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The canary in the thermal coal mine

Whitehaven's debt prospectus highlights increasing risks for equity investors

- *Whitehaven's market analysis presents an upside case for high-quality coal, but deeper analysis suggests a market facing declining demand and a growing threat from lower-quality substitutes.*
- *The company's reporting highlights a deteriorating financial position that reflects increased operating costs with growing exposure to emission costs. If not addressed, IEEFA believes annual emission costs could reach between \$37.5 million and \$60 million at its Narrabri mine alone by 2034.*
- *The increased debt used to fund Whitehaven's Queensland entry places further financial pressure on all assets. By being secured specifically against Queensland assets, it effectively increases equity exposure to NSW thermal coal assets.*
- *A strategy to reduce the risks of current NSW assets rather than invest in growth would be consistent with Whitehaven's stated capital management priorities, which stress shareholder returns above growth.*

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Introduction

On 22 April 2026, Whitehaven [announced](#) the successful completion of a US\$900 million loan agreement by its wholly owned subsidiary Australian MetCoal Financing (AMCF). Proceeds from the secured notes facility will be used to pay down the remaining balance of debt Whitehaven used to acquire its Queensland assets in 2024 and for other general corporate purposes.

The [prospectus](#) issued by Whitehaven to promote the facility has been published on the Singapore Exchange's website. Among other things, the prospectus details:

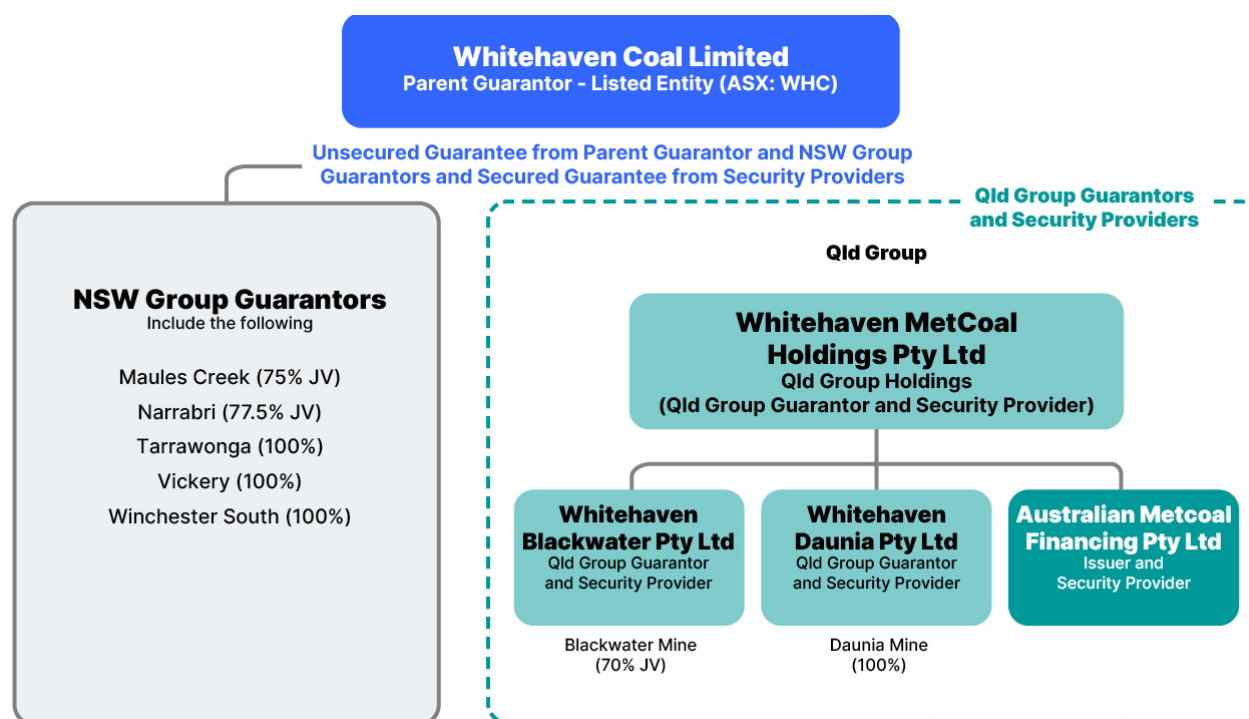
- The particulars of Whitehaven's corporate structure – particularly the positioning of AMCF within that structure and its security over certain assets.
- Whitehaven's views on future market directions and the relative positioning of its individual assets, informed by external consulting reports.
- Detailed financial performance reporting.

