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**News Release**

WTN09-22

## **WESTERN CANADIAN COAL ANNOUNCES FISCAL FIRST QUARTER 2010 RESULTS**

**Vancouver, B.C., August 14, 2009 – Western Canadian Coal Corp. (TSX: WTN, WTN.DB & WTN.WT and AIM: WTN)** (“Western” or the “Company”) announces its operating results for the three month period ended June 30, 2009. Despite the backdrop of the global economic recession where demand for metallurgical coal has fallen, the Company generated over \$17 million of cash from operations during the first fiscal quarter 2010 through improved productivity and lower cash costs. The Company earned net income of \$3.4 million or earnings per share of \$0.02, on a basic and diluted basis during the quarter from sales of \$75.7 million.

Highlights for the quarter:

- Income from mining operations of \$19.6 million
- Total cost of goods sold on a per unit basis fell by 3%. Wolverine actual cash costs decreased 27% to \$106 per tonne. Brule actual cash costs temporarily increased 88% to \$165 per tonne because the Company elected to remove waste materials, thereby exposing 90,000 tonnes of coal which was left in situ. The benefit of this exposed coal will be realized in subsequent periods. The impact on a cash basis of this was approximately \$76 per tonne.
- On-going cash costs will continue to fall as Brule ramps up coal production to 550,000 tonnes for the remainder of fiscal 2010
- Market conditions improve with spot prices for hard-coking coal currently at US\$150 to \$160 per tonne, which is above contract prices of US\$126 per tonne. As a result, fiscal 2010 coal shipments have been revised upward and are now expected to be 2.4 million to 2.6 million tonnes
- Reviewing fiscal 2010 capital plans to increase production to meet increased demand
- Strong financial position with net working capital of \$155 million
- Subsequent \$52 million equity raising increases cash on hand to over \$100 million
- At June 30, 2009, the Company had full access to its \$30 million credit facility
- Q1-2010 results are for Western only with Q2-2010 to include consolidated results of the former Cambrian operations

John Hogg, President & CEO states,

“Despite the global economic recession and uncertainty by our customers to their production levels during the first quarter, the Company has done well in generating strong cash flows from operations. We have adapted to the market uncertainty by further reducing costs and increasing productivity, and as such, Wolverine and Brule are exceeding our expectations across all areas.”

“Our focus is to continue this process to ensure we meet the increase in demand we are currently experiencing from our customers. We are also reviewing immediate opportunities to expand production to maximize our full potential.”

## News Release

This news release is prepared as at August 14, 2009 and should be read in conjunction with the Company's audited financial statements for the year ended March 31, 2009 and notes contained therein, and Management's Discussion and Analysis (MD&A) for the same period. This news release does not constitute a MD&A as contemplated by relevant securities rules. Western Canadian Coal Corp.'s First Quarter Report and MD&A for the three months ending June 30, 2009 are available on SEDAR at [www.sedar.com](http://www.sedar.com) under the Company's profile.

## Financial Summary - unaudited:

<i>(In thousands of Canadian dollars, except tonnes and per share data)</i>	<b>June 30, 2009</b>	<b>March 31, 2009</b>
Cash & cash equivalents	\$ 81,920	\$ 74,853
Accounts receivable	23,396	39,270
Inventory	58,929	62,376
Total current assets	209,637	217,943
Total Assets	651,962	662,337
Current liabilities	\$ 53,951	\$ 72,304
Long-term liabilities	126,627	124,625
Shareholders' equity	471,384	465,944
Total liabilities and shareholders' equity	651,962	662,337
Current ratio (current assets/current liabilities)	3.89	3.01
Debt to equity ratio (total debt/shareholders' equity)	0.38	0.42
	<b>Three months ending June 30, 2009</b>	<b>2008</b>
Tonnes sold	435,000	583,000
Tonnes produced (clean coal tonnes)	406,000	614,000
Revenue	\$ 75,698	\$ 130,393
Cost of goods sold	56,049	77,417
Income from mining operations	19,649	52,976
Other expenses	10,001	16,055
Income tax expense (recovery)	6,260	(22,784)
Net income	\$ 3,388	\$ 59,705
Earnings (loss) per share, basic	\$ 0.02	\$ 0.42
Earnings (loss) per share, diluted	\$ 0.02	\$ 0.27

## Revenues

For the three month period ended June 30, 2009, revenues were \$75,698,000 from the sale of 435,000 tonnes of coal of which 74,000 tonnes were carryover tonnage from the previous year at the 2008 coal year prices. The average price per tonne realized during the period was \$174 or US\$147.

