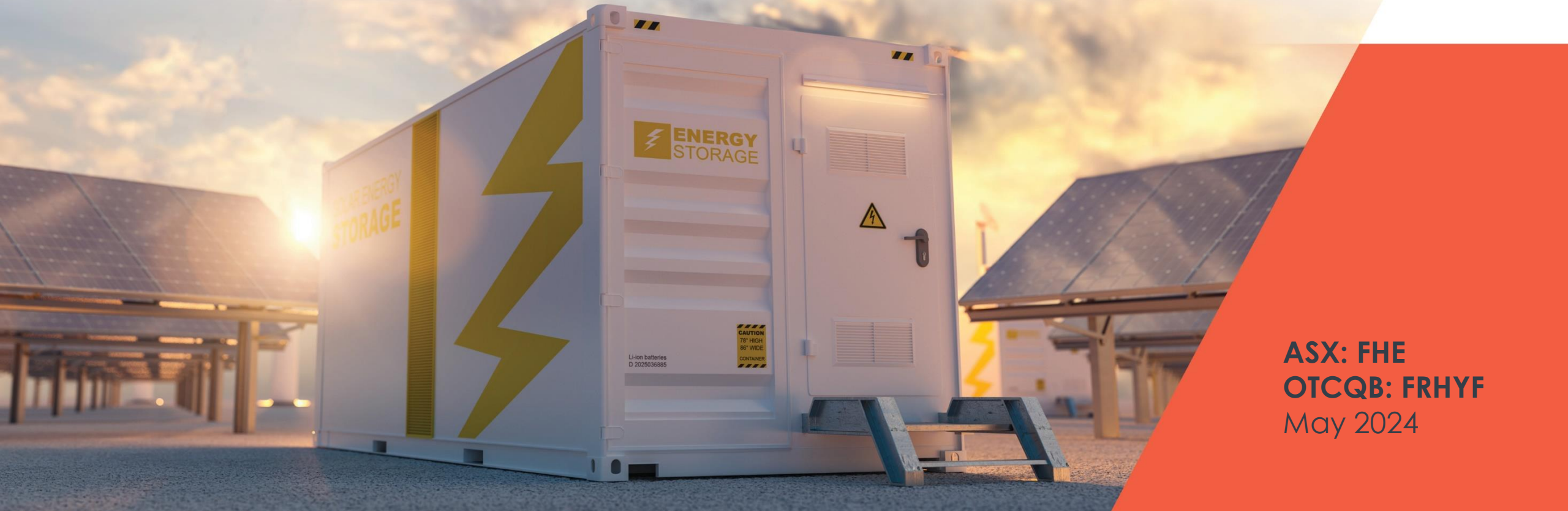




# Clean energy to help fill Western Australia's growing supply gap

## Non-Deal Institutional Roadshow



**ASX: FHE**  
**OTCQB: FRHYF**  
May 2024



# Disclaimer

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## ACKNOWLEDGEMENT OF COUNTRY

Frontier Energy acknowledges the traditional custodians throughout Australia and their continuing connection to the land, waters and community.

We pay our respects to all members of the Aboriginal communities and their cultures; and to Elders both past and present.



# Building an independent, WA focused renewable energy company



Stage One DFS complete  
120MW solar / 80MW (4 hr) battery  
Final Investment Decision mid-2024



Strategy aligned to Federal and State governments' renewable energy and emissions targets



Near-term potential to become one of Australia's largest integrated battery projects



Strong investor and stakeholder support for development

## CAPITAL STRUCTURE

**446m**

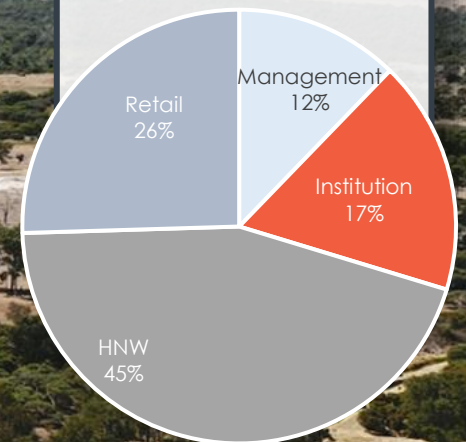
Shares on issue

**\$156m**

At \$0.35/ share  
Market Cap

**~\$10m**

March 24  
Cash





# Energy transition in WA is already seeing higher energy prices

## What is the energy transition?

- The change in the way energy is supplied and consumed as we move towards net zero (decarbonisation)
  - Supply – 35% of electricity generated in WA (Australia 39%) is from renewables, well short of the 2030 target of 82%
  - Demand – AEMO forecasts WA electricity demand to increase between 72% and 220% over the next decade<sup>1</sup>

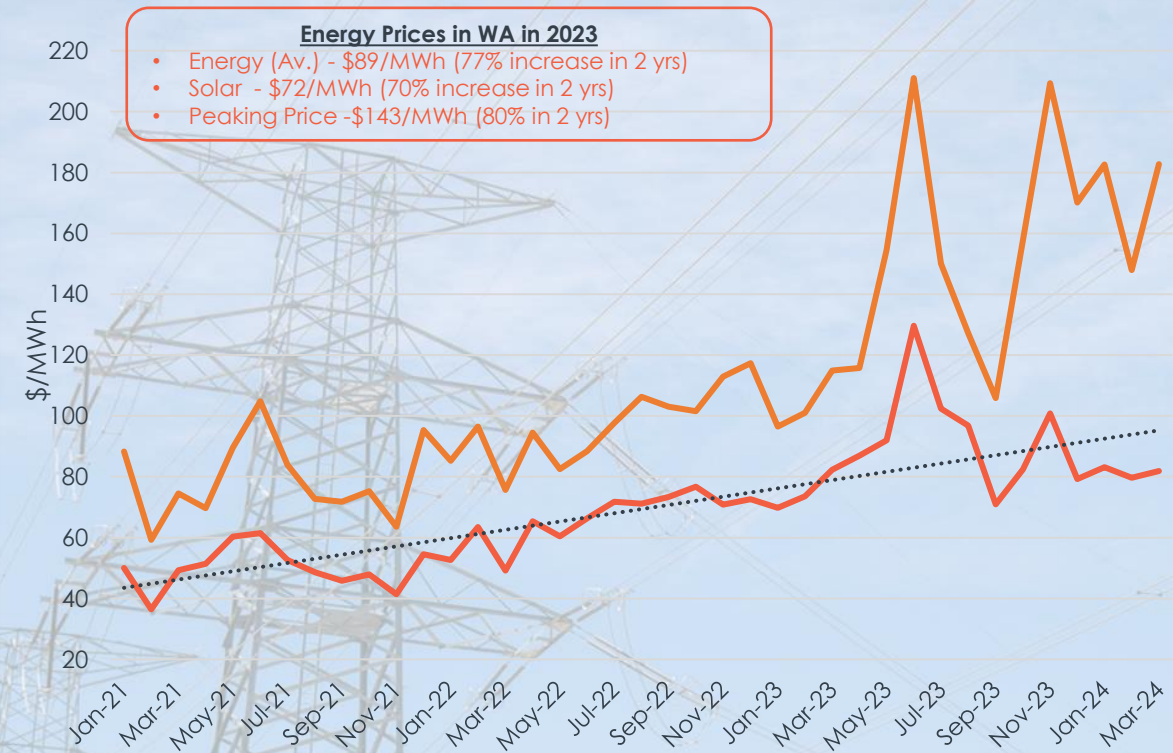
## Demand and supply mismatch

- Demand – Roll out of new energy consuming products is outpacing supply causing higher energy prices
- Supply – Industrial scale renewable energy takes significantly longer to permit, fund and develop
  - Closure of State owned coal power stations in WA by 2029. Coal currently supplies ~35% of total energy