Analysis of these published findings, including comparison with recently published market outputs by other coal producers, highlights several key risks that in IEEFA's view could be of concern to investors in Whitehaven. Further analysis of emissions risks highlighted in Whitehaven's sustainability and emissions reporting expands the picture of the risks facing the company regarding its thermal coal business in News South Wales (NSW).

Corporate structure raises shareholders' risk exposure to NSW thermal coal assets

Whitehaven's prospectus provides a snapshot of its corporate structure. This reveals that its Queensland companies – the Blackwater and Daunia metallurgical coal mines – have been placed alongside AMCF, with their assets used to secure its financing.

Figure 1: Whitehaven corporate structure



Source: [Whitehaven prospectus](#), page 42.

Under this structure, investors in Whitehaven Coal Limited, as the parent guarantor, now have less security from the performance of the Queensland assets, because those assets are secured against the debt facility under AMCF. That is, if Whitehaven experiences financial issues, debtholders in AMCF will have recourse to the Queensland assets first, leaving the balance of the assets to meet obligations to other financiers and investors. This effectively means, in the event of a financial downturn, shareholders have limited access to the Queensland assets, leaving their risk positions heavily weighted to the NSW thermal coal mines and Winchester South, an unsecured growth asset.

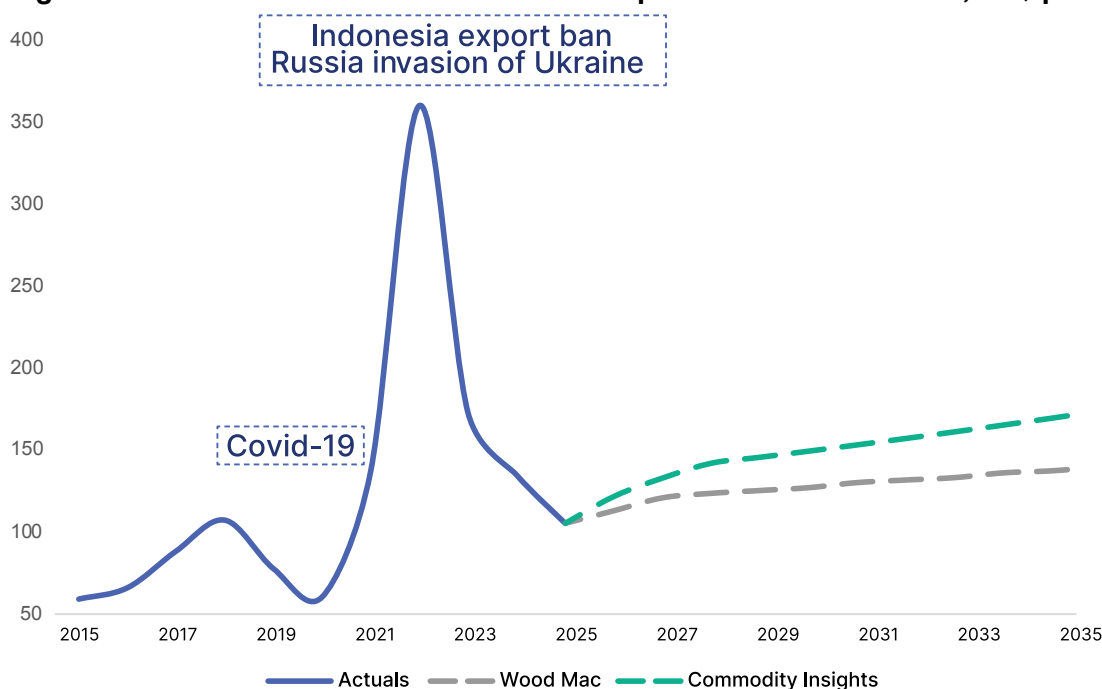
In other words, the AMCF transaction has diluted the equity exposure to the performance of metallurgical coal assets (and more broadly to the metallurgical coal market and its differing risk profile to the market for thermal coal) given the securing of those assets specifically to the debt facility. Shareholders (such as [Australian Super](#)) who used Whitehaven's acquisition of Queensland assets as justification for their increased investment may want to consider the impact of this dilution and their consequently enhanced proportional risk exposure to NSW thermal coal assets in their assessments.

