

Whitehaven: well-bought but still exposed

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Whitehaven Coal ("Whitehaven") is a leading producer of metallurgical coal and thermal coal in Australia. The company completed the acquisition of the Bowen Basin mines, Daunia and Blackwater, from BHP and Mitsubishi in 2024. This transformed the company from a mid-tier thermal coal player to a leading metallurgical coal producer in Australia. The acquisition was financed with USD1.1 billion in private credit loans and cash on hand.

There are two striking parts to the acquisition and follow-on financings. First, Whitehaven transformed assets that BHP publicly described as generating "1% ROCE" [1] into higher-return, portfolio-diversifying mining assets. This was achieved through a lower effective entry valuation, operating the assets at a lower cost base and monetising a stake in the Blackwater mine at a gain. Second, a financing "arbitrage" occurred, where prior to acquisition, Whitehaven's cost of capital was around 10-12% (~650bps spread) due to the lack of financing channels in the public debt and loan markets. Two years after this acquisition, Whitehaven was able to reduce its financing costs to around 6.3% (~275-300bps spread) by tapping the public bond markets in April, via USD900 million in 1st lien bonds and USD600 million in secured loans to refinance the private debt.

Whitehaven's thermal/metallurgical coal ratio went from over 90%/less than 10% of total revenues before FY2024, to about 36%/64% for FY2025. By production volume, thermal remains over 50% of total coal production. Proved recoverable reserves are now 55% in metallurgical coal post-acquisition.[2] However, the company's capital allocation reality is that it is spending about 55% of its total capital expenditures[3] for FY2026 for the New South Wales business, which is largely thermal coal. On the developmental side, 80% of the expansion capital is going into New South Wales which includes increasing production capacity and extending the life of thermal coal mines.

Key Takeaways

- **Whitehaven has executed a strong pivot to metallurgical coal and regained access to cheaper bank and bond financing in the public markets.**
- **However, Whitehaven is focused on high-volume, low-cost coal production. Thermal coal is around 50% of its production and most of its expansion capital, despite metallurgical coal constituting 64% of its revenues.**
- **Bondholders face significant transition and physical risks at Whitehaven, with downside if coal demand falls or carbon and methane costs rise before the new bonds mature.**

[1] "BHP Coal- from cash cow to capital trap?", IEEFA, 31 Oct 2025.
[2] Whitehaven preliminary offering memorandum dated 13 Apr 2026.
[3] "Whitehaven half year results FY26", Whitehaven Coal Limited, 19 Feb 2026.

Not investment advice. First published 9 Jun 2026. Important disclaimers at end of the document.
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Introduction

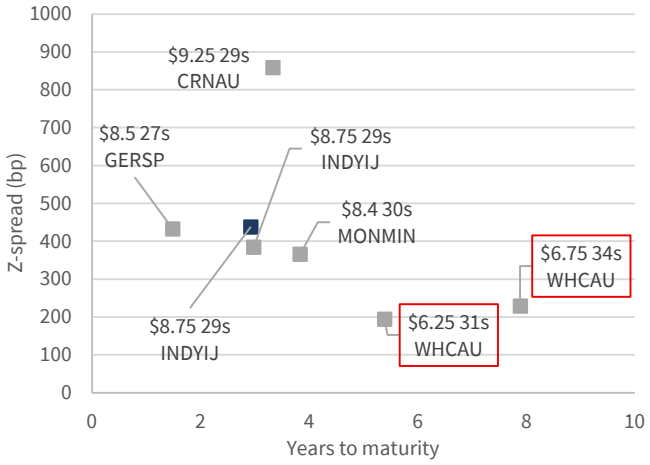
Whitehaven (ticker WHCAU) is publicly listed on the ASX with a market capitalisation of AUD7.7 billion as of 5 June 2026. The company completed the acquisition of BHP Mitsubishi Alliance's Bowen Basin mines in 2024 for up to USD4.1 billion (USD2.1 billion at completion), with various deferred payouts and price-linked earnouts remaining. Due to the lack of financing for thermal coal companies at the time, the company resorted to the private debt market to finance its acquisition. In addition, Whitehaven was able to sell 30% of the Blackwater mine for USD1.08 billion in March 2025 to two Japanese steel makers.