## Energy prices have already increased significantly in WA

- Average prices up more than 70% in the past two years<sup>4</sup>
- Peak prices up more than 80% in the past two years<sup>4</sup>

## Monthly WA Wholesale Electricity Price<sup>4</sup>



<sup>4</sup> - annual average of half-hourly prices reported by AEMO, minimum -\$45/MWh, cap \$738/MWh  
 data sources:  
<https://data.wa.aemo.com.au/public/market-data/wemde/referenceTradingPrice/previous/> (post Sep 2023);  
<https://aemo.com.au/energy-systems/electricity/wholesale-electricity-market-wem/data-wem/market-data-wa> (pre Sep 2023)

1 - [https://aemo.com.au/-/media/files/electricity/wem/planning\\_and\\_forecasting/esoo/2023/](https://aemo.com.au/-/media/files/electricity/wem/planning_and_forecasting/esoo/2023/)  
 2 - <https://opennem.org.au/energy>  
 3 - <https://www.erawa.com.au/cproot/23833/2/2024-benchmark-reserve-capacity-price-for-the-202627-capacity-year.PDF>



# Accessing existing Energy Network Connections is the major issue for the energy transition

## To build a renewable energy project you need

- Large, flat, unpopulated land areas
- Strong, consistent environmental conditions (sun and wind)
- Access to energy network connections (power lines and terminal connection)

## Energy Networks were built for carbon emission solutions

- Areas with existing energy networks are generally surrounded by competing industries or urban areas
- Where renewable conditions are optimal, energy networks are limited and can be thermally constrained
- State and Federal Governments are planning major expansion, however this takes time and considerable cost
- Excluding approvals, permitting and development etc can take a further +6 years

## Frontier is development ready

- 868ha of freehold land with majority of permits and approvals in place
- Two connection points (one approved ETAC, one in progress) within 0.5km of the Project
- 330kV transmission line – exceptional high MLF, surrounded by major industry and population





# Poised to become one of Western Australia's largest standalone integrated renewable energy projects

## Waroona Renewable Energy Project

- 120km south of Perth in Waroona, WA
- Stage One – 120MW solar with 80MW 4-hour battery
  - *Strategy and size provided lowest technical risk and aligns with Government initiatives*
- DFS – Strong financial returns on all key metrics
  - *Forecasts for future revenue inputs provided by independent energy forecaster, Aurora Energy*
- Stage One accounts for only a portion of the Project's potential and can be relatively easily replicated

Item	Units	DFS	
Life of operation	Years	30	
Energy Production (Yr 1)	GWh	258	
Initial Capex – Stage One	A\$ m	\$304	
Key Financial Returns	Units	5 Yr Av.	10 yr Av.
Revenue	A\$ m	\$74	\$70
Operating Costs	A\$ m	\$5.9	\$6.3
EBITDA	A\$ m	\$68	\$63
Payback	Units	Pre Tax	Post Tax
Years (pre tax / post tax)	Yrs	4.6	5.8
IRR		Pre Tax	Post Tax
Ungeared	%	18.0%	14.8%
Geared, leverage 70%	%	27.3%	21.6%





# Multiple revenue streams, potential increase in a rising market

Strong forecast average revenue of \$74m per year over the first 5 years

## Reserve Capacity Payments (RCP) – \$27.1m (36% of revenue)

- Unique to WA – not in any other Australian jurisdiction

## Energy Sales – Battery (peaking period) – \$19.6m (27% of revenue)

- Battery to charge during low or negative price periods (middle of the day) to maximise arbitrage
- Targeting high demand, high price period when renewables less reliable (5pm – 9pm)

## Energy Sales – Solar direct – \$12.9m (18% of revenue)

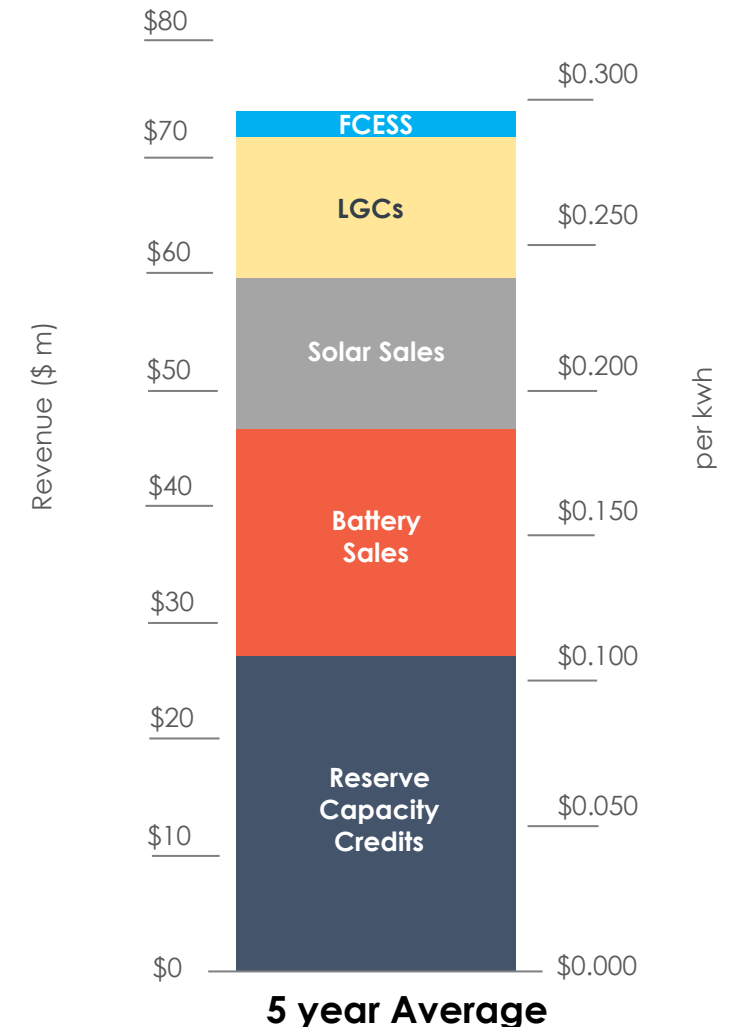
- Sell energy during shoulder periods and charge battery in low price/peak supply

## LGC – \$12.1m (16% of revenue) – see Appendix 3

- Government backed carbon credit for electricity producers

## ESS – \$2.2m (3% of revenue)

- Payment for assisting in maintaining security and reliability of supply



1 - <https://www.erawa.com.au/cproot/23833/2/2024-benchmark-reserve-capacity-price-for-the-202627-capacity-year.PDF>  
2 - <https://www.wa.gov.au/media/43698/download?inline>