Whitehaven presents an upside market case

Whitehaven presents a positive forecast for its thermal assets given their high-quality product and expected growing demand for high-quality coal. This growth is based on an expected increase of "High Efficiency Low Emission" (HELE) coal-fired power plants in Asian countries. Market analysis from two sources – Commodity Insights and Wood Mackenzie – is provided to support Whitehaven's assertion that strong demand for high-quality coal will drive future price increases.

In the prospectus, Whitehaven presents a view of potential future price movements from both Commodity Insights and Wood Mackenzie, suggesting prices are likely to rise for the coming decade.

Figure 2: Historical and forecast thermal coal prices on nominal basis, US\$ per tonne



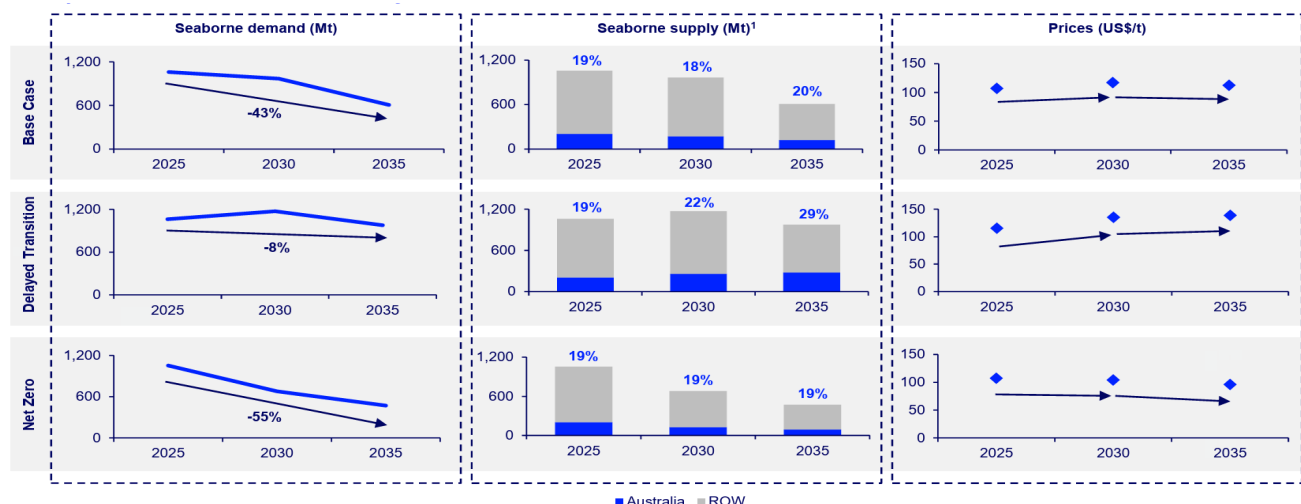
Source: [Whitehaven prospectus](#), page 34. Note: Historical price information is based on the globalCOAL NEWC Index. Forecast prices are provided by Wood Mackenzie and Commodity Insights, respectively.

The inclusion of analysis by Wood Mackenzie enables comparison to another submission by another coal producer. In a recent amendment to its application to the NSW planning commission for an increase in production levels at its Moolarben mine, Yancoal also provided an [independent assessment](#) of the thermal coal market outlook, again by Wood Mackenzie.

