

QUARTERLY ACTIVITY REPORT 31 December 2024

Frontier Energy Limited (ASX: FHE; OTCQB: FRHYF) (Frontier or the Company) provides its quarterly activity report for the quarter ended 31 December 2024.

HIGHLIGHTS

- **Updated Definitive Feasibility Study (DFS or Study) for Stage One of Frontier's Waroona Renewable Energy Project (Project) confirmed its potential to generate strong returns over its 30-year life**
 - Over the first decade of production, the Project generates average annual revenue of \$65m and average annual EBITDA¹ of \$57m, based on independent price forecasts
 - Post-tax IRR of 15.4% (pre-tax IRR is 18.7%)¹ and Project NPV_{7%} of \$244m
 - Post-tax payback¹ of 6.1 years
- **Reduced capex to \$283m (previously \$304m) driven primarily by decreases in the cost of key equipment, namely solar panels and batteries, despite a significantly larger battery being used**
 - A longer duration 80MW 4.75hr battery (380MWh) selected to allow for more energy sales into the peak market and sustain Reserve Capacity payments for 80MW for a longer time period
- **Frontier is advancing multiple financing options for Stage One development, with a focus on maximising shareholder value through implementing the optimal funding strategy**
- **Positive updates relating to Reserve Capacity market provide further Project benefits:**
 - Benchmark Reserve Capacity Price (**BRCP**) increased by 57% to \$360,700/MW for 2027/28
 - Updated Reserve Capacity Price curve with increased ceiling of 1.5 x BRCP (previously 1.3 x BRCP) and floor of 0.5 x BRCP (previously no floor), and new Flexible Reserve Capacity product to be introduced in 2025
 - These changes further enhance the Project's economics as they were not included in the updated DFS, representing upside opportunities
- **Electricity price ceiling in Western Australia raised to \$1,000/MWh from \$738/MWh, effective January 2025, which has already been reached on several occasions in 2025**
- **Peak energy prices (5pm – 9pm) averaged a new record high of \$171/MW during 2024, whilst average energy prices (average daily price) were at \$80/MW**
- **As at 31 December 2024, Frontier had cash of \$14.3m (unaudited).**

¹ Nominal – Base Case Scenario. Independent expert energy market consultancy Aurora Energy Research provided price forecasts for the Project. Unless otherwise stated, in this announcement, \$ means Australian dollars.

Updated Waroona Stage One DFS confirms robust returns

The Company completed an updated DFS for the Project², building on its February 2024 DFS³. The updated DFS reflects more up to date information, including lower capital costs and changes to independent electricity price forecasts compared to the original DFS.

Table 1 shows key Project metrics used in the updated Study and changes compared to the February 2024 DFS.

Key Assumptions	Unit	Year 1		
		DFS Update	Feb DFS	Change
Life of operation	Years	30	30	-
Solar				
Energy production (Yr 1)	GWh	258	258	-
Annual degradation (Solar)	%	0.45	0.45	-
Availability	%	98	98	-
Battery				
Nominal power capacity	MW	80	80	-
Storage capacity	MWh	380	320	60
Annual degradation (average over first 20 years, varies by year)	%	1.6	1.3	(0.3)
Energy sold (pa) - battery	GWh	134	120	14
Energy sold - Solar	GWh	99	116	(17)
Costs – Operating¹				
Total (real)	\$m pa	6.8	5.0	1.8
Capital				
Integrated solar and battery	\$m	283	304	21

¹ – Excludes financing, depreciation and corporate costs

Table 1: Key project assumptions

The Study forecasts annual renewable electricity generation of approximately 258GWh (Year One). Of this, 134GWh (Year One) is stored in integrated DC coupled batteries and sold in the Wholesale Electricity Market (**WEM**) at peak demand times, (13% of the energy is lost when stored in the battery for later discharge as compared with solar energy injected directly into the network) with a loss of 13% on average over a 20-year battery life.

This sees excess solar generation of 99GWh (Year One), from energy produced but not stored in the battery. Importantly, this solar energy will be sold during “shoulder periods”, which significantly reduces the risk of curtailment (<1%) and low prices during mid-day periods.