# Why is WA different? Reserve Capacity underpins development

## Reserve Capacity Mechanism (RCM)

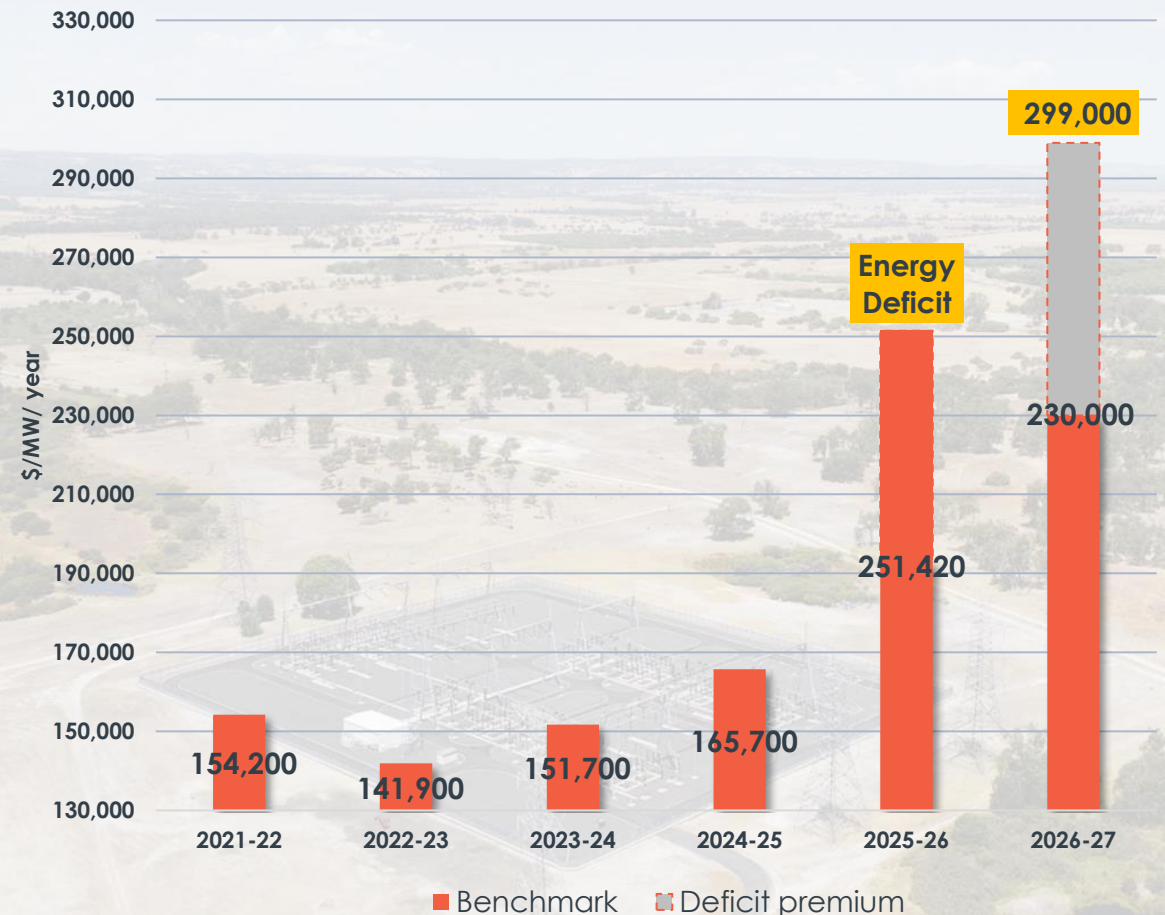
- RCM is unique to WA, not available in the Eastern States (NEM)
  - Trade-off for lower maximum energy price in WA compared to NEM prices
  - RCM set two years ahead of forecast period
- Generators and storage can receive annual payments based on a Reserve Capacity Price (RCP) and facility potential
  - New generators can lock in the RCP for five years
- In Dec 2023<sup>2</sup>, the WA Government selected a 4-hour battery with a 330kV connection as the future benchmark technology
- When the market is in deficit by 10%, a 30% premium price is applied

## Advantage for Frontier

- RCP could provide \$27m in fixed revenue over 5 years
- Increased leverage without the requirements for a PPA
- Federal Government to introduce Capacity Investment Scheme – potential to provide a long-term revenue floor (15 years)

1 - <https://www.erawa.com.au/cproot/23833/2/2024-benchmark-reserve-capacity-price-for-the-202627-capacity-year.PDF>  
 2 - <https://www.wa.gov.au/media/43698/download?inline>

## Reserve Capacity Payment<sup>1</sup>







# Energy Sales – Battery enables arbitrage to maximise revenue

## Increase electricity price while minimising risk of curtailment

- WA has the most sunlight hours in the country and one of the highest installation rates of rooftop solar (PV) at 38%<sup>1</sup>
  - Expected to increase to ~ 50% by 2030
- Price dips during the day when PV solar generation peaks
  - Solar only strategy would have resulted in 8% curtailment<sup>2</sup> compared to ~1% with battery strategy

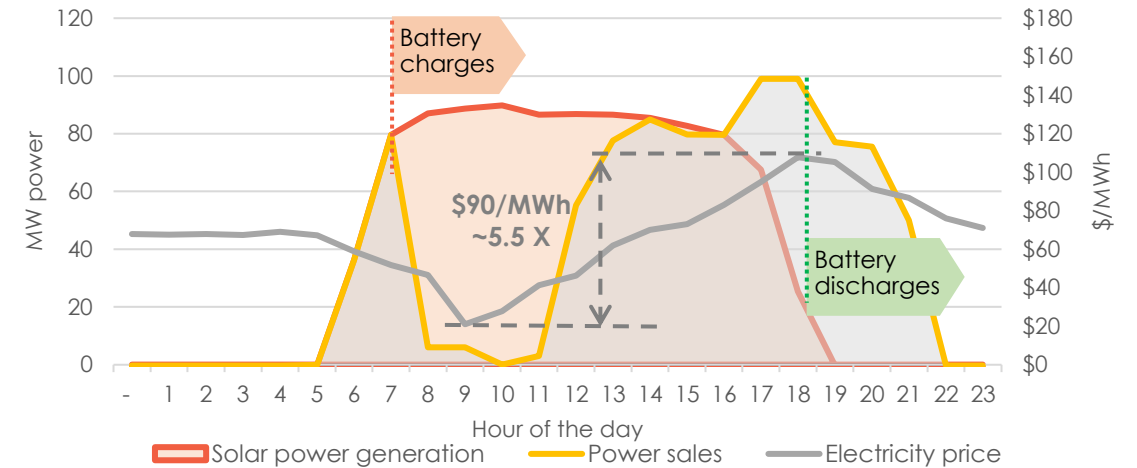
## Battery allows for revenue uplift and reduces curtailment risk

- The integration of a battery allows electricity sales to be 'shifted'- i.e. electricity is stored in low price periods and sold in high price periods

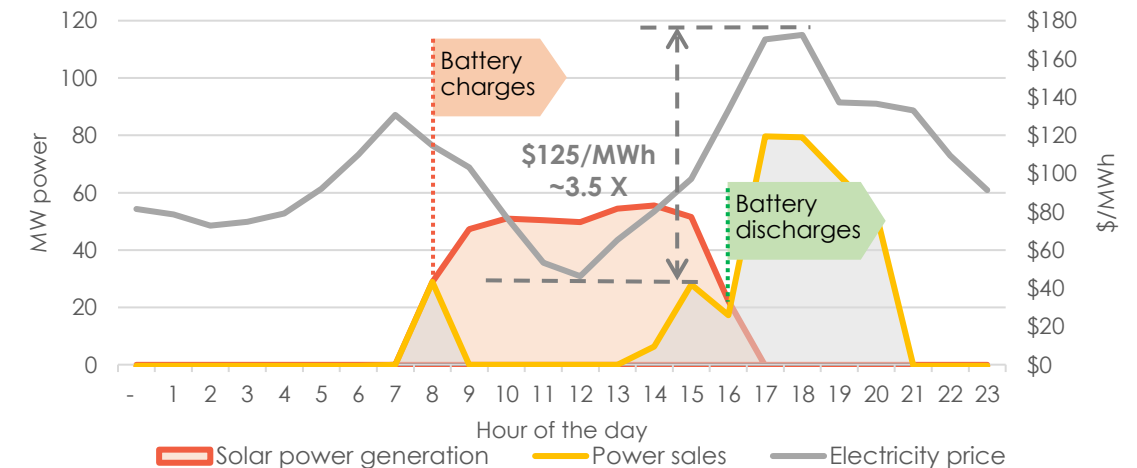
## Summer vs Winter

- Summer – excess solar sales through morning and early afternoon period, loading of battery during midday peak
- Winter – ensure all energy generation targeted for battery storage to ensure loaded for peak energy periods
  - Battery size matches minimal forecasted solar generation period (June)