Given the coincident timing of two independent assessments for two coal producers by the same consultant (Wood Mackenzie), it is reasonable to assume they reflect the same view of the thermal coal market. Comparisons of the two presentations highlight the upside nature of the Whitehaven prospectus market view.

Wood Mackenzie's analysis for Yancoal rests on the same broad thesis of ongoing demand for the high-quality thermal coal from the Hunter Valley, but the Whitehaven volume analysis is focused on a smaller subset of that market (specifically the subset for high-energy thermal coal), making volume comparisons difficult. However, it is the directional pricing forecasts that are more directly relevant to this analysis, as highlighted in Figure 3.

Figure 3: Yancoal projections for thermal coal: seaborne demand and supply (Mt); and prices (US\$/ tonne)



Source: [Wood Mackenzie](#), slide 8. Note: The supply stack includes a range of mine extensions. Mt = million tonnes.

Importantly, this shows price only rise in the Delayed Transition case, with the Base Case demonstrating downward price trends, which are exacerbated in the Net Zero case. While it is not relevant to define these cases, documentation from [Wood Mackenzie](#) highlights that the [Delayed Transition](#) case results in a temperature rise of 3.1° Celsius by 2100. The scenarios presented by Yancoal can alternatively be framed as reflecting base, upside and downside scenarios for potential price movements reflecting assumptions on the pace of net zero transition. The forecast decline in price in Wood Mackenzie's base scenario is consistent with other independent, reputable, published coal price forecasts such as by [KPMG](#).

The scenario differences highlighted above merely reflect differences in assumptions on the net zero transition trajectory of key importing countries. They do not challenge the assumption on the role of high-quality coal in these market scenarios. This is important as the thesis that high-quality coal will fare well is not shared by everyone. As [previous IEEFA](#) analysis has shown, while it is often assumed that a shift to HELE plants will increase demand for higher-grade coal, they can actually be built for any type of coal. The higher cost of building plant for high-energy coal is offset against the premium charged for that coal, suggesting the price premia for high-energy coal assumed by Whitehaven could result in accelerated demand destruction. As Wood Mackenzie itself has stated in [coal market presentations](#) (slide 30): "Demand for high energy coal is not bulletproof."

The Whitehaven presentation presents Wood Mackenzie as forecasting upwards price movements, but overlooks the fact that this is linked only to a delayed net zero transition scenario. There is no commentary that Wood Mackenzie's base case is for downward price trajectories (as reflected in the Yancoal submission); and no mention that the assumption of demand strength of high-energy coal supporting higher prices would actually cause its own demand destruction, placing further downward price pressure on thermal coal markets.

The choice of pricing scenario can also impact on Whitehaven's assessment of future growth projects. [In its 2025 annual report](#) (pages 39-40), Whitehaven states that projects must make a minimum after-tax internal rate of return (IRR) of 15%-25% as part of its board approval framework. The pricing used to calculate this IRR is clearly critical to this outcome as it defines the revenue earned by the project. Given that the growth project section of the annual report references Commodity Insights forecasts, and given that, as Figure 2 shows, Commodity Insights' pricing is above the Wood Mackenzie delayed transition case, it could be concluded that Whitehaven's approval of projects are based on a scenario where temperatures will rise by at least 3.1° by 2100.

In the alternative scenarios, the potential exposure to a future of downward price trajectories is especially important when the financial performance of Whitehaven's NSW thermal coal assets is analysed.

Deteriorating financial performance due to rising costs

The operating margins of the Queensland and NSW businesses are provided in detail for the full financial years FY2023 to FY2025, as along with updated data for the six months ended 31 December 2025 (H2 2025), and the corresponding period in 2024 (H2 2024). IEEFA has consolidated this analysis in the table below.

