

Illustrative Warrants Valuation

Prepared for the Frontera Holdco Noteholder Group

January 17, 2021

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Illustrative Warrants Valuation

- The Holdco lender group has received two proposals from Company to date regarding the warrants:
- **December Proposal**
 - 5-year 2.5% warrants at strike price tied to \$650MM enterprise value, and
 - 5-year 5% warrants at strike price tied to enterprise value of OpCo par plus accrued interest (~\$800MM enterprise value)
- **January Proposal**
 - 5-year 2.5% warrants with strike price tied to \$600MM enterprise value, and
 - 5-year 7.5% warrants at strike price tied to enterprise value of OpCo par plus accrued interest (~\$800MM enterprise value)
- **Morgan Lewis and Silver Foundry's proposed counter (January 17)**
 - 7-year 2.5% warrants with strike price tied to \$500MM enterprise value, and
 - 7-year 7.5% warrants at strike price tied to \$700MM enterprise value
- Silver Foundry has run standard Black-Scholes Valuation on the two offers received and the proposed counter. Key Assumptions in the Black-Scholes valuation
 - Risk-free rate 0.4%
 - Illustrative Enterprise Value at Close \$225MM - \$725MM
 - Post Money Equity value assumes \$125MM debt and \$[50]MM cash¹ at close (with final cash number to be determined)
 - Term is 5 years for the December and January proposals from Company and 7 years for proposed counter
 - Volatility range 30% - 55%
 - Strike Price (represented as Enterprise Value in Company offer) is adjusted to equity assuming \$125MM debt and \$[50]MM cash¹ at close (with final cash number to be determined)

1. \$50MM is an estimate and subject to change. Does not include estimated \$12MM to be potentially paid to CENACE based on Company advisors' disclosure Jan 13, 2021 as this is not finalized and Company considering various options.

December Proposal – Illustrative Range, \$MM

5-Year 2.5% Warrants at Strike Price \$650MM Enterprise Value

Enterprise Value at Close ¹ :		\$225	\$275	\$325	\$375	\$425	\$475	\$525	\$575	\$625	\$675	\$725
Equity Value, Post-Money ² :		150	200	250	300	350	400	450	500	550	600	650
Standard Deviation (Volatility)	30%	0.04	0.14	0.33	0.62	1.01	1.50	2.08	2.74	3.48	4.28	5.14
	35%	0.10	0.27	0.54	0.91	1.38	1.94	2.58	3.29	4.06	4.89	5.76
	40%	0.19	0.43	0.78	1.23	1.77	2.39	3.08	3.83	4.63	5.48	6.37
	45%	0.29	0.61	1.04	1.56	2.16	2.83	3.57	4.35	5.19	6.06	6.97
	50%	0.42	0.81	1.31	1.89	2.55	3.27	4.04	4.86	5.73	6.62	7.55
	55%	0.57	1.03	1.58	2.22	2.93	3.70	4.51	5.36	6.25	7.17	8.11

5-Year 5.0% Warrants at Strike Price \$800MM Enterprise Value

Enterprise Value at Close ¹ :		\$225	\$275	\$325	\$375	\$425	\$475	\$525	\$575	\$625	\$675	\$725
Equity Value, Post-Money ² :		150	200	250	300	350	400	450	500	550	600	650
Standard Deviation (Volatility)	30%	0.04	0.14	0.35	0.70	1.20	1.87	2.70	3.69	4.82	6.09	7.48
	35%	0.11	0.31	0.66	1.17	1.85	2.68	3.67	4.79	6.05	7.41	8.89
	40%	0.22	0.55	1.05	1.73	2.56	3.54	4.66	5.91	7.27	8.72	10.27
	45%	0.39	0.86	1.51	2.33	3.31	4.43	5.67	7.02	8.47	10.00	11.62
	50%	0.61	1.22	2.01	2.98	4.08	5.32	6.67	8.11	9.64	11.25	12.93
	55%	0.86	1.61	2.55	3.64	4.86	6.21	7.65	9.18	10.79	12.47	14.20