In April 2026, Whitehaven returned opportunistically to public bond markets after being effectively shut out since 2021. The bond refinancing delivered substantially lower financing costs — bond coupons of 6.375%-6.75% compared to nearly 10-12% for the previous loan facility. The company also secured a new USD600 million senior secured facility (USD475 million term loan, USD125 million revolver) with a 4.5-year tenor at approximately 6%. This would reduce annual interest costs by AUD 50-55 million and extend average maturities from around 3 to 6 years. By shifting from a portfolio that was over 90% thermal coal to one where metallurgical coal drives 64% of revenue, the company has fundamentally altered its risk profile.

Metallurgical coal faces fewer exclusions from banks and investors due to its essential role in steel production, with most investors providing a longer transition runway than for thermal coal. From an investment perspective, funds and asset owners have exclusions of companies with thresholds 10-30% of revenues generated from thermal coal.

The company now has six mine sites: four in New South Wales that are primarily thermal coal assets and two in Queensland that are metallurgical coal mines.

Figure 1. USD coal mining bonds. WHCAU and CRNAU are 1st lien bonds, the remainder are senior unsecured. Source: Bloomberg Finance L.P. accessed 5 Jun 2026. INDYIJ and MONMIN are thermal coal; while GERSP and CRNAU have thermal/metallurgical coal mix.



Financing met and thermal coal

In FY2021, Whitehaven had a AUD1 billion senior secured debt facility with a group of Australian, Japanese and Chinese banks with maturity on 31 July 2023. In FY2022, it repaid fully its outstanding amount at AUD728 million. Potentially anticipating an increasingly challenging banking environment for thermal coal producers, the company began to explore diversifying its funding sources into the global debt capital markets in 2021. However, this strategy proved difficult. Whitehaven was rated high yield at the time and global bond markets were becoming increasingly expensive for thermal coal companies seeking to finance growth or capital expenditures.

By late 2023, Whitehaven was in talks to acquire BHP and Mitsubishi's Bowen Basin mines. This would help reposition the company into metallurgical coal. To finance this acquisition, Whitehaven

secured a 5-year facility from 17 private credit funds and one bank, priced at SOFR + 650 bps, with a 2-year non-call period.

Table 1 below summarises the evolution of Whitehaven's financing from 2020-2026 (fiscal year end: 30 June). The "financing rate" shown is an approximation, calculated as net finance expense divided by the combined balance of the senior credit facility, export credit agency loans and equipment leases. Bank and insurance guarantees are excluded from interest-bearing liabilities, as their cost (typically 1–2% of the guaranteed amount) represents a relatively minor component of total financing expense. Amounts of debt and other liabilities are shown as of 30 June each year and therefore do not reflect intra-year movements in balances.

For FY2024, the private credit loan facility was only drawn in April 2024, at around 11.8% at the time, and the reported interest expense only reflects roughly three months of drawn loan. From October 2023 to April 2024, Whitehaven relied on a USD900 million acquisition bridge loan from Bank of America and Jefferies, with an estimated cost of 8-10%. On a blended basis, Whitehaven's overall cost of financing is estimated at about 10% for FY2024.

Table 1. Whitehaven financial liabilities (FYE2020-2025, 1H26). All figures AUD mm. Source: Whitehaven annual reports.

