

## QUARTERLY ACTIVITY REPORT 30 September 2024

Frontier Energy Limited (ASX: FHE; OTCQB: FRHYF) (Frontier or the Company) provides its quarterly activity report for the quarter ended 30 September 2024.

### HIGHLIGHTS

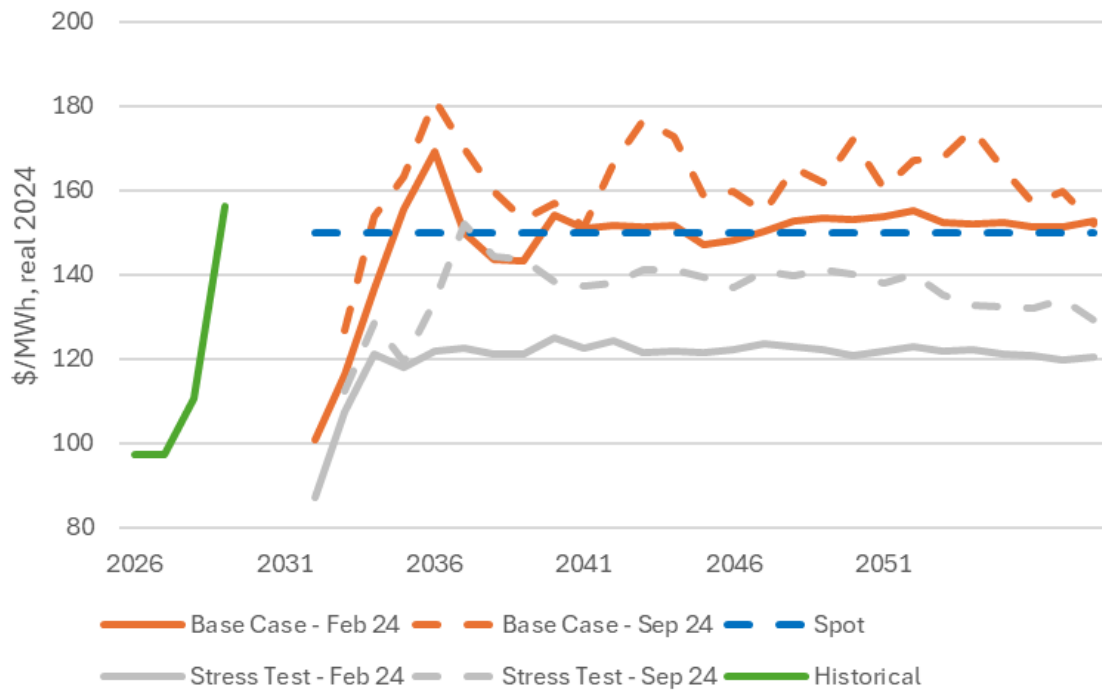
- An updated Definitive Feasibility Study (DFS) for Stage One of the Company's Waroona Renewable Energy Project (Project) is due in November. This follows a reduction in the cost of key equipment required for the Project's development
- Frontier is assessing multiple financing options for the Project. These options are targeting non-dilutive funding solutions such as bonds and equipment supplier financing
- Energy prices in Western Australia remain at record highs – peak energy prices (4pm-9pm) increased during the quarter to average \$164/MWh, 28% higher than the same period in the previous year
  - Current energy prices are higher than those forecasted in the original DFS
- Environmental studies relating to flora and fauna commenced during the quarter. This work is essential for the future expansion of the Project
  - Results from this study will be available in late 2024 and will assist in identifying the most appropriate location for a Stage Two development
- As at 30 September 2024, Frontier had cash and receivables of \$15.4m
  - The cash balance as at 30 September was \$10.4m
  - A \$5.0m payment to AEMO relating to Reserve Capacity Security was refunded post quarter end

