



GRANDE CACHE COAL CORPORATION

NEWS RELEASE

GRANDE CACHE COAL CORPORATION ANNOUNCES THIRD QUARTER FISCAL 2008 FINANCIAL AND OPERATING RESULTS

Calgary, Alberta, February 7, 2008 – Grande Cache Coal Corporation (GCE-TSX) ("Grande Cache Coal" or the "Corporation") today announced its financial and operating results for the three and nine months ended December 31, 2007.

- Third quarter sales volumes were 0.4 million tonnes, up from 0.3 million tonnes in the comparable quarter. For the year to date, sales volumes were 1.2 million tonnes, a 50% increase over sales volumes for the same period last year. Grande Cache Coal continues to anticipate that sales volumes for fiscal 2008 will be in the range of 1.4 to 1.6 million tonnes.
- The average cost of production during the quarter was \$50 per tonne, down from \$62 per tonne in the previous quarter and \$63 per tonne in the third quarter of last year.
- Revenue for the quarter was \$37.7 million, a 31% increase from the comparable period. The full benefit of higher sales volumes was reduced by a lower average Canadian dollar sales price. Because the Corporation's contract sales prices are denominated in U.S. currency, the strengthening of the Canadian dollar was detrimental to revenue and earnings. An exchange rate similar to last years third quarter, applied to the U.S. sales price and volumes in the current quarter, would have generated an additional \$6.5 million in revenue.
- Cost of sales in the quarter were \$37.7 million (\$85 per tonne), versus to \$26.4 million (\$88 per tonne) last year.
- The Corporation incurred a net loss during the quarter of \$3.4 million, or \$0.05 per share, compared to a net loss of \$2.2 million, or \$0.04 per share in the same period last year. The primary reason for the net loss in the current quarter was the unfavourable translation of U.S. revenue into Canadian revenue due to a stronger Canadian dollar.

"We are pleased with the results achieved that were within our control, namely increased sales volumes and lower costs" said Robert Stan, President and Chief Executive Officer. "Although we cannot control currency exchange rates, we are making successful strides in reducing our costs and improving operating efficiencies."

"We are very optimistic about the upcoming coal year," continued Mr. Stan. "We are currently in negotiations for fiscal 2009 coal prices and expect to achieve considerable price increases due to the strong demand for our product. With continued success on cost control measures and productivity improvements, we anticipate profitable results for fiscal 2009."

- Grande Cache Coal anticipates sales volumes of 1.8 to 2.0 million tonnes in fiscal 2009. The Corporation is maintaining its focus on expanding and diversifying its customer base and has completed negotiations with CN for delivery of up to 0.5 million tonnes of metallurgical coal per year to steel industry customers in the Great Lakes area of Eastern North America.

Financing Activities:

- As announced on January 28, 2008, Grande Cache Coal has signed a term sheet with Brookfield Bridge Lending Fund Inc. ("Brookfield"), the company's existing senior lender, for a \$17.5 million three year floating rate senior secured convertible debenture (the "Convertible Debenture") and a secured revolving credit facility for an amount up to \$20.0 million (the "Revolving Facility"), subject to a borrowing base calculation. The proceeds from the Convertible Debenture will be used to fully repay the company's existing term facility with Brookfield and for general corporate purposes. Proceeds from the Revolving Facility will be used for general purposes. Closing of the financing is expected to occur on or about February 15, 2008 and is subject to regulatory approval.

Grande Cache Coal is an Alberta based metallurgical coal mining company whose experienced team of coal professionals are managing a mine that produces metallurgical coal for the steel industry and holds coal leases covering over 22,000 hectares in the Smoky River Coalfield located in west-central Alberta. Grande Cache Coal's common shares are listed on the Toronto Stock Exchange under the trading symbol "GCE".

Management's Discussion & Analysis

This Management's Discussion and Analysis ("MD&A") should be read in conjunction with the unaudited interim consolidated financial statements for the period ended December 31, 2007, and the audited consolidated financial statements, notes and related MD&A thereto of Grande Cache Coal Corporation ("Grande Cache Coal" or the "Corporation") for the fiscal year ended March 31, 2007. The consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles. This discussion provides management's analysis of the Corporation's historical financial and operating results and provides estimates of the Corporation's future financial and operating performance based on information currently available. Actual results will vary from estimates and the variances may be significant. Readers should be aware that historical results are not necessarily indicative of future performance.

This MD&A was prepared using information that is current as of February 6, 2008.

Certain information set forth in this MD&A, including management's assessment of the Corporation's future plans and operations, contains forward-looking statements which are based on the Corporation's current internal expectations, estimates, projections, assumptions and beliefs, which may prove to be incorrect. Some of the forward-looking statements may be identified by words such as "expects", "anticipates", "believes", "projects", "plans" and similar expressions. These statements are not guarantees of future performance and undue reliance should not be placed on them. Such forward-looking statements necessarily involve known and unknown risks and uncertainties, which may cause Grande Cache Coal's actual performance and financial results in future periods to differ materially from any projections of future performance or results expressed or implied by such forward-looking statements. These risks and uncertainties include, among other things, changes in general economic, market and business conditions; uncertainties associated with estimating the quantity and quality of coal reserves and resources; commodity prices, currency exchange rates, the availability of credit facilities for capital expenditure requirements, debt service requirements; dependence on a single rail system; changes to legislation; liabilities inherent in coal mine development and production; competition for, among other things, capital, acquisitions of reserves, undeveloped lands and skilled personnel; geological, mining and processing technical problems; ability to obtain required mine licenses, mine permits and regulatory approvals required to proceed with mining and coal processing operations; ability to comply with current and future environmental and other laws; actions by governmental or regulatory authorities including increasing taxes and changes in other regulations; and the occurrence of unexpected events involved in coal mine development and production. Many of these risks and uncertainties are described in Grande Cache Coal's 2007 Annual Information Form, Grande Cache Coal's Management's Discussion and Analysis and other documents Grande Cache Coal files with the Canadian securities authorities.