FYE Jun 30	Sr credit facility (MM)	Export Credit Agency loan	Leased equipment	Bank/Insurance guarantees	Net finance expense	Rate	Notes
FY2020	550 of 1000 drawn	22	254	424	39	5%	
FY2021	688 of 1000 drawn	58	263	469	62	6%	
FY2022	0 of 1000 drawn	48	136	463	55	12%	
FY2023	No facility	39	87	447	27*	21%	
FY2024	1661 of 1812 drawn	29	55	517	107	~10%	Debt drawn 4/24
FY2025	1796 of 2171 drawn	0	94	685	219	12%	
1H2026 (Dec 25)	1749 of 2149 drawn	0	92	654	102	12%	6 months of interest

The progression of Whitehaven's funding sources illustrates the growing difficulty the company faced in securing low-cost bank financing and, more broadly, affordable capital. This pressure ultimately pushed Whitehaven into the private credit markets to fund the Bowen Basin acquisition. However, integrating the metallurgical coal mines has materially shifted the company's profile away from thermal coal and as a result, significantly altered its overall risk profile.

On the insurance side, Whitehaven established a special purpose vehicle (SPV) in 2021 to underwrite its own insurance — an approach also adopted by several industry peers in response to tightening insurance coverage and the introduction of exclusion policies for thermal coal miners. Following the acquisition of the metallurgical coal assets, however, Whitehaven chose not to proceed with using the SPV for its own underwriting, with management noting that access to insurance had improved once the company was repositioned as a metallurgical coal producer.

The acquisition also broadened Whitehaven's investors base. AustralianSuper, Australia's largest superannuation fund, had previously been an equity investor but divested from Whitehaven in November 2020 as part of its strategy to achieve net zero emissions across its portfolio by 2050. In 2024, AustralianSuper re-entered Whitehaven, explaining that "*Whitehaven's acquisition of BHP's metallurgical coal assets changed the company's revenue profile and made it a more attractive*

investment given their importance in steel making…The energy transition will not be linear, and we regularly reassess investments in the energy and resources sectors in their ability to deliver value for members."[4] As of May 2026, AustralianSuper holds 11.82% of Whitehaven's listed shares, making it the company's largest shareholder.

Whitehaven capital allocation and expansion plans

The BHP mine assets acquisition bolstered access to financing and improved Whitehaven's image as a metallurgical coal company. Thermal coal remains about 51% of total coal production as measured by FY2026 year-to-date production. Please see Table 2 in Appendix of breakdown of coal production between the NSW and Queensland mines. In terms of capital expenditures, thermal coal still receives roughly 55% of total capex, and for developmental capex, thermal coal receives about 80% of total expansion capex.

Table 2. Whitehaven capital expenditures. Source: Whitehaven Company Ltd.

Capital Expenditures AUD(MM)	1H2025	1H2026	FY2024	FY2025	FY2026E
NSW	107	94	350	215	194-249
% total	52.2%	59.9%	78.0%	55.4%	~55%
Queensland	98	63	99	173	151-191
% total	47.8%	40.1%	22.0%	44.6%	~45%
NSW Dev capex			205-225	140-170	44-64
			90%	90%	80%
QLD Dev capex			15-30	15-20	11-16
			10%	10%	20%

Whitehaven's mine expansion plans have been successfully approved for both thermal and metallurgical coal. On the thermal mine side, it has extended the life of the Narrabri and Vickery mines in NSW from 2031/2033 to 2045/2043 respectively. For its metallurgical coal assets, it has extended Blackwater North mine until 2055 and has a greenfield project in Winchester South that is looking to commence in 2026.

The extensions and increase in production for the thermal coal side could amount to a further 237Mt[5] of thermal coal to be mined compared to previous plans. On the metallurgical coal side, planned and approved extension, including the Winchester South greenfield mine could amount to a cumulative of around 700Mt of metallurgical coal assuming just 20 years of life for Winchester South at around 60% capacity. This does not include plans for Blackwater South's expansion potential.