For the three month period ended June 30, 2008, total sales revenues were \$130,393,000 from the sale of 583,000 tonnes of coal of which 159,000 tonnes were carryover tonnage from the previous coal year at the 2007 coal year prices. The average price per tonne realized during the period was \$224 or US\$221.

The global economic recession has resulted in a 41% decrease in revenues over the prior comparable period which is reflected in both the decrease in sales price realized and the lower sales volume. The decrease in sales price is a result of lower coal contract prices for fiscal 2010, which are US\$126 per tonne for hard coking coal and US\$90 per tonne for ultra-low volatile PCI compared to US\$300 per tonne and US\$248 per tonne respectively for fiscal 2009. The decrease in sales price was partially offset by the strengthening of the US dollar against the Canadian dollar. The average US dollar/Canadian dollar exchange rate for the three month period ended June 30, 2009 was \$1.18 compared to \$1.01 in the comparable period in the prior year.

Sales volumes for the three month period ended June 30, 2009 were 148,000 tonnes lower than in the comparable period in the prior fiscal year due to significant cutbacks in steel production by most of the Company's customers in response to the global economic recession.

### Cost of goods sold

Cost of goods sold for the three month period ended June 30, 2009, including costs of product, transportation, and depletion, amortization and accretion charges totaled \$56,049,000 or approximately \$129 per tonne, which is 3% lower when compared to the first quarter of fiscal 2009 of \$77,417,000 or approximately \$133 per tonne.

<i>(In thousands of Canadian dollars)</i>	<b>June 30, 2009</b>	<b>\$/tonne</b>	<b>June 30, 2008</b>	<b>\$/tonne</b>
Cost of product sold	\$ 38,010	\$ 88	\$ 53,065	\$ 91
Transportation and other	11,844	27	16,711	29
Depletion, amortization and accretion	6,195	14	7,641	13
Total cost of goods sold	\$ 56,049	\$ 129	\$ 77,417	\$ 133

Production at Wolverine increased 19,000 tonnes when comparing the three month period ended June 30, 2009 to the three month period ended June 30, 2008. Despite a smaller workforce, the increase is attributable to an improvement in equipment availabilities, increased overall productivity within the mine and a lower strip ratio.

Production at the Brule mine decreased 227,000 tonnes when comparing the three month period ended June 30, 2009 to the three month period ended June 30, 2008. The Company ceased its coal mining and hauling activities at the Brule mine in mid-March 2009 due to a build-up of inventory, resulting from the downturn in the markets for PCI. In order to retain a core of qualified and experienced workers, the Company continued its waste stripping to expose coal. Having invested in the waste stripping in the first quarter, the Company is in a good position to respond to the recent upturn in the economy and mining and coal hauling recommenced in mid-June 2009.

The 3% decrease in the per unit cost of product sold is mainly attributable to the Wolverine mine which benefited from an improvement in equipment availabilities, an increased overall productivity, a 11% decline in the stripping ratio to 13.6 and the replacement of the mining

contractor on May 18, 2009 with the direct hire of the work force to operate and manage the pit operations.

The transportation and other cost per unit have decreased due to a decrease in fuel costs and the rail fuel surcharge. These costs are also affected by the blend of coals produced.

Cost of goods sold, excluding depletion, amortization and accretion, for Wolverine for the three month period ended June 30, 2009 decreased \$17 per tonne or 12% to \$122 per tonne from \$139 per tonne in the comparable period. Cost of goods sold reflects changes in inventory balances and actual cash costs during the three month period.

Actual cash costs for Wolverine for the three months ended June 30, 2009 were \$37,905,000 or \$106 on a clean coal tonne produced basis compared to \$49,808,000 or \$146 per tonne for the comparable period, a 27% improvement which is discussed above.

Cost of goods sold, excluding depletion, amortization and accretion, for Brule for the three month period ended June 30, 2009 increased \$11 per tonne or 13% to \$99 per tonne from \$88 per tonne in the comparable period.

