



GRANDE CACHE COAL CORPORATION

NEWS RELEASE

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

Calgary, Alberta, August 2, 2007 – Grande Cache Coal Corporation (GCE-TSX) ("Grande Cache Coal" or the "Corporation") today announced its financial and operating results for the three months ended June 30, 2007.

- Grande Cache Coal achieved its highest quarterly sales volume to date selling 0.4 million tonnes of metallurgical coal in the first quarter of fiscal 2008, compared to 0.2 million tonnes sold in the same period last year. The average sales price during the quarter was \$89 per tonne generating sales revenue of \$38.2 million compared to \$125 per tonne and revenue of \$29 million in the first quarter of last year, reflecting lower U.S. dollar prices for the current coal year and a stronger Canadian dollar.
- Cash flow provided by operating activities was \$3.3 million compared to a cash use of \$12.8 million in the same period last year.
- The Corporation's cost of coal produced in the period was \$55 per tonne, a \$5 per tonne decline from the same period last year and a \$13 per tonne decrease from the previous quarter.
- Cost of sales continued in a downward trend averaging \$81 per tonne in the first quarter. This compares to \$101 per tonne in the same period last year and \$86 per tonne in the previous quarter.

"We saw some very encouraging results in the first quarter", said Robert Stan, President and CEO. "Our achievements illustrate the ongoing dedication and commitment of our employees as we continue to see a reduction in our operating costs" he continued. "Our sales volume in the quarter was the highest it has been and we are continuing to see a strong demand for our product going forward."

- EBITDA for the first quarter was \$1.7 million compared to \$3.7 million last year.
- The Corporation's net loss for the quarter was \$2.0 million, or \$0.04 per share compared to a net income of \$1.7 million, or \$0.03 per share in last years first quarter. The net loss for the quarter reflects the lower realized U.S. dollar sales prices for the current coal year and a recent strengthening of the Canadian dollar versus the U.S. dollar partially offset by lower production and transportation costs.
- On July 19, 2007, Grande Cache Coal entered into an agreement with a syndicate of underwriters pursuant to which the underwriters agreed to purchase 20,500,000 units ("Units") of the Corporation on a bought deal basis, at a price of \$1.30 per Unit for gross proceeds to Grande Cache Coal of \$26,650,000. In addition, the Corporation has 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 will consist of one common share and one-half of one common share purchase warrant, each whole warrant entitling the holder thereof to acquire one common share at a price of \$1.60 per share for a period of one year from the closing date. The offering is scheduled to close on or about August 9, 2007 and is subject to certain conditions including, but not limited to, the receipt of all necessary approvals.

Surface Mine Update

Grande Cache Coal anticipates submitting supplementary information to the regulatory bodies during its second fiscal quarter in support of an application to commence mining at its No. 8 surface mine. The company recently filed an updated NI 43-101 Technical Report wherein the proven run-of-mine reserves at the No. 8 surface mine increased to 12.8 million tonnes (from 8.6 million tonnes) as a result of a drilling program completed during fiscal 2007 in support of the final submissions for a mine license.

Mining equipment and components for the No. 12 South B2 surface mine are beginning to arrive at the site and new employees are being hired in this area for safety, engineering, operations and maintenance. It is anticipated that full-scale operations of the surface mine with Grande Cache Coal owned and operated equipment will resume in September 2007, provided the necessary mining equipment continues to be delivered and commissioned in a timely manner.

- Various pieces of surface mining equipment have arrived on site and initial activity in the surface mine has commenced including grading of roads and preparation of drill pads.
- The mining shovel has arrived on site and has been substantially erected. The shovel is scheduled to move into the surface mine pit in early August where operator training will commence.
- Initial components of the haul trucks have arrived on site and other major truck components are in transit and scheduled to arrive on site in early August.
- The mining drill has arrived at the mine site and is slated to be commissioned by mid-August.
- The Corporation has placed deposits on a majority of the additional pieces of mining equipment and it is expected that this equipment will be delivered throughout the second fiscal quarter.
- Financing for the surface mining equipment is currently being negotiated and is expected to result in a combination of lease and debt financing, in addition to use of a portion of the proceeds from the bought deal equity issue. To date, equipment deposits and payments have been funded through ongoing working capital.

Grande Cache Coal is an Alberta based metallurgical coal mining company whose experienced team of coal professionals are operating a mining operation 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 June 30, 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 July 31, 2007.

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.

Grande Cache Coal Corporation
Management's Discussion & Analysis

Financial Overview

<i>(millions of dollars)</i>	June 30 2007	March 31 2007
Balance Sheet		
Total assets	106.2	107.5
Long-term liabilities	4.0	13.9
Shareholders' equity	68.1	69.8

<i>(millions of dollars, except per share amounts)</i>	Three months ended June 30	
	2007	2006
Income Statement		
Revenue	38.2	29.0
Cost of sales	34.6	23.4
(Loss) income from operations	(1.7)	2.1
Net (loss) income	(2.0)	1.7
Basic and diluted net (loss) income per share	(0.04)	0.03

<i>(millions of tonnes, except per tonne amounts)</i>	Three months ended June 30	
	2007	2006
Statistics		
Clean coal production (tonnes)	0.3	0.3
Coal sales (tonnes)	0.4	0.2
Average sales price (\$/tonne)	89	125
Average cost of sales (\$/tonne)	81	101
Average cost of production (\$/tonne)	55	60

Grande Cache Coal Corporation

Management's Discussion & Analysis

Revenue

The Corporation's first quarter sales volumes were 0.4 million tonnes generating revenue of \$38.2 million, compared to sales volumes of 0.2 million tonnes and revenue of \$29.0 million in the comparable quarter of the prior year.