### Updated Definitive Feasibility Study

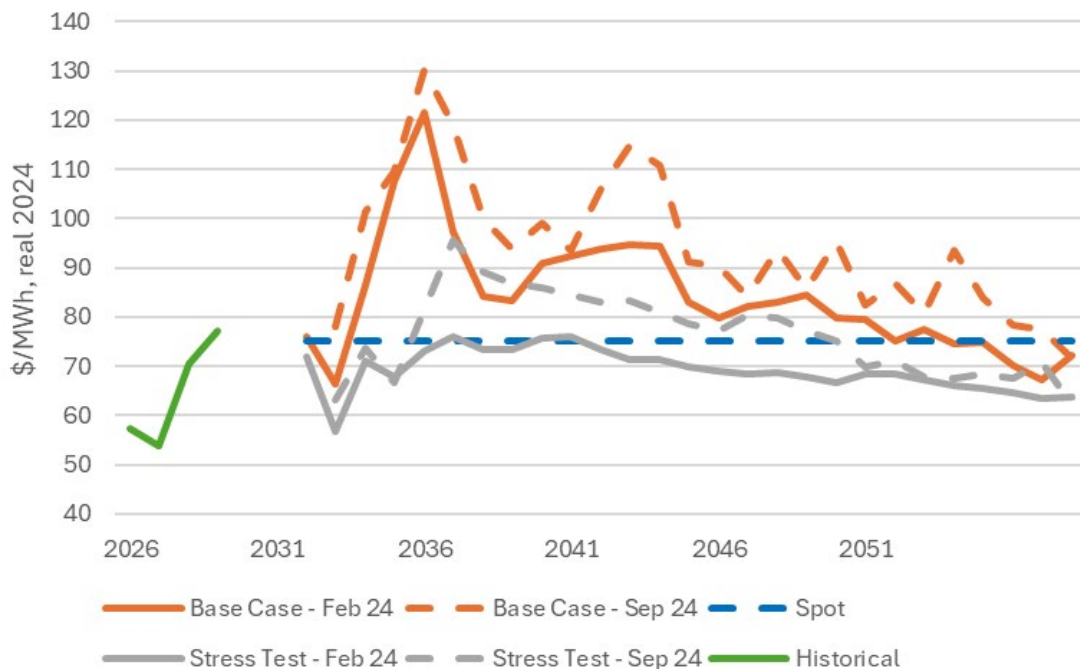
Frontier is on track to deliver an updated DFS for Stage One of the Project, comprising a 120MWdc solar facility and integrated four-hour 80MW battery, in November 2024.

The updated DFS follows a significant reduction in the cost of key capital items relating to the development of the Project. In the original DFS, equipment related to the Project's development accounted for approximately 50% of the total cost.

In addition, the Company will also update both revenue and operating cost assumptions. The Company has received updated energy forecasts from independent energy forecaster Aurora Energy Research, with forecast energy prices having increased by up to 15% compared to their forecast completed in the original DFS from February. The updated DFS is on track to be released in November.



**Figure 1: Forecast Battery electricity price**



**Figure 2: Forecast Solar electricity price**

## Financing strategy to target non-dilutive funding solutions

### **Debt Financing – Bonds**

Frontier is aware of increasing activity among international infrastructure and renewable energy funds and fixed income investors in providing debt financing, which can potentially offer more flexible financing terms compared to traditional bank financing options.

As part of the previous debt funding process, Frontier prepared significant due diligence materials, which places Frontier in a strong position to quickly progress the debt funding process on completion of the updated DFS. These materials include a legal due diligence report, a “red flag” report completed by the independent technical engineer and drafts of the EPC contract and key procurement agreements.

### **Equipment supplier financing**

Key capital equipment, including solar panels and batteries, comprise a large portion of the Project's overall capital cost. Frontier has had discussions with several equipment suppliers, who offer a range of funding options that provide flexible credit financing solutions to secure market opportunities.

Since completing the DFS in February 2024, there has been a reduction in the price of solar panels and batteries, due to an over-supply of these items. As a result, equipment suppliers are willing to offer financial support to companies such as Frontier, to drive demand and absorb the over-supply.

### **Bank debt**

The Company recognises that the ability to access bank debt requires a level of revenue certainty, which was the driving factor behind the Company's application for a five-year fixed Reserve Capacity Price (**RCP**). Frontier is currently investigating other means by which such revenue certainty can be provided to debt financiers, including power purchase agreements and the Federal Government's Capacity Investment Scheme.

## Peak wholesale market prices continue an increasing trend

Average peak prices in the Wholesale Electricity market (**WEM**) have continued to strengthen, as capacity constraints and higher than expected energy demand drive price increases. Peak period prices for the September quarter of 2024 averaged \$164/MWh<sup>1</sup>, 28% higher than the 2023 September quarter as shown in Table 1. These prices are for periods when the Project's battery would dispatch into the market (between 4pm and 9pm) and are ~20% higher than prices used in the DFS.

