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News Release

WTN 11-04

Western Coal Announces Fiscal Q3-2011 Results

Vancouver, BC, February 10, 2011 – Western Coal Corp. (TSX: WTN, WTN.WT and AIM: WTN) (the “Company” or “Western”) announces today that its net income for the fiscal third quarter ended December 31, 2010 was \$20.4 million, or \$0.07 per share, basic. Revenue for the period was \$170.5 million.

“We continue to make great strides to achieve our fiscal 2011 production plan of 6.1 million tonnes by producing over 1.5 million tonnes in the third quarter. This keeps us on target to achieve our 3-year strategy of producing 10 million tonnes by fiscal 2013,” said Keith Calder, President and Chief Executive Officer. “We also remain on track to close the merger of Western Coal and Walter Energy on April 1, 2011 which will deliver immediate and long-term value for our shareholders.”

Proposed merger with Walter Energy, Inc.

On December 2, 2010, Western and Walter Energy, Inc. (“Walter Energy”) entered into an arrangement agreement (the “Agreement”) for Walter Energy to acquire all of the outstanding common shares of Western for \$11.50 per share in cash or 0.114 of a Walter Energy share, or for a combination thereof, all subject to pro-ration. It is anticipated that the proposed transaction will create the world’s leading, publicly traded, “pure-play” metallurgical coal producer. Assuming the conditions noted below are met and the merger is completed as proposed, this will be the final quarterly disclosure for Western as a reporting company.

Completion of the proposed merger is conditional on approval by Western shareholders and by the Supreme Court of British Columbia and satisfaction of other customary conditions, including regulatory and stock exchange approvals. Subject to the satisfaction or waiver of all conditions precedent, it is currently anticipated that the merger will be completed on or about April 1, 2011. A special meeting of the Western shareholders to consider the proposed merger will be held on March 8, 2010 at 9:00 a.m. (Eastern Time) in Toronto. Further information on the proposed merger can be found in the management information circular which is available on SEDAR (www.sedar.com) and the company’s website (www.westerncoal.com/walter_energy_news/).

Summary of Western’s results for the third quarter of fiscal 2011

Western continued to deliver on its production growth strategy in the third quarter of fiscal 2011. Revenue increased as a result of higher coal shipments, which more than offset lower realized coal prices compared with a year earlier. Western anticipates a further increase in sales volume and, based on recently completed price negotiations, significantly higher coal prices for the fourth quarter of fiscal 2011 compared with a year earlier.

Net income declined in the third quarter of fiscal 2011 from a year earlier, in part due to the Canadian dollar strengthening against the U.S. dollar and weather-related operational delays at Ridley Terminals in Prince Rupert, BC that shifted into the fourth quarter of fiscal 2011 a significant volume of Canadian coal shipments that would otherwise have been sold in the third quarter.

Other factors contributing to the net income decline were transitory or unusual in nature, including costs of the proposed Walter Energy transaction, a one-time adjustment to port fees at Ridley Terminals, special pricing circumstances that contributed to the exceptional year-earlier results and Canadian production costs in the third quarter of fiscal 2011 that were higher than anticipated. With the completion of negotiations and related due diligence for the proposed Walter Energy transaction, management is refocusing on reducing production costs in the fourth quarter of fiscal 2011 and beyond.

Q3 fiscal 2011 highlights, compared with Q3 fiscal 2010

- Revenues of \$170.5 million, up 44% from \$118.7 million
- Net income of \$20.4 million, or \$0.07 per share, down from \$24.0 million, or \$0.10 per share
- Transaction costs for the proposed merger of \$8 million versus nil
- Cash cost of sales per tonne:
 - Consolidated - \$92, up 8% from \$85
 - Canada - \$109 (includes \$3 impact of port fee adjustment), up 14% from \$96
 - U.S. - \$70, down 4% from \$73
- Coal production of 1.5 million tonnes, up 68% from 0.9 million tonnes
- Consolidated average realized coal price of \$140 per tonne, down 5% from \$148 per tonne
- Capital expenditures of \$74.1 million, up from \$13.8 million

Year-to-date fiscal 2011 highlights, compared with year-to-date fiscal 2010

- Revenues of \$594.4 million, up 97% from \$302.0 million
- Net income of \$81.4 million, or \$0.30 per share, up from \$29.6 million, or \$0.13 per share
- Transaction costs for the proposed merger of \$8 million versus nil
- Cash cost of sales per tonne:
 - Consolidated - \$92, down 2% from \$94
 - Canada - \$105 (includes \$1 impact of port fee adjustment), up 2% from \$103
 - U.S. - \$70, down 10% from \$75
- Coal production of 4.3 million tonnes, up 104% from 2.1 million tonnes
- Consolidated average realized coal price of \$156 per tonne, up 11% from \$141 per tonne
- Capital expenditures of \$162.3 million, up from \$17.2 million