Readers of this Management's Discussion and Analysis should refer to the section entitled "Risk Factors" in Grande Cache Coal's 2007 Management's Discussion and Analysis and 2007 Annual Information Form for factors which could potentially impact the Corporation's financial performance and its ability to meet its targets.

All references are to Canadian dollars unless otherwise indicated.

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Financial Overview

<i>(millions of dollars)</i>	December 31		March 31	
	2007		2007	
Balance Sheet				
Total assets	110.6		107.5	
Long-term liabilities	4.0		13.9	
Shareholders' equity	82.4		69.8	

<i>(millions of dollars, except per share amounts)</i>	Three months ended		Nine months ended	
	December 31		December 31	
	2007	2006	2007	2006
Income Statement				
Revenue	37.7	28.7	106.6	87.5
Cost of sales	37.7	26.4	105.4	77.9
(Loss) income from operations	(3.0)	0.6	(13.2)	1.8
Net loss	(3.4)	(2.2)	(14.3)	(2.3)
Basic and diluted net loss per share	(0.05)	(0.04)	(0.23)	(0.04)

<i>(millions of tonnes, except per tonne amounts)</i>	Three months ended		Nine months ended	
	December 31		December 31	
	2007	2006	2007	2006
Statistics				
Clean coal production (tonnes)	0.3	0.3	1.0	0.8
Coal sales (tonnes)	0.4	0.3	1.2	0.8
Average sales price (U.S.\$/tonne)	87	89	83	96
Average sales price (\$/tonne)	85	95	87	106
Average cost of sales (\$/tonne)	85	88	86	95
Average cost of production (\$/tonne)	50	63	56	62

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Revenue

Grande Cache Coal's third quarter sales volumes were 0.4 million tonnes compared to 0.3 million tonnes in the same quarter of fiscal 2007. For the year to date, sales volumes were 1.2 million tonnes, up from 0.8 million tonnes in the comparable period.

For the quarter, the average price achieved on U.S. dollar denominated sales was U.S.\$87 per tonne, down slightly from U.S.\$89 per tonne last year reflecting a decline in hard coking coal contract price settlements offset by a lower proportional volume of Pulverized Coal Injection (PCI) sales. The product sales mix in the current quarter included hard coking coal sales (96%) at an average price of U.S.\$88 per tonne and PCI sales (4%) at an average price of U.S.\$68 per tonne. The product sales mix on U.S. dollar denominated sales in the comparable quarter included hard coking coal sales (80%) at an average price of U.S.\$95 per tonne and PCI sales (20%) at an average price of U.S.\$65 per tonne.

The strength of the Canadian dollar continued to have a negative impact on the U.S./Canadian price differential for the Corporation. For the third quarter, on average U.S.\$1 equaled Cdn\$0.98, compared to the same period last year when on average U.S.\$1 equaled Cdn\$1.15. As a result, the average realized price in Canadian dollars for U.S. dollar denominated sales was \$85 per tonne compared to \$102 per tonne last year. In the comparable quarter, there was also thermal coal sales to a neighboring power plant facility at an average price of \$34 per tonne which reduced the overall average realized Canadian dollar sales price to \$95 per tonne.

Third quarter revenue was \$37.7 million, up from \$28.7 million in the comparable period. For the year to date, revenue was \$106.6 million versus \$87.5 million in the first nine months of fiscal 2007. The increase in revenue for both the quarter and the year is the result of higher sales volumes partially offset by lower U.S. dollar denominated contract sales prices and a lower exchange rate due to a stronger Canadian dollar.

Production Costs and Cost of Sales

The Corporation's clean coal production cost in the third quarter was \$50 per tonne, down from \$63 per tonne in the same period last year. The cost reduction is attributable to lower surface mine costs as well as lower process plant costs due in part to improved productivities and a higher plant yield.

The clean coal production cost for the year was \$56 per tonne compared to \$62 per tonne in the first nine months of last year. In fiscal 2007, the Corporation made the decision to end its relationship with the surface mine contractor and purchase its own fleet of mining equipment. During the transition period, the contractor's efforts were focused on moving waste to maximize the coal readily available to the Corporation, which had the effect of temporarily increasing the strip ratio in the mine for the benefit of future periods. Certain stripping costs totaling \$4.3 million were capitalized during the second and third quarter of fiscal 2007. These prepaid charges were amortized over the production generated by the stripping activity resulting in amortization charges of \$0.1 million in the fourth quarter of fiscal 2007 and \$4.2 million in the second quarter of fiscal 2008.

Grande Cache Coal's third quarter cost of sales was \$37.7 million, or \$85 per tonne, compared to \$26.4 million, or \$88 per tonne in the same period last year. The cost of sales in the current quarter consisted of cost of product sold of \$25.0 million (\$56 per tonne) and distribution costs of \$12.7 million (\$29 per tonne). In the comparable quarter of fiscal 2007, the cost of product sold was \$18.0 million (\$60 per tonne) and the distribution costs were \$8.4 million (\$28 per tonne).

For the year to date, cost of sales were \$105.4 million (\$86 per tonne), versus \$77.9 million (\$95 per tonne) last year. The cost of sales consisted of cost of product sold of \$71.4 million (\$58 per tonne) and distribution costs of \$34.0 million (\$28 per tonne). In the prior period, the cost of product sold was \$52.8 million (\$64 per tonne) and the distribution costs were \$25.1 million (\$31 per tonne).