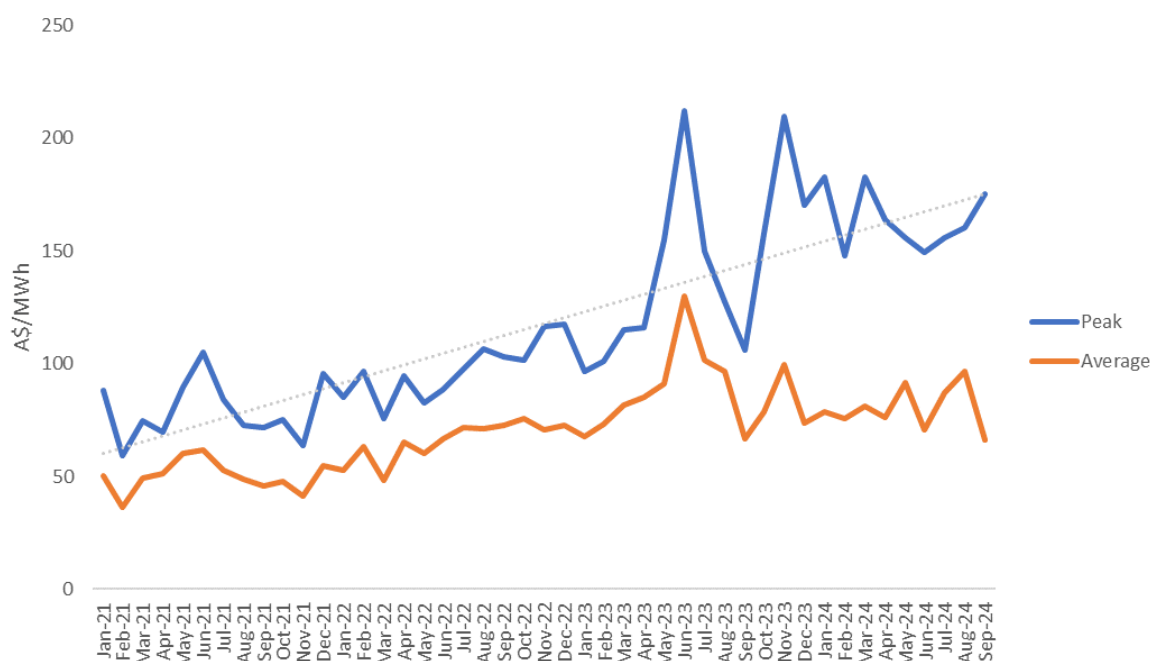
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<sup>1</sup> Source: AEMO; straight averages, no price cut-offs applied.

**Table 1: WEM prices<sup>2</sup>**

Period	June Quarter	July	August	Sept	Sep Quarter
<b>Average Energy Price (\$/MWh)</b>					
2024	<b>79</b>	87	97	66	<b>83</b>
2023	<b>102</b>	130	102	97	<b>109</b>
% change	<b>-22%</b>	-33%	-5%	-31%	<b>-24%</b>
<b>Peak Energy Price (\$/MWh)</b>					
2024	<b>156</b>	156	160	175	<b>164</b>
2023	<b>161</b>	150	127	106	<b>128</b>
% change	<b>-3%</b>	4%	26%	65%	<b>28%</b>

Peak prices have doubled in the past 2.5 years, and continue to trend upwards, as shown in Figure 3.


**Figure 3: Monthly average and peak electricity prices**

## Biodiversity Assessment Commences on Expansion Area

Undertaking environmental assessments early in the planning process enables the Company to identify any species or areas of high conservation value within the Expansion Area that need to be protected. The results of the biodiversity assessment will provide valuable input into the project design process and approvals strategy for subsequent stages.

<sup>2</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.

