

WESTERN CANADIAN COAL CORP.

Consolidated Financial Statements

For the three months ended June 30, 2004

(Prepared without Audit)

WESTERN CANADIAN COAL CORP.**Consolidated Balance Sheets**

(Prepared without audit)

	June 30, 2004	March 31, 2004
Assets		
Current Assets		
Cash and cash equivalents	\$ 7,685,121	\$ 96,619
Accounts receivable	187,403	137,160
Prepaid expenses	16,852	13,777
	<hr/> 7,889,376	<hr/> 247,556
Deposits (note 3)	657,221	170,815
Capital Assets	60,789	34,877
Coal Properties	262,249	262,249
Deferred Exploration Expenditures	9,193,135	7,507,445
	<hr/> \$ 18,062,770	<hr/> \$ 8,222,942
Liabilities		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 1,129,319	\$ 1,582,937
Advances from related parties	200,000	
	<hr/> 1,329,319	<hr/> 1,582,937
Share Subscriptions Received	-	314,117
	<hr/> 1,329,319	<hr/> 1,897,054
Share Capital and Deficit		
Share Capital (note 4)	21,637,692	10,530,702
Contributed Surplus	560,876	171,358
Broker Warrants	290,557	-
Deficit	(5,755,674)	(4,376,172)
	<hr/> 16,733,451	<hr/> 6,325,888
	<hr/> \$ 18,062,770	<hr/> \$ 8,222,942

Approved by the Directors

Gordon Bub,
Director

Gary Livingstone,
Director

WESTERN CANADIAN COAL CORP.**Consolidated Statements of Operations and Deficit**

(Prepared without audit)

	Three months ended	
	June 30, 2004	June 30, 2003
Revenue		
Interest income	\$ 8,750	\$ 156
Expenses		
Advertising	-	-
Amortization	5,157	3,465
Annual Report	2,500	
Consulting	68,567	23,874
Director's fees and expenses	118,199	28,274
Donations	800	-
Financing fees	-	25,000
Interest and bank charges	473	233
Investor relations	-	-
Legal and accounting	102,932	45,288
Licenses, dues and fees	911	8,658
Management fees	133,345	82,000
Office and sundry	41,258	8,145
Project management and personnel	-	30,681
Rent	24,815	22,997
Salaries & Personnel	84,965	-
Shareholder Communications	20,403	5,456
Stock – based compensation	389,518	-
Telephone	3,129	2,609
Training & Seminars	1,350	-
Transfer agent and regulatory fees	326,959	(402)
Travel and entertainment	62,973	122,501
	1,388,252	408,779
Net loss for the period	(1,379,502)	(408,623)
Deficit at beginning of period	(4,376,172)	(2,638,901)
Deficit at end of period	\$ (5,755,674)	\$ (3,047,524)
Loss per share	\$ (.04)	\$ (.02)
Weighted average number of shares outstanding	33,669,013	21,488,730

WESTERN CANADIAN COAL CORP.**Consolidated Cash Flow Statements**

(Prepared without audit)

	Three months ended	
	June 30, 2004	June 30, 2003
Cash flows from operating activities		
Loss for the period	\$ (1,379,502)	\$ (408,623)
Items not involving cash		
Amortization	5,157	3,465
Stock based compensation	389,518	-
	(984,827)	(405,158)
Changes in non-cash working capital		
Accounts receivable	(50,243)	40,291
Prepaid expenses	(3,075)	-
Accounts payable and accrued liabilities	(453,618)	420,260
	(1,491,763)	55,393
Cash flows from financing activities		
Advanced from related parties	200,000	210,000
Net proceeds from issue of shares	11,083,430	-
	11,283,430	210,000
Cash flows from investing activities		
Deposits on plant and equipment	(486,406)	-
Acquisition of plant and equipment	(31,069)	-
Deferred exploration expenditures	(1,685,690)	(239,722)
	(2,203,165)	(239,722)
Increase in cash and cash equivalents	7,588,502	25,671
Cash and cash equivalents at beginning of period	96,619	34,689
Cash and cash equivalents at end of period	\$ 7,685,121	\$ 60,360
Supplemental non-cash financing information		
Common shares issued to settle subscriptions	\$ 314,117	\$ 255,190
Broker warrants issued for financing costs	290,557	-

WESTERN CANADIAN COAL CORP.**Consolidated Statement of Deferred Exploration Expenditures**
(Prepared without audit)**For the three months ended June 30, 2004**

