

## Frontier to acquire Waroona Energy creating a large-scale Australian renewable energy company

Frontier Energy Limited (ASX: FHE; OTCQB: FRHYF) (Frontier or the Company) is pleased to announce the signing of a Letter of Intent with Waroona Energy Inc. (TSXV: WHE) (Waroona), to acquire all Waroona shares (the Transaction) not currently held by Frontier (Frontier already holds 20% of Waroona) via a Canadian Plan of Arrangement (Share Plan), equivalent to an Australian Scheme of Arrangement.

The Transaction aims to create a large-scale Australian renewable energy company, with shovel-ready solar generation of 355MW and the potential to expand to more than 1GW, based on adjoining freehold land ownership and grid connections that have been secured by the two companies in South West WA.

The combined company will provide a unique and accelerated turnkey solution for the development and consumption of green hydrogen, via Waroona's proposed 120MW dual fuel peaking plant. There are also major infrastructure advantages that surround Frontier and Waroona's adjacent projects. Combining these will create a company which leads the development of the green hydrogen industry in Australia.

### HIGHLIGHTS

- **Under the Share Plan, Waroona shareholders will receive 1 new Frontier Share for every 4.27 Waroona Shares held on the Share Plan record date**
  - Upon implementation, Frontier Shareholders will hold approximately 69% of the Merged Group and Waroona shareholders will hold approximately 31%
- **Frontier will hold development approvals for total solar generation capacity of 355MW**
  - Frontier's 114MW Stage One solar generation capacity combined with Waroona's 241MW solar capacity, provides a potential of 355MW of renewable solar power generation, with development approvals in place
- **Frontier's freehold land footprint increases by more than 50% to 868 hectares**
  - This substantially increases Frontier's Project scale, enabling future renewable energy generation to +1GW of renewable energy generation
- **Strengthened balance sheet including cash of ~\$22 million<sup>1</sup>, which positions the Company to be fully funded to a Final Investment Decision (FID)**
- **Combined project scale simplifies project financing and negotiations with equity participates, debt financing as well as potentially government grants**
- **Simplified communication with all key stakeholders, including government, local community, prospective financiers and shareholders to accelerate development**
  - This is important given the proposed commencement of construction of a solar facility by 1H2024, while FID is targeted for both the peaking plant and hydrogen production facility before the end of 2H24

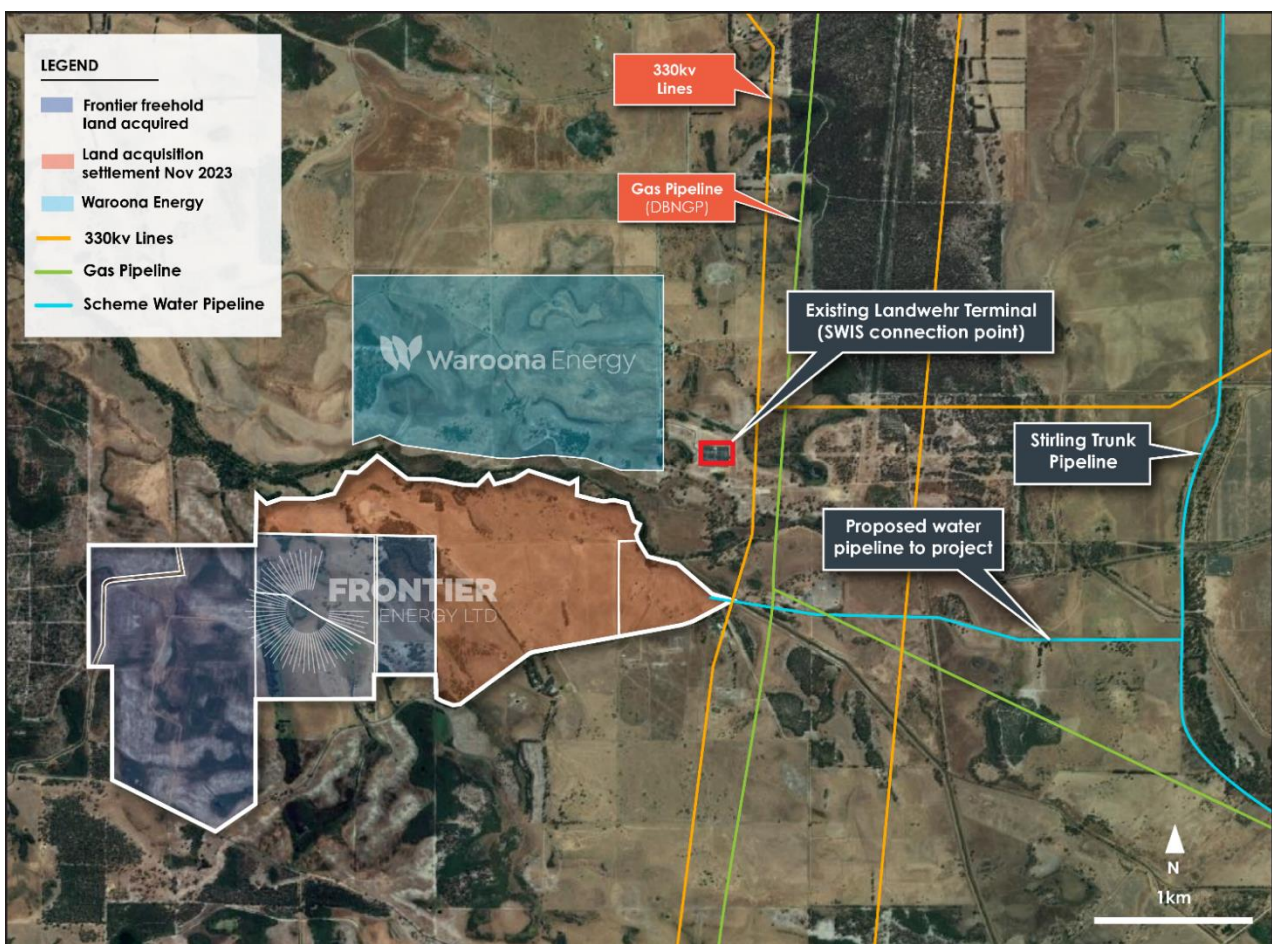
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<sup>1</sup> At date of announcement, unaudited