Combined

Enterprise Value at Close ¹ :		\$225	\$275	\$325	\$375	\$425	\$475	\$525	\$575	\$625	\$675	\$725
Equity Value, Post-Money ² :		150	200	250	300	350	400	450	500	550	600	650
Standard Deviation (Volatility)	30%	0.08	0.28	0.68	1.32	2.21	3.37	4.78	6.43	8.30	10.37	12.62
	35%	0.21	0.58	1.20	2.08	3.23	4.63	6.25	8.09	10.11	12.30	14.65
	40%	0.41	0.98	1.83	2.95	4.33	5.93	7.74	9.74	11.90	14.20	16.64
	45%	0.69	1.47	2.55	3.89	5.47	7.26	9.23	11.37	13.65	16.06	18.58
	50%	1.03	2.03	3.32	4.87	6.63	8.59	10.71	12.97	15.37	17.87	20.48
	55%	1.43	2.64	4.13	5.86	7.80	9.90	12.16	14.54	17.04	19.63	22.32

1. Closing assumed Jan 31, 2021

2. Post Money refers to pro forma \$50MM cash contribution from opco holders

January Proposal – Illustrative Range, \$MM

5-Year 2.5% Warrants at Strike Price \$600MM Enterprise Value

Enterprise Value at Close ¹ :		\$225	\$275	\$325	\$375	\$425	\$475	\$525	\$575	\$625	\$675	\$725
Equity Value, Post-Money ² :		150	200	250	300	350	400	450	500	550	600	650
Standard Deviation (Volatility)	30%	0.06	0.19	0.42	0.76	1.21	1.77	2.41	3.15	3.95	4.81	5.73
	35%	0.13	0.33	0.64	1.07	1.59	2.21	2.91	3.67	4.50	5.38	6.30
	40%	0.22	0.50	0.90	1.39	1.98	2.65	3.39	4.19	5.04	5.94	6.87
	45%	0.34	0.70	1.16	1.73	2.37	3.09	3.87	4.70	5.57	6.48	7.43
	50%	0.48	0.90	1.44	2.06	2.76	3.52	4.33	5.19	6.09	7.02	7.98
	55%	0.63	1.12	1.72	2.39	3.14	3.93	4.78	5.67	6.58	7.53	8.51

5-Year 7.5% Warrants at Strike Price \$800MM Enterprise Value

Enterprise Value at Close ¹ :		\$225	\$275	\$325	\$375	\$425	\$475	\$525	\$575	\$625	\$675	\$725
Equity Value, Post-Money ² :		150	200	250	300	350	400	450	500	550	600	650
Standard Deviation (Volatility)	30%	0.05	0.20	0.52	1.04	1.80	2.81	4.05	5.53	7.23	9.13	11.22
	35%	0.16	0.46	0.99	1.76	2.77	4.03	5.51	7.19	9.07	11.12	13.33
	40%	0.34	0.83	1.58	2.59	3.84	5.32	7.00	8.86	10.90	13.08	15.40
	45%	0.59	1.29	2.27	3.50	4.97	6.64	8.50	10.53	12.70	15.00	17.42
	50%	0.91	1.83	3.02	4.46	6.13	7.98	10.00	12.17	14.46	16.88	19.39
	55%	1.30	2.42	3.82	5.46	7.30	9.31	11.48	13.77	16.18	18.70	21.30

Combined

Enterprise Value at Close ¹ :		\$225	\$275	\$325	\$375	\$425	\$475	\$525	\$575	\$625	\$675	\$725
Equity Value, Post-Money ² :		150	200	250	300	350	400	450	500	550	600	650
Standard Deviation (Volatility)	30%	0.11	0.39	0.94	1.80	3.01	4.57	6.47	8.68	11.18	13.94	16.94
	35%	0.28	0.79	1.63	2.83	4.37	6.24	8.41	10.87	13.57	16.50	19.63
	40%	0.56	1.33	2.48	3.98	5.82	7.97	10.39	13.06	15.94	19.02	22.27
	45%	0.93	1.99	3.43	5.23	7.34	9.73	12.37	15.22	18.27	21.49	24.85
	50%	1.39	2.73	4.46	6.52	8.88	11.50	14.33	17.36	20.55	23.89	27.37
	55%	1.92	3.54	5.53	7.85	10.43	13.24	16.26	19.44	22.77	26.23	29.81