In FY2025, Whitehaven's Scope 1 emissions totalled 1958 ktCO_2e, with an emission intensity of 0.05 tonnes CO_2e per tonne of ROM (run of mine) coal, with diesel contributing 51% of Scope 1 emissions and fugitive emissions in extraction contributing the remaining 49%. Please see Table 4 in the Appendix for emissions breakdown by year. The company uses carbon credits as the key measure to meet its regulatory obligations under the Safeguard Mechanism. Although the company's emissions intensity compares favourably to the Safeguard default at 0.0653 tonnes CO_2e/tonne[6], it is still growing and with its new mines, total Scope 1 emissions continue to rise. The

[4] "AustralianSuper slammed for alleged ESG breach", InvestorDaily, 27 Jun 2025.
[5] AFII estimate based on production table in Table 2.
[6] "Whitehaven Sustainability Report 2025", Whitehaven Coal Limited, 2025.

company's expansions also increase methane emissions and, according to the energy think tank Ember, could release over 1.2 million tonnes of fugitive methane between now and 2050.[7]

Bondholder risks

Whitehaven may generate strong cash flow in the near term while coal markets remain tight. With bond maturities at 5.5 and 8 years, this can appear comfortably ahead of coal phase-out timelines for many power and steel plants, which are the main off-takers for its coal. However, several material risks are likely to crystallise before maturity: (1) demand-side risk; (2) climate-related physical and compliance risks; and (3) refinancing risk.

Thermal coal demand is expected to decline gradually by 2030, despite a short-term uplift from gas-to-coal switching in parts of Asia. Whitehaven's main thermal customers are in Japan, Korea and Taiwan. The company expects combined demand from these markets to fall by 17%, from 142 Mt to 118 Mt between 2025 and 2040.[8] Any significant reduction in coal burn by utilities in these countries will directly pressure Whitehaven's thermal volumes.

Globally, coal-fired generation is being repriced as a high transition-risk asset, with capital reallocated toward lower-carbon alternatives. BKW, a Swiss energy group, recently took a non-cash impairment of about CHF 110–114 million on its 33% stake in a German coal plant while acquiring part of a hydrogen-capable gas plant.[9] Such write-downs, closures and conversions are strong signals that affect coal demand, pricing and ultimately financing conditions for producers like Whitehaven.

Metallurgical coal demand is also exposed to decarbonisation, albeit on a longer timeline. From around 2030, metallurgical coal demand is expected to fall structurally as green steel technologies scale and EAF penetration increases, especially in China and India. These two markets account for roughly 16% of Whitehaven's managed sales in 1H FY2026, largely in metallurgical coal. Coking coal pricing is therefore likely to become more volatile in a lower-demand, policy-constrained market.

Physical climate risks in Queensland and New South Wales — droughts, flooding and severe wet-weather events — are increasing in frequency. These events disrupt production and raise water management, insurance and remediation costs. The Bowen Basin, where Whitehaven's open-cut mines sit in low-lying valleys near rivers, has been particularly exposed over the past 15–20 years. During the 2010–2011 Queensland floods, around 25% of Bowen Basin mines became inoperable and a further 60% operated under restrictions. Production losses totalled about 25 Mt over two quarters, roughly 15% of Australia's six-month coal output.[10] If such events become more frequent over the next 5–10 years, production impacts will not be negligible. In the Appendix (Table 5 and Table 6), we illustrate how a more extreme climate scenario could lift annual production loss at a typical 20 Mtpa mine from around 6% to about 10%.

Whitehaven recognises rehabilitation provisions of AUD749 million as of December 2025 and holds AUD654 million of bank guarantees to secure these obligations. Rehabilitation and biodiversity

[7] "Whitehaven's expansion risks doubling its methane pollution, undermining Australia's climate goal", EMBER, 17 Aug 2023.
[8] Whitehaven preliminary offering memorandum, dated 13 Apr, 2026.
[9] "BKW makes a value adjustment for Wilhelmshaven coal power plant and focuses on flexible energy production", BKW, 20 Jan 2026.
[10] "The Impact of the Recent Floods on the Australian Economy", RBA, Feb 2011.

obligations arise once mining disturbs the environment. No large open-cut coal mine in Australia has yet completed full rehabilitation, so the true scale and cost of this liability remain uncertain.[11] Regulators are focused on the adequacy of rehabilitation funding for mine closures and there is a possibility that provisions and bank guarantees may increase as standards tighten, and if mine closure dates are moved forward.