**Frontier Executive Chairman, Grant Davey, commented:** "Frontier shareholders will realise significant value from this transaction, which creates the largest integrated, grid connected, utility-scale renewable energy project in Western Australia. The transaction brings an additional grid connection, increased freehold land, and a strengthened balance sheet and cash balance.

There are significant synergies in combining our solar footprints to create a 355MW solar project with development approvals in place. Importantly, Waroona is already advanced in its study of a hydrogen-fuelled dual fuel peaking plant, which can provide an initial market for Frontier's green hydrogen production.

Combining Frontier and Waroona will set the scene for a FID in 2024 and provide the opportunity to develop a larger project in the fastest and most capital efficient manner, while also creating the critical mass required to secure financing."



**Figure 1: Frontier and Waroona's projects and nearby infrastructure in South-West WA**

## Strategic Rationale

The Transaction combines two highly complementary and synergistic projects, adjacently located and close to key infrastructure in South West WA (see Figure 1) to create a leading large-scale renewable energy company, with shovel-ready solar generation of 355MW, and potential to increase to more than 1GW.

It also provides a turnkey solution for green hydrogen production and consumption via Waroona's proposed 120MW dual fuel peaking plant and other key agreements in place, including water access.

In addition, the Transaction will simplify communication with all key stakeholders, including government, financiers and the community. This is important given the target date for the commencement of construction of the solar facility in 1H2024, with a FID on both the peaking plant and hydrogen production facility targeted before the end of 2H24. Highlights of the Transaction are set out below.

### **Larger project to capture scale benefits and capital efficiencies**

- Solar generation capacity significantly increased by combining Frontier's 114MW Stage 1 with Waroona's 241MW solar capacity, providing a potential of 355MW of renewable solar power generation with development approvals in place.
- Frontier will have two grid connections to the SWIS. Waroona already has an Electricity Transfer Access Contract (**ETAC**) and Interconnection Works Contract (**IWC**) in place, while Frontier is well advanced in finalising ETAC and IWC for its connection.
- The Waroona Project is located closer to existing infrastructure including the Landwehr Terminal, reducing capex for a new single switchyard that can connect the Project and future expansions to the grid.
- Potential for significant capex optimisation and opex savings, by eliminating infrastructure duplication, minimising overhead cables and developing the project in the most cost-efficient manner.
- Combined freehold land of 868ha (Waroona: 303ha, Frontier: 565ha), with capacity to accommodate in excess of 1GW renewable solar energy and green hydrogen electrolysis generation.

### **Strengthened balance sheet reduces need for additional funding pre FID**

- The Merged Group will have a strong balance sheet with a cash position of ~A\$22m the date of this announcement. The Merged Group will be fully funded until FID for the development of the initial solar production facility.