## Energy sales and storage strategy – January



## Energy sales and storage strategy – July



1 - [https://aemo.com.au/-/media/files/electricity/wem/planning\\_and\\_forecasting/esoo/2023/](https://aemo.com.au/-/media/files/electricity/wem/planning_and_forecasting/esoo/2023/)  
 2 - Aurora Energy Research



# Debt financing to provide up to 70% of development costs

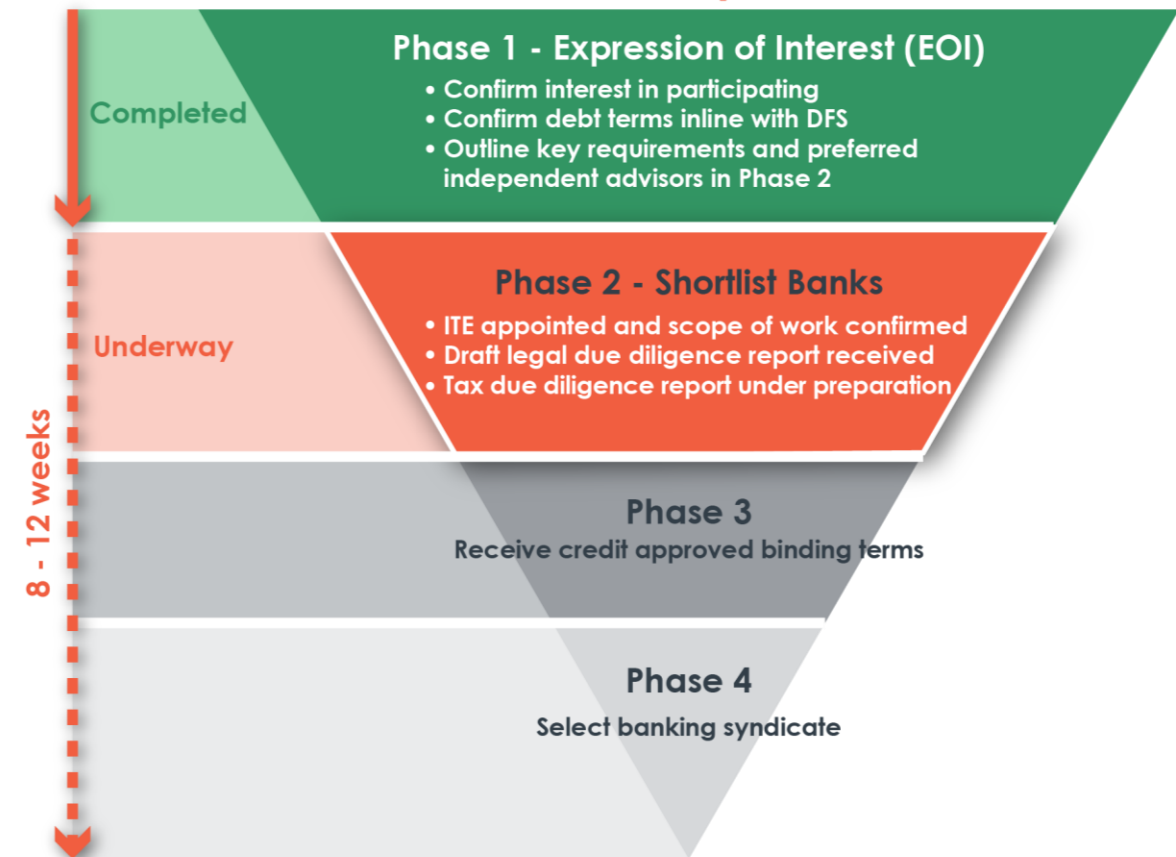
## Debt Financing process advanced to Stage Two

- Debt terms for renewables energy projects are typically more attractive (duration and interest rates) compared to other industries (eg: mining)
  - *Long-life, low-risk, low on-going operating costs*
- Phase One of the debt process generated strong interest from multiple major Australian and international banks, confirming:
  - *Interest in providing senior debt financing aligned with the DFS assumptions (size, rates, term)*
  - *Agreed debt carrying capacity of 70% (equating to \$225 million)*
  - *Acceptance of shortlisted equipment manufacturers and EPC providers*
- Frontier is significantly advanced through the Stage Two process
- Frontier anticipates receiving credit approved terms in the next 8 to 12 weeks, assuming successful completion of due diligence

## Debt Process

Released  
Late Feb

## DFS Completed





# Strategic partnership to assist in funding and expansion

## Strategic Partnership

- The Company received multiple unsolicited approaches from a range of major groups throughout 2023
- Leading Australian advisory firm Barrenjoey is acting as corporate advisor in connection with exploring a potential strategic partnership for Project development
- The strategic partnering process is underway and will seek to introduce a high-quality strategic partner that can provide equity capital to support FID of Stage One and accelerate additional growth Stages



## DEVELOPMENT TIMELINE

	Stage One	Stage Two - indicative	Stage Three - indicative	Future Expansion Potential
<b>Size of project (solar/battery) 4-hour battery storage throughout</b>	120MWdc / 80MW	250MWdc / 160MW	400MWdc / 270MW	400MW+
<b>Timing</b>	Target FID – mid 2024	Right strategic partner will allow for accelerated development to commence within <b><u>6-12 months of Stage One FID</u></b>		Long term target



# Frontier's path to production

## BUILDING A SCALEABLE RENEWABLE ENERGY HUB



Near-term contributor to WA renewable energy strategy



Major growth potential in an unconstrained section of the grid



Strategy aligned to Federal and State governments' energy and emission targets

Milestone	1Q24	2Q24	3Q24	4Q24	2025	2026	2027
DFS	Active						
Debt Financing – Shortlist banks	Active	Active					
Debt Financing – Complete due diligence		Active	Active				
Debt Financing – Credit approved terms		Active	Active				
Finalise equipment selection, EPC		Active	Active				
Strategic Partnership		Active	Active				
Final Investment Decision		Active	Active				
Project Development			Active	Active	Active	Active	
First Production						Active	Active
Assess Stage Two Development			Active	Active	Active		



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**ASX: FHE**



**OTCQB: FRHYF**

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# Appendix 1 – Management Team

Executive Team	 <b>Executive Chair</b> Grant Davey 30 + years Engineering and Corporate		 <b>Chief Executive Officer</b> Adam Kiley 20 + years Finance and Corporate		 <b>Chief Operating Officer</b> Warren King 25 + years Engineering and Construction		 <b>Chief Financial Officer</b> Chris Bath 30 + years Finance and Corporate		Governance and Investor Relations	 <b>Non-Executive Director</b> Dixie Marshall 40 + years Communications and Government Relations		 <b>Non-Executive Director</b> Amanda Reid 25 + years Government Relations										
	Management Team	Project/ Operations Manager for Stage 1		Environment Safety and Governance		Corporate Development Manager		Company Secretary		Commercial Manager		Financial Controller		Administration Officer		Safety Health Environment and Community Superintendent		Project Engineer		Construction Manager		
		TBC		Amy Sullivan		Martin Stulpner		Stuart McKenzie		Peter Kerr		Zenny Custodio		TBC		TBC		TBC		TBC		
		Battery Specialist Advisor				Owners Engineer				Operations and Maintenance Contractor				Energy Market Operations / Energy Trading								
		SpringCity				Incite Energy				SpringCity (under negotiation)				Specialist Contractor								
Consultancy + Contractors																						