The key advantage of integrating the battery with the solar array is it 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 during the time of day when there is peak demand and prices are highest. This strategy ensures the battery can supply 100% renewable energy during peak energy periods, year-round.

² See ASX announcement 4 December 2024

³ See ASX announcement 28 February 2024

This differs from standalone batteries that rely on low energy price periods to charge and then discharge during higher price periods (arbitrage), and do not differentiate between energy sources. With a lack of new generation forecast in WA over coming years there is a risk that during peak period conditions, these standalone batteries could increase electricity demand, given their reserve capacity obligations.

Frontier engaged independent energy market specialist Aurora Energy Research (**Aurora**) to provide independent forecasts over the life of the operation. These forecasts are reflected in the 'Base Case' and 'Stress Test' scenarios.

In the Base Case price forecast scenario, with energy sold into the merchant market, the Study shows capacity to generate estimated average annual revenue of \$65m over the first 10 years of operation, as illustrated in Table 2 below. The Stress Test scenario, which includes a more optimistic view on future supply of new energy in the SWIS and lower electricity price forecasts, was also assessed and resulted in estimated average annual revenue of \$57m over the first 10 years of operation.

Revenue Breakdown – Base Case		10-year Average	
		Base Case	Stress Test
Energy Sales – Battery	\$m	25.8	21.7
Energy Sales – Solar	\$m	13.8	10.8
Reserve Capacity – Battery	\$m	19.5	19.5
Reserve Capacity – Solar	\$m	1.8	1.8
LGCs	\$m	4.2	3.3
Essential System Services	\$m	-	-
Total Revenue	\$m	65.1	57.0

Table 2: Project Revenue – Base Case Scenario

Operating costs average ~\$8m per year over the first 10 years of production (nominal costs). The increase in operating costs was primarily due to Western Power fees, battery warranty costs and inverter maintenance costs.

This results in estimated average annual EBITDA of \$57m over the first 10 years of operation. Figure 1 below shows the key revenue and cost drivers.

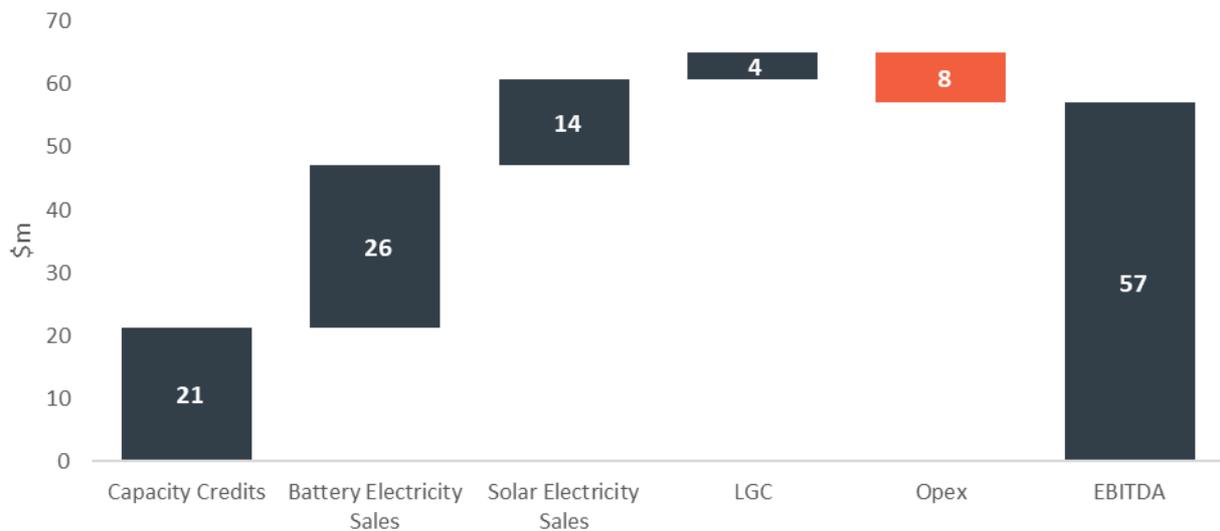


Figure 1: EBITDA waterfall

This robust profitability of \$57m EBITDA per year over the first 10 years of operation generates a payback period of 6.1 years and post-tax unleveraged IRR of 15.4%. Even under the more pessimistic Stress Case scenario, Project metrics remain robust, with EBITDA of \$49m per year (first 10 years), payback period of 7.1 years and post-tax IRR of 13.3%.