### **Integrating Frontier's hydrogen plant with Waroona's dual fuel peaking plant creates an initial offtake for Frontier's hydrogen**

- Vertically integrating solar, peaking plant and hydrogen facilities will enable the generation of early revenue through solar sales, while also creating green hydrogen offtake via the dual fuel peaking plant
  - *Frontier and Waroona have both completed a DFS on solar generation*
  - *Frontier has completed a DFS on hydrogen production*

- Waroona is progressing a DFS for a dual fuel peaking plant.

### **Combined financial scale and integrated holding will facilitate Project funding**

- The combined project will be significantly more attractive to debt financiers, given enhanced scale, efficiencies and scalability.
- The combined market capitalisation will better position Frontier to raise equity funding once a FID is made.

### **Strengthened position to engage with regulators and community stakeholders**

- Engaging with regulators on a single project is more efficient and effective than engaging on two separate projects that are located adjacent to each other.
- Permit and approvals processes can be streamlined.
- A consolidated Project will, by virtue of its increased capacity and larger footprint, be more strategically important to regulators.
- Both companies and projects share important key stakeholders, including equity investors, potential project financiers, local communities and governments.

## **Transaction Summary**

FHE and Waroona have executed a Letter of Intent whereby Frontier will acquire 100% of the shares not already held by Frontier via a Plan of Arrangement under the Business Corporations Act (British Columbia) (**Share Plan**), the equivalent of an Australian Scheme of Arrangement under Part 5.1 of the Corporations Act 2001 (Cth). Frontier currently controls 20% of Waroona.

Under the Share Plan, Frontier will also acquire 100% of shares issued on conversion of options (**Options**) and restricted share units (**RSUs**). Frontier will acquire a total of approximately 622.5million Waroona shares, for ~A\$56.5m in Frontier shares, equivalent to C\$0.08 per Waroona Share.

The conversion ratio agreed is based on Frontier Share price of A\$0.388, and Waroona Shareholders will receive 1 new Frontier Share for every 4.27 Waroona Shares held on the Share Plan record date. Upon implementation of the Share Plan, Frontier will have approximately 470.1m Shares on issue. Current Frontier shareholders will hold approximately 69.0% of the Merged Group and Waroona Shareholders will hold approximately 31.0% of the Merged Group.

Key conditions to implementation of the Share Plan include, amongst others:

1. Completion of due diligence to the satisfaction of both parties;
2. Waroona Shareholders approving the Share Plan by the requisite majority;
3. Regulatory approvals in Canada;
4. Court approval of the Share Plan;
5. A fairness opinion from a financial advisor stating that the transaction is fair, from a financial point of view, to Waroona shareholders;
6. No material adverse change or prescribed occurrence occurring in relation to either Waroona or Frontier; and

7. Other conditions customary for a public transaction of this nature.

The definitive agreement will include customary representations, warranties, covenants and conditions contained in agreements for transactions of this nature including non-solicitation and lock-up provisions, business restrictions and a no material adverse change clause.

There are currently 737,979,415 Waroona Shares, 91,461,474 Warrants, 32,250,000 Options and 29,640,084 RSUs on issue. Frontier currently holds 147,615,883 Waroona Shares. The Warrants, Options and RSUs in Waroona have the following key terms:

1. Each Warrant is exercisable at C\$0.14 and entitles the holder to one Waroona Share upon the exercise of the Warrant. As these Warrants are far out of the money, it is not expected that any Warrant will be exercised;
2. Each Option is exercisable at C\$0.06 and, subject to the satisfaction (or waiver) of various vesting conditions, entitles the holder to one Waroona Share upon the exercise of an Option; and
3. Each RSU is exercisable at a nil exercise price and, subject to the satisfaction (or waiver) of various vesting conditions, entitles the holder to one Waroona Share upon the exercise of an RSU.

The terms of the Options and RSUs provide that immediately prior to the effective date of a Plan of Arrangement, the Option or RSU is deemed to be unconditionally vested and exercisable such that the securityholder will have the right to exercise and convert the Option or RSU into Waroona Shares.

As such, an aggregate 32,155,903 Waroona Shares will be issued on the exercise of all Options and RSUs. Frontier will acquire these at the same exchange ratio of 4.27.

