MARKET FORCES | **Investor communication**

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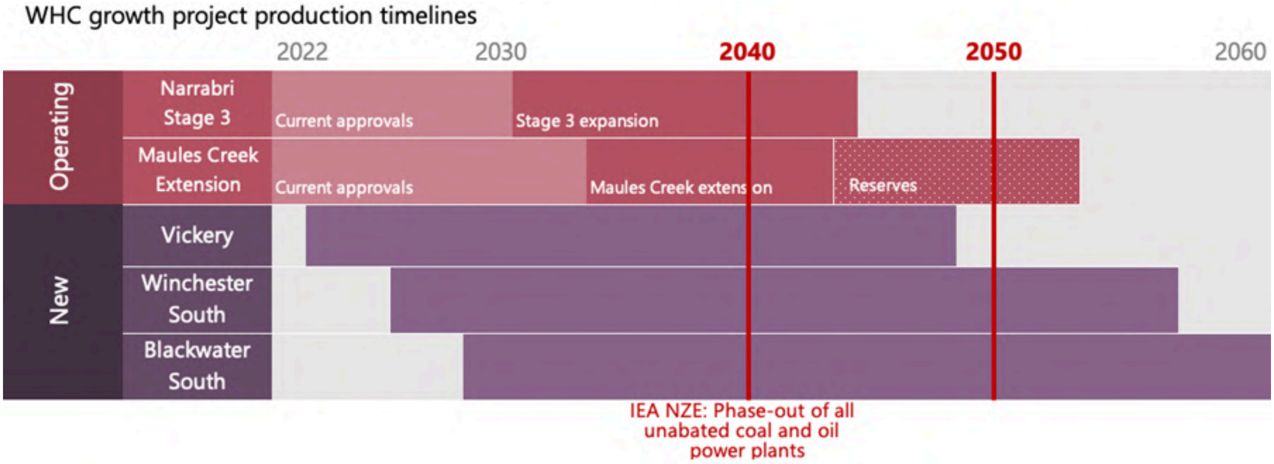
Whitehaven's FIVE coal expansion projects

Despite the steep declines in coal demand required to limit global warming in line with the Paris Agreement and net-zero emissions by 2050, Whitehaven Coal's remuneration policy currently incentivizes its executives to pursue plans to produce coal well into the 2050s, and in the case of the newly acquired Blackwater South project, as far out as 2120.

Neither BHP nor Whitehaven made clear during the sale process for the Blackwater and Daunia assets that the mining tenements for Blackwater South, a separate project currently being assessed by the Queensland state government, were a part of the transaction until the sale was completed. The transfer of this asset is currently the subject of a complaint before ASIC. Blackwater South is a huge proposed project with a 90 year life of mine that will require significant investment. Whitehaven's acquisition announcement to the market confirmed the company is already considering the expansion opportunities at Blackwater South.

Approximate location of Blackwater South project. Coordinates sourced from initial advice statement.
Maps data: © 2023 Google Earth, Landsat / Copernicus

Whitehaven now has five expansion projects on its books - Narrabri Stage 3, Vickery (greenfield), Winchester South (greenfield), Maules Creek extension project, and the Blackwater South project (greenfield). If all of Whitehaven's coal expansion projects proceed as planned, over their lifetimes they would unleash some 3.6 billion tonnes of carbon emissions, the equivalent of more than 7.5 times Australia's annual emissions.



Note: Winchester South is assumed to start up in 2026 for illustrative purposes, but we note that Whitehaven has not given any guidance on timing.

This buildout is based on an exceptionally bullish outlook for the coal industry, particularly thermal coal, with no other Australian-listed operator pursuing as many expansion projects. Major global banks are backing away from coal miners; it is unclear where Whitehaven expects to find the funds for certain projects like Vickery, which is still awaiting a final investment decision on the full scale project. According to financial news sources, Whitehaven has already had to turn to private credit to refinance the bridge loan for the BHP acquisition, facing a much higher cost of capital as a result.

Whitehaven's strategy to "diversify" its portfolio with more metallurgical coal still presents risks to investor capital. With the global steel industry accounting for 7% of global greenhouse gas (GHG) emissions, Whitehaven's massive greenfield metallurgical coal projects still threaten global climate goals. The transition to green steel is well and truly underway with research showing that recent technologies, like green hydrogen, make the phasing out of metallurgical coal feasible by the early 2040s. Whitehaven's "diversification" strategy still presents risks to investor capital, especially when the company's greenfield assets require more time to get off the ground.

Our analysis before the AGM showed that Whitehaven's growth plans would struggle to create value even with a small downward shift to coal prices against current consensus forecasts. Such a shift would be consistent with the implementation of current policy settings as modelled by the International Energy Agency. However, if growth plans are axed, Whitehaven could maintain dividends even under 10-20% lower prices - making for a far more resilient company.

While Whitehaven's executives are incentivized toward growth, the company could destroy billions in shareholder value through coal expansion plans that are antithetical to global climate goals.

Investor action required

Given the transition and reputational risks that these expansion projects carry, we urge investors to engage with Whitehaven to ensure the company:

- Removes incentives for coal growth project delivery from its remuneration plan
- Adopts a wind-up strategy in line with the company's stated support for the Paris Agreement

Company director Raymond Zage dismissed investor concerns after the 2023 AGM, which saw investors deal a first strike to the remuneration report. Should investors find Whitehaven again ignores investor concerns, we recommend another vote against the remuneration plan in 2024.

If you have any questions, please do not hesitate to contact Michelle Surowiec

Note

All dollar figures in USD unless otherwise stated.

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