Other highlights and significant items in Q3 fiscal 2011:

- Western is on track to realize its stated production target of 6.1 million tonnes for fiscal 2011, which would be an increase of 91% from fiscal 2010
- During the third quarter, Western negotiated price increases for the fourth quarter of fiscal 2011 compared with the prior year, including the following (per tonne):
 - Canadian hard coking US\$221 to US\$225, up 75% to 79% from US\$126
 - Canadian LV-PCI US\$180 to US\$191, up 100% to 112% from US\$90
- Settlements for delivery of U.S. coking coal in calendar 2011 were reached in the range of US\$148 to US\$150 per ton FOB barge, an increase of approximately 50% over the previous year
- Western substantially completed the Falling Creek Connector Road between the Brule and Willow Creek mines. The road should deliver significant coal hauling cost efficiencies for the Brule mine beginning in the fourth quarter of fiscal 2011
- The Willow Creek mine commenced commercial production on January 1, 2011 as scheduled. Western anticipates receiving requisite permits in the first half of fiscal 2012 to facilitate expansion of Willow Creek production capacity up to 1.7 million tonnes per annum from its currently permitted capacity of 0.9 million tonnes per annum
- Western has secured a revised and extended agreement with Ridley Terminals Inc. for the provision of terminal services. This agreement is anticipated to provide sufficient throughput capacity to enable achievement of growth targets for our Canadian operations

Overview

Western's business is the exploration, development and production of coal. Approximately 83% of our coal is metallurgical, which in the long term is in short supply to meet global demand from steelmakers. The remainder of our coal is thermal, used for electric power generation. We have a global customer base and supply ten of the largest steel mills in the world with our high quality metallurgical coal.

Western has three mines in British Columbia, Canada; four mines in West Virginia, USA; and one mine in Wales, U.K. The Company is also actively engaged in coal exploration and seeks to acquire new coal assets. The table below shows the geographic distribution of our coal production for the most recent and comparative reporting periods.

Country	Three months ended December 31, 2010	Three months ended December 31, 2009	Nine months ended December 31, 2010	Nine months ended December 31, 2009
Canada	67%	59%	67%	68%
U.S.	30%	36%	30%	29%
U.K.	3%	5%	3%	3%
Total	100%	100%	100%	100%

Guidance

Production

Western's three-year organic growth strategy is to increase production by 212% to 10 million tonnes for fiscal 2013 from 3.2 million tonnes produced in fiscal 2010.

The production target for the current fiscal year is 6.1 million tonnes, up 91% from 3.2 million tonnes in the prior year. The table below shows our expected production for fiscal 2011 by country, compared with actual production for fiscal 2010 (in millions of tonnes):

Country	Fiscal 2011	Fiscal 2010	Change
Canada	4.1	2.1	95%
U.S.	1.8	1.0	80%
U.K.	0.2	0.1	100%
Total	6.1	3.2	91%

The production targets for the fourth quarter of fiscal 2011 by country compared with the actual production for the comparable fiscal 2010 period are as follows (in millions of tonnes):

Country	Q4 Fiscal 2011 Forecast	Q4 Fiscal 2010 Actual	Change
Canada	1.2	0.7	71%
U.S.	0.5	0.4	25%
U.K.	0.1	-	-
Total	1.8	1.1	64%

The Company expects to achieve the targeted Q4 fiscal 2011 increase in production primarily through the increase in capacity resulting from the deployment of new trucks and shovels and through further productivity improvement initiatives, including the expected commissioning of the Falling Creek Connector Road between the Brule and Willow Creek mines at the end of February 2011.

Cash Costs of Production

Western's cash cost of production target range established at the beginning of fiscal 2011 for its Canadian operations in fiscal 2011 was \$94 to \$99 per tonne (FOB), down from \$102 per tonne in fiscal 2010. The U.S. operations cash cost of production target range for fiscal 2011 was US\$68 to US\$72 per tonne, compared with US\$72 per tonne in the prior year. The Company has not yet set cash cost targets for its U.K. operations as the mine is in an expansion phase.

Due in part to factors that are not expected to be long-lasting, Western now expects Canadian cash cost of production for fiscal 2011 in the range of \$101 to \$105 per tonne, which is higher than the initial target for the year. Western still expects to achieve its cash cost target for its U.S. operations.

