



Western Canadian Coal

## **Annual Report**

### **Message to Shareholders from the Chairman of the Board**

Dear Shareholders,

Since the preparation and printing of the Annual Report dispatched with this letter there has been a continued rise in the value of the Canadian dollar against the US Currency.

Since our fiscal year end we have seen a 25 percent increase in the Canadian dollar relative to the US dollar. On an annualized basis, this would impact our sales by over \$50 million.

Our fiscal 2008, which commenced April 1, 2007, has seen hard coking coal prices within the industry average US\$ 94 per tonne. Since Western Canadian Coal is a new producer for global steelmakers, we have had to offer incentives to ensure a smooth entry into the marketplace.

Western Canadian Coal has high expectations alongside its shareholders. Unfortunately, low prices and the unprecedented rise of the Canadian dollar have resulted in low revenues. Combine the low revenues with some operational issues at the Wolverine mine and these expectations have not been met. We believe we have identified the operational issues and have moved quickly to rectify the situation. Tangible results will not be immediate, however our goal is to be back on track by the 2008 fiscal year end.

This turnaround will coincide with expected strong coal prices for the 2008 coal year, which will commence April 1, 2008. With recent hard coking and PCI coal sales at US\$ 35 per tonne higher than current contract prices, we are optimistic about significant coal price increases in the coming year.

Most importantly, your Company's coal has been well received in the market place. We are currently near completion in negotiating long-term contracts with several major global steel mills which will provide continued security.

While financial results may be viewed as poor in the near term, we are optimistic about the upcoming coal year and will continue to manage the company to maximize shareholder value for the long-term.

Thank-you.

A handwritten signature in black ink, appearing to read 'John Byrne', with a long, sweeping horizontal stroke extending to the right.

**John Byrne**

Chairman, Western Canadian Coal Corp.