Actual cash costs for Brule for the three months ended June 30, 2009 were \$7,738,000 or \$165 on a clean coal tonne produced basis compared to \$24,067,000 or \$88 per tonne for the comparable period. The increase is due to Brule concentrating on stripping waste in the first quarter 2010, which accounts for approximately \$3,554,000 or \$76 per tonne of the above cost. Production costs will decrease as Brule mines the exposed coal. The costs of exposing this coal have been reflected in the inventory balance per the Company's accounting policy. However, the benefits of mining the 90,000 tonnes of exposed coal will not be recognized until the coal is mined in subsequent periods. The exposed coal tonnes have not been reflected in the unit costs.

### **Income from mining operations**

Income from mining operations for the three month period ended June 30, 2009 was \$19,649,000 or \$45 per tonne. The operating margin was 26% compared to 41% in the comparable quarter. The lower margin is as a result of lower sales prices achieved, partially offset by lower production costs and a more favourable US dollar/Canadian dollar exchange rate as discussed above.

### **Other expenses**

Other expenses, for the quarter ending June 30, 2009, were \$10,001,000 and include the following:

<i>(In thousands of Canadian dollars)</i>	<b>Three months ending June 30,</b>	
	<b>2009</b>	<b>2008</b>
General, administration and selling	\$ 5,547	\$ 6,235
Coal exploration and other mine maintenance costs	1,303	563
Interest and financing fees on liabilities	2,642	9,759
Other income	509	(502)
<b>Total other expenses</b>	<b>\$ 10,001</b>	<b>\$ 16,055</b>

General, administration and selling costs for the three month period ended June 30, 2009 decreased by \$688,000 or 11% over the same period in the prior fiscal year. This decrease is primarily due to:

- A downward adjustment to the estimate for the annual incentive plan, offset by an increase in stock based compensation due to stock options that were issued during the three months ended June 30, 2009;
- Lower sales and marketing costs as a result of decreased revenues, offset by an accrual for a potential liability for the Wolverine Royalty Sharing agreement (See “Contingencies”); and
- Lower general, administration and selling expenses reflecting the Company’s reduced operating levels.

The Company also incurred certain expenses relating to its strategic review process during the June 30, 2008 quarter, which were not applicable during the current quarter.

Coal exploration and other mine maintenance costs for the three month period ended June 30, 2009, increased to \$1,303,000 from \$563,000 in the comparable period. Coal exploration expenditures for the three month period ended June 30, 2009 were \$120,000 compared to \$563,000 in the comparable period of the prior year and care and maintenance expenditures relating to the Willow Creek mine were \$1,183,000 compared to nil for the three month period ended June 30, 2008. Care and maintenance expenditures for the Willow Creek mine are expected to continue until the Company recommences production.

For the three month period ended June 30, 2009, interest, accretion and financing fees on liabilities were \$2,642,000 compared to \$9,759,000 for the three months ended June 30, 2008. This decrease is due to the conversion into equity of some of the Company’s convertible debentures and the repayment of certain liabilities during the prior fiscal year, resulting in lower debt levels.

Other expenses amounted to \$509,000 for the three month period ended June 30, 2009 compared to other income of \$502,000 in the comparable period in the prior year. Other expenses for the three month period ended June 30, 2009 consisted of \$5,214,000 in foreign exchange losses (net of \$3,519,000 of foreign exchange gains realized on foreign currency contracts), \$3,180,000 unrealized gains on forward currency contracts, \$1,493,000 of interest income and \$32,000 of other income. Other income for the three month period ended June 30, 2008 consisted of \$19,000 of realized foreign exchange losses, \$237,000 of interest income and \$284,000 of miscellaneous income. Realized foreign exchange losses increased due to the strengthening of the Canadian dollar compared to the US dollar. Interest income has increased due to the Company carrying higher cash balances during the three month period ended June 30, 2009 and the accrual of interest on related party loans.

## **Net Income**

Net income for the three month period ended June 30, 2009 was \$3,388,000 compared to \$59,705,000 for the same period in the prior fiscal year. The net income reflects: an income from mining operations of \$19,649,000; other expenses totaling \$10,001,000; and an income tax expense of \$6,260,000 which includes \$3,428,000 of provincial mineral taxes which are currently payable.