The targeted fiscal 2011 cash cost of production reductions for both the Canadian and U.S. operations were based on improving productivity primarily through the introduction of larger equipment, more efficient trucks and shovels, and other initiatives. The equipment additions to the fleet are mostly company-owned and are part of a strategy of phasing out reliance on contractor fleets. As discussed in more detail below under Canadian Operations, short-term adverse factors have offset some of the benefits of these fleet improvements in Canada during fiscal 2011. Western continues to expect that the fleet efficiency improvements will deliver significant long-term benefits.

Beyond fleet improvements, starting in the fourth quarter of fiscal 2011 Western expects its Canadian operations to begin to benefit from the completion of the new 60-kilometre Falling Creek Connector Road from the Brule mine to the Willow Creek processing facility. The Falling Creek Connector Road is an alternative to the 100-kilometre part public highway currently used and allows for the use of more efficient 110-tonne haul-trucks compared to the current 40-tonne trucks. In addition to reducing haulage costs by an expected 25%, the new road will allow the Brule mine to achieve its growth production targets.

Western began test hauls along the full length of the Falling Creek Connector Road in February 2011 and anticipates production hauling to commence around the end of February 2011. However, this timing represents a two-month delay from the previously disclosed plan to commence hauling. The delay is attributable mainly to unexpected geotechnical challenges. To overcome these challenges and ensure the stability of the roadbed for safe operations, Western's contractor performed more excavation and filling than originally anticipated.

Market Outlook

Substantially all of Western's fiscal 2011 coal production from Canada is committed under term contracts to large and reputable international steel producers. The price for our Canadian coal is predominantly established on a quarterly basis, although some contracts are priced on a longer term and others on an annual basis. Prices for U.S. production generally are established annually and prices for U.K. production are reviewed on three and six monthly bases.

For the fourth quarter of fiscal 2011, we finalized our Canadian hard coking coal (HCC) products in the range of US\$221 - US\$225 per tonne and for low volatile pulverized coal injection (LV-PCI) products in the range US\$180 - US\$191 per tonne, in line with and in some cases better than reported market settlements. Prices are Free On Board and Trimmed (FOBT).

Relative to the third quarter of fiscal 2011, the current fourth quarter settlements represent an increase of approximately 8% for HCC and an increase of over 20% for LV-PCI. Relative to the fourth quarter of fiscal 2010, settlements for the fourth quarter of fiscal 2011 represent an increase of approximately 75% to 79% for HCC and 100% to 112% for LV-PCI.

The increases gained for our Canadian metallurgical coal prices reflect a tightening of coal supply arising from heavy rainfall that impacted Queensland's mines and transportation infrastructure, triggering a number of *force majeure* declarations. Subsequent to the price negotiations, further supply disruptions were reported in Russia, Canada and the U.S. These events have dramatically altered market sentiment and suggest potentially higher prices for our Canadian metallurgical coal products into fiscal 2012.

Settlements for delivery of our U.S. coking coal in calendar 2011 were reached in the range of US\$148 to US\$150 per ton FOB barge, an increase of approximately 50% over the previous year. The outlook for the U.S. domestic coking coal sector remains firm and market development continues for additional sales of U.S. coking coal in calendar 2011.

In October 2010, the World Steel Association (WSA) forecasted a 13% growth in apparent steel use in 2010, and a further growth of 5% in 2011 to reach a new record level. WSA's forecast for 2011 describes a steady and stable recovery in production that bodes well for both LV PCI and HCC markets. Key elements of the outlook include strong growth in steel usage in China and India.

In January 2011, the WSA issued its review of global crude steel production in 2010 showing a year-on-year increase of 15% to a new global record of 1,414 million tonnes. All major steel producing regions showed double digit growth, however, the EU, Japan and North America were coming off a low base in 2009. Asia produced over 60% of the World's crude steel in 2010 and strong year-on-year growth was recorded in Western's key markets, with Japan producing 110 million tonnes (up 25%) and Korea producing 59 million tonnes (up 20%).

In the longer term, the market fundamentals – strong demand and shortage of supply for high quality metallurgical coal – are expected to prevail, which should provide continued opportunity for Western as it expands production to increasingly diversify its international markets, particularly into the growing sectors of China, India and South America.