## Related parties

The Share Plan will involve:

1. The issue of 11,011,581 Plan Shares to Grant Davey, a director of Frontier, via his indirect shareholding in Waroona;
2. The issue of 604,576 Plan Shares to Sam Lee Mohan, a director, via his indirect shareholding in Waroona and
3. The issue of 1,150,645 Plan Shares to Chris Bath, a director, via his indirect shareholding in Waroona.

Due to their personal interest/benefit as a result of this transaction, Messrs Davey, Lee Mohan and Bath have not, and will not, participate in any Board decisions relating to the Proposed Transaction and in this regard, an Independent Board Committee has been established.

Subject to ASX providing such waivers, Frontier does not intend to obtain approval from its Shareholders for the purposes of Listing Rules 10.1 (in respect of the issue of Plan Shares to Mr Davey) and 10.11 (in respect of the issue of Plan Shares to Messrs Davey, Lee Mohan and Bath).

## Indicative Timetable and Next Steps

A Share Plan Booklet containing information in relation to the Share Plan, including the basis for the Waroona Board's unanimous recommendation is expected to be circulated to all Waroona Shareholders in November 2023.

An indicative timetable is set out below\*:

Event	Date
Conduct due diligence and sign definitive agreement	October 2023
Waroona to finalise proxy circular	October 2023
Obtain interim court approval	October 2023
Mail proxy circular	November 2023
Shareholder meeting	December 2023
Second Court Hearing to approve Share Plan	December 2023
Implementation Date	December 2023

\*All dates are indicative only and subject to change and regulatory approval.

**Authorised for release by the Board of Frontier Energy Limited**

### Media and Investor Relations Queries:

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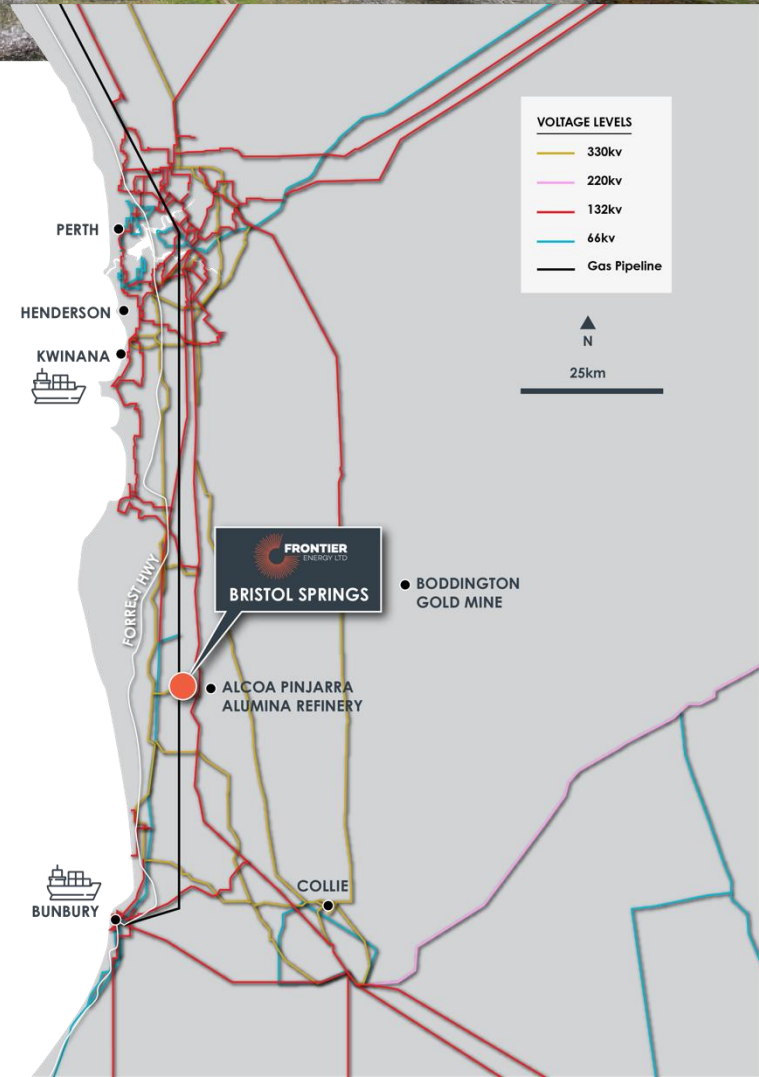
## About Frontier Energy

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 Study<sup>1</sup> 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.

<sup>1</sup>ASX Announcement 20<sup>th</sup> 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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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](https://asx.com.au) and [frontierhe.com](https://frontierhe.com), respectively.