### **Acquisition – Cambrian Mining Plc**

On July 13, 2009, the Company completed the acquisition of Cambrian Mining plc (“Cambrian”). A total of 88,625,764 common shares of the Company were issued to Cambrian shareholders on the basis of 0.75 Company shares for every Cambrian share. The total number of common shares issued and outstanding following this issue is 299,958,733. Pursuant to section 177 of the Business Corporations Act (British Columbia), the 72,122,826 common shares of the Company held directly or indirectly by Cambrian, now a wholly owned subsidiary of the Company, are not entitled to be voted at a meeting of shareholders of the Company. \$29,000,000 of the Company’s convertible debentures owned by Cambrian will be cancelled upon consolidation for the quarter ended September 30, 2009. On July 15, 2009, the Company redeemed in full the US\$27,000,000 convertible notes of Cambrian.

The major operations acquired were:

- 2 mines in West Virginia (USA) called Maple Coal and Gauley Eagle. Both mines produce both metallurgical and thermal coal, have processing plants nearby and operate both surface and underground mines.
- 50.6% interest in Energybuild Group Plc, which is listed on AIM as “EBG”. Energybuild is a producer of anthracite and open cast coals in Wales (UK).
- 45% interest of Xtract Energy Plc, which is listed on AIM as “XTR”. Xtract invests in a diversified portfolio of energy companies.
- 20% interesting NEMI Northern Energy & Mining Inc, which is listed on the TSX as “NNE.A”. NEMI owns a 12% interest in the Peace River Coal Limited Partnership.
- 100% of AGD Mining Pty Ltd, which operates a small gold and antimony operation in Costerfield (Australia).

The Company will consolidate the results of the operations from the Cambrian acquisition in its second fiscal quarter 2010 (period ending September 30, 2009) results.

### **Market Outlook**

As previously announced, in the short term, the current economic downturn has resulted in significant cutbacks in steel production on the part of the Company’s customers, in some cases as much as a 50% decrease from 2008 levels. This has affected the short term demand for metallurgical coal, leading to production cutbacks at the Company’s operations. Despite the significant curtailments by the Company’s customers, the Company has achieved coal sale prices that are the second highest on record, which speaks well to the quality of the Company’s coal and the service provided to customers.

The Company further expects that the economic stimulus packages introduced by governments including the US, Japan and China will lead to increased steel production during this calendar year, accompanied by increased demand for metallurgical coal. Already in China, there is higher construction activity in the first calendar quarter of 2009, together with increased consumer spending in steel-based goods such as appliances and autos. This has led to a sharp increase in imports of coking coal and PCI by Chinese steel producers, which has offset the reduction in imports into other markets. Improvements in market conditions are also being experienced by steelmakers in other regions in Asia, namely Korea and Japan. The Company’s Canadian assets are strategically located to meet the rising demand conditions in Asia and we are experiencing increased demand for our product.

In the longer term, the market fundamentals for seaborne metallurgical coal are expected to continue to improve which will provide continued opportunity for the Company to increase

market diversity and market share. The Company's Wolverine hard coking coal forms a key blend component with many of the world's leading steel mills, while the Brule mine ULV-PCI coal is consistently ranked among the top PCI coals worldwide. These high quality and high demand coals, in conjunction with the region's highly efficient rail and port infrastructure with excess capacity, continue to provide the Company a competitive advantage to continue to grow and diversify.

The Company also has seen increased market demand for its metallurgical and thermal coals from the US operations. A major metallurgical coal customer has resumed taking coal from the Maple Mine and as such, the mine has recently reactivated equipment and increased its workforce by over 45%.

### **Guidance**

For fiscal 2010, the Company has revised upwards its production expectations and now expects to produce between 2,000,000 and 2,200,000 tonnes of metallurgical coal from its two operating mines in Canada based on the current increase in demand:

- Wolverine operations producing 1,400,000 to 1,500,000 tonnes of hard coking coal
- Brule mine producing approximately 600,000 to 700,000 tonnes of ULV-PCI coal.

As a result of the increased demand for its products, the Company now expects to ship between 2,400,000 and 2,600,000 tonnes of metallurgical coal which will consist of 1,400,000 to 1,600,000 tonnes of hard coking coal and 1,000,000 tonnes of ULV-PCI. These expected sales reflect a drawdown of inventory stockpiles.

