Mohan is an accomplished energy executive with over 20 years' experience in the energy and utilities industry. Mr Lee Mohan's experience spans many facets of the industry, from design and construction through to strategic asset management, regulation, policy, commercial and innovation. Mr Lee Mohan earned his MSc in Mechanical Engineering from the University of Portsmouth and an MBA from the Australian Institute of Business.

Payments to Related Parties

During the Quarter, payments to related parties for directors' fees totalled \$218,188.

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 \$149,166.

Use of Funds

In relation to the Company's Quarterly Activity Report and Appendix 4C for the quarter ended 31 December 2022, 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.

	Prospectus	YTD
	\$'000	\$'000
Land Options	1,650,000	1,650,000
Lease fees	220,000	110,000
Solar Feed	265,104	265,104
Generator model study	126,500	126,500
Interconnection works	55,000	-
Solar financing	154,000	-
Solar Offtake	572,000	106,886
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	2,427,409
Transaction cost	741,630	741,630
Working capital	783,196	-
	8,000,000	5,986,878

The increase in corporate costs compared to the prospectus reflect significant progress with the BSS Project since re-listing in March 2022, with the Company expanding its Board, 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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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 2022

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		
research and development	-	-
product manufacturing and operating costs	-	-
advertising and marketing	-	-
leased assets	-	-
staff costs	(670)	(1,472)
administration and corporate costs	(297)	(2,344)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	64	83
1.5 Interest and other costs of finance paid	(9)	(18)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	63	63
1.8 Other (Metallum exploration expenditure)	(30)	(530)
1.8 Other (Study costs expensed)	(2)	(178)
1.8 Other (Land option fee expensed)	(75)	(75)
1.9 Net cash from / (used in) operating activities	(956)	(4,471)

2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
businesses	-	-
property, plant and equipment	(1,122)	(3,829)
investments	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
	intellectual property	-	-
	other non-current assets		
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	businesses	-	-
	property, plant and equipment	-	-
	investments	-	-
	intellectual property	-	-
	other non-current assets	-	251
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (Current Qtr: P&E deposit reclassified)	(102)	(177)
2.6	Net cash from / (used in) investing activities	(1,224)	(3,755)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	9,000	22,731
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	(550)	(1,163)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	(331)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Lease payments	9	(82)
3.10	Net cash from / (used in) financing activities	8,459	21,155

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	7,317	542
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(956)	(4,471)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(1,224)	(3,755)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	8,459	21,154
4.5	Effect of movement in exchange rates on cash held	(141)	(15)
4.6	Cash and cash equivalents at end of period¹	13,455	13,455

¹The Company controls Metallum Resources Inc (MZN) and accordingly includes MZN's cash flows in its consolidated statement of cash flows.

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	13,455	7,317
5.2	Call deposits	-	-
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)	13,455	7,317

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	367
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

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.

7.	Financing facilities <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>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
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)	(956)
8.2	Cash and cash equivalents at quarter end (item 4.6)	13,455
8.3	Unused finance facilities available at quarter end (item 7.5)	-
8.4	Total available funding (item 8.2 + item 8.3)	13,455
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	14.0
	<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:	
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:	
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:	
	<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 2023

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.

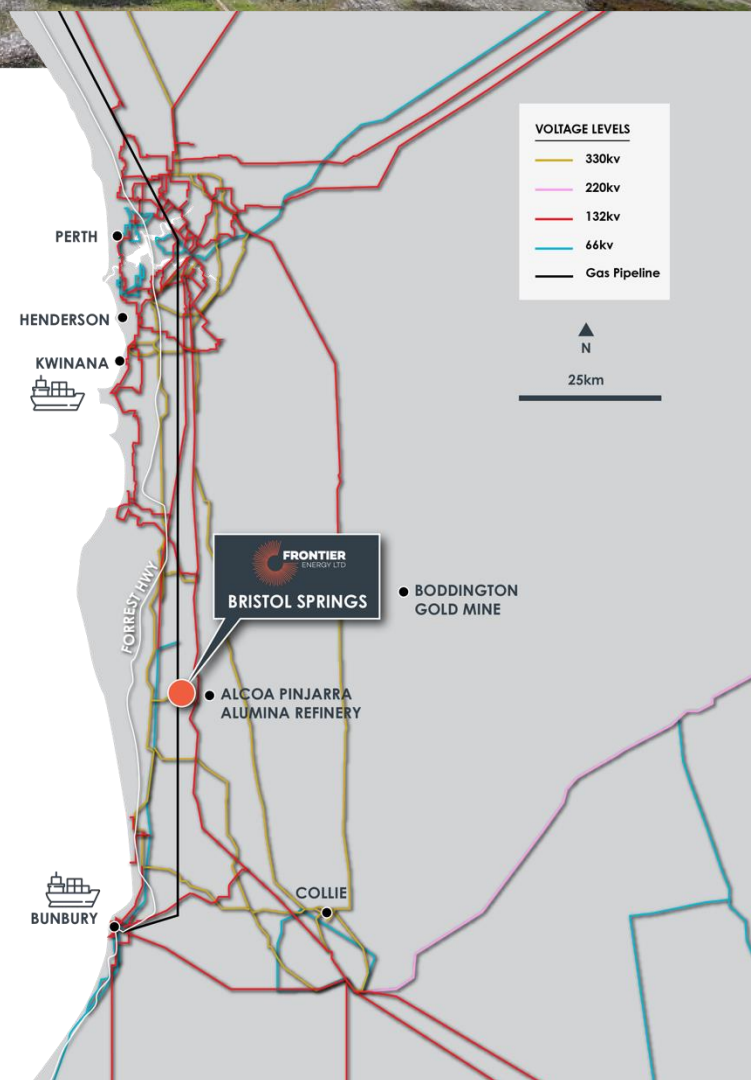
About Frontier Energy

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

The Company recently completed a Pre-Feasibility Study¹ that outlined the Project's potential to be both an earlier mover and one of the lowest cost green hydrogen assets in Australia.

The Project benefits from its unique location surrounded by major infrastructure. This reduces operating and capital costs compared to more remote hydrogen projects, whilst also being surrounded by likely early adopters into the hydrogen industry in the transition from fossil fuels.

¹ASX Announcement 4th August 2022



Directors and Management

Mr Sam Lee Mohan
Managing Director

Mr Grant Davey
Executive Chairman

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.