Results of Operations

<i>In thousands of Canadian dollars unless otherwise noted</i>	Three months ended December 31, 2010	Three months ended December 31, 2009	<i>Change %</i>	Nine months ended December 31, 2010	Nine months ended December 31, 2009	<i>Change %</i>
Financial Highlights:						
Revenues	\$ 170,530	\$ 118,662	44	\$ 594,417	\$ 301,997	97
Cost of goods sold	126,747	80,912	57	393,893	234,227	68
Income from mining operations	43,783	37,750	16	200,524	67,770	196
<i>Operating margin</i>	26%	32%		34%	22%	
Other expenses	18,034	6,908	161	64,965	24,767	162
Net income	20,376	24,030	(15)	81,387	29,604	175
Earnings per share, basic	\$ 0.07	\$ 0.10		\$ 0.30	\$ 0.13	
Weighted average shares outstanding (thousands)	276,685	250,749		268,131	232,628	
Production (tonnes):						
Canadian operations						
Hard coking	560,000	354,000	58	1,620,000	1,040,000	56
Low-vol PCI	458,000	179,000	156	1,288,000	399,000	223
U.S. operations						
Metallurgical	177,000	109,000	62	558,000	201,000	178
Thermal	281,000	220,000	28	749,000	404,000	85
U.K. operations						
Anthracite	48,000	44,000	9	110,000	73,000	51
Total production (a)	1,524,000	906,000	68	4,325,000	2,117,000	104
Sales (tonnes):						
Canadian operations						
Hard coking	486,000	301,000	61	1,449,000	973,000	49
Low-vol PCI	239,000	146,000	64	911,000	527,000	73
U.S. operations						
Metallurgical	169,000	103,000	64	527,000	190,000	177
Thermal	269,000	210,000	28	803,000	375,000	114
U.K. operations						
Anthracite	52,000	42,000	24	118,000	73,000	62
Total sales (b)	1,215,000	802,000	51	3,808,000	2,138,000	78

(a) Includes pre-commercial production at Willow Creek mine.

(b) Excludes pre-commercial production at Willow Creek mine.

The results of operations are reported in the following segments:

Canadian Operations

<i>In thousands of Canadian dollars unless otherwise noted</i>	Three months ended December 31, 2010	Three months ended December 31, 2009	Nine months ended December 31, 2010	Nine months ended December 31, 2009
Financial Highlights:				
Revenues	\$ 132,155	\$ 83,781	\$ 471,031	\$ 235,064
Cost of goods sold	89,438	49,946	279,130	176,337
Income from mining operations	\$ 42,717	\$ 33,835	\$ 191,901	\$ 58,727
Production (tonnes):				
Hard coking	560,000	354,000	1,620,000	1,040,000
Low-vol PCI	458,000	179,000	1,288,000	399,000
Total production (a)	1,018,000	533,000	2,908,000	1,439,000
Sales (tonnes):				
Hard coking	486,000	301,000	1,449,000	973,000
Low-vol PCI	239,000	146,000	911,000	527,000
Total sales (b)	725,000	447,000	2,360,000	1,500,000
Per sales tonne:				
Coal price realized	\$ 182	\$ 187	\$ 200	\$ 157
Coal price realized (US\$)	\$ 180	\$ 177	\$ 195	\$ 141
Cost of goods sold				
Cost of product sold	\$ 72	\$ 67	\$ 70	\$ 74
Transportation and other	37	29	35	29
Depletion, amortization and accretion	14	16	13	15
Total cost of goods sold	\$ 123	\$ 112	\$ 118	\$ 118

(a) Includes pre-commercial production at Willow Creek mine.

(b) Excludes pre-commercial production at Willow Creek mine.

Comparing the Three Months Ended December 31, 2010 to the Three Months Ended December 31, 2009

Revenues increased by 58% reflecting a 62% increase in shipments to customers and a slight increase in realized prices, partly offset by the adverse effect of a weakening of the U.S. dollar against the Canadian dollar. The average U.S. dollar relative to the Canadian dollar exchange rate for the third quarter of fiscal 2011 was \$1.01, versus \$1.06 in the comparable quarter of fiscal 2010.

Realized prices for the comparable fiscal 2010 quarter were above prevailing benchmark prices for the quarter because of 175,000 carry-over tonnes of both HCC and LV-PCI sold at fiscal 2009 prices averaging approximately US\$276 per tonne.

Total production increased by 91% primarily due to operational efficiencies derived from the Company's capital investment program to increase operational capacity to 4.1 million tonnes per year, up 58% from the 2.6 million tonnes per year before the program commenced. Additionally, pre-commercial production during the commissioning phase from the Willow Creek mine contributed approximately 199,000 tonnes to the increase over the comparable period of the prior year.

Cost of product sold, which primarily represents mining and plant costs, increased 7% to \$72 per tonne mainly due to commodity price increases. Transportation and other costs, which include truck hauling, rail and port fees, increased 28% to \$37 per tonne due primarily to haulage costs to a third-party load-out facility on a temporary basis until the Falling Creek Connector Road is commissioned and higher port

fees. Port fees for the third quarter of fiscal 2011 included a one-time fee adjustment related to coal shipments in the first six months of fiscal 2011. Overall, cash cost of goods sold increased 14% to \$109 per tonne.