All of the Company's current fiscal 2010 production from its mines in Canada are under contract for sale to international steel producers. Coal prices for fiscal 2010 are approximately US\$126 per tonne for hard coking coal and US\$90 per tonne for its ULV-PCI coal. Since coal deliveries during fiscal 2010 will include certain quantities of fiscal 2009 carryover tonnages, the average selling prices for coal to be delivered in fiscal 2010 are expected to be in the range US\$118 to US\$122 per tonne, which reflects pricing for both hard coking coal and ULV-PCI coal, as well as carryover tonnages at fiscal 2009 prices. The Company has entered into foreign currency contracts totaling US\$160.7 million at June 30, 2009 to help manage the uncertainty of foreign exchange fluctuations in the market. The contracts were for approximately 60% of the Company's remaining coal sales in fiscal 2010. The contracts mature each month through to April 2010. They are at an average rate of C\$1.1828 per US\$1.00

With the stripping ratios in fiscal 2010 expected to be lower than in fiscal 2009, total cash costs in fiscal 2010 on a combined operational basis are expected to be approximately \$110 to \$115 per tonne (FOBT).

For the remainder of fiscal 2010, the Company expects to produce and sell approximately 1,000,000 tons (1 ton = 0.907 tonne) of coal from its two mines in West Virginia as follows:

- 700,000 tons of thermal coal
- 300,000 tons of coking coal

Fiscal 2010 cash production costs at these mines are expected to be approximately US\$65 to US\$70 per ton, with expected average coal sale price realizations approximately US\$80 to US\$85 per ton.

In light of the improvements in the current economic climate, the acquisition of Cambrian Mining and the \$52 million financing (announced July 24, 2009), the Company has revised its planned

capital expenditure program. Based on a continuation of the recent improvement in market conditions, proposed projects for capital expenditures include: expanding the current operation at the Brule Mine in early calendar 2010; refurbishment of the Willow Creek Mine plant for potential start-up late in calendar 2010 at 900,000 tonnes per year of low-vol PCI to potential capacity of 1.7 million tonnes per year of both low-vol PCI and hard-coking coal; and acquiring equipment to expand production at the Company's recently acquired mines in West Virginia.

## **Conference Call**

The Company will be hosting a conference call to discuss the first quarter 2010 operating results at 1:00 pm (Pacific) on August 17, 2009. To participate on the call, dial either 1-800-594-3615 or 416-644-3425. A replay of the call can be accessed at 416-640-1917 or 1-877-289-8525 (code21311451#). The call will also be webcast live on the Company's website at [www.westerncanadiancoal.com](http://www.westerncanadiancoal.com).

## **About Western**

*Western is a producer of high quality metallurgical and thermal coal from mines located in northeast British Columbia (Canada) and West Virginia (USA). The mines have the capacity to produce 7 million tonnes per year and have over 20 years of coal reserves. Western also owns a 50.6% interest Energybuild (EBG: AIM) which produces high quality anthracite and thermal coal in South Wales (UK). Other interests owned include a 45% interest in Xtract Energy (XTR: AIM), 20% interest in NEMI Northern Energy & Mining (NNE.A: TSX) and 100% of a small gold and antimony operation in Australia. The Company is headquartered in Vancouver, BC, Canada, and trades on the AIM and TSX stock exchanges under the symbol "WTN". More information can be found at [www.westerncanadiancoal.com](http://www.westerncanadiancoal.com).*

## **Forward-Looking Information**

*This release may contain forward-looking statements that may involve risks and uncertainties. Such statements relate to the Company's expectations, intentions, plans and beliefs. As a result, actual future events or results could differ materially from those suggested by the forward-looking statements. Readers are referred to the documents filed by the Company on SEDAR. Such risk factors include, but are not limited to changes in commodity prices; strengths of various economies; the effects of competition and pricing pressures; the oversupply of, or lack of demand for, the Company's products; currency and interest rate fluctuations; various events which could disrupt the Company's construction schedule or operations; the Company's ability to obtain additional funding on favourable terms, if at all; and the Company's ability to anticipate and manage the foregoing factors and risks. Additionally, statements related to the quantity or magnitude of coal deposits are deemed to be forward-looking statements. The reliability of such information is affected by, among other things, uncertainties involving geology of coal deposits; uncertainties of estimates of their size or composition; uncertainties of projections related to costs of production; the possibilities in delays in mining activities; changes in plans with respect to exploration, development projects or capital expenditures; and various other risks including those related to health, safety and environmental matters.*

## **WESTERN CANADIAN COAL CORP.**

***"John Hogg"***

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