

Frontier secures peak capacity credits for Waroona Renewable Energy Project – underpinning financing and development strategy

Frontier Energy Limited (ASX: FHE) (Frontier or the **Company**) is pleased to announce the Australian Energy Market Operator (**AEMO**) has assigned 88.06 MW of peak capacity credits to Stage One of its Waroona Renewable Energy Project in WA (**Stage One** or the **Project**).

HIGHLIGHTS

- Waroona Project Stage One assigned 88.06 MW of peak capacity credits for the 2027-2028 Reserve Capacity Cycle
- Based on the expected Reserve Capacity Price (RCP)¹ of \$360,700/MW, this will result in revenue (pre-energy sales) of ~ \$32 million for the 2027-2028 capacity year
- As Stage One nominated to be a fixed price facility for the first 5 years of operation (October 2027 until September 2032), total revenue from capacity credits over that period will total at least \$160 million² (based on a \$360,700/MW RCP)
 - From the 6th year of operations (October 2032), the RCP will be determined annually on a variable price basis
- Final assignment of capacity credits for Stage One provides the guaranteed revenue that is essential for project financing³
- Revenue received from capacity credits is in addition to revenue from energy sales and other market opportunities available to the Project
 - The average energy price on the Wholesale Energy Market (**WEM**) has increased to \$94/MWh in 2025 (2024: \$80/MWh), with the peak price (5pm – 9pm) averaging \$134/MWh in 2025³

Frontier CEO Adam Kiley commented: “This is a major milestone for the Company as the assignment of capacity credits, coupled with being a fixed priced facility, means the guaranteed revenue required by both equity and debt financiers has now been secured.³

Revenue from capacity credits in the first year will be approximately \$32 million¹, with total revenue from capacity credits over the first five years of operations of approximately \$160 million².

Importantly, this foundational revenue is in addition to revenue from energy sales and underpins the Project’s already robust economics. With this major milestone achieved, the Company aims to finalise the financing for development in the coming months.”

¹ The final RCP will be announced by AEMO on 27 November 2025. However, given the assignment of total credits and pricing deadband (see Figure 1 below), it is expected that the final RCP will be \$360,700/MW.

² Based on the assignment of 88.06MW of capacity credits, an RCP of \$360,700/MW and prior to any adjustment for inflation.

³ <https://data.wa.aemo.com.au/public/market-data/wemde/referenceTradingPrice/previous/>.

Assignment of capacity credits secures fixed revenue

Having previously been assigned 88.06 MW of Certified Reserve Capacity (CRC) for Stage One of the Waroona Project, Frontier is pleased to announce the Network Access Quantity (**NAQ**) as the final stage in the reserve capacity allocation process.

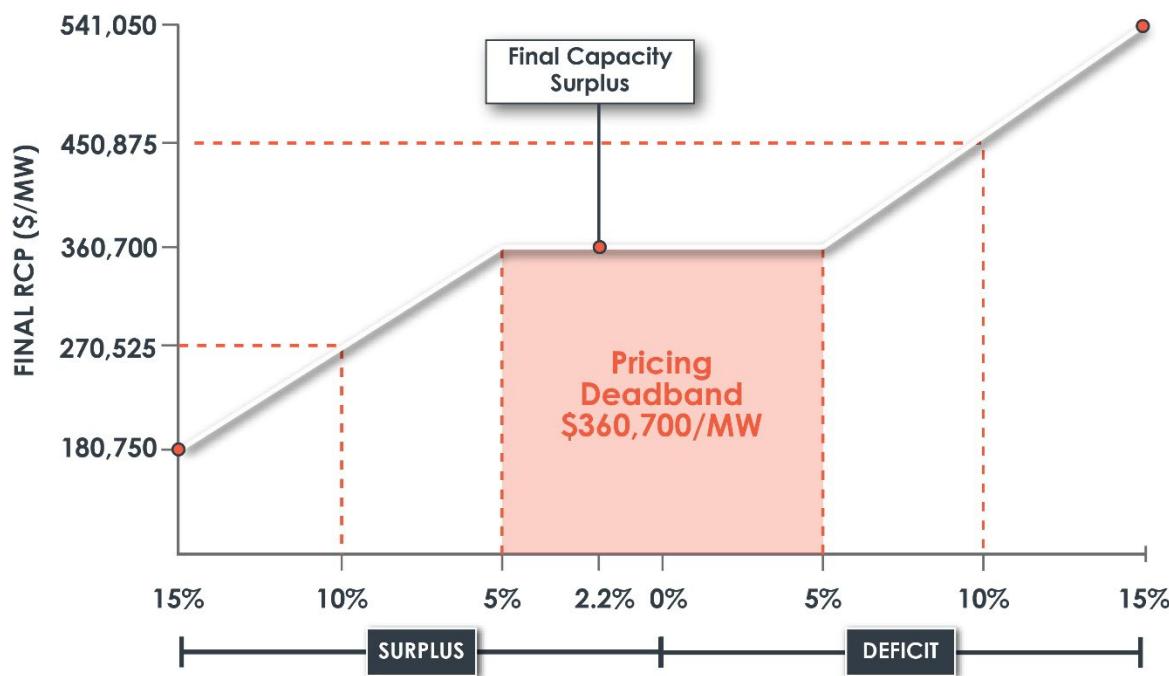
Following determination of the NAQ by AEMO, the Company received confirmation that Stage One of its Waroona Project has been assigned 88.06 MW of peak capacity credits.