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The reduction in the unit cost of product sold is primarily a result of lower operating costs in the surface mine and reduced process plant costs due to improved operating productivities and a higher plant yield. The Corporation has also eliminated the services of several contractors and replaced essential services with Grande Cache Coal employees and equipment.

The decrease in distribution costs for the first nine months of the current year is largely due to a lower proportion of shipments to eastern North America which carry higher rail rates than shipments to port in western Canada.

Other Operating Expenses

The Corporation's general and administrative expenses were \$1.4 million during the quarter compared to \$1.2 million in the same period last year. Included in the general and administrative expenses were head office administrative and marketing charges of \$1.2 million (\$1.0 million – 2007) and non-cash charges for stock-based compensation of \$0.2 million (\$0.4 million – 2007). The comparable quarter also included a foreign exchange gain of \$0.2 million.

For the year to date, general and administrative expenses were \$6.6 million compared to \$4.4 million last year. The main reason for the increase is related to foreign exchange losses on currency translation which accounted for \$2.0 million in the current year (\$0.5 million – 2007) and is a result of a stronger Canadian dollar. Head office administrative and marketing charges were \$3.7 million (\$2.9 million – 2007) and non-cash charges for stock-based compensation were \$0.9 million (\$1.0 million – 2007).

Depreciation, depletion and accretion charges were \$1.6 million during the third quarter and \$7.8 million year to date, versus \$0.5 million and \$3.3 million in the comparable periods of last year. The increase is reflective of higher coal production levels, the addition of productive capital assets and the change in value of depreciation and depletion included in coal inventory.

Other Income (Expenses)

Third quarter interest and other income was \$0.2 million compared to \$0.1 million in the same quarter last year. For the first nine months of the year, interest and other income was \$0.9 million in contrast to \$0.3 million last year. Interest and other income consists primarily of interest earned on restricted cash, interest earned on short term investments and access fees charged for the use of roads and bridges belonging to the Corporation.

Interest and other expenses were \$0.3 million in the current quarter and \$1.3 million for the year to date, compared to \$0.5 million and \$1.2 million in the comparable periods of the prior year. Interest and other expenses consist primarily of interest paid on the revolving and term debt.

Non-recurring charges in the prior year were \$2.2 million in the third quarter and \$2.5 million for the year. These expenses consist of \$2.2 million in demobilization costs paid to the surface mining contractor in connection with the termination of the contract and \$0.3 million as a fee for the cancellation of a planned equipment purchase.

Liquidity and Capital Resources

At December 31, 2007, the Corporation had cash and cash equivalents of \$4.8 million and availability of \$10.0 million on its revolving debt facility. The Corporation's cash position decreased \$10.8 million during the third quarter and increased \$0.2 million since March 31, 2007. In the comparable periods, the Corporation's cash position was unchanged in the third quarter and increased \$2.7 million in the first nine months of fiscal 2007.

Operating activities during the current quarter generated cash of \$0.4 million in contrast to a cash decrease of \$5.1 million in the comparable period and is largely a result of the difference between the net changes in non-cash

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working capital. Cash provided by operating activities since March 31, 2007 was \$9.6 million versus a cash use of \$18.4 million in the first three quarters of the previous fiscal year. Cash generated from operating activities in the current year was weakened by the Corporation's \$14.3 million net loss, which was predominately a result of reduced revenue attributable to a stronger Canadian dollar.

Financing activities since March 31, 2007 have provided cash of \$15.9 million. During the current year, the Corporation issued share capital for gross proceeds of \$28.0 million. Costs for issuing the share capital were \$2.0 million resulting in net proceeds of \$26.0 million. Grande Cache Coal has a \$15.0 million revolving debt facility used to fund working capital requirements. The Corporation made net repayments of \$10.0 million during the year bringing the balance on the revolving debt facility to \$5.0 million at December 31, 2007.

Financing activities in the comparable year generated cash of \$28.8 million, during which time the Corporation closed a bought deal equity financing for net proceeds of \$25.3 million, consisting of gross proceeds of \$27.0 million and share issuance costs of \$1.7 million. The Corporation also received net proceeds from the revolving debt facility of \$3.5 million during the first nine months of last fiscal year.

Investing activities in the third quarter led to a cash decrease of \$10.9 million compared to \$2.4 million in the comparable period. During the third quarter the Corporation invested \$11.2 million in capital projects including \$9.3 million on mining equipment that will be used to operate the surface mine.

Since March 31, 2007, investing activities have led to a cash use of \$24.0 million compared to a cash use of \$7.7 million in the first nine months of fiscal 2007. Capital additions account for \$28.6 million in the current year and \$3.0 million in the prior period. In fiscal 2007, certain prestrip costs totaling \$4.3 million were capitalized and included as cash used in investing activities. These prestrip charges were amortized over the production generated by the stripping activity resulting in amortization charges of \$4.2 million in fiscal 2008.

At December 31, 2007, a total of \$25.7 million in deposits, progress payments and purchases has been made towards the purchase of surface mine equipment. Funding for the equipment has come from working capital and a portion of the proceeds from the bought deal equity issue. Total expenditures on equipment for the surface mining fleet are expected to approximate \$32 million.

On January 28, 2008, Grande Cache Coal announced that it has signed a term sheet with Brookfield Bridge Lending Fund Inc., the Corporation's existing senior lender, for a \$17.5 million three year floating rate senior secured convertible debenture and a secured revolving credit facility for an amount up to \$20.0 million, subject to a borrowing base calculation. The proceeds from the convertible debenture will be used to fully repay the Corporation's existing term facility with Brookfield and for general corporate purposes. Proceeds from the revolving facility will be used for general purposes. Closing of the financing is expected to occur on or about February 15, 2008 and is subject to regulatory approval.

