

Transaction Background

Frontier Energy Limited (**Frontier** or the **Company**) (ASX:FHE) advises that ASX has granted waivers to the Company from ASX Listing Rules 7.1, 10.1 and 10.11 in relation to the acquisition, via a Canadian Plan of Arrangement (equivalent to an Australian Scheme of Arrangement), of all the securities in Waroona Energy Inc. (TSXV: WHE) not currently held by Frontier (**Transaction**) (refer to the Company's ASX announcement dated 9 October 2023). In relation to the granting of a waiver from ASX Listing Rule 10.11, the Company provides the following information.

Background to Waroona Energy Inc, the Waroona Energy Project and any involvement of Mr Davey

In late 2020, the Company (then named Superior Lake Resources Limited) entered into an agreement to vend its interests in the Superior Lake Zinc Project (**Project**) to a TSXV listed company, Metallum Resources Inc (**MZN**). The Project was the Company's main undertaking at the time of this agreement. The transaction completed on 1 April 2021. On completion, Frontier's subsidiary, Ophiolite Holdings Pty Ltd (**Ophiolite**), held approximately 67% of the common shares in MZN (**MZN Shares**) and accordingly MZN was controlled by Frontier and its assets, liabilities, income and expenses were included in Frontier's financial statements.

In March 2022, Mr Grant Davey, a director of Frontier, was appointed to the board of MZN.

In April 2022, MZN undertook a capital raise, resulting in Frontier's holding in MZN reducing to approximately 45.5% of MZN Shares on issue.

In July 2022, Mr Tony Wonnacott was appointed to the Board as independent Chairman, replacing long-time Chairman Mr Simon Ridgeway. On 3 October 2022, MZN announced that it had received the resignation of Kerem Usenmez as President, CEO and member of the board, resulting in the Board comprising three directors, being Messrs Grant Davey Adam Kiley and Tony Wonnacott.

In May 2022, a group of private investors incorporated Waroona Energy Pty Ltd (**WEPL**) for the purpose of acquiring the Waroona Energy Project, a large-scale, but early stage and highly speculative, renewable energy project located adjacent to Frontier's Bristol Springs Project.

On 14 July 2022, WEPL completed a capital raising of \$9,000,000 (**WEPL Capital Raising**) at a deemed issue price of A\$1 per WEPL fully paid ordinary share (**WEPL Share**) to enable the acquisition of 100% of the shares in SE Waroona Development Pty Ltd (**SEWD**) from the shareholders of that entity. SEWD is the direct holding entity of the Waroona Energy Project. An entity associated with Mr Davey subscribed for and was issued 500,000 in WEPL Shares under, and was issued 630,000 WEPL Shares as consideration for services provided in connection with, the WEPL Capital Raising. WEPL paid \$8,500,000 in consideration for all the fully paid ordinary shares in SEWD to, in turn, acquire the Waroona Energy Project.

On 6 October 2022, Frontier and WEPL signed an agreement for collaboration on their respective projects (refer to the Company's ASX announcement dated 6 October 2022).

On 19 October 2022, MZN announced it had entered into a binding letter agreement which sets out the principal terms upon which MZN would acquire all the issued and outstanding securities of WEPL (refer to the Company's 2022 Annual Report for details).

On 11 May 2023, Mr Davey resigned as a director of MZN.

On 16 May 2023, MZN completed a reverse takeover transaction pursuant to which it acquired WEPL and in turn, the Waroona Energy Project. MZN also completed a placement of 150,000,000 WHE common shares (**WHE Shares**) at C\$0.06 to raise gross proceeds of C\$9 million and changed its name to Waroona Energy Inc (**WHE**) (refer to the Company's ASX announcement dated 28 April 2023). The participants in that placement included:

- an entity associated with Mr Davey which subscribed for 3,333,333 WHE Shares, at a total cost of C\$200,000; and
- Frontier which subscribed for 19,695,883 WHE Shares, at a total cost of approximately \$1.3m.

Following participation in the placement, Frontier and Ophiolite together held 147.6m shares in WHE, which represented an ownership interest in WHE of approximately 20%. As a result of the change in the ownership interest in WHE, Frontier assessed that it had lost control over WHE effective 15 May 2023, and Frontier deconsolidated its interest in WHE from the date this change occurred.

Establishment of Independent Board Committee

As detailed in the Company's ASX announcement dated 9 October 2023, the Board of Frontier established an Independent Board Committee (**IBC**) comprising independent non-executive directors Ms Amanda Reid (Chair), Ms Dixie Marshall and by invitation Mr David Wheeler (refer to the Company's ASX announcement dated 21 September 2023 for details of the background of Mr Wheeler).

The IBC was formed due to the potential personal interest/benefit in relation to Messrs Grant Davey, Sam Lee Mohan and Chris Bath as a result of the Transaction.

The IBC is a committee of the Board authorised to assist the Board in fulfilling its statutory, fiduciary and regulatory responsibilities in relation to the Transaction. The IBC adopted an IBC Protocol for the purpose of considering and managing potential conflicts in relation to the Transaction.

The IBC appointed an independent adviser to derive an indicative value range of both Frontier and WHE and to provide independent advice to the IBC regarding the premium and reasonableness of a proposed acquisition of Waroona.

The IBC concluded that the Transaction was in the best interests of Frontier shareholders and, having regard to the independent adviser's advice, the offer terms were reasonable in the circumstances.

Based on all the information provided to the IBC, the IBC recommended to the Board that an offer be made on the terms proposed.