Table 1 : Financial analysis of Whitehaven's Queensland and NSW coal businesses

Queensland operations	FY2022	FY2023	FY2024	FY2025	H2 2024	H2 2025	H2 2024 vs H2 2025
ROM production (MTPA)			4.8	20	9.9	10.3	0.4
Saleable coal production (MTPA)			4	15.6	7.5	7.6	0.1
Yield ratio			83%	78%	76%	74%	-3%
Revenue (AU\$ million)			\$869	\$3,470	\$2,034	\$1,282	-\$752
Cost (AU\$ million)			\$597	\$2,597	\$1,446	\$1,034	-\$412
Underlying EBITDA (AU\$ million)			\$272	\$873	\$588	\$248	-\$340
Depreciation and amortisation (AU\$ million)			-\$73	-\$369	-\$206	-\$183	\$23
Finance expense (AU\$ million)			-\$72	-\$260	-\$136	-\$119	\$17
Underlying net profit (AU\$ million)			\$127	\$244	\$246	-\$54	-\$300
NSW operations	FY2022	FY2023	FY2024	FY2025	H2 2024	H2 2025	H2 2024 vs H2 2025
ROM production (MTPA)	20	18.2	19.7	19.1	9.4	9.7	0.3
Saleable coal production (MTPA)	17.3	15.7	16.7	14.5	7.5	8.4	0.9
Yield ratio	87%	86%	85%	76%	80%	87%	9%
Revenue (AU\$ million)		\$5,705	\$2,850	\$2,237	\$1,260	\$1,149	-\$111
Cost (AU\$ million)		\$1,717	\$1,692	\$1,698	\$865	\$934	\$69
Underlying EBITDA (AU\$ million)		\$3,988	\$1,158	\$539	\$395	\$215	-\$180
Depreciation and amortisation (AU\$ million)		-\$226	-\$246	-\$238	-\$107	-\$153	-\$46
Finance expense (AU\$ million)		\$42	\$50	-\$29	-\$11	-\$16	-\$5
Underlying net profit (AU\$ million)		\$3,804	\$962	\$272	\$277	\$46	-\$231

Source: [Whitehaven prospectus](#). Note: ROM = run of mine. MTPA = million tonnes per annum.

This data, taken together, allows for key conclusions to be developed:

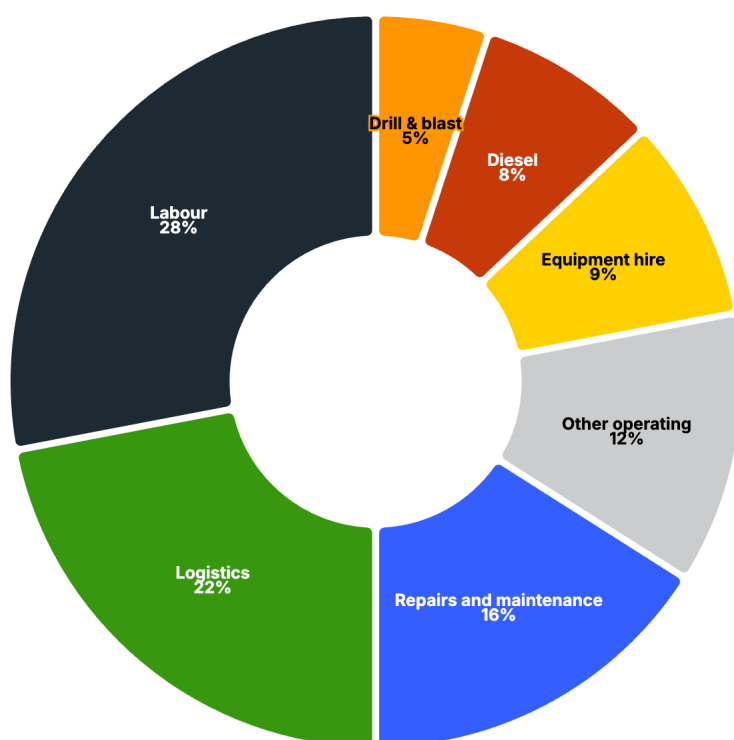
- Despite improved cost performance by the Queensland operations, the weight of the costs of financing the acquisition of the mines has combined with decreased revenue to deliver an underlying loss.
- In NSW, despite a short-term production increase for the six-month period to 31 December 2025, revenue declined significantly compared to the previous period in 2024 (AU\$111 million). This reduction, combined with an increase in cost of AU\$69 million, delivered an EBITDA margin reduction of AU\$180 million.
 - This was further eroded by an increase in depreciation and amortisation as well as increased financing costs to deliver a net profit outcome AU\$231 million worse than the same six-month period in the previous year.
 - In its prospectus, Whitehaven outlines potential improvements to the cost position based on renegotiation of its rail haulage contracts and a reduction in the costs imposed by historically over-contracting this volume. While this lower cost will be beneficial to future operations, it does highlight that actual production levels have declined significantly compared with expectations when the commitments were made, supporting a view that output is likely to decline further.