The Corporation believes that the revolving facility will be sufficient to fund ongoing working capital requirements. Grande Cache Coal expects to maintain sufficient inventory levels at the port to meet customer requirements, contingent upon adequate rail service. At December 31, 2007, the Corporation had \$7.3 million in coal inventory, compared to \$16.3 million at the end of the previous quarter.

The Corporation did not have any off-balance sheet financing structures in place at December 31, 2007. The only long term liabilities of the Corporation are asset retirement obligations with a present value of \$4.0 million, and capital lease obligations of \$0.1 million. Grande Cache Coal's asset retirement obligations are covered by a cash deposit of \$0.1 million and letters of credit totaling \$5.5 million provided to the Alberta Government, which are presently secured by restricted cash.

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Changes in Accounting Policies

The CICA Handbook sections 1530 - Comprehensive Income, 3855 - Financial Instruments – Recognition and Measurement and 3865 - Hedges, became applicable to the Corporation on April 1, 2007.

Section 1530 requires the presentation of a statement of comprehensive income and its components that are not included in net income (loss). Other comprehensive income is the change in net assets during a period that result from transactions, events and circumstances from non-owner sources such as unrealized gains or losses on available-for-sale investments. The Corporation did not have other comprehensive income or losses during the period therefore comprehensive loss was equal to the net loss.

Section 3855 establishes the recognition and measurement criteria of financial assets, financial liabilities and derivatives. All financial instruments are required to be measured at fair value on initial recognition of the instrument, except for certain related party transactions. Measurement in subsequent periods depends on whether the financial instrument has been classified as held-for-trading, available-for-sale, held-to-maturity, loans and receivables, or other financial liabilities as defined by the standard. Financial assets and financial liabilities held-for-trading are measured at fair value with changes in those fair values recognized in net income (loss). Financial assets available-for-sale are measured at fair value, with changes in those fair values recognized in other comprehensive income (loss). Financial assets held-to-maturity, loans and receivables and other financial liabilities are measured at amortized cost using the effective interest method of amortization. The methods used by the Corporation in determining the fair value of financial instruments are unchanged as a result of implementing the new standard.

Section 3865 provides new standards for entities applying hedge accounting. The Corporation had no transactions which have been designated as hedges for accounting purposes therefore the new standard did not impact the financial statements.

Summary of Quarterly Results

<i>(millions, except per unit amounts)</i>	2008			2007				2006
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Clean coal production	0.3	0.4	0.3	0.2	0.3	0.2	0.3	0.3
Coal sales	0.4	0.4	0.4	0.2	0.3	0.3	0.2	0.2
Average sales price (\$/tonne)	85	85	89	78	95	103	125	122
Average cost of sales (\$/tonne)	85	91	81	86	88	97	101	121
Average cost of production (\$/tonne)	50	62	55	68	63	63	60	86
Revenue	37.7	30.8	38.2	13.8	28.7	29.8	29.0	27.0
(Loss) income from operations	(3.0)	(8.5)	(1.7)	(4.2)	0.6	(0.9)	2.1	(2.1)
Net (loss) income	(3.4)	(8.8)	(2.0)	(4.7)	(2.2)	(1.8)	1.7	(2.6)
Basic and diluted net (loss) income per share	(0.05)	(0.14)	(0.04)	(0.10)	(0.04)	(0.03)	0.03	(0.06)

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Outlook

Metallurgical Coal Markets

Demand for the Corporation's coal products remains strong and it is expected that coal sales volumes for fiscal 2008 will be in the range of 1.4 to 1.6 million tonnes, contingent upon the continuation of adequate rail service.

Based on early market indicators, the Corporation expects to see significant increases in coal prices in the coming coal year. Grande Cache Coal is currently in negotiations with customers for the coal year which begins April 1, 2008 and anticipates sales volumes of 1.8 to 2.0 million tonnes in fiscal 2009.

The Corporation is maintaining a focus on expanding and diversifying its customer base geographically as well as within traditional markets to mitigate delays in vessel nominations. The demand for metallurgical coking coal is expected to remain strong over the medium term as worldwide supply and demand remains balanced.

Grande Cache Coal has completed negotiations with CN for delivery of up to 0.5 million tonnes of metallurgical coal per year to steel industry customers in the Great Lakes area of Eastern North America.

Operations

Normal mining operations have resumed in the surface mine and the Corporation expects to achieve productivity improvements as operations progress. It is estimated that production costs in the surface mine will be lower than 2007 levels. There is also a continuing focus on productivity improvements and cost control in the underground mine and the process plant.

Production levels will continue to be managed according to scheduled sales volumes and the maintenance of adequate inventory levels.

Foreign Exchange

The strengthening of the Canadian dollar against the U.S. dollar has had a negative impact on Grande Cache Coal's financial results. Substantially all of the Corporation's coal sales occur in U.S. dollars and the Corporation has not entered into hedges to mitigate the effect of a weaker U.S. dollar. Sustained or additional strengthening of the Canadian dollar would continue to have a negative impact on Grande Cache Coal's financial results.

Capital Expenditures

The Corporation anticipates total spending of approximately \$40 million on capital additions and a drilling program in fiscal 2008. Grande Cache Coal has substantially completed the acquisition of the major mining equipment with which to operate the surface mine. Purchases of support equipment have been on going and will continue throughout the remainder of the current fiscal year. Total expenditures on equipment for the Corporation's surface mining fleet are expected to approximate \$32 million.