Comparing the Nine Months Ended December 31, 2010 to the Nine Months Ended December 31, 2009

Revenues increased by 100%, reflecting a 57% increase in shipments to customers and a 38% increase in realized prices, partially offset by the effect of a weaker U.S. dollar. The increase in shipments reflects the continuing recovery in demand for the Company's coal products due to the improvement in the global economy. Realized prices benefitted from strong market fundamentals as discussed above. The average U.S. dollar relative to the Canadian dollar exchange rate for the nine month period ended December 31, 2010 was \$1.03, versus \$1.11 in the comparable period of fiscal 2010.

Total production increased by 102% for the reasons discussed above. Pre-commercial production during the commissioning phase from the Willow Creek mine contributed approximately 390,000 tonnes to the increase over the comparable period of the prior year.

The 5% improvement in cost of product sold is primarily due to improved productivity at the Wolverine mine. Transportation and other costs increased 21% to \$35 per tonne primarily for the same reasons discussed above for the quarter period, with the higher port fees reflecting a fee adjustment related to coal shipments during the nine month period.

U.S. Operations

<i>In thousands of Canadian dollars unless otherwise noted</i>	Three months ended December 31, 2010	Three months ended December 31, 2009	Nine months ended December 31, 2010	Nine months ended December 31, 2009
Financial Highlights:				
Revenues	\$ 35,792	\$ 29,821	\$ 111,899	\$ 57,159
Cost of goods sold	33,948	25,933	103,024	48,366
Income from mining operations	\$ 1,844	\$ 3,888	\$ 8,875	\$ 8,793
Production (tonnes):				
Metallurgical	177,000	109,000	558,000	201,000
Thermal	281,000	220,000	749,000	404,000
Total production	458,000	329,000	1,307,000	605,000
Sales (tonnes):				
Metallurgical	169,000	103,000	527,000	190,000
Thermal	269,000	210,000	803,000	375,000
Total sales	438,000	313,000	1,330,000	565,000
Per sales tonne:				
Coal price realized	\$ 82	\$ 95	\$ 84	\$ 101
Coal price realized (US\$)	\$ 81	\$ 88	\$ 82	\$ 94
Cost of goods sold				
Operating expenses	\$ 70	\$ 73	\$ 70	\$ 75
Depletion, amortization and accretion	8	10	7	11
Total cost of goods sold	\$ 78	\$ 83	\$ 77	\$ 86

On July 13, 2009, Western acquired its U.S. operations, which consist of an underground mine and an open pit mine on each of the Maple and Gauley Eagle properties in West Virginia. The U.S. operations are included in the Company's results from July 14, 2009.

Revenues for the three month period ended December 31, 2010 increased by 20% from the comparable fiscal 2010 period, reflecting a 40% increase in shipments to customers, partly offset by an 8% decrease in realized coal prices and the effect of a weaker U.S. dollar. The higher shipments reflect increased demand for both metallurgical and thermal coal in the United States due to general economic improvement year-over-year. Revenues for the nine month period ended December 31, 2010 increased by 96% from the comparable fiscal 2010 period, reflecting a 135% increase in shipments to customers, partially offset by a 13% decrease in realized prices. The higher shipments were primarily due to the aforementioned increase in demand and the inclusion of results for three quarters in fiscal 2011. The decrease in realized prices for both periods was primarily due to the sale of certain lower quality coal at reduced spot prices resulting from mining lower quality seams at the Gauley Eagle surface mine.

Total production increased by 39% and 116% in the three and nine month periods ended December 31, 2010, respectively, due mainly to operational efficiencies and the favourable impact of the Company's program to increase equipment capacity. In addition, the nine month period ended December 31, 2010 included results for three quarters.

Cost of goods sold per tonne for the three and nine month periods ended December 31, 2010 were lower than the corresponding fiscal 2010 periods as a result of improved production rates and operating efficiencies.

U.K. Operations

<i>In thousands of Canadian dollars unless otherwise noted</i>	Three months ended December 31, 2010	Three months ended December 31, 2009	Nine months ended December 31, 2010	Nine months ended December 31, 2009
Financial Highlights:				
Revenues	\$ 2,583	\$ 4,076	\$ 11,487	\$ 7,120
Cost of goods sold	3,361	3,142	11,739	5,923
Income (loss) from mining operations	\$ (778)	\$ 934	\$ (252)	\$ 1,197
Production (tonnes)	48,000	44,000	110,000	73,000
Sales (tonnes)	52,000	42,000	118,000	73,000
Per sales tonne:				
Coal price realized	\$ 50	\$ 97	\$ 97	\$ 98
Coal price realized (£)	£ 31	£ 55	£ 61	£ 55
Cost of goods sold	\$ 65	\$ 75	\$ 99	\$ 81

On July 13, 2009, the Company acquired a controlling interest in its U.K. operations, of which the primary operation is the Aberpergwm underground mine. On August 9, 2010, the Company acquired the remaining 45.3% interest in Energybuild that it did not previously own. The U.K. operations are included in the Company's results from July 14, 2009.