From 2025, open-cut mines must also use more accurate methane-estimation methods under Australia's Safeguard Mechanism. Higher reported methane emissions mean mines must either abate emissions or buy Australian carbon credits. One estimate suggests Whitehaven's cumulative Safeguard liabilities could reach up to AUD220 million by 2030, driven by methane at its New South Wales mines and rising diesel use.[12] This implies higher methane-capture and abatement costs for Queensland operations as well, adding to operating and capital expenditures. At present, Whitehaven lacks a detailed abatement strategy, especially for methane. Diesel combustion, as mentioned earlier, is also a key driver of emissions. Whitehaven's proposed expansion plans, including for the Vickery mine and Winchester South, will rely on truck and shovel operations with long-haul distances and higher stripping ratios.[13] However, there are no feasible plans for low-carbon truck solutions and this exposes Whitehaven to rising compliance costs. Policy is expected to tighten as the Safeguard Mechanism baselines decline annually, which implies higher carbon costs for the company. From 2030 onwards, carbon and methane compliance costs are likely to become a material driver of overall cash costs.

Finally, refinancing risk towards the bond's maturity will also increase. In 4–6 years, when Whitehaven's current loans and bonds mature, refinancing is likely to depend on a smaller pool of lenders and private credit. If coal prices or sentiment weaken at that point, bondholders may be locked in until new money refinances the company at significantly lower valuations.

Taking these demands, together with climate, policy and financing risks, we see a credible downside case in which annual output falls from about 40 Mtpa to 34-6 Mtpa as demand softens and climate constraints tighten. These risks will materialise at a time when management is actively ramping up coal production and starting greenfield expansions. Cash costs could rise further if royalties, carbon costs and operating pressures increase. These risks are largely non-diversifiable given Whitehaven's single-commodity business model.

Conclusions

Whitehaven has used the BHP asset acquisition to rebrand itself as a metallurgical coal producer which may be considered to have improved its risk profile. That repositioning has attracted mainstream capital back into its equity and lowered its cost of debt. However, the company's strategy still hinges on long-lived, high-volume coal production. Thermal coal remains roughly half of output and absorbs most of the expansion capex, while mine life extensions at Narrabri, Vickery and Blackwater, plus the Winchester South greenfield project, lock in substantial new thermal and metallurgical coal volumes well into the 2040s and 2050s.

This growth path materially increases absolute Scope 1 emissions and fugitive methane, with compliance under the Safeguard Mechanism likely to become a rising cash cost. At the same time, Whitehaven's main thermal markets (Japan, Korea, Taiwan) are signalling declining demand; steel

[11] "The hidden costs of coalmines' unquenchable thirst", IEEFA, 28 Mar 2024.
[12] "Whitehaven Climate Liability Risk Assessment", Carbon Bridge, Nov 2025.
[13] "Whitehaven Coal: Climate Risk Assessment", Carbon Bridge; Climate Energy Finance, 19 Dec 2025.

decarbonisation puts metallurgical coal under longer-dated but structural pressure; and physical climate risks in NSW and Queensland threaten more frequent production disruptions and higher insurance and rehabilitation costs. Against this backdrop, bondholders face a concentrated bet on a single-commodity issuer whose refinancing options may narrow again as transition policy tightens.

Whitehaven has achieved better financing conditions but this does not remove core transition and physical risks. **For creditors, the bonds offer exposure to strong coal cash flows, but with meaningful downside if demand weakens, carbon and methane costs rise faster than expected or capital markets once again reprice coal credit as high risk before the new bonds mature.**

Appendix

Table 3. Whitehaven coal production. Source: Whitehaven March 2026 Quarterly Report.