1. Closing assumed Jan 31, 2021

2. Post Money refers to pro forma \$50MM cash contribution from opco holders

Proposed Counter – Illustrative Range, \$MM

7-Year 2.5% Warrants at Strike Price \$500MM Enterprise Value

Enterprise Value at Close ¹ :		\$225	\$275	\$325	\$375	\$425	\$475	\$525	\$575	\$625	\$675	\$725
Equity Value, Post-Money ² :		150	200	250	300	350	400	450	500	550	600	650
Standard Deviation (Volatility)	30%	0.22	0.53	0.97	1.54	2.21	2.97	3.80	4.69	5.64	6.63	7.65
	35%	0.37	0.77	1.30	1.93	2.66	3.46	4.32	5.23	6.18	7.17	8.19
	40%	0.54	1.03	1.63	2.32	3.09	3.93	4.82	5.75	6.72	7.71	8.74
	45%	0.73	1.29	1.96	2.70	3.52	4.39	5.30	6.25	7.24	8.25	9.28
	50%	0.92	1.55	2.28	3.07	3.93	4.83	5.77	6.74	7.74	8.76	9.81
	55%	1.12	1.81	2.59	3.43	4.32	5.25	6.21	7.21	8.22	9.26	10.32

7-Year 7.5% Warrants at Strike Price \$700MM Enterprise Value

Enterprise Value at Close ¹ :		\$225	\$275	\$325	\$375	\$425	\$475	\$525	\$575	\$625	\$675	\$725
Equity Value, Post-Money ² :		150	200	250	300	350	400	450	500	550	600	650
Standard Deviation (Volatility)	30%	0.26	0.72	1.45	2.47	3.77	5.33	7.12	9.12	11.30	13.65	16.15
	35%	0.55	1.26	2.27	3.57	5.12	6.91	8.89	11.05	13.37	15.83	18.41
	40%	0.94	1.91	3.18	4.73	6.50	8.48	10.64	12.95	15.39	17.95	20.61
	45%	1.41	2.63	4.15	5.91	7.89	10.04	12.35	14.78	17.34	19.99	22.73
	50%	1.94	3.39	5.13	7.09	9.25	11.55	14.00	16.55	19.21	21.95	24.77
	55%	2.50	4.18	6.12	8.26	10.57	13.02	15.59	18.25	21.01	23.83	26.73

Combined

Enterprise Value at Close ¹ :		\$225	\$275	\$325	\$375	\$425	\$475	\$525	\$575	\$625	\$675	\$725
Equity Value, Post-Money ² :		150	200	250	300	350	400	450	500	550	600	650
Standard Deviation (Volatility)	30%	0.49	1.25	2.42	4.01	5.98	8.29	10.91	13.81	16.94	20.28	23.80
	35%	0.92	2.03	3.57	5.50	7.78	10.36	13.21	16.28	19.56	23.01	26.61
	40%	1.49	2.94	4.81	7.05	9.60	12.41	15.46	18.70	22.10	25.66	29.35
	45%	2.14	3.92	6.10	8.61	11.40	14.43	17.65	21.04	24.57	28.24	32.01
	50%	2.86	4.95	7.41	10.17	13.17	16.38	19.77	23.29	26.95	30.72	34.58
	55%	3.62	5.99	8.71	11.69	14.89	18.27	21.80	25.46	29.23	33.10	37.04

1. Closing assumed Jan 31, 2021

2. Post Money refers to pro forma \$50MM cash contribution from opco holders