Project Cash flows	Unit	Base Case	Stress Test
EBITDA (10-year average)	\$m	57.1	49.0
Returns – Project ungeared	Unit		
Payback period (Post Tax)	Years	6.1	7.1
Payback period (Pre-Tax)	Years	5.0	5.8
Post-tax IRR	%	15.4	13.3
Post-tax NPV _{7%}	\$m	244	180

Table 3: Project Returns

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

Upside opportunities

While energy is the primary commodity bought and sold in the WEM, other services are also required to maintain security and reliability of supply – for example, providing flexibility to ramp up or ramp down generation capacity quickly or frequency control. These services are referred to as Essential System Services (**ESS**).

Aurora has estimated the potential impact on Project revenue from ESS is in the range of \$2.5m to \$3.5m per year. However, as the ESS market in the WEM is immature, no ESS revenue has been included in the Project economics. Future ESS revenue and margin provides upside potential for the Project.

In addition, there has been recent favourable updates to WA's energy policy and frameworks for Reserve Capacity payments, which subject to the Project receiving capacity

credits, is expected to have a positive impact on the Project's returns. The potential effect of these policy changes has not been included in Aurora's forecasts.

The most significant of these is the minimum reserve capacity price floor at 50% of the BRCP, to ensure revenue certainty (as opposed to the current zero price floor). A change to the capacity price curve (Figure 3) may also further enhance the forecast Reserve Capacity Price.

Financing strategy progressing

Frontier continues to advance multiple funding options in parallel to ensure the optimal financing strategy is implemented. It has been in discussions with a number of parties regarding these options, and following the recent release of the Study, has been able to further advance those discussions.

The Company recognises that the ability to secure low-cost debt finance requires a level of revenue certainty and has accordingly commenced discussions with a number of groups regarding Power Purchase Agreements (**PPAs**). PPAs typically lock in a predetermined quantity of energy to be sold at a fixed price for an agreed period of time.

Frontier also continues to assess Project level investment from potential strategic investors, with numerous parties having signed non-disclosure agreements and accessing a virtual data room.

Updates to the market will be provided as the Company's funding strategy continues to progress.

Benchmark Reserve Capacity Price and methodology upside

For the 2027/28 reserve capacity cycle, there has been a significant change in the reference technology used in calculating the BRCP to a 200MW / 800MWh lithium-ion four-hour battery, with a 330kV connection.

As a result, there has been a 57% increase in the BRCP to \$360,700/MW⁴ as shown in Figure 2 below – 2% above the draft that informed the DFS revenue forecasts, thereby providing further revenue upside potential.

⁴ <https://www.erawa.com.au/electricity/wholesale-electricity-market/price-setting/benchmark-reserve-capacity-prices>



Figure 2: 2027/28 BRCP and historical BRCPs/RCPs

In addition to this increase in the BRCP, in late 2024, Energy Policy WA released the final WEM Investment Certainty Review outcomes, which among other things, proposed a minimum RCP floor of 50% of the BRCP (previously no floor). For the 2027/28 year, this would result in the minimum RCP being \$180k/MW.

Based on the BRCP of \$360,700 and the previously assigned certified reserve capacity of the Project (87MW), the minimum reserve capacity payments for the Project would be \$15.7 million for the 2027/28 year.

In addition to the price floor, the price ceiling also increased to 1.5 x BRCP (from 1.3 x BRCP) should the capacity deficit be 15% or greater. Figure 3 below highlights the curve under both the updated proposed rules as well as the current rules.