# Appendix 2 – Electricity price forecasts and revenue<sup>1</sup>

## Battery price and revenue

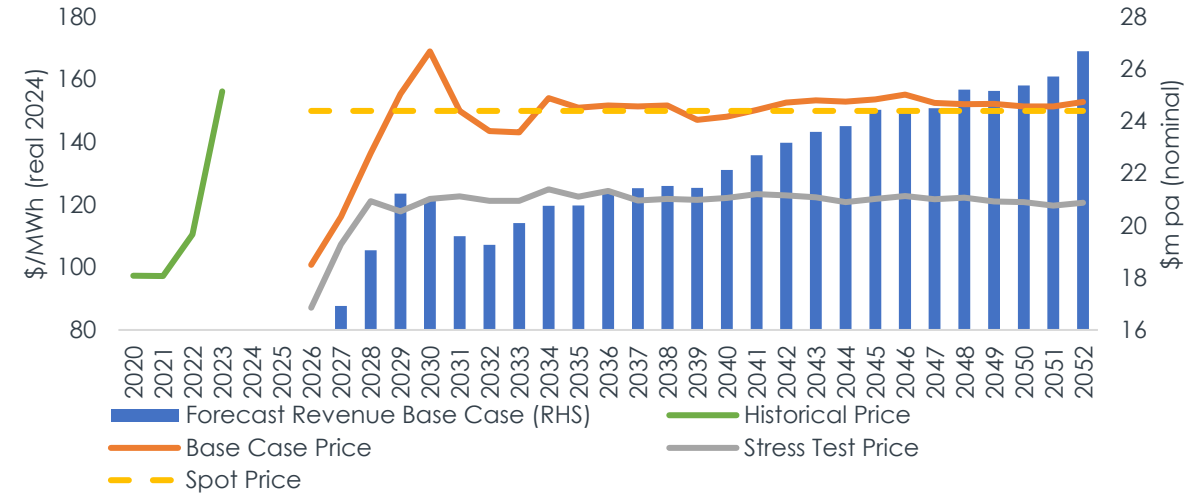
- The Base Case battery price forecast is ~\$150/MWh (close to Spot), with the Stress Test scenario ~\$120/MWh.
  - Early volatility due to adding battery storage >1GW by 2027 and rolling off ~1.3GW coal fired generation by 2029<sup>2</sup>
  - Revenue around \$23m per annum (nominal average)

## Solar price and revenue

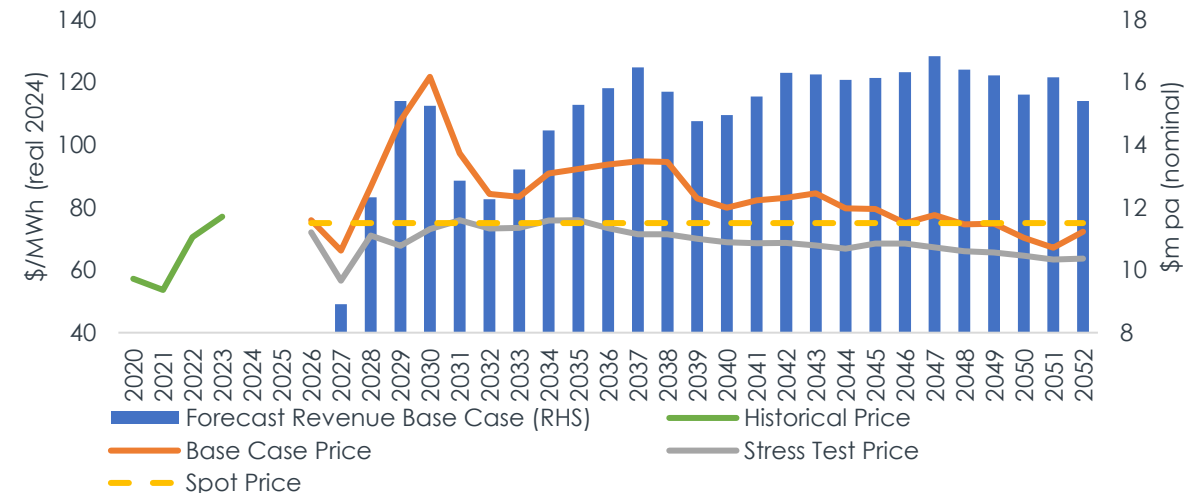
- The solar price forecast captures only hours in which the battery is not being charged, i.e. very early morning before charging commences, and late afternoon once the battery has been charged and solar energy is again available for dispatch.
  - During low and negative price intervals in the morning and mid-day, the battery is charged, and no solar power is dispatched to the grid. These intervals are excluded.
- The Base Case and Stress Test scenarios are above and below the spot price of \$75/MWh, respectively, with the Base Case showing near term price strength due to supply demand mismatch
  - Revenue around \$15m per annum (nominal average)

<sup>1</sup> - These forecasts were developed by Aurora with specific reference to the Project's location in the grid, size of the solar farm and storage capacity of the battery.  
<sup>2</sup> - [https://aemo.com.au/-/media/files/electricity/wem/planning\\_and\\_forecasting/esoo/2023/](https://aemo.com.au/-/media/files/electricity/wem/planning_and_forecasting/esoo/2023/)

### Battery



### Solar





# Appendix 3 – Price forecasts and revenue – RCP and LGC

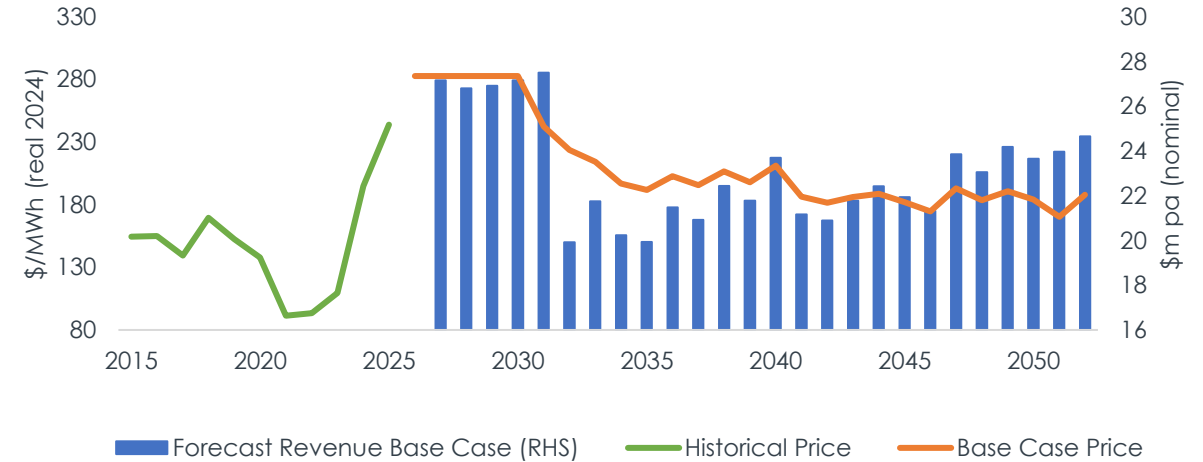
## RCP price and revenue

- The BRCP has been set at \$230,000 per MW for 2026/27<sup>1</sup>
  - As the market is forecast to be in deficit, an additional 30% premium is applied
  - New generators can lock this in for 5 years<sup>2</sup>
- Forecast beyond 2031 is provided by Aurora based on its wholistic model of the WEM, taking into account supply / demand and the cost to build and run new capacity
  - RCP Revenue averages \$23m (nominal)