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Other Information

The Corporation has not entered into any off-balance sheet arrangements at this time. Looking forward, export trade credit insurance may be used to support accounts receivable.

As at February 6, 2008, there were 72,349,288 common shares issued and outstanding, and the following share options were also outstanding:

Share Options Outstanding	Number Granted	Number Vested	Exercise Price	Expiry Date
	1,041,667	1,041,667	\$1.00	March 21, 2009
	150,000	150,000	\$3.70	July 21, 2009
	37,500	37,500	\$3.70	August 8, 2009
	115,000	115,000	\$11.56	March 15, 2010
	10,000	10,000	\$9.08	June 9, 2010
	75,000	75,000	\$4.50	October 18, 2010
	645,000	645,000	\$2.44	April 11, 2011
	525,000	350,000	\$1.05	October 11, 2011
	175,000	116,667	\$1.05	November 16, 2011
	125,000	83,333	\$0.79	December 14, 2011
	520,000	173,333	\$0.88	May 23, 2012
	1,950,000	-	\$1.04	January 8, 2013
Total	<u>5,369,167</u>	<u>2,797,500</u>		

Additional Information

Additional information regarding the Corporation and its business operations, including the Corporation's annual information form for the fiscal year ended March 31, 2007, is available on the Corporation's SEDAR company profile at www.sedar.com.

Grande Cache Coal Corporation
Consolidated Balance Sheets
(thousands of Canadian dollars)

(unaudited)	December 31 2007	March 31 2007
Assets		
Current assets		
Cash and cash equivalents	\$ 4,822	\$ 4,614
Restricted cash (note 3)	6,528	6,528
Accounts receivable	12,715	5,129
Inventory (note 4)	11,978	34,677
Prepaid expenses	1,517	1,769
Prepaid prestrip charges (note 5)	-	4,193
	<u>37,560</u>	<u>56,910</u>
Deposit for future reclamation expenditures	82	82
Capital assets (note 6)	<u>72,938</u>	<u>50,473</u>
	<u>\$ 110,580</u>	<u>\$ 107,465</u>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	\$ 9,148	\$ 8,788
Revolving and term debt (note 7)	<u>15,000</u>	<u>15,000</u>
	24,148	23,788
Long term debt (note 7)	-	10,000
Asset retirement obligations (note 8)	3,956	3,783
Capital lease obligations	<u>71</u>	<u>104</u>
	<u>28,175</u>	<u>37,675</u>
Shareholders' Equity		
Share capital (note 9)	152,956	126,979
Contributed surplus	3,944	3,036
Deficit	<u>(74,495)</u>	<u>(60,225)</u>
	<u>82,405</u>	<u>69,790</u>
	<u>\$ 110,580</u>	<u>\$ 107,465</u>
Commitments and Contingencies (note 13)		

See accompanying notes to the consolidated financial statements.

Grande Cache Coal Corporation
Consolidated Statements of Net Loss, Comprehensive Loss and Deficit
(thousands of Canadian dollars, except per share amounts)

(unaudited)	Three months ended December 31		Nine months ended December 31	
	2007	2006	2007	2006
Revenue	\$ 37,679	\$ 28,689	\$ 106,635	\$ 87,463
Expenses				
Cost of product sold	25,001	18,005	71,385	52,846
Distribution	12,697	8,426	34,022	25,061
General and administrative	1,390	1,167	6,614	4,429
Depreciation, depletion and accretion	1,635	533	7,816	3,296
	<u>40,723</u>	<u>28,131</u>	<u>119,837</u>	<u>85,632</u>
(Loss) income from operations	(3,044)	558	(13,202)	1,831
Other income (expenses)				
Interest and other income	222	89	930	310
Interest and other expenses	(327)	(465)	(1,272)	(1,243)
Non-recurring charges (note 10)	-	(2,206)	-	(2,541)
	<u>(3,149)</u>	<u>(2,024)</u>	<u>(13,544)</u>	<u>(1,643)</u>
Loss before taxes	(3,149)	(2,024)	(13,544)	(1,643)
Taxes	(250)	(203)	(726)	(624)
Net loss and comprehensive loss	(3,399)	(2,227)	(14,270)	(2,267)
Deficit, beginning of period	<u>(71,096)</u>	<u>(53,251)</u>	<u>(60,225)</u>	<u>(53,211)</u>
Deficit, end of period	\$ (74,495)	\$ (55,478)	\$ (74,495)	\$ (55,478)
Net loss per share (note 11)				
Basic and diluted	<u>\$ (0.05)</u>	<u>(0.04)</u>	<u>\$ (0.23)</u>	<u>(0.04)</u>

See accompanying notes to the consolidated financial statements.

Grande Cache Coal Corporation
Consolidated Statements of Cash Flows
(thousands of Canadian dollars)

