

Waroona Project financing strategy targets multiple non-dilutive funding solutions

Frontier Energy Limited (ASX: FHE; OTCQB: FRHYF) (Frontier or the Company) is pleased to provide an update on the Company's funding strategy for the Stage One development of its Waroona Renewable Energy Project (Project).

The Company, having identified a range of financing options, has commenced discussions with counterparties. The Project has all necessary approvals in place and the Company is in a strong position to quickly advance the debt process once the DFS has been updated.

An updated Definitive Feasibility Study (DFS), which is expected to demonstrate several key capital cost reductions compared to the original DFS, is on track for delivery in Q4 CY2024 and is key to progressing discussions.

HIGHLIGHTS

- **Discussions have commenced regarding multiple non-dilutive funding options including bonds, equipment supplier financing and a sale and leaseback arrangement in relation to the Company's extensive landholdings**
 - *These options were considered initially, however not prioritised due to previous funding proposals that relied on five-year, fixed price reserve capacity*
 - *The financing strategy will continue to preserve exposure to upside in energy prices which are forecast to continue rising through the energy transition*
- **Bonds can offer greater flexibility compared to traditional bank debt and are typically sized based on forecast cash flows. This could increase leverage with potentially less restrictive covenants**
 - *Timeline to complete is typically shorter than a traditional bank*
 - *Discussions underway with an energy specialist European investment bank*
- **Major equipment suppliers can provide flexible credit financing terms, equipment financing and quasi-equity funding solutions (project level)**
 - *Major capital equipment accounts for approximately 50% of the total capital cost*
 - *Can provide access to additional capital pools from institutional credit investors beyond existing banking relationships*
- **The Federal Government's Capacity Investment Scheme (CIS) aims to foster investment in renewable energy including hybrid facilities such as Waroona**
 - *Provides incentives to renewable and clean dispatchable capacity*
 - *Provides revenue support below an agreed floor price, with revenue sharing above an agreed ceiling price for up to 15 years*

CEO Adam Kiley commented: "Delivering a non-dilutionary funding solution for the Waroona Project development is our highest priority and we are now accelerating engagement on a range of these options."

We had previously investigated a number of these options, however, did not pursue these due to existing debt proposals from traditional banks requiring a five-year fixed reserve capacity price. These options are excellent alternatives compared to the original strategy, with some potential benefits in terms of flexibility and leverage.

The Company will continue to progress these options in parallel and will provide an update to shareholders as discussions progress."

Debt Financing – Bonds

Frontier sees increasing activity among international infrastructure, renewable funds and fixed income investors in providing debt financing, and these alternative sources of capital can potentially provide more flexible financing terms compared to traditional bank financing options.

The Company is in discussions with a European investment bank that specialises in international debt capital market issues to the energy sector. The bank has successfully completed numerous transactions for projects in Australia.

Frontier has significant due diligence already completed for the Project. This includes legal due diligence report, a "red flag" report completed by the independent technical engineer and key EPC and procurement contracts drafted. The Company is in a strong position to quickly commence the debt process once the DFS has been updated.

Equipment supplier financing

Key capital equipment, including solar panels and batteries, comprise a significant portion of the 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 seize market opportunities.

A range of potential funding solutions, all of which are lower cost than equity to fund development includes:

- Significant extension of payment terms;
- Access to additional capital pools from institutional credit investors beyond existing banking relationships; and
- Mezzanine finance arrangements.

A key driver for equipment suppliers to offer such funding is the alignment for the supplier with the long-term warranty associated with the equipment supplied. It also provides a unique opportunity for Asian based banks/credit investors to participate in global high quality ESG/sustainability transactions.

Since completing the definitive feasibility study in February 2024, there has been a significant reduction in the price of solar panels and batteries, due to an over-supply of these items. As

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a result, equipment suppliers are willing to offer financial support to companies such as Frontier, to drive demand and absorb the over-supply.