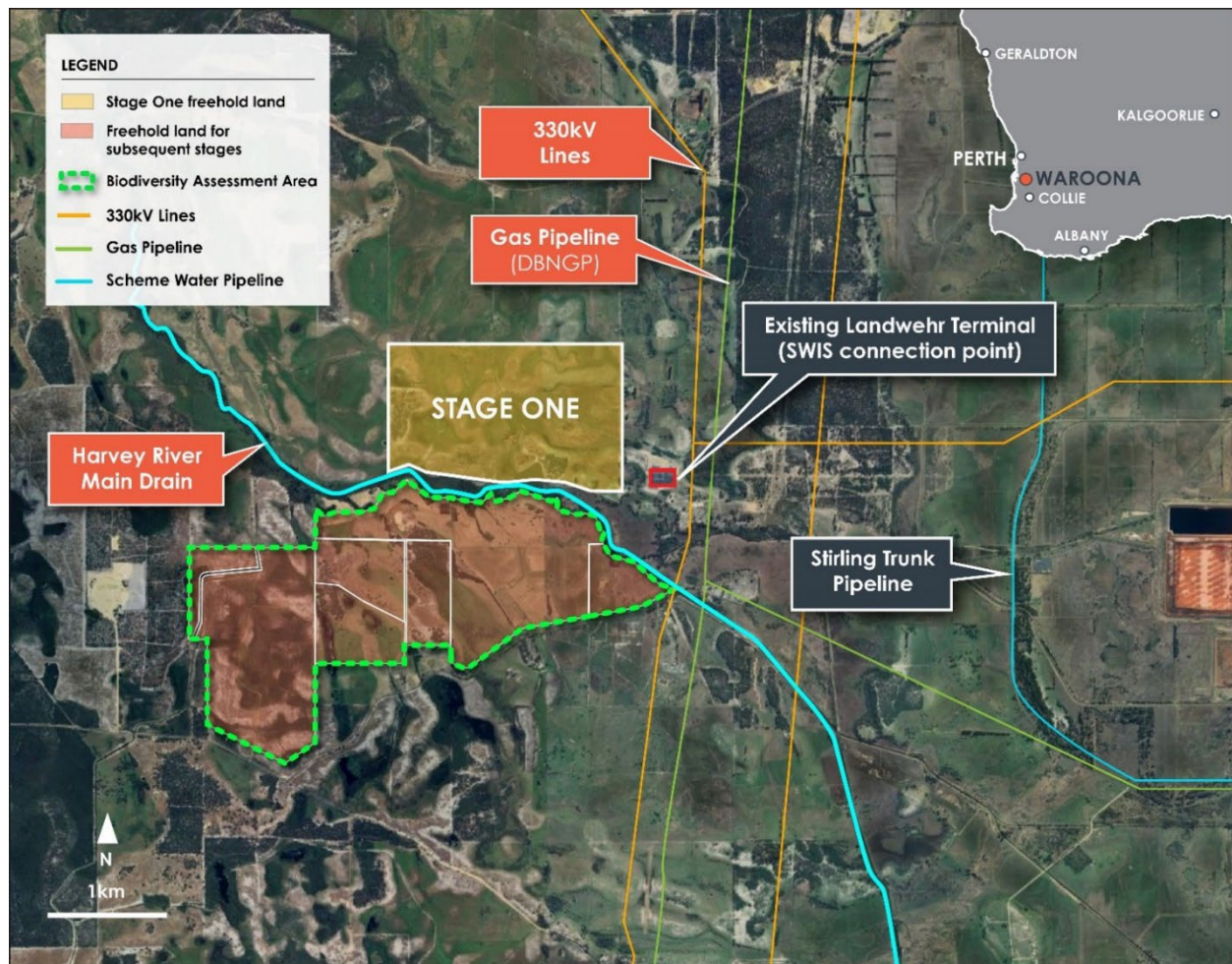
The land area being surveyed is approximately 565 ha (Figure 4), which is either owned or controlled by the Company (**Survey Area**). The Survey Area is currently zoned as 'general farming' and having been heavily cleared, is currently used for grazing sheep and / or cattle. Patches of native vegetation or isolated trees remain across some sections of the Survey Area.

Frontier has engaged Biota Environmental Services to undertake a biodiversity assessment across these properties and a verification survey over Frontier's original land interests. The biodiversity assessment includes:

- A desktop study to identify any significant flora or fauna values potentially associated with the survey area;
- A spring reconnaissance survey and a targeted flora and vegetation survey;
- An assessment of vegetation that may represent a Threatened Ecological Community or Priority Ecological Community; and
- A targeted Black Cockatoo survey and habitat assessment.