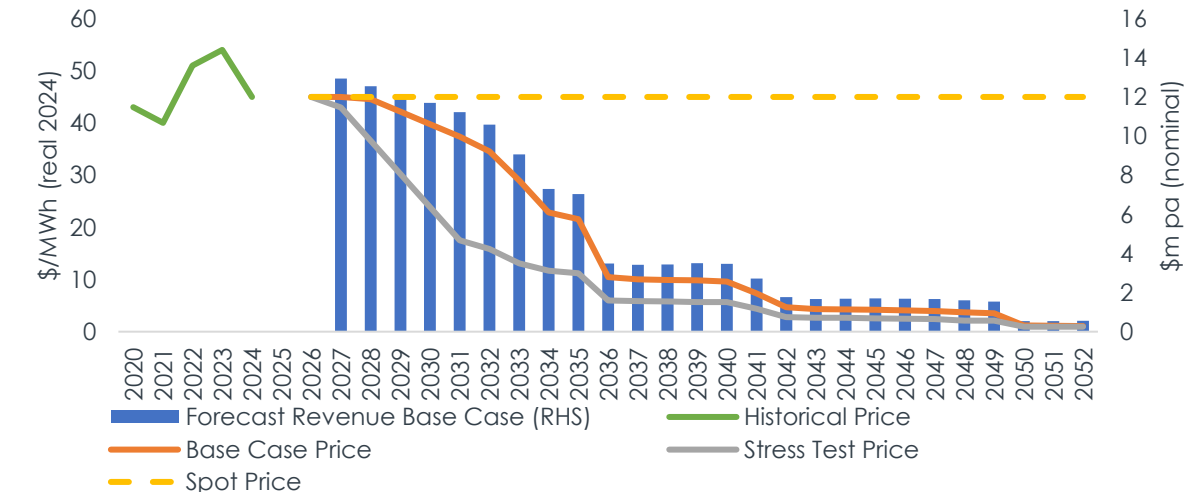
## LGC price and revenue

- LGCs have fulfilled their purpose and could be replaced by a Guarantee of Origin Scheme from 2030
- Despite this, LGC prices have remained strong, with spot \$45 and range between \$40 and \$68 over the past three years
- A carbon fungibility scheme could result in LGC prices of \$8 – 35 in the 2030s, and this informs the Base Case
  - Revenue averages \$5m, declining from an initial level of ~\$12m post 2030

### RCP



### LGC



1 - <https://www.erawa.com.au/cproot/23833/2/2024-benchmark-reserve-capacity-price-for-the-202627-capacity-year.PDF>  
 2 - <https://www.aemo.com.au/energy-systems/electricity/wholesale-electricity-market-wem/wa-reserve-capacity-mechanism/certification-of-reserve-capacity>

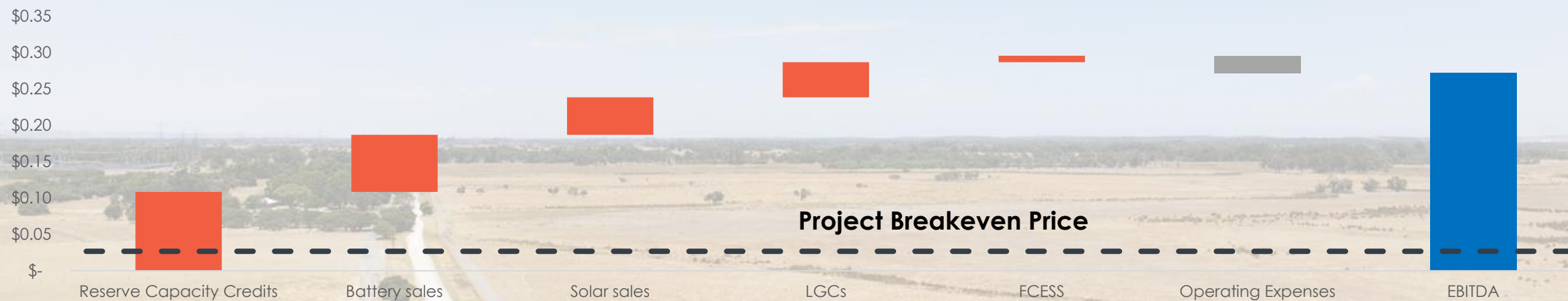




# Appendix 4 – Low operating costs ensure long term sustainable profitability

- Once constructed, renewable energy projects are typically always profitable (over the course of a year) due to their:
  - *Low operating costs*
  - *Reliability of production*
  - *Limited additional capital development requirements*
- Stage One opex is forecast at \$5.9m pa (5 year average)
  - *This equates to a direct operating cost of approximately 2.4c/kwh (excluding financing costs) compared to revenue of 29.6c/kwh*
- Strong annual EBITDA of \$68m pa over the first 5 years of production

## Cashflow Waterfall – First 5 years of production (average)





# Appendix 5 – Large Generation Certificates (LGCs) beyond 2030

The Federal Government has released a consultation paper on green certificates to replace LGCs beyond 2030

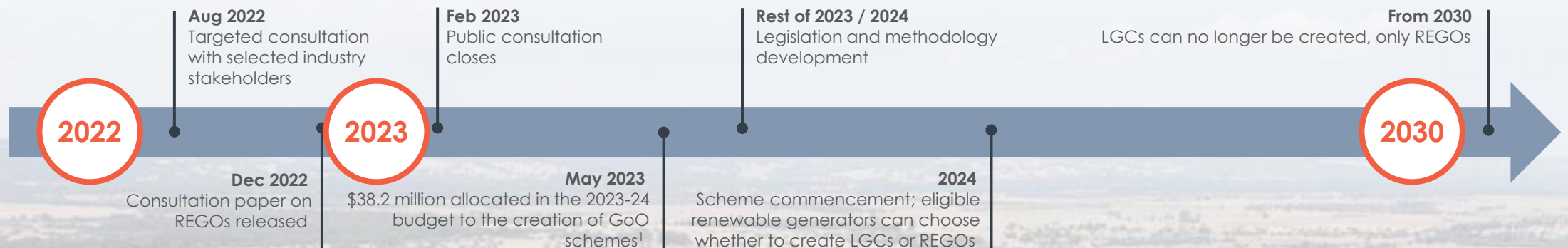
## Renewable Energy Guarantee of Origin (REGO) certificates: proposed design

- Federal Government is consulting on a replacement for LGCs (which are due to expire in 2030). REGOs could be introduced by 2024 as an alternative green certificate, to sit alongside the LGC scheme (and eventually replace it)
- A renewable MWh can only create one type of certificate, not both, to avoid double-counting
- Below-baseline generation would be eligible to make REGOs (i.e. a significant amount of Australia's hydro generation would become eligible)
- Small-scale systems, offshore systems, and systems that export power overseas directly would all be eligible, as would storage (if it surrenders a REGO to show it charged from renewable energy)
- All demand for REGOs will be voluntary

## Key attributes of each certificate

- Existing attributes of LGCs (fuel source, year of creation, state, creator, certificate owner)
- Time of generation (hour + date)
- Grid location (e.g. NEM, SWIS, DKIS, off-grid)
- Surrenderer and reason for surrender (e.g. to create a hydrogen Guarantee of Origin (GoO) certificate, or to create a storage REGO certificate)
- Power station commissioning date