(unaudited)	Three months ended December 31		Nine months ended December 31	
	2007	2006	2007	2006
Cash provided by (used for)				
Operating activities				
Net loss	\$ (3,399)	\$ (2,227)	\$ (14,270)	\$ (2,267)
Items not affecting cash				
Stock-based compensation (note 12)	190	370	908	1,023
Settlement of asset retirement obligation (note 8)	(19)	-	(19)	-
Unrealized foreign exchange loss (gain)	205	22	1,302	(83)
Depreciation, depletion and accretion	1,635	533	7,816	3,296
	<u>(1,388)</u>	<u>(1,302)</u>	<u>(4,263)</u>	<u>1,969</u>
Net change in non-cash working capital relating to operating activities	1,770	(3,783)	13,853	(20,364)
	<u>382</u>	<u>(5,085)</u>	<u>9,590</u>	<u>(18,395)</u>
Financing activities				
Proceeds (repayment) on revolving and term debt (note 7)	-	7,500	(10,000)	3,500
Proceeds on issuance of share capital (note 9)	-	-	27,956	27,000
Share issuance costs (note 9)	(2)	-	(1,979)	(1,736)
Payment on capital lease obligations	(15)	-	(45)	-
Net change in non-cash working capital relating to financing activities	-	-	2	-
	<u>(17)</u>	<u>7,500</u>	<u>15,934</u>	<u>28,764</u>
Investing activities				
Additions to mineral properties and development	(946)	(470)	(1,177)	(2,175)
Additions to buildings and equipment	(10,242)	(745)	(27,387)	(827)
Restricted cash (note 3)	-	-	-	(390)
Net change in non-cash working capital relating to investing activities	264	(1,141)	4,566	(4,339)
	<u>(10,924)</u>	<u>(2,356)</u>	<u>(23,998)</u>	<u>(7,731)</u>
Effect of foreign exchange on cash and cash equivalents	<u>(222)</u>	<u>(22)</u>	<u>(1,318)</u>	<u>83</u>
(Decrease) increase in cash and cash equivalents	<u>(10,781)</u>	<u>37</u>	<u>208</u>	<u>2,721</u>
Cash and cash equivalents, beginning of period	15,603	3,657	4,614	973
Cash and cash equivalents, end of period	<u>\$ 4,822</u>	<u>\$ 3,694</u>	<u>\$ 4,822</u>	<u>\$ 3,694</u>

See accompanying notes to the consolidated financial statements.

Grande Cache Coal Corporation
Notes to Consolidated Financial Statements
December 31, 2007

(Unaudited)

(thousands of Canadian dollars, except per share amounts)

1. Basis of Presentation

The interim consolidated financial statements of the Corporation have been prepared in accordance with Canadian generally accepted accounting principles. The interim consolidated financial statements have been prepared using the same accounting policies as the consolidated financial statements for the fiscal year ended March 31, 2007.

The interim consolidated financial statements should be read in conjunction with the Corporation's audited consolidated financial statements and notes thereto for the year ended March 31, 2007.

Certain prior year's figures have been reclassified to conform to the presentation adopted in the current year.

2. Changes in Accounting Policies

The CICA Handbook sections 1530 - Comprehensive Income, 3855 - Financial Instruments – Recognition and Measurement and 3865 - Hedges, became applicable to the Corporation on April 1, 2007.

Section 1530 requires the presentation of a statement of comprehensive income and its components that are not included in net income (loss). Other comprehensive income is the change in net assets during a period that result from transactions, events and circumstances from non-owner sources such as unrealized gains or losses on available-for-sale investments. The Corporation did not have other comprehensive income or losses during the period therefore comprehensive loss was equal to the net loss.

Section 3855 establishes the recognition and measurement criteria of financial assets, financial liabilities and derivatives. All financial instruments are required to be measured at fair value on initial recognition of the instrument, except for certain related party transactions. Measurement in subsequent periods depends on whether the financial instrument has been classified as held-for-trading, available-for-sale, held-to-maturity, loans and receivables, or other financial liabilities as defined by the standard. Financial assets and financial liabilities held-for-trading are measured at fair value with changes in those fair values recognized in net income (loss). Financial assets available-for-sale are measured at fair value, with changes in those fair values recognized in other comprehensive income (loss). Financial assets held-to-maturity, loans and receivables and other financial liabilities are measured at amortized cost using the effective interest method of amortization. The methods used by the Corporation in determining the fair value of financial instruments are unchanged as a result of implementing the new standard.

Section 3865 provides new standards for entities applying hedge accounting. The Corporation had no transactions which have been designated as hedges for accounting purposes therefore the new standard did not impact the financial statements.

3. Restricted Cash

Cash secured letters of credit in the amount of \$5,528 have been provided to the Alberta Minister of Finance for security to cover anticipated costs of reclamation for the Corporation's mining areas, processing facilities and surrounding infrastructure, including \$90 in the second quarter of fiscal 2007. In addition, cash secured letters of credit of \$1,000 have been made available to service providers, including \$300 in the first quarter of fiscal 2007.

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4. Inventory

	December 31 2007	March 31 2007
Coal inventory	\$ 7,315	\$ 30,251
Materials inventory	4,663	4,426
	<u>\$ 11,978</u>	<u>\$ 34,677</u>

5. Prepaid Prestrip Charges

In accordance with EIC-160: Stripping Costs Incurred in the Production Phase of a Mining Operation, the Corporation capitalized certain stripping costs in fiscal 2007, including \$3.3 million during the second quarter and \$1.0 million during the third quarter, due to mining conditions during the period in which the surface mine contractor was winding down its activities for the Corporation. During the transition period, the contractor's efforts were focused on removing waste to maximize the coal readily available to the Corporation, which had the affect of temporarily increasing the strip ratio in the mine for the benefit of future periods.

Prepaid prestrip charges were amortized over the production generated by the stripping activity resulting in amortization charges of \$132 in the fourth quarter of fiscal 2007 and \$4,193 in the second quarter of fiscal 2008.

6. Capital Assets

	December 31 2007	March 31 2007
Mineral properties and development	\$ 16,855	\$ 19,788
Buildings and equipment	55,862	30,456
Capital leases	221	229
	<u>\$ 72,938</u>	<u>\$ 50,473</u>

7. Revolving and Term Debt

At December 31, 2007, the Corporation had a \$25 million secured credit facility consisting of a \$10 million term facility and a \$15 million revolving facility. The credit facilities were secured by a general security agreement with interest payable monthly at a rate of prime plus 2% per annum and had a maturity date of April 8, 2008. At March 31, 2007 the \$10 million term facility was classified as long term debt. The credit facilities were being used to finance the Corporation's working capital.