The average price achieved on U.S. dollar denominated sales decreased to U.S.\$82 per tonne, down from U.S.\$111 per tonne in the same period last year due to a decline in contract price settlements. The current period sales volumes included hard coking coal sales (88%) at an average price of U.S.\$84 per tonne and Pulverized Coal Injection (PCI) sales (12%) at an average price of U.S.\$68 per tonne. The average Canadian dollar equivalent on U.S. dollar denominated sales was \$89 per tonne, down from \$125 per tonne in last year's first quarter and reflects a stronger Canadian dollar in the current quarter in addition to the lower prices for the current coal year.

Production Costs and Cost of Sales

Grande Cache Coal's first quarter clean coal production cost was \$55 per tonne, an 8% decrease from \$60 per tonne in the same period last year. Process plant improvements which led to a higher yield contributed to the decrease in costs from the comparable quarter.

The Corporation's first quarter cost of sales was \$34.6 million, or \$81 per tonne, compared to \$23.4 million, or \$101 per tonne in the same period last year. The cost of sales consisted of cost of product sold of \$22.9 million (\$54 per tonne) and distribution costs of \$11.7 million (\$27 per tonne). The cost of product sold and distribution costs for the first quarter of fiscal 2007 were \$15.9 million (\$68 per tonne) and \$7.5 million (\$33 per tonne), respectively.

The decrease in the unit cost of product sold is a result of improved operating efficiencies across all areas of operations. The Corporation has also made a concerted effort to eliminate the services of contractors and replace the essential services with Grande Cache Coal employees and equipment.

The decrease in distribution costs during the quarter 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, and the declining impact of fuel surcharges on rail costs.

Other Operating Expenses

The Corporation's general and administrative expenses during the period increased to \$2.2 million from \$2.0 million in the comparable quarter. Included in these costs were head office administrative and marketing charges of \$1.1 million (\$1.1 million – 2007), non-cash charges for stock-based compensation of \$0.3 million (\$0.4 million – 2007) and a foreign exchange loss of \$0.8 million (\$0.5 million – 2007).

Depreciation, depletion and accretion charges during the quarter were \$3.0 million compared to \$1.4 million in the same period last year. The increase is reflective of higher production levels and the drawdown of coal inventory volumes.

Other Income (Expenses)

Grande Cache Coal's interest and other income was \$0.4 million in the first quarter compared to \$0.1 million last year and 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 during the period were \$0.5 million compared to \$0.4 million in the comparable period and consist primarily of interest paid on the revolving and term debt.

Grande Cache Coal Corporation

Management's Discussion & Analysis

Liquidity and Capital Resources

The Corporation had cash and cash equivalents of \$3.4 million at June 30, 2007, a decrease of \$1.2 million from March 31, 2007. This compares to a cash increase of \$10.2 million in the comparable quarter of last year.

During the first three months of fiscal 2008 operating activities generated cash of \$3.3 million in contrast to a cash decrease of \$12.8 million in the first three months of fiscal 2007. The net change in non-cash working capital provided cash of \$1.6 million this quarter compared to a cash use of \$16.3 million last year, which included a \$13.6 million increase in coal inventory.

Financing activities during the first quarter resulted in a cash decrease of \$3.0 million. The Corporation has a \$15.0 million revolving credit facility used to fund working capital requirements. The net repayment on the revolving facility during the period was \$3.0 million bringing the balance at June 30, 2007 to \$12.0 million.

Financing activities in the comparable quarter resulted in a cash increase of \$24.6 million during which time the Corporation closed a bought deal equity financing for net proceeds of \$25.3 million. A total of 10.0 million units of the Corporation were issued at a price of \$2.70 per unit for gross proceeds of \$27.0 million. Share issuance costs related to the bought deal equity financing were \$1.7 million.

Investing activities in the first quarter led to a cash decrease of \$1.1 million compared to \$1.7 million last year. In both periods the main source of the cash use was for investment in capital projects.

The Corporation did not have any off-balance sheet financing structures in place at June 30, 2007. The only long term liabilities of the Corporation are asset retirement obligations with a present value of \$3.8 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.

On July 19, 2007, Grande Cache Coal entered into an agreement with a syndicate of underwriters pursuant to which the underwriters agreed to purchase 20,500,000 units ("Units") of the Corporation on a bought deal basis, at a price of \$1.30 per Unit for gross proceeds to Grande Cache Coal of \$26,650,000. In addition, the Corporation has 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 will consist of one common share and one-half of one common share purchase warrant, each whole warrant entitling the holder thereof to acquire one common share at a price of \$1.60 per share for a period of one year from the closing date. The offering is scheduled to close on or about August 9, 2007 and is subject to certain conditions including, but not limited to, the receipt of all necessary approvals.

Grande Cache Coal is finalizing the acquisition of a fleet of mining equipment that will be used to operate the surface mine. Financing for the equipment is currently being negotiated and is expected to result in a combination of lease and debt financing in addition to use of a portion of the proceeds from the bought deal equity issue. Capital expenditures for the surface mine are expected to total approximately \$32 million during fiscal 2008. As of June 30, 2007, the