There is no discussion in the prospectus of the potential cost death spiral recently raised by [the Australian Rail Track Corporation \(ARTC\)](#) (pp 51-52). The ARTC highlighted that declining market volumes result in substantial cost increases for access to transport and export and infrastructure. This could add more than AU\$18 per tonne alone to transport costs by 2040.

Prior to the purchase of the Queensland assets, and the debt raising to support this acquisition, Whitehaven was reporting interest as income (as shown in the Finance Expense line for FY2023 and FY2024 in the NSW operations section of Table 1 above). That interest is now an expense for the NSW business unit, highlighting that the debt raised to support diversification into Queensland is impacting on the financial resilience of the NSW assets (as well as being a contributor to net losses in the Queensland unit).

The prospectus includes a breakdown of Whitehaven's cost of coal (Figure 4). This covers all coal assets, not just thermal coal ones, but it does highlight that many of the cost categories can reasonably be expected to increase at least in line with inflation over time. For example, labour rates and logistics costs will rise, and maintenance can be expected to increase as assets mature in the absence of major cost-cutting initiatives.

Figure 4: Whitehaven's cost of coal, FY2025



Source: [Whitehaven prospectus](#), page 106

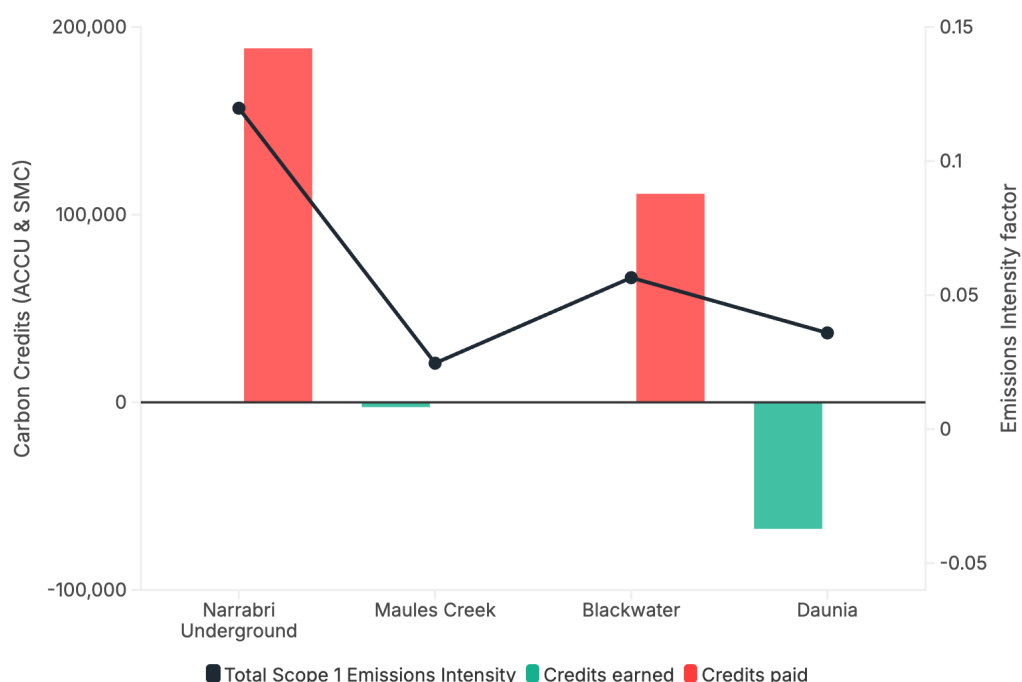
Therefore, it is reasonable to conclude that Whitehaven's thermal coal assets are facing increasing costs against a pricing outlook with a base case trajectory of downwards. This suggests a future of ever-increasing pressure on margins. With a current margin level that is only slightly above AU\$20 per tonne (based on the results to 31 December 2025), the future economic viability of Whitehaven's NSW thermal coal assets appears to be under significant pressure.