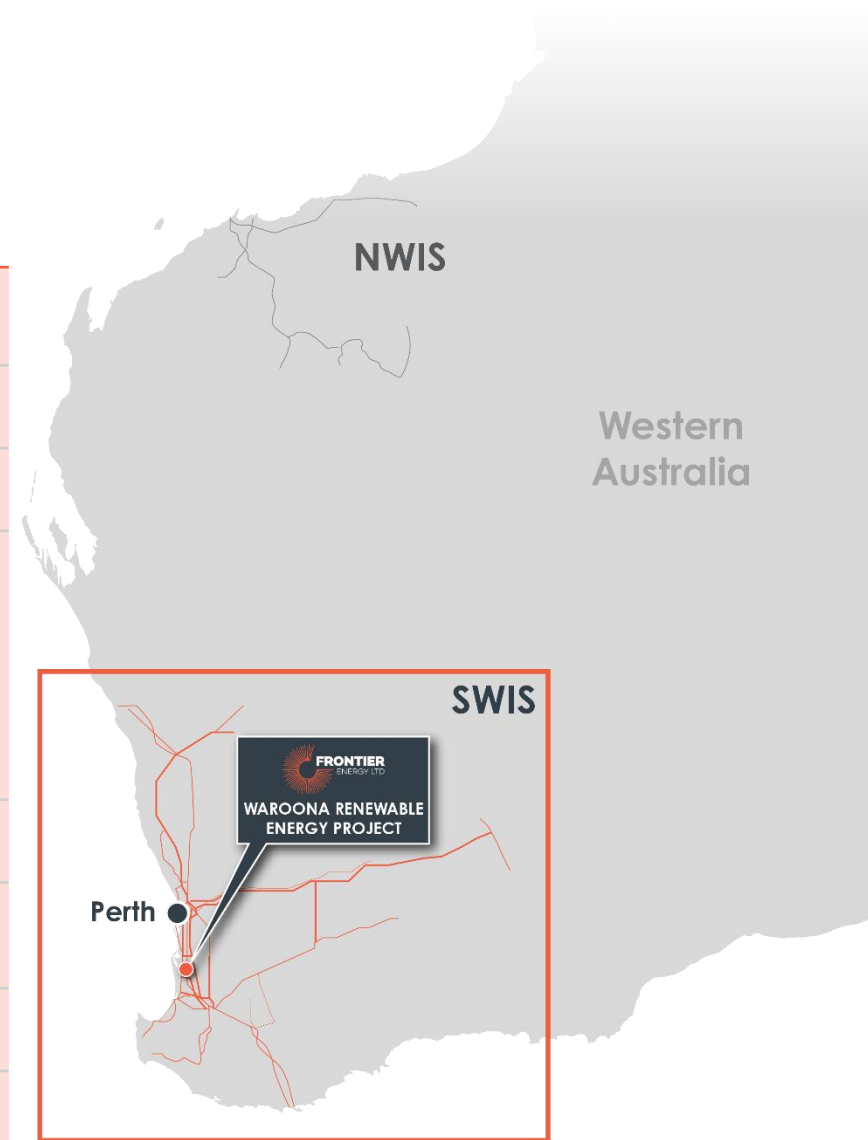
These additional attributes could allow for price differentiation of REGOs, with some buyers putting a premium on new plants (to demonstrate additionality) or seeking REGOs to match the time and location of their power use (24/7 CFE)





# Appendix 6 – WEM compared to the NEM

	Wholesale Electricity Market (WEM)	National Electricity Market (NEM)
Installed capacity (MW)	~7GW (+2GW rooftop solar)	>50GW (+20GW of rooftop solar)
Annual operational demand	~18TWh	~190 TWh
Peak operational demand	4GW	36GW
Market structure	<ul style="list-style-type: none"> <li>Separate energy + capacity</li> <li>Day ahead market and balancing market</li> <li>Pooled</li> <li>Physical</li> <li>Only operates in the SWIS</li> </ul>	<ul style="list-style-type: none"> <li>Regional energy only</li> <li>Spot market only</li> <li>Pooled</li> <li>Financial</li> <li>5 state network</li> </ul>
Maximum spot price	\$738/MWh	\$16,600/MWh in FY24
Regulatory bodies	<ul style="list-style-type: none"> <li>Economic Regulation Authority (ERA)</li> <li>Energy Policy WA</li> </ul>	<ul style="list-style-type: none"> <li>AER</li> <li>AEMC</li> </ul>
Market operator	AEMO	AEMO
Largest three generation companies	Synergy (state-owned), Alinta, Bluewaters (JV)	AGL, Origin Energy, Stanwell (State-owned)

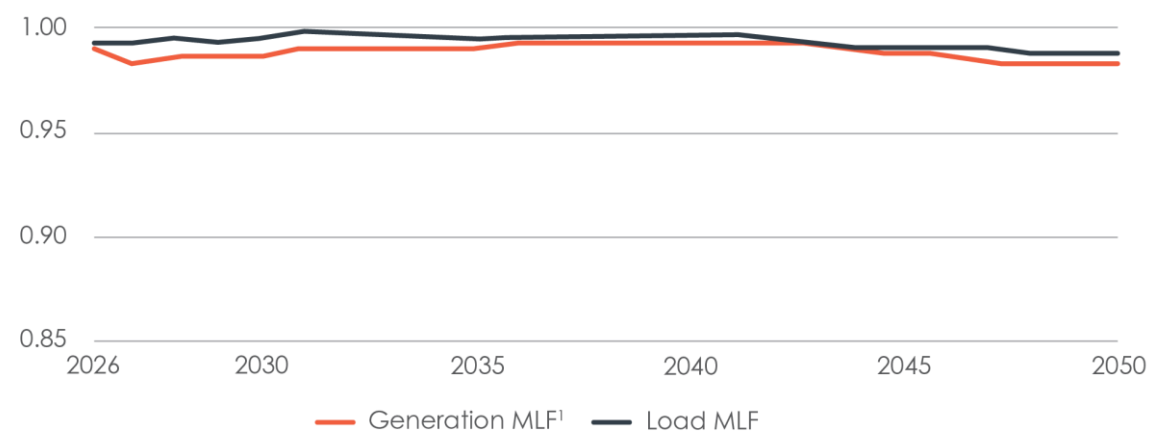


Sources: AEMO, Western Power, Aurora Energy Research, Energy Policy WA, ERA



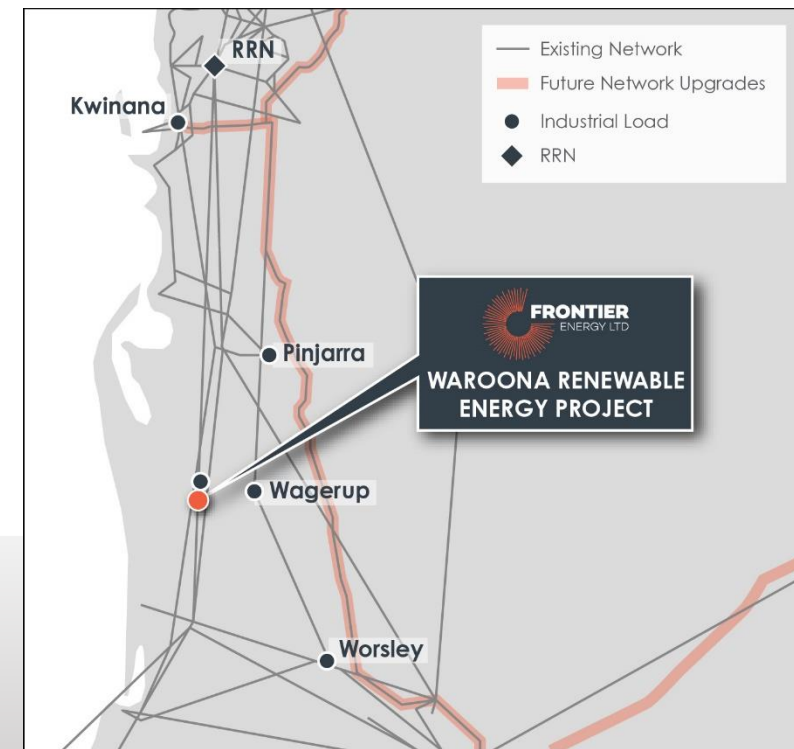
# Appendix 7 – Waroona Solar Farm/BESS is expected to see robust MLFs over the forecast horizon, due to its well-connected surrounding network