Net repayments on the revolving facility in the current fiscal year were \$3.0 million during the first quarter and \$7.0 million during the second quarter.

	December 31 2007	March 31 2007
Revolving debt	\$ 5,000	\$ 15,000
Term debt	10,000	-
Total current debt	15,000	15,000
Long term debt	-	10,000
	<u>\$ 15,000</u>	<u>\$ 25,000</u>

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8. Asset Retirement Obligations

Future asset retirement obligations were calculated based on the Corporation's estimated costs to fulfill its legal asset retirement obligations. The Corporation has estimated the net present value of its asset retirement obligations to be \$3,956 as at December 31, 2007, based on a total future liability of \$7,225. The Corporation's credit adjusted risk free rates range from 5.5% to 7.6% depending on the period when the provision originated and the term of estimated years to reclamation.

The following table reconciles the Corporation's asset retirement obligations:

Balance – March 31, 2006	\$	3,470
Increase in liability		72
Accretion expense		<u>241</u>
Balance – March 31, 2007	\$	3,783
Increase in liability		-
Settlement of liability		(19)
Accretion expense		<u>192</u>
Balance – December 31, 2007	\$	<u><u>3,956</u></u>

9. Share Capital

Authorized

Unlimited common shares
 Unlimited preferred shares, issuable in series

Issued

<i>(thousands)</i>	Number	Stated Value
Common shares		
Balance – March 31, 2006	40,769	\$ 101,715
Shares issued on bought deal equity financing	10,000	27,000
Share issuance costs	-	<u>(1,736)</u>
Balance – March 31, 2007	<u>50,769</u>	<u>126,979</u>
Shares issued on private placement	289	277
Shares issued on bought deal equity financing	20,500	26,650
Shares issued on over-allotment option	791	1,029
Share issuance costs	-	<u>(1,979)</u>
Balance – December 31, 2007	<u><u>72,349</u></u>	<u><u>\$ 152,956</u></u>

On April 5, 2006, the Corporation closed a bought deal equity financing. At closing, a total of 10.0 million units (the "Units") of the Corporation were issued at a price of \$2.70 per Unit for gross proceeds of \$27.0 million. Each Unit consisted of one common share and one-half of one common share purchase warrant of the Corporation, each whole warrant entitling the holder thereof to acquire one common share at a price of \$3.40 per share until April 5, 2007. Share issuance costs related to the bought deal equity financing were \$1,736. Warrants to purchase an aggregate of 500,000 Common Shares at an exercise price of \$3.40 per share until April 5, 2007, were also issued to the agents.

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On July 9, 2007, Grande Cache Coal completed a private placement of 289,300 common shares at a price of \$0.96 per share, which was the five day volume weighted average trading price of the common shares of the Corporation calculated as at June 14, 2007. The shares were issued to certain directors and officers of the Corporation.

On August 9, 2007, the Corporation closed a bought deal equity financing. At closing, a total of 20.5 million units (the "Units") of the Corporation were issued at a price of \$1.30 per Unit for gross proceeds of \$26.65 million. In addition, the Corporation granted to the underwriters an over-allotment option to purchase up to an additional 3,075,000 Units at the issue price for a period of 30 days following the closing date. Each Unit consisted of one common share and one-half of one common share purchase warrant of the Corporation, each whole warrant entitling the holder thereof to acquire one Common Share at a price of \$1.60 per share until August 11, 2008.

On September 7, 2007, the underwriters of the Corporation's bought deal equity financing that closed on August 9, 2007 exercised their over-allotment option, resulting in the issuance of 791,300 units (the "Units") of the Corporation at a price of \$1.30 per Unit for gross proceeds of \$1,029. Each Unit consisted of one common share and one-half of one common share purchase warrant of the Corporation, each whole warrant entitling the holder thereof to acquire one Common Share at a price of \$1.60 per share until August 11, 2008.

Share issuance costs related to the private placement, bought-deal equity financing and over-allotment option were \$1,979. No value was attributed to the warrants issued in the second quarter.

10. Non-recurring Charges

In the second quarter of fiscal 2007, Grande Cache Coal incurred a charge of \$335 for cancelling a commitment to purchase mining equipment from a major equipment manufacturer. During the third quarter of fiscal 2007, \$2.2 million in demobilization costs were paid to the surface mining contractor in connection with the termination of the contract. These expenses are not expected to occur again in the future and have been classified as non-recurring costs. These non-recurring costs have been classified as Other Expenses as they are not part of the continuing day to day operations of the mine.

11. Net Loss per Share

The following table reconciles the denominators for basic and diluted net loss per share calculations. The treasury stock method is used to determine the dilutive effect of the share options. There was no dilutive effect for the Corporation's outstanding share options and warrants as the effect of all option and warrant exercises would be anti-dilutive to the loss per share.

	Three months ended		Nine months ended	
	December 31		December 31	
	2007	2006	2007	2006
Weighted average shares outstanding – basic and diluted	<u>72,349</u>	<u>50,769</u>	<u>62,018</u>	<u>50,587</u>
Net loss	<u>\$ (3,399)</u>	<u>\$ (2,227)</u>	<u>\$ (14,270)</u>	<u>\$ (2,267)</u>
Net loss per share:				
Basic and diluted	<u>\$ (0.05)</u>	<u>\$ (0.04)</u>	<u>\$ (0.23)</u>	<u>\$ (0.04)</u>

12. Stock-Based Compensation

The Corporation has a share option plan, pursuant to which the Board of Directors or a committee thereof may from time to time grant options to purchase common shares. Total stock-based compensation expense included in

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general and administrative expenses for the third quarter was \$190, compared to \$370 in the same quarter last year and was a result of options granted pursuant to the Corporation's share option plan. The year to date stock-based compensation was \$908 compared to \$1,023 in the prior year.