Climate regulation exposures

The prospectus does not provide significant detail on potential emissions exposures under the Safeguard Mechanism. However, analysis of other Whitehaven reporting suggests this is a further cost category under pressure, adding to the financial burden on Whitehaven's NSW business.

Whitehaven stated in its [2025 Sustainability Report](#) (slide 32) that it paid approximately AU\$10 million in Safeguard liabilities in 2025, the majority of which exposure derives from its Narrabri mine. The most emissions-intensive of Whitehaven's mines, Narrabri produced [511,474 tonnes of Scope 1 emissions](#) in FY2025, of which circa 97% was fugitive emissions and 3% was diesel emissions. To comply with its Safeguard obligation the mine used 188,640 carbon credits – a mix of Australian Carbon Credit Units (ACCUs) and Safeguard Mechanism Credits (SMCs) earned from its other mines which fell below Safeguard baselines. At an [ACCU cost](#) of AU\$36 per tonne, the value of this obligation was about AU\$6.8 million, nearly 70% of Whitehaven's total Safeguard exposure.

Figure 5: Whitehaven Mines 2024-25 Safeguard Mechanism



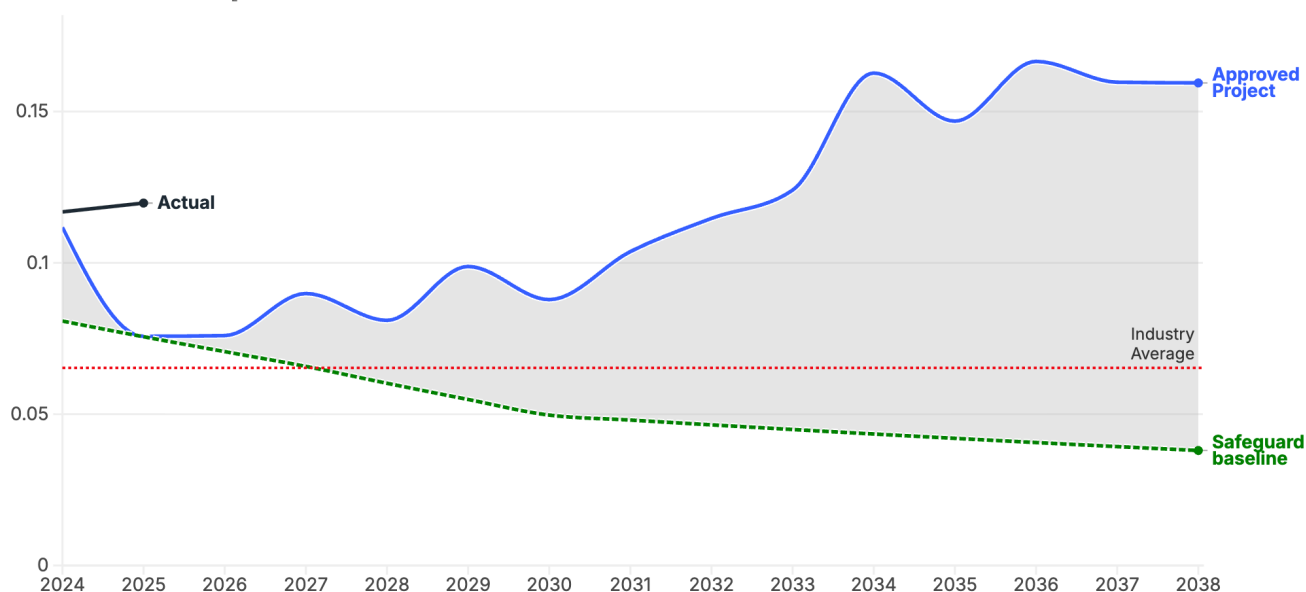
Source: [Whitehaven 2025 Sustainability Report](#).