### MLF for Waroona Solar Farm/BESS – Aurora Central



- Waroona Solar Farm/BESS' generation MLFs are expected to remain highly robust over the forecast horizon, residing in the 0.984 – 0.993 range, as are the Waroona BESS' load MLFs, residing in the range of 0.987 – 0.999
- Key factors that result in Waroona Solar Farm/BESS' robust MLFs include:
  - Being adjacent to the industry load centres, particularly the Wagerup alumina production facility, means the Waroona Solar Farm will make minimal contribution to the network loss and therefore receive high generation MLFs
  - The transmission lines connecting Waroona Solar Farm to the RRN and industrial loads are at high voltage (330 kV), which makes the Waroona Solar Farm's MLFs robust

### Central scenario WA network augmentations



- The low density of solar farms around Waroona area means the Waroona Solar Farm usually generates at times when the network congestion is low
- Future network upgrades throughout the 2030s further improve the network robustness around Waroona Solar Farm/BESS, resulting in continuously robust generation and load MLFs



# Appendix 8 – Renewable and battery projects for the SWIS

WA renewable energy projects with announced development plans<sup>1</sup> – 476MW new generation capacity so far announced, while 1,200MW to be closed by 2029. 1,335MW battery storage is planned to firm up renewables

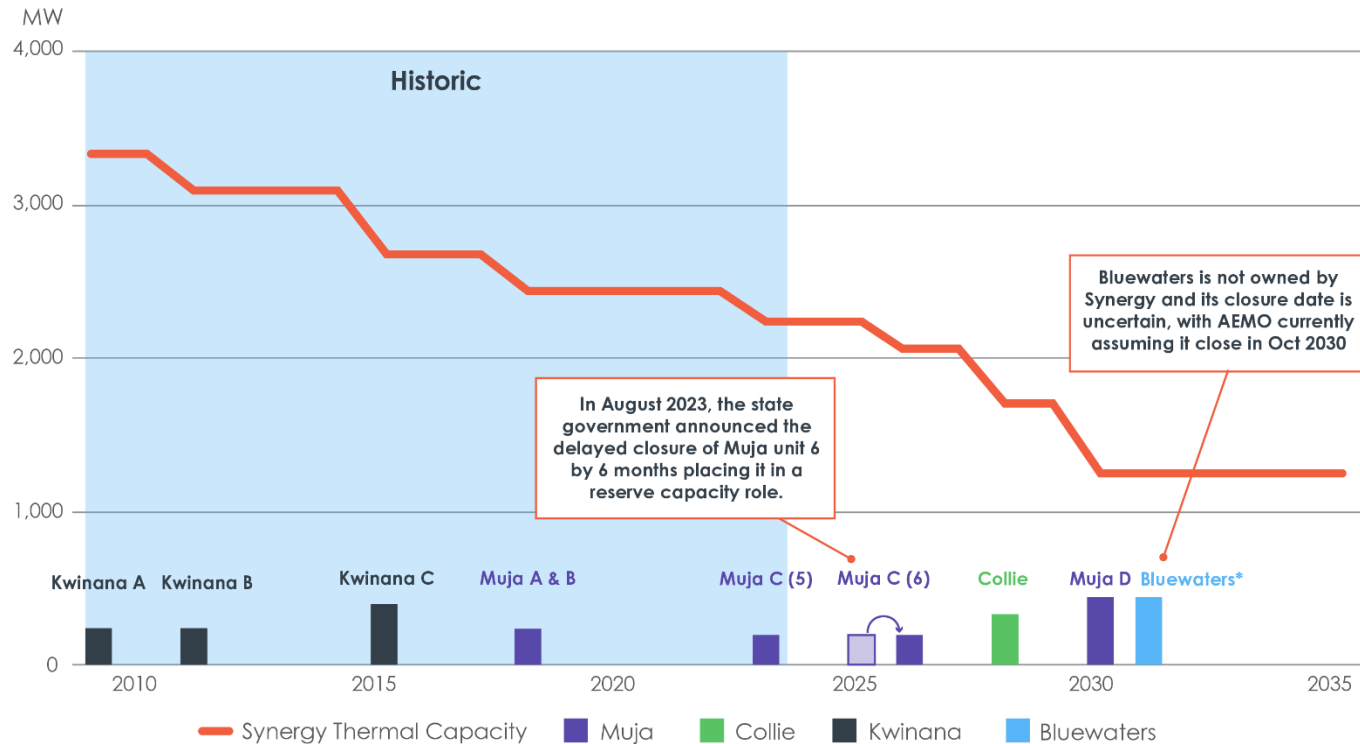
Project	Forecast production	Size	Owner
<b>Wind</b>			
Flat Rocks Wind Farm Stage 1	FY2024	76MWh	Enel
Flat Rocks Wind Farm Stage 2	FY2026	~100MWh	Water Corp
King Rocks Wind Farm	FY2026	~150MWh	Synergy
<b>Total Wind</b>		<b>256MWh</b>	
<b>Battery</b>			
Neoen Battery Stage 1	FY2025	200MW/800MWh	Neoen
Neoen Battery Stage 2	FY2026	300MW/1200MWh	Neoen
Collie Big Battery	FY2026	500MW/2000MWh	Synergy
Kwinana Big Battery Stage 2	FY2025	200MW/800MWh	Synergy
Alinta Wagerup BESS2	FY2025	100MW/200MWh	Alinta
<b>Total Battery</b>		<b>1,300MW/5,200MWh</b>	
<b>Mixed technology</b>			
Cunderdin Solar Farm and BESS	FY2024	100MW - 55MW/220MWh	GPG (Naturgy)
<b>Waroona - Stage 1 Solar Farm and BESS</b>	<b>FY2026</b>	<b>120MW - 80MW/320MWh</b>	<b>Frontier</b>
<b>Mixed Total</b>		<b>220MW – 135/540MWh</b>	
<b>Total New Energy Development projects by 2027</b>		<b>476MWh (wind and solar) + 1,355/5,420 (battery)</b>	
<b>Planned closures of State-owned coal fired power stations</b>	<b>2029</b>	<b>-1,200MWh</b>	

1 - [https://aemo.com.au/-/media/files/electricity/wem/planning\\_and\\_forecasting/esoo/2023/](https://aemo.com.au/-/media/files/electricity/wem/planning_and_forecasting/esoo/2023/)



# Appendix 9 – Synergy has more than 2GW of thermal capacity today but has announced closure dates

### Synergy coal and gas plant capacity, and coal plant retirements<sup>1</sup>



1) Coal is likely to retire at the end of the capacity year (September 30th) to meet capacity obligations. In Aurora's modelling, these retirements are implemented on an annual basis by financial year, so the effective implemented retirement date is June 30th.

2) Based on 22 March 2023 Reserve Capacity Mechanism Review Working Group discussion paper; Bluewaters would need to operate at a 50% load factor or less, or close one unit, to remain eligible for capacity credits based on a threshold of 4,000tCO<sub>2</sub>-e per MW of capacity. Sources: EPWA, AEMO, WA government

### Coal closure schedule

- State-owned Synergy is the largest participant in the WEM and is expected to decarbonise in line with State Government objectives (80% reduction in emissions from 2020 to 2030), with coal unit closures announced with several years' notice
- In August 2023, the state government announced that Muja unit 6 will have a 6-month delay to its closure date to supply capacity over the 2024-25 summer. It is expected to only operate in a reserve capacity role requiring prior notice from AEMO to synchronise with the grid
- Under the Reserve Capacity Mechanism review, carbon emissions are expected to affect a plant's accreditation of capacity credits. Under the proposed implementation plan, coal assets could see zero accredited capacity from the 2029 capacity year<sup>2</sup>
- The WA Government has announced that Synergy will spend \$3.8b on replacement capacity, and has committed to not build any new gas-fired power plants after 2030
- Bluewaters, the privately-owned 434MW coal-fired power station, is yet to announce a closure date. However, Sumitomo (a half-owner) has written down its share of the plant's value to \$0