Revenues for the three month period ended December 31, 2010 decreased 37% compared to the corresponding fiscal 2010 period, primarily due to lower realized prices, partly offset by a 24% increase in shipments to customers. The lower realized price principally reflects the transition of the underground mine into an expansion project during the quarter, which contributed to a lower average quality of coal being produced. Revenues for the nine month period ended December 31, 2010 increased by 61% compared to the corresponding fiscal 2010 period, primarily the result of a 62% increase in shipments to customers. This increase in shipments is partly due to the nine month period ended December 31, 2009 only including results of the U.K. operations from July 14, 2009.

Cost of goods sold for the three months ended December 31, 2010 declined 13% per tonne from the comparable fiscal 2010 period primarily as a result of higher production. For the nine month period ended December 31, 2010, cost of goods sold increased 22% per tonne primarily due to increased costs from the underground mine. The underground mine is still in the expansion phase and its production costs are expected to fluctuate depending on tonnes produced during each phase of development. The current reported unit costs are not reflective of the expected long-term costs of the operation.

Other expenses

Other expenses for the three and nine months ended December 31, 2010 include the following:

<i>In thousands of Canadian dollars unless otherwise noted</i>	Three months ended December 31, 2010	Three months ended December 31, 2009	Nine months ended December 31, 2010	Nine months ended December 31, 2009
General and administration	\$ 20,891	\$ 9,134	\$ 46,677	\$ 21,022
Sales and marketing	3,308	3,403	12,660	7,653
Coal exploration	471	1,369	3,905	3,729
Interest, accretion and financing fees	798	2,713	4,268	8,958
Loss (gain) on forward exchange contracts	(5,093)	(1,551)	1,302	(22,821)
Other expense (income)	(2,341)	(8,160)	(3,847)	6,226
Total other expenses	\$ 18,034	\$ 6,908	\$ 64,965	\$ 24,767

General and Administration

For the three month period ended December 31, 2010, general and administration expenses increased \$11.8 million, or 129%, over the corresponding fiscal 2010 period. The increase is partly due to the growth of the Company's operations and workforce which resulted in higher employment costs, including stock based compensation and recruiting expenses. Recruiting expenses increased due to the strengthening of the senior management team and the continued building of competence in the Company's core mining and engineering functional areas. The increase also reflects approximately \$8.0 million of non-recurring legal, professional and consulting expenses in respect of the proposed acquisition of Western by Walter Energy.

For the nine month period ended December 31, 2010, general and administration expenses increased \$25.7 million, or 122%, over the corresponding fiscal 2010 period. The increase reflects the same factors noted above for the quarter period, as well as expenses of the Cambrian group which was acquired in July 2009 and fees in respect of the previously intended migration to the main market of the London Stock Exchange.

Sales and Marketing

For the three and nine month periods ended December 31, 2010, sales and marketing expenses decreased \$0.1 million, or 3%, and increased \$5.0 million, or 65%, respectively, over the corresponding fiscal 2010 periods. The decrease for the quarter period is primarily attributable to a higher proportion of sales to customers of the Canadian operations for which certain sales commissions are not incurred and a lower average realized price. The increase for the nine month period is attributable to higher sales volumes and average realized prices, in addition to the comparable fiscal 2010 period only including expenses of the Cambrian group since July 2009.

Coal Exploration

Coal exploration includes property development expenditures, field programs, consultants, coal licenses and leases, engineering, environmental matters and other project administration. Exploration costs are charged to income in the quarter in which they are incurred, except where these costs relate to specific properties for which economically recoverable reserves have been established, in which case they are capitalized. Also included are the carrying costs of the Willow Creek mine prior to its reopening on June 4, 2010.

Coal exploration for the three month period ended December 31, 2010 decreased \$0.9 million, or 66%, from the corresponding fiscal 2010 period. For the nine month period ended December 31, 2010, these costs increased \$0.2 million, or 5%, from the corresponding fiscal 2010 period. The increase in the nine month period reflects increased exploration activities.

Interest, Accretion and Financing Fees

For the three month and nine month periods ended December 31, 2010, interest, accretion and financing fees decreased \$1.9 million, or 71%, and \$4.7 million, or 52%, respectively, from the comparable fiscal 2010 period. These decreases are due to the conversion into equity of the Company's convertible debentures in May 2010 and the repayment of certain long-term debt, resulting in lower debt levels, partially offset by interest on additional capital lease obligations for mining equipment.