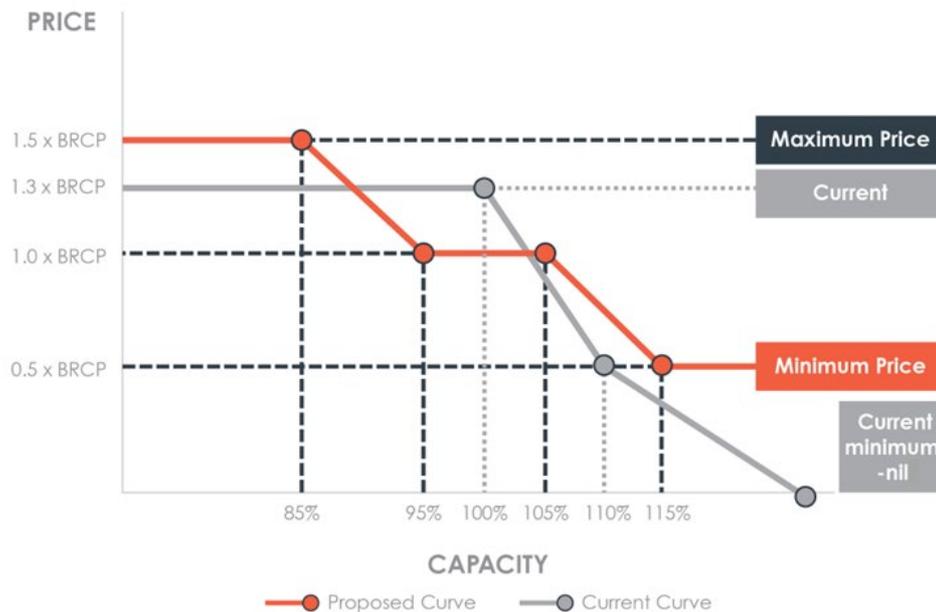


Figure 3: RCP curve – current and proposed

Flexible Reserve Capacity – further revenue upside potential

An additional payment for Flexible Reserve Capacity will be introduced for the first time in the WEM, with the current Reserve Capacity renamed as Peak Reserve Capacity. The intention is to incentivise sufficient capacity to cover the intra-day supply ramp-up that is typically required.

Similar to Peak Reserve Capacity, Flexible Reserve Capacity payments are to be made to generators that meet the Flexible Reserve Capacity eligibility criteria – regardless of whether they actually supply the service or not. Batteries and aero-derivative open cycle gas turbines will meet the eligibility criteria for Flexible Reserve Capacity, positioning the Project for an additional source of revenue. To secure Flexible Reserve Capacity, a generator needs to have Peak Reserve Capacity. The Project previously was assigned 87MW of Certified Reserve Capacity.

Figure 4 shows the Flexible Reserve Capacity curve.

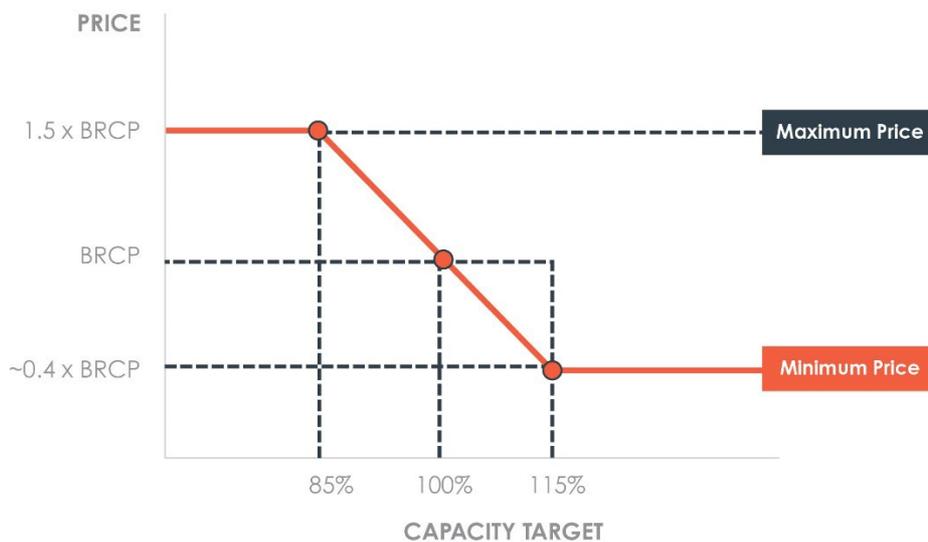


Figure 4: Flexible RCP curve

In any given year, the Australian Energy Market Operator (**AEMO**) will determine both Peak and Flexible Capacity prices based on the respective Peak and Flexible Reserve Capacity demand (targets set by AEMO) and supply (capacity applied for by eligible generators). A generator will receive the higher of the Flexible and Peak Capacity prices.