Coal production	Quarter ended					
Tonnes ('000)	Mar-26	Dec-25	Sept-25	Jun-25	FY26 YTD	FY guidance
QLD ROM coal production	4,055	5,621	4,693	5,643	14,369	18,300-20,100
NSW ROM coal production	5,441	5,375	4,356	4,942	15,169	18,700-20,900
Group	9,496	10,996	9,049	10,585	29,538	37,000-41,000
Sales mix by volume (%)						
QLD sales mix- Metallurgical coal	98%	97%	92%	97%	94%	
QLD sales mix- Thermal	2%	3%	8%	3%	4%	
NSW sales mix- Metallurgical coal	7%	5%	7%	14%	6%	
NSW sales mix- thermal coal	93%	95%	93%	86%	94%	

Table 4. Whitehaven historical emissions and emissions intensity. Source: Whitehaven Sustainability Report 2025.

GHG emissions (kt CO2-e)	FY25	FY24	FY23
Scope 1 emissions	1,958	1,228	1,172
Scope 2 emissions (location based)	271	138	93
Total operational emissions2	2,229	1,366	1,266
Scope 1 emissions by source			
Fugitive emissions (location based)	953	681	789
Diesel consumption	1,000	546	382
Other (location based)	4	2	2
Scope 1 emissions by mine			
Narrabri (location based)	511	555	787
Maules Creek (location based)	283	286	258
Tarrawonga (location based)	68	76	73
Werris Creek (location based)	7	22	43
Vickery (location based)		60	28
Blackwater (1) (location based)		802	190
Daunia(1) (location based)		210	54
Other (location based)	16	17	11
Scope 1 emissions intensity (t CO2 -e / ROM t)	0.05	0.05	0.064
Scope 1 and 2 emissions intensity (t CO2 -e / ROM t)	0.057	0.056	0.07
ROM production (kt)	39,139	24,460	18,190

(1) FY24 emissions data includes Blackwater and Dunia mines for the June quarter

Below, we assume three scenarios for rainfall in the Bowen Basin area, which is regular, moderate and severe rainfall that is based on rainfall observed historically from 2000-2026. The data is from the Bureau of Meteorology, for station 035019, which is in the Bowen Basin. Production loss is also estimated here with the following assumptions: 0-3% loss for regular rainfall, 5-12% loss for moderate rainfall and 15-25% loss for severe, which was the case for the 2010-2011 flooding. For adjusted probabilities, we increased the frequency of over 1100 mm rainfall from historically observed 5% to 15%, and decreasing the regular rainfall percentage to 60%.

Table 5. Historical and estimated future probabilities of rainfall events. Estimated probabilities are raised assuming that there will be higher probabilities of extreme weather conditions going forward.

	Amount of rain	Production loss (historical)	Probability (Historical) (1)	Probabilty (adjusted) (2)
Regular rainfall	<700mm, normal season	0-3%	68%	60%
Moderate rainfall	700-1100mm, moderate 2008 type of flooding	5-12%	27%	25%
Severe/ extreme rainfall	>1100mm, 2010-11 flooding event	15-25%	5%	15%

(1) Historical probabilities are calculated using climate data from Bureau of Meteorology. (https://www.bom.gov.au/climate/data/). This is based on data only from 1970-2018.
(2) Adjusted probabilities are just based on how extreme conditions will be raised due to climate change and are purely hypothetical.

Further, we have a hypothetical 20Mtpa mine and calculated what the production impact would be due to these rainfalls and projected production loss based on the probabilities above.

Table 6. Distribution of outcomes and impact on production for a hypothetical 20 Mtpa mine. Source: AFII

	Production loss	Production impact (historical) Mtpa	Production impact (adjusted) Mtpa
Regular rainfall	0-3%	0-0.4	0-0.36
Moderate rainfall	5-12%	0.27-0.65	0.3-0.72
Extreme rainfall	15-25%	0.15-0.25	0.25-0.6
Total		0.42-0.9	0.55-1.71
% loss		2%-4.5%	3.5%-8.6%

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