Loss (Gain) on Forward Exchange Contracts

The Company has operations in Canada, the U.S. and U.K., and therefore foreign exchange risk exposures arise from transactions denominated in foreign currencies. Western's currency risk primarily relates to its Canadian operations, for which sales are denominated in U.S. dollars while the majority of costs are denominated in Canadian dollars. The Company may also become exposed to currency fluctuations on any equipment purchases or related financing facilities denominated in U.S. dollars. To mitigate its currency risk, the Company from time to time enters into forward currency exchange contracts to fix the rate at which certain future anticipated inflows of U.S. dollars are exchanged for Canadian dollars.

During the three month period ended December 31, 2010, the value of the Canadian dollar relative to the U.S. dollar fluctuated within a range of 0.99 to 1.04. The average exchange rate for this period was 1.01.

At December 31, 2010, Western had US\$97 million of forward currency exchange contracts outstanding with various maturity dates through March 31, 2011, with a weighted average C\$/US\$ exchange rate of 1.0273. The Company has entered into forward exchange contracts to offset certain of these contracts outstanding totaling US\$60 million. A \$1.2 million net unrealized gain on these contracts is reflected in the balance sheet as at December 31, 2010. For the three month period ended December 31, 2010, the Company recognized a gain of \$5.1 million on forward exchange contracts, which is attributable to the U.S. dollar weakening against a combination of realized and unrealized contract rates. For the nine month period ended December 31, 2010, the Company recognized a loss of \$1.3 million.

Other Expense (Income)

<i>In thousands of Canadian dollars unless otherwise noted</i>	Three months ended December 31, 2010	Three months ended December 31, 2009	Nine months ended December 31, 2010	Nine months ended December 31, 2009
Net foreign exchange loss (gain)	\$ 4,149	\$ (2,556)	\$ 3,884	\$ 19,530
Loss (gain) on fair value adjustment of held-for-trading investments and derivatives	(2,917)	26	(4,495)	(48)
Gain on fair value adjustment of investment in Mandalay	(1,860)	-	(1,860)	-
Gain on recovery of note receivable	(691)	-	(691)	-
Interest expense (income)	(740)	1,804	(822)	(1,709)
Gain on redemption of convertible debentures	-	-	-	(4,155)
Gain on disposal of subsidiary	-	(6,996)	-	(6,996)
Other income	(282)	(438)	137	(396)
	\$ (2,341)	\$ (8,160)	\$ (3,847)	\$ 6,226

Net foreign exchange gains and losses principally reflect the impact of changes in the U.S. dollar relative to the Canadian dollar on a quarter by quarter basis on U.S. dollar denominated working capital. The net foreign exchange loss in the three month period ended December 31, 2010 primarily reflects the impact of the weakening of the U.S. dollar relative to the Canadian dollar.

Income Tax Recovery (Expense)

Income tax expense for the three and nine month periods ended December 31, 2010 was \$6.5 million, or 25%, and \$47.1 million, or 35%, respectively, of pre-tax income. The Company's tax rate for each reporting period depends largely on the nature of its income and the jurisdictions in which it is earned. In general, mining income is subject to additional taxes while interest, overhead costs and capital items are subject to lower rates of tax.

Equity Earnings (Loss)

Equity earnings (loss) were \$1.1 million and \$(7.6) million for the three and nine month periods ended December 31, 2010, respectively, which reflect the Company's share of the net earnings of its equity investees. The equity loss for the nine month period is primarily due to an asset impairment charge recorded by one of the underlying investees. During the three month period ended December 31, 2010, one of Western's equity investees, Mandalay Resources Ltd. was reclassified to an available-for-sale investment, due to a loss of significant influence. At December 31, 2010, the Company's sole equity investee was Xtract Energy Plc. The Company is not obligated to finance its equity investee.

Liquidity and Capital Resources

The Company's strong financial position and liquidity continued through the three month period ended December 31, 2010, primarily as a result of generating positive cash flows from operating activities. At December 31, 2010, the Company's cash and cash equivalents balance was \$79.3 million and working capital was \$104.4 million.

For the nine month period ended December 31, 2010, the Company generated positive cash flow from sales of \$244.0 million on revenues of \$594.4 million, up significantly from \$97.0 million on revenues of \$302.0 million in the comparable fiscal 2010 period. Cash flows generated from future shipments will depend on volumes, settlement prices, exchange rates, the level of operating and transportation costs and other factors noted throughout this MD&A, including the items identified under "Risks and Uncertainties" in the Company's MD&A for the fiscal year ended March 31, 2010.