As part of the Corporation's share option plan, on May 24, 2007, 520 thousand options to purchase common shares were granted to employees and directors of the Corporation at an exercise price of \$0.88 per share. The options have a five year term and are subject to an 18 month vesting period.

On June 30, 2007, 32 thousand options to purchase common shares were cancelled. On August 31, 2007, 17 thousand options to purchase common shares were cancelled.

The fair value of each share option granted is estimated on the date of the grant using the Black-Scholes option pricing model, using an estimated volatility at the time of each grant between 42% and 95%, risk-free interest rates of 3% to 4.5% and expected lives of five years.

Details of the share options outstanding are as follows:

<i>(thousands of shares)</i>	Common Shares	
	Number	Weighted Average Exercise Price
Outstanding – March 31, 2007	2,948	\$ 2.07
Granted	520	0.88
Cancelled	(32)	5.73
Exercised	-	-
Outstanding – June 30, 2007	3,436	\$ 1.86
Granted	-	-
Cancelled	(17)	1.00
Exercised	-	-
Outstanding – September 30, 2007	3,419	1.86
Granted	-	-
Cancelled	-	-
Exercised	-	-
Outstanding – December 31, 2007	3,419	1.86

Of the share options outstanding at December 31, 2007, 1,229 thousand options expire in 2009, 200 thousand options expire in 2010, 1,470 thousand options expire in 2011, and 520 thousand options expire in 2012.

Details of the share options exercisable at December 31, 2007 are as follows:

<i>(thousands of shares)</i>	Common Shares	
	Number	Weighted Average Exercise Price
	1,042	\$ 1.00
	187	3.70
	115	11.56
	10	9.08
	75	4.50
	645	2.44
	467	1.05
	83	0.79
	173	0.88
	2,797	\$ 2.06

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13. Commitments and Contingencies

Grande Cache Coal has a commitment to purchase a loader from a heavy equipment distributor at an estimated cost of U.S.\$4.1 million. At December 31, 2007, U.S.\$0.8 million has been paid towards the purchase of the loader.

The Corporation has commitments to purchase haul truck tires with an estimated total cost of \$3.7 million. The tires will be used on the haul trucks purchased for resuming operations in the surface mine. At December 31, 2007, a total of \$2.1 million has been paid towards the purchase of the haul truck tires.

14. Subsequent Events

On January 9, 2008, as part of the Corporation's share option plan, 1,950 thousand options to purchase common shares were granted to employees, officers and directors of the Corporation at an exercise price of \$1.04 per share. The options have a five year term and will vest on a one third basis on each of March 31, 2008, March 31, 2009 and March 31, 2010.

On January 25, 2008, the Corporation made payments of \$1.0 million on tires for the fleet of haul trucks with which to operate the surface mine.

On January 28, 2008, Grande Cache Coal announced that it has signed a term sheet with Brookfield Bridge Lending Fund Inc., the Corporation's existing senior lender, for a \$17.5 million three year floating rate senior secured convertible debenture and a secured revolving credit facility for an amount up to \$20.0 million, subject to a borrowing base calculation. Closing of the financing is expected to occur on or about February 15, 2008 and is subject to regulatory approval. The convertible debenture will mature three years from closing and carries a conversion price of \$1.825 per common share.

On January 28, 2008, the Corporation entered into an agreement with a mining equipment distributor to purchase three haul trucks for a total purchase price of U.S.\$2.0 million. The haul trucks will primarily be used to supplement the transportation of coal from the surface mine to the process plant. As part of this agreement, a U.S.\$0.2 million deposit was made on January 29, 2008.

READER ADVISORY

Forward-looking Statement Advisory

This news release contains certain forward-looking statements, which are based on Grande Cache Coal's current internal expectations, estimates, projections, assumptions and beliefs, which may prove to be incorrect. Some of the forward-looking statements may be identified by words such as "expects", "anticipates", "believes", "projects", "plans" and similar expressions. These statements are not guarantees of future performance and undue reliance should not be placed on them. Such forward-looking statements necessarily involve known and unknown risks and uncertainties, which may cause Grande Cache Coal's actual performance and financial results in future periods to differ materially from any projections of future performance or results expressed or implied by such forward-looking statements. These risks and uncertainties include, among other things, changes in general economic, market and business conditions; uncertainties associated with estimating the quantity and quality of coal reserves and resources; commodity prices, currency exchange rates, capital expenditures and debt service requirements; dependence on a single rail system; changes to legislation; liabilities inherent in coal mine development and production; competition for, among other things, capital, acquisitions of reserves, undeveloped lands and skilled personnel; geological, mining and processing technical problems; ability to obtain required mine licenses, mine permits and regulatory approvals required to proceed with mining and coal processing operations; ability to comply with current and future environmental and other laws; actions by governmental or regulatory authorities including increasing taxes and changes in other regulations; and the occurrence of unexpected events involved in coal mine development and production. Many of these risks and uncertainties are described in Grande Cache Coal's 2007 Annual Information Form, Grande Cache Coal's Management's Discussion and Analysis and other documents Grande Cache Coal files with the Canadian securities authorities. Copies of these documents are available without charge from Grande Cache Coal or may be accessed on Grande Cache Coal's website (www.gccoal.com) or on the website maintained by the Canadian securities regulatory authorities (www.sedar.com).

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*The Toronto Stock Exchange has neither approved nor disapproved
the information contained herein.*