Capacity Investment Scheme (CIS)

The Federal Government's CIS aims to incentivise the deployment of renewable and clean dispatchable capacity by 2030 to assist the Australian Government to meet its target of 82% renewable electricity by 2030.

The CIS will provide substantial revenue support (90%) if a project's revenue falls below an annual floor. A project will also be required to pay a percentage of revenue (50%) if revenue exceeds an annual ceiling. Payments are subject to an agreed annual payment cap.

The CIS represents a significant potential alternative funding solution, as it guarantees a minimum level of support for renewable-energy-supplied battery projects for up to 15 years, again bringing into play traditional funding solutions.

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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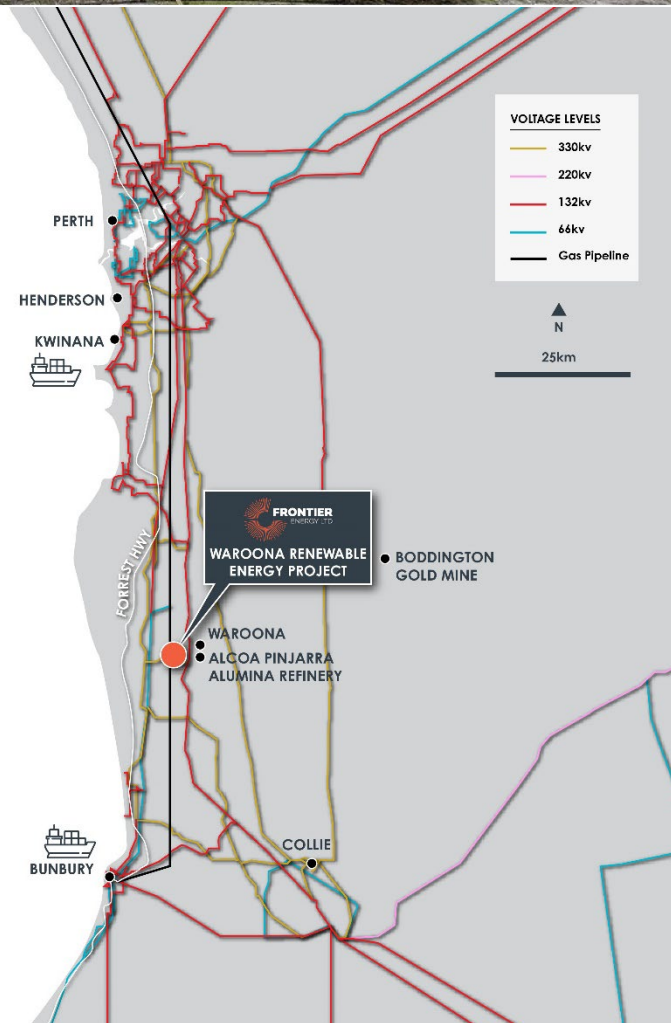
About Frontier Energy

Frontier Energy Ltd (ASX: FHE; OTCQB: FRHYF) is developing the Waroona Renewable Energy Project located 120km south of Perth in Western Australia.

Waroona has the potential to become one of Western Australia's largest standalone renewable energy projects, as the Company controls 868ha of adjoining freehold land whilst also having approvals in place for a connection onto the WA electricity network (SWIS) with a terminal adjacent to the Project.

The Company released a positive DFS on a Stage One development that consists of a 120MW solar farm and 80MW 4-hour battery.

Frontier is fully committed to making the Project one of WA's major renewable energy hubs, incorporating multiple value-adding initiatives including batteries and green hydrogen, with full renewable energy potential of more than 1GW based on connection capacity.



Directors and Management

Mr Mark McGowan AC

Non-Executive Chairman
(Effective on a date to be agreed)

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Chief Executive Officer

Mr Grant Davey

Executive Director

Mr Chris Bath

Executive Director

Ms Dixie Marshall

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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.