Positive cash flow from sales is a non-GAAP measure and is reconciled in the table below:

<i>In thousands of Canadian dollars unless otherwise noted</i>	Three months ended December 31, 2010	Three months ended December 31, 2009	Nine months ended December 31, 2010	Nine months ended December 31, 2009
Revenues	\$ 170,530	\$ 118,662	\$ 594,417	\$ 301,997
Operating expenses	112,002	69,813	350,414	205,029
Positive cash flow from sales	\$ 58,528	\$ 48,849	\$ 244,003	\$ 96,968

Cash flow from operating activities, before settlement of asset retirement obligations and net changes in non-cash working capital items, was \$161.0 million for the nine month period ended December 31, 2010, up from \$59.9 million for the corresponding fiscal 2010 period. The significant increase is primarily the result of higher sales volumes and realized prices. Changes in non-cash working capital items for the nine month period ended December 31, 2010 resulted in a use of cash of \$53.4 million compared with a source of cash of \$17.3 million for the corresponding fiscal 2010 period. This increase in non-cash working capital primarily reflects the impact of higher revenues on accounts receivable and equipment deposits.

Cash expenditures on mineral property, plant and equipment were \$162.3 million in the nine month period ended December 31, 2010, up substantially from \$17.2 million in the corresponding fiscal 2010 period. This increase is primarily due to the introduction of larger and more efficient trucks and shovels to expand production at existing operations and for infrastructure to expand the Company's mines. These activities include restarting the Willow Creek mine and expanding the Brule mine at the Canadian operations as well as expanding the Maple underground mine at the U.S. operations. The equipment additions to the fleet are part of a strategy of phasing out reliance on contractor fleets. Total capital expenditures in the nine month period ended December 31, 2010, including equipment accruals and equipment financed by capital leases, were \$255.0 million.

To support the Company's capital expenditure program and growth plan over the current year and future periods, the Company has secured US\$120 million in capital leasing facilities, of which approximately US\$58 million remained unused as at December 31, 2010, and a syndicated two-year revolving term credit facility in the amount of US\$125 million. These facilities together with the Company's existing cash balance and future cash flow from operating activities are expected to be sufficient to fund its growth plans for the remainder of fiscal 2011.

As at December 31, 2010, the Company had commitments to purchase equipment for its Canadian operations totaling \$18.5 million, with delivery of this equipment anticipated to occur in the fourth quarter of fiscal 2011.

During the nine month period ended December 31, 2010, the Company made repayments on capital lease obligations of \$16.8 million and repayments of \$4.8 million on long-term debt, and received proceeds of \$24.1 million from the exercise of stock options and warrants.

On May 31, 2010, the Company completed its 7.5% convertible unsecured subordinated debenture redemption program. Other than debentures totaling \$0.2 million, which were redeemed for cash, all of the debentures were converted into common shares.

On August 9, 2010, the Company acquired all the issued ordinary share capital of Energybuild Group Plc not already held by the Company. The Company accounted for this acquisition as an equity transaction. The purchase price of \$38.0 million was financed by the issuance of 8,551,578 common shares of the Company valued at \$35.8 million, the issuance of 1,457,750 stock options and warrants valued at \$0.7 million and included transaction costs of \$1.5 million.

On August 19, 2009, the Company raised \$55.9 million, net of issuance costs, through the issuance of 22,100,000 common shares at a purchase price of \$2.70 per share. The net proceeds were used by the Company primarily to fund development of the Willow Creek mine and further development of the Brule, Maple Coal and Gauley Eagle mines as well as construction of the Falling Creek Connector Road.

MD&A and Financial Statements

This news release is prepared as at February 10, 2011 and should be read in conjunction with the Managements' Discussion and Analysis and Financial Statements for the fiscal third quarter ended December 31, 2010 which have been posted on Western's website at www.westerncoal.com and on SEDAR at www.sedar.com under the Company's profile. This news release does not constitute a MD&A as contemplated by relevant securities rules.

Webcast/Conference Call

Western's senior management will host a conference call and webcast on Friday February 11, 2011 at 8:00 am (Vancouver) to discuss financial and operating results for fiscal Q3 2011. Presentation slides will accompany the webcast and conference call and will be available at [www.westerncoal.com/investors/financial information](http://www.westerncoal.com/investors/financial_information).

To participate on the conference call, dial 1.888.231.8191 or 647.427.7450. A replay of the conference call will be available at 1.800.642.1687, passcode 42527095.

To listen to the live audio webcast, visit the Company's website at [www.westerncoal.com/investors/financial information](http://www.westerncoal.com/investors/financial_information).

About Western Coal

Western Coal is a producer of high quality metallurgical coal from three mines in northeast British Columbia (Canada), high quality metallurgical coal and compliant thermal coal from four mines located in West Virginia (USA), and high quality anthracite and metallurgical coal in South Wales (UK). 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.westerncoal.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.

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