This new Flexible Reserve Capacity is planned to be implemented in the near future and provides potential upside to the revenue forecast in the Company's DFS, as only Peak Capacity was considered in the DFS.

Strong 2024 electricity prices, price ceiling raised in 2025

The energy price ceiling in Western Australia was raised to \$1,000/MWh from \$738/MWh effective 1 Jan 2025⁵. The maximum price has already been achieved on several occasions during January.

Peak period⁶ prices for 2024 recorded a new average record price at an average of \$171/MWh. Peak prices have more than doubled in the past three years. Whilst slightly lower than the previous year, the average energy price was \$80/MW throughout 2024, 61% higher than three years ago.

Table 4 below highlights the average energy price over the past three years.

⁵ <https://www.erawa.com.au/electricity/wholesale-electricity-market/price-setting/market-price-limits/energy-offer-price-ceiling>

⁶ Peak period is between 4pm and 9pm AWST, when the Project's battery could typically dispatch into the market

Period	2021	2022	2023	2024	Change 21-24
Peak Energy Price (\$/MWh)	82.9	100.7	150.5	171.3	
<i>% change</i>		21%	49%	14%	107%
Average Energy Price (\$/MWh)	49.7	65.9	87.2	80.2	
<i>% change</i>		32%	32%	-8%	61%

Table 4: WEM prices

The near-term closure of the State-owned coal fired power stations, proposed to commence in 2025 with complete closure by 2029, is likely to put further upward pressure on electricity prices over the coming years, particularly in light of the lack of new generating capacity currently planned to come on stream.

Notable developments in the WEM in the December quarter, that potentially change the market pricing dynamics going forward, included:

- AEMO adjusted the market dispatch rules for ESS in mid-November⁷; and
- ~400MW battery capacity came on stream during November and December (comprising Synergy's 200MW 4-hour battery and Neoen's 200 MW 4-hour battery).

These developments coincided with a raising of the daytime price (the time that batteries typically charge), while the peak period price fell (lower demand due to relatively cool weather and more battery capacity) – see Figure 5. On aggregate, averaging across all times of day, December average price increased by 17% to \$86/MWh from \$74/MWh a year ago.

While there is only one month of data (December) to hand following these changes, and December temperatures were relatively mild, it will be interesting to note the longer-term impact of these market changes in future.

⁷ https://aemo.com.au/-/media/files/stakeholder_consultation/working_groups/wa_meetings/real-time-market-insights-forum/2024-12-03-rtm-industry-insights-forum.pdf?la=en