The Benchmark Reserve Capacity Price (**BRCP**) for the 2027/28 capacity year is \$360,700/MW, with the final RCP to be announced on 27 November 2025.

As noted in previous announcements by Frontier⁴, Energy Policy WA introduced an RCP 'deadband' area, whereby the final RCP is equal to the BRCP if the Peak Certified Reserve Capacity is within 5% of the capacity target (i.e. the capacity surplus or deficit is less than 5%). Given the final reserve capacity allocation, the expectation is that the surplus will fall within this deadband, thereby likely resulting in the final RCP being equal to the BRCP.

Figure 1 below shows the final capacity allocation following the NAQ process and the expected final RCP.

Figure 1. 2027/28 capacity surplus/deficit and RCP



Based on the assignment of 88.06 MW of peak capacity credits and the BRCP of \$360,700/MW, Stage One expects to receive annual revenue from capacity credits of approximately \$32 million, fixed for five years.²

⁴ See ASX announcements dated 2 September 2025 and 19 September 2025.



Increase in battery duration

In June 2025, AEMO published the 2025 Electricity Statement of Opportunities report (**2025 ESOO**), which among other things, included the minimum Energy Storage Resource Obligation Duration (**ESROD**). The ESROD defines the minimum number of consecutive hours an electric storage resource (such as a battery) must be capable of discharging energy to be eligible for capacity certification.

In the 2025 ESOO, the ESROD for the 2027/28 Reserve Capacity Cycle was set at six hours. Previously, the ESROD was fixed at four hours and the Company's definitive feasibility study (**DFS**)⁵ accordingly assumed a battery storage system with a duration of 4.75 hours.

If Frontier had proceeded with a 4.75-hour duration battery for the Stage One Project (as originally proposed in the DFS), it would result in a proportionately lower number of capacity credits being assigned than was modelled in the DFS. This in turn would have resulted in lower revenue.

Frontier therefore elected to upscale the battery duration for the Stage One Project to at least 6 hours, thereby maximising the capacity credits that are assigned. In parallel with the financing process, the Company is progressing negotiations with equipment manufacturers, to finalise the cost of the larger scale battery, together with updated costs for all key equipment. The decision to increase the battery duration followed discussions with battery manufacturers, and a high-level review of the impact of increasing the duration of the battery. The Company notes however that since the release of the DFS in December 2024, the cost per MW of battery storage has fallen considerably.

Under the ESM (formerly WEM) rules, facilities that receive capacity credits are "grandfathered" against future increases in the ESROD for 10 years. This means they are protected from being derated due to changes in the ESROD during that period, ensuring investment certainty.

Financing update

Throughout 2025, Frontier has been engaged with strategic investors regarding the financing for Stage One. Fixing the RCP has provided the necessary guaranteed revenue to maximise the funding avenues that are available for the Project's development. This provides the Company with considerable optionality to structure the financing to optimise long-term value creation for existing shareholders.

Negotiations are continuing with financiers, with the Company aiming to finalise its preferred funding strategy in the coming months.

Revenue update – energy prices continue to rise

Revenue received from capacity credits represents approximately 50% of the forecast revenue for Stage One. Revenues are also expected to be generated via energy sales, Large-scale Generation Certificates and other market opportunities, such as FCESS.

⁵ See ASX announcement dated 4 December 2024.



The average energy price on the WEM has increased to \$94/MWh in the nine months ended 30 September 2025, an increase of 18% on the average energy price for 2024 of \$80/MWh. Owing to the Company's hybrid strategy, the majority of the Project's energy sales will occur in peak periods (assuming 5pm – 9pm), which has averaged \$134/MWh through 2025.

Frontier believes that its hybrid solution, combining low-cost solar energy with battery storage to discharge that energy into peak periods, is the optimal strategy to maximise returns in the WA energy market.

Authorised for release by Frontier Energy's Board of Directors.

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