	Belcourt	Wolverine	Brazion Group	Burnt River	Other	Total
Expenditures						
Balance March 31, 2003	\$ 521,285	\$ 3,063,373	\$ 430,223	\$ 982,164	\$ 34,040	\$ 5,031,085
Field programs	-	444,409	-	377,968	-	822,377
Consultants	-	1,107,747	-	70,269	-	1,178,016
Coal licenses	195,345	51,930	74,324	35,656	5,675	362,930
Laboratory	-	116,615	-	11,777	-	128,392
Mining exploration tax credit	-	(148,020)	(35,134)	(53,436)	-	(236,590)
Project administration	-	206,390	-	8,109	-	214,499
Public relations/First nations	-	3,918	-	2,818	-	6,736
	195,345	1,782,989	39,190	453,161	5,675	2,476,360
Balance March 31, 2004	717,630	4,846,362	469,413	1,435,325	39,175	7,507,445
Field programs	-	171,667	-	89,293	6,179	267,139
Consultants	5,828	363,637	-	251,070	12,535	633,070
Coal licenses	12,160	22,108	27,274	21,860	-	83,402
Drilling	-	-	-	36,693	-	35,693
Engineering	-	617,431	-	35,339	10,000	662,770
Laboratory	-	3,616	-	-	-	3,616
Mining exploration tax credit	-	-	-	-	-	-
Project administration	-	-	-	-	-	-
	17,988	1,178,459	27,274	433,255	28,714	1,685,690
Balance June 30, 2004	\$ 734,618	\$ 6,024,821	\$ 496,687	\$ 1,868,580	\$ 68,429	\$ 9,193,135

WESTERN CANADIAN COAL CORP.**Notes to Consolidated Financial Statements**
For the three months ended June 30, 2004
(Prepared without audit)**1. Nature of operations**

Western Canadian Coal Corp. (“the Company”) was incorporated in the Province of British Columbia and is primarily engaged in the acquisition, exploration and development of coal mining properties throughout British Columbia and it is listed on the TSX Venture Exchange.

The Company is considered a development stage company as planned principle operations have not commenced and the Company is devoting most of its efforts to raising capital, exploring and developing its coal properties, and acquiring equipment or other operating assets. The exploration activities of the Company have been funded primarily by the issuance of share capital.

These financial statements have been prepared on the basis of accounting principles applicable to a going-concern, which assume that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. To date, the Company has not earned significant revenue.

2. Significant accounting policies

These consolidated interim financial statements have been prepared by the Company in accordance with Canadian generally accepted accounting principles, using the same accounting policies and methods as per the annual financial statements for the year ended March 31, 2004. These consolidated interim financial statements should be read in conjunction with the audited consolidated financial statements and the accompanying notes included in the Company’s latest annual report.

3. Deposits

During the three-month period ended June 30, 2004 the Company made additional payments of \$486,406 as deposits against the purchase of certain used washplant and other equipment.

4. Share capital

	Common Shares	Amount
Balance at March 31, 2004	29,787,363	\$ 10,530,702
For cash from private placements of units (net of issue costs of \$879,293)	9,500,000	10,620,707
For cash received from the exercise of warrants	873,666	430,783
For cash received from the exercise of stock options	150,000	55,500
Balance at June 30, 2004	40,311,029	\$ 21,637,692

Notes to Consolidated Financial Statements**For the three months ended June 30, 2004**(Prepared without audit)

4. Share capital (continued)

On April 15, 2004, the Company completed a non-brokered private placement of 1,500,000 units at \$1.00 per unit for gross proceeds of \$1,500,000. Each unit consists of one common share and one-half warrant. Each whole warrant entitles the holder thereof to purchase one additional share of the Company at a price of \$1.00 per share until the first anniversary of the closing date, expiring thereafter.

On June 16, 2004, the Company completed a brokered private placement of 4,800,000 subscription receipts at a price of \$1.25 per subscription receipt and 3,200,000 units at \$1.25 per unit for aggregate gross proceeds of \$10,000,000. On closing, each subscription receipt converted into a unit. Each unit consists of one common share and one-half warrant. Each whole warrant entitles the holder thereof to purchase one additional share of the Company at a price of \$1.50 per share until the second anniversary of the closing date, expiring thereafter. In connection with the offering the Company paid the agent a cash fee of \$480,000 and issued to the agent 384,000 agent's warrants. Each agent's warrant entitles the holder thereof to purchase one common share of the Company at an exercise price of \$1.25 per share until June 16, 2006, thereafter expiring. The value of \$290,557 has been attributed to these broker warrants based on the Black-Scholes pricing model and has been credited to broker warrants within share capital.

5. Related party transactions

During the three months ended June 30, 2004, the Company incurred management and consulting fees of \$65,500 (2003 - \$60,000) to companies controlled by directors or companies with common directors. During the three months ended June 30, 2004, the Company incurred accounting, management, and investor relations fees of \$127,400 (2003 - \$44,100) to companies controlled by officers.

Included in accounts payable and accrued liabilities at December 31, 2003 is \$207,696 (2002 - \$119,001) due to officers or directors or companies controlled by officers or directors of the Company.

6. Stock-based compensation

During the three-month period ended June 30, 2004, the Company granted a total of 910,000 stock options at various exercise prices varying from \$1.20 to \$1.59 per share. The fair value of each option granted was estimated on the date of grant using the Black-Scholes option pricing model with weighted average assumptions and resulting values for grants as follows:

Assumption:

Risk free interest rate (%)	3.95
Expected life (years)	5.0
Expected volatility (%)	91.3

Results:

Weighted average fair value of options granted (\$ per option)	1.06
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