The Company considers that:

- Mr Davey, in view of his indirect relative percentage shareholdings in Frontier (9.67%) and WHE (5.6%), would not gain if the Company overpaid for securities in WHE (i.e., this will only disadvantage his shareholding in the Company); and
- there is no economic rationale for the Company to overpay for the acquisition of WHE in order to benefit Mr Davey or another closely connected party.

In any event, independent advice provided to the IBC concluded that the premium paid to acquire the WHE shares is reasonable and therefore the IBC does not consider that it overpaid for the proposed acquisition of WHE Shares under the Transaction.

The Board adopted the recommendation of the IBC, with the appropriate directors excluding themselves from voting on the decision and the IBC Chair was authorised to execute the Letter of Intent (refer ASX Announcement dated 4 September 2023).

Consequently, having regard to the operation of the IBC and Mr Davey's exclusion from voting on the Transaction, Mr Davey:

- did not participate in any Board decisions relating to the Transaction (other than the establishment of the IBC);
- did not participate in the negotiation of the terms of the Transaction or to seek to influence the recommendation of the IBC; and
- did not otherwise exert or seek to exert influence over the terms of the Transaction.

Mr Davey's interest in WHE

Shares

Mr Davey holds indirectly 9.67% of the Company via his shareholding of 28,908,045 Frontier fully paid ordinary shares (**FHE Shares**).

As detailed in the Company's ASX announcement dated 9 October 2023, the terms of the Transaction provide that Mr Davey, via his approximately 5.6% indirect holding in WHE, will receive, **on the same terms as other WHE shareholders**, approximately 11,011,581 FHE Shares with a value of A\$3,303,474 based on the FHE Share price of A\$0.30 at 31 October 2023.

Warrants

Further, as detailed in the Company's ASX announcement dated 9 October 2023:

- there are 91,461,474 warrants in WHE exercisable at C\$0.14, expiring 20 April 2024 and which entitle the holder to one WHE Share upon the exercise of the warrant (**WHE Warrants**);
- Frontier and Waroona have agreed for the WHE Warrants to be converted to Frontier options, at a conversion ratio of 4.27, with the exercise price also being converted at a ratio of 4.27 (**FHE Options**). As such, 21,419,549 new Frontier options will be issued, with an exercise price of approximately \$0.679 and expiring 20 April 2024¹.

Due to his indirect holding of WHE Warrants, the terms of the Transaction provide that Mr Davey is issued 975,800 FHE Options, which have a Black-Scholes aggregate value (assuming an issue date of 15 December 2023) of approximately A\$25 (or \$0.00003 per FHE Option).

Mr Davey does not have other economic interests that could be affected if the Transaction proceeds or does not proceed and has demonstrated the same to the Company, to the best of the Company's knowledge.

Authorised for release by Frontier's Board of Directors.

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

¹ At an exchange rate of 1.13504 C\$/A\$, Reserve Bank of Canada, based on 30 day VWAP.



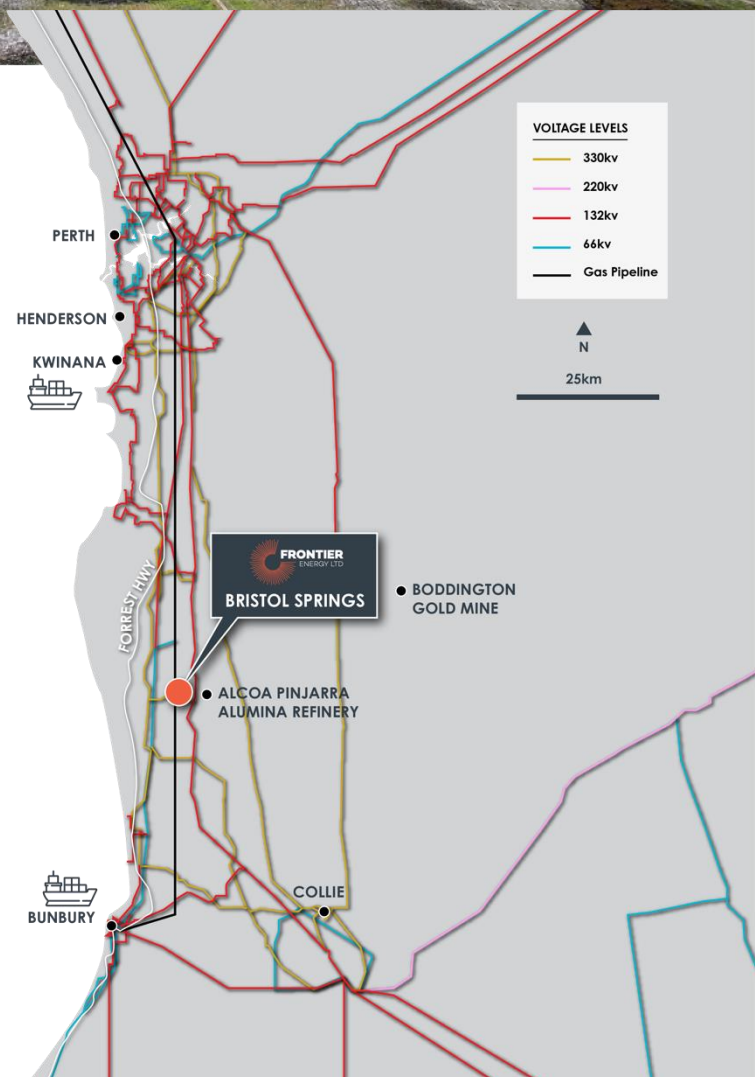
About Frontier Energy

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 Definitive 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 20th March 2023



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

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Share Registry

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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.