Without abatement, Narrabri will be required to offset emissions in the Safeguard Mechanism that exceed its baseline. For 2024-25 its reported actual emissions intensity rate was 0.1197 tonnes of carbon dioxide-equivalent (CO₂e) per /ROM tonne against a baseline of 0.0756 tonnes of CO₂e per ROM tonne.

The Safeguard Mechanism's emissions intensity baseline setting accommodates open-cut and underground mines, often requiring a steeper emissions cut from underground mines such as Narrabri. This effectively results in a widening of the gap between actual and allowed emissions under the Safeguard Mechanism.

Figure 6: Safeguard Mechanism emissions intensity rate, Narrabri underground mine.

Emission Intensity (tCO₂-e / t ROM coal)



Source: Jacobs Air Quality Management Plan; Clean Energy Regulator; IEEFA calculations. Note: Post-2030 decline rate assumed 3.3% per annum.

Assuming the ROM production rate remains consistent with the current level outlined in the prospectus of 4.3MTPA (i.e. the expansion does not proceed), this would suggest Narrabri alone would require at least 500,000 ACCUs by 2034. The Federal Government [reports](#) a cost containment price of AU\$82.68 per tonne, which escalates at 2% above the consumer price index (CPI) each year. ACCU price forecasts range from AU\$75 per tonne forecast by [EY](#), to the [Commonwealth Bank](#) forecasting prices reaching the curtailment level by 2030 (based upon increased demand for ACCUs), which would imply a price as high as AU\$120 per tonne by 2034. This suggests the potential Safeguard liabilities for Narrabri would be between AU\$37.5 million and AU60 million in 2034. Even at the low end of this range, the financial impact on the profitability of Whitehaven's NSW coal assets is significant. The growing extent of Safeguard liabilities is a future risk for Whitehaven.

The combination of cost increases and exposure to softening market prices – along with future Safeguard liabilities and the impact of the cost death spiral flagged by the ARTC – suggests there are significant risks to the future profitability of thermal coal operations in NSW.

Conclusion and recommendation

The diversification of Whitehaven's coal production into metallurgical coal through the acquisition of the Blackwater and Daunia mines has been financed through debt. The costs of this debt have impacted on the profitability not only of those Queensland assets, but also of Whitehaven's traditional thermal coal assets in NSW. This additional cost has added weight to deteriorating margins in the NSW business, which – when combined with a medium- to long-term outlook of declining market prices and an increasing cost base – highlights the financial pressure on the Whitehaven balance sheet.

The corporate structure published in Whitehaven's prospectus highlights that the debt raised to procure the Queensland coal assets has been secured specifically against those assets. This changes the risk profile for equity investors as, in the event of a default, the Queensland assets would be used to meet debt obligations, leaving equity investors exposed only to the NSW assets and their deteriorating financial performance. Therefore, it could be argued that the debt financing structure has resulted in an increased exposure for equity investors to thermal coal assets; assets which are under increasing financial pressure from increasing costs and potential price reductions.

Whitehaven describes a capital allocation framework in the prospectus in which surplus capital is only used to pursue growth projects once operations are optimised, the balance sheet is strong and it is delivering returns to shareholders.

Given the increasing risks associated with the NSW thermal coal assets, and the increased exposure of equity investors to those assets as a function of financing structures, it would not be unreasonable for shareholders to hold Whitehaven to this capital priority commitment. That is, they might seek a return on equity capital commensurate with the increased thermal coal market risk and the downward pressure on margins, prior to investing in any organic or – especially – inorganic growth.

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The Institute for Energy Economics and Financial Analysis (IEEFA) examines issues related to energy markets, trends, and policies. The Institute's mission is to accelerate the transition to a diverse, sustainable, and profitable energy economy. www.ieefa.org

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