An approval strategy and offset plan will be developed in early 2025, following the completion of the survey and assessment report in December 2024. This will also include a Development Approval in accordance with the *Planning and Development Act 2005*.





**Figure 4: Stage One and Expansion Area**

## Reserve Capacity outcome

Whilst the Project was assigned 87.2 MW of Certified Reserve Capacity in August 2024, in the final allocation process, no Reserve Capacity Credits (**RCCs**) were allocated to the Project.

This was due to a significant reserve capacity surplus, and the ranking system applied under the Wholesale Electricity Market (**WEM**) Rules, most notably excluding five-year fixed price facilities.

The Company had selected a five-year fixed RCP strategy due to its debt financing requirement in light of AEMO's forecast of ~1GW reserve capacity deficit in 2026/2027<sup>3</sup> and stating an urgent need for substantial new investment in generating capacity.

<sup>3</sup> 2023 Electricity Statement of Opportunities (aemo.com.au).

The RCC outcome was due to a significant capacity surplus in the 2026/27 year, driven by standalone batteries, the majority of which received NonCo-optimised Essential System Services (**NCESS**) payments of up to \$591,000 per MW.

As a result, Frontier's debt mandate with Infradebt Pty Ltd was terminated by mutual agreement, as debt sizing was subject to the final allocation and price of RCCs.

However, Frontier has already identified alternative funding solutions as highlighted above. These options have the potential to provide greater flexibility with the Project development strategy (compared to traditional debt) and could limit development delay, expected to be less than a year.

## Corporate

### **Cash at the end of the Quarter**

At 30 September 2024, Frontier had cash and receivables of \$15.4m, comprising cash on hand of \$10.4m (unaudited) with an amount of \$5.0m, which was paid to AEMO for Reserve Capacity Security in the quarter, refunded to the Company after quarter end.

The Company spent \$2.4m to advance a number of key long lead related work programs and also made the final payment for the purchase of the Waroona land for \$3.8m.

The Company completed the placement of approximately 67 million shares at \$0.25 per share to raise \$16.75m (before costs).

### **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, 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 \$287,424.

### **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:

**Adam Kiley**  
**Chief Executive Officer**  
+61 8 9200 3428

**Grant Davey**  
**Executive Chair**  
+61 8 9200 3428

## 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")**

30 September 2024

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (9 months) \$A'000</b>
<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	(284)	(797)
(f) administration and corporate costs	(626)	(1,607)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	124	280
1.5 Interest and other costs of finance paid	(2)	(6)
1.6 Income taxes paid	-	6
1.7 Government grants and tax incentives	-	-
1.8 Other (Rent received)	19	63
1.8 Other (Study)	-	(7)
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(769)</b>	<b>(2,068)</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	(6,186)	(8,038)
(j) investments	-	-
(k) intellectual property	-	-



Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
	(l) other non-current assets (Reserve Capacity security deposit)	(5,014)	(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 (provide details if material)	-	-
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>(11,200)</b>	<b>(13,052)</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	16,754	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	(1,061)	(1,061)
3.5	Proceeds from borrowings	5,221	5,221
3.6	Repayment of borrowings	(5,129)	(5,129)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (lease payments)	(50)	(100)
3.9	Other (interest on borrowings)	(125)	(125)
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>15,610</b>	<b>15,560</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	8,327	11,574
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(769)	(2,068)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(11,200)	(13,052)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	15,610	15,560
4.5	Effect of movement in exchange rates on cash held	(1,600)	(1,646)
4.6	<b>Cash and cash equivalents at end of period</b>	<b>10,368</b>	<b>10,368</b>

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	10,368	7,230
5.2	Call deposits	-	1,097
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>10,368</b>	<b>8,327</b>

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	527
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>		

<b>7.</b>	<b>Financing facilities</b> <i>Note: the term "facility" includes all forms of financing arrangements available to the entity.</i> <i>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	<p>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.</p> <p>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 (<b>Davey Loan</b>). 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.</p>		

8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (item 1.9)	(769)
8.2	Cash and cash equivalents at quarter end (item 4.6)	10,368
8.3	Unused finance facilities available at quarter end (item 7.5)	-
8.4	Total available funding (item 8.2 + item 8.3)	10,368
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	13.5
<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 October 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.