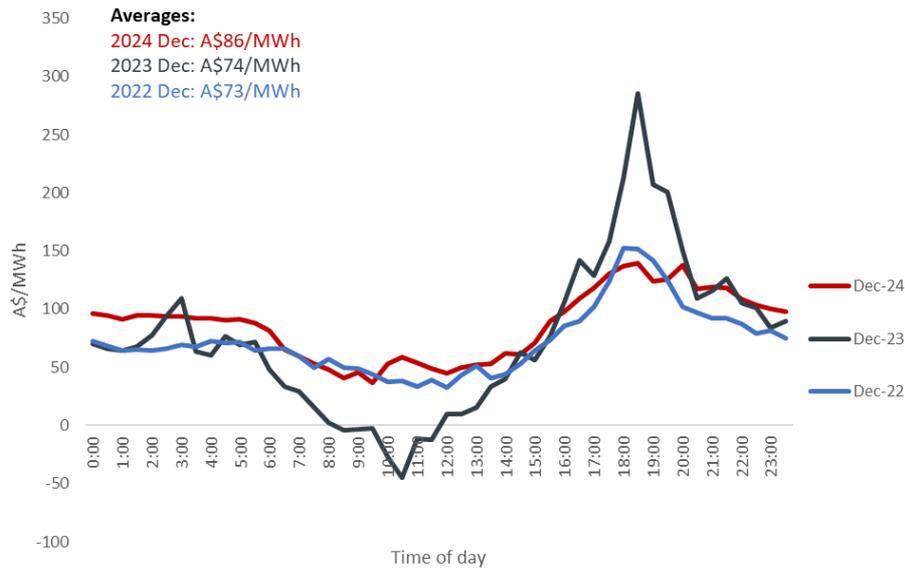


Figure 5: December average electricity prices by time of day

Corporate

Cash at the end of the Quarter

At 31 December 2024, Frontier had cash of \$14.3m. The Company spent \$0.5m to advance long lead related work programs, while having the \$5.0m Reserve Capacity security deposit returned during the quarter.

Board

In August 2024, the Company announced⁸ the appointment of Mr Mark McGowan AC as non-executive Chairman. While Mr McGowan provided the Company with a consent to act as a director and signed a letter of appointment to commence as non-executive chair of Frontier's Board of Directors on a date to be agreed, no firm start date could be agreed. Owing to the prolonged duration since the announcement, it was mutually agreed that Mr McGowan will not join the Board at this time. Mr Grant Davey will remain as Frontier's Executive Chairman.

Frontier is committed to re-positioning the Board for the next phase of development and a process to appoint additional independent directors with relevant energy, financial and technical expertise is well advanced.

Payments to Related Parties

During the quarter, payments to related parties for directors' fees totalled \$239,200.

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,

⁸ ASX announcement dated 19 August 2024

general office administration services, corporate and project personnel, accounting services and IT hardware and infrastructure to the Company. The services provided by Matador Capital are recovered from the Company on a cost-plus basis and totalled \$180,257.

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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Grant Davey
Executive Chair
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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 2024

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	(238)	(1,035)
(f) administration and corporate costs	(615)	(2,223)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	140	419
1.5 Interest and other costs of finance paid	(2)	(7)
1.6 Income taxes paid/refunded	113	119
1.7 Government grants and tax incentives	-	-
1.8 Other (Rent received)	19	83
1.8 Other (Study)	-	(7)
1.9 Net cash from / (used in) operating activities	(583)	(2,651)

2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(g) entities	-	-
(h) businesses	-	-
(i) property, plant and equipment	(502)	(10,186)
(j) investments	-	-
(k) intellectual property	-	-

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
(l) other non-current assets (Reserve Capacity security deposit)	5,014	-
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 (forex adjustments in third quarter)	-	-
2.6 Net cash from / (used in) investing activities	4,512	(10,186)

3. Cash flows from financing activities		
3.1 Proceeds from issues of equity securities (excluding convertible debt securities)	-	16,754
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	(62)	(1,123)
3.5 Proceeds from borrowings	-	5,221
3.6 Repayment of borrowings	(35)	(5,164)
3.7 Transaction costs related to loans and borrowings	-	-
3.8 Dividends paid	-	-
3.9 Other (lease payments)	-	(100)
3.9 Other (interest on borrowings)	125	-
3.10 Net cash from / (used in) financing activities	28	15,588

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of period	10,368	11,574
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(583)	(2,651)

Appendix 4C
Quarterly cash flow report for entities subject to Listing Rule 4.7B

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)	4,512	(10,186)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	28	15,588
4.5	Effect of movement in exchange rates on cash held	10	10
4.6	Cash and cash equivalents at end of period	14,335	14,335

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	14,335	10,368
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)	14,335	10,368

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	419
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. 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.		
Frontier secured short term funding of \$5.1m, comprising \$2.5m from a third party and \$2.6m (on an interest free basis) from an entity associated with Frontier director Mr Grant Davey (Davey Loan). The Davey Loan did not confer any financial benefit on Mr Davey (or his related entities) and was repaid during the quarter. Frontier formed the view that securing the funding was in the best interests of Frontier's shareholders.		

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (item 1.9)	(583)
8.2 Cash and cash equivalents at quarter end (item 4.6)	14,335
8.3 Unused finance facilities available at quarter end (item 7.5)	-
8.4 Total available funding (item 8.2 + item 8.3)	14,335
8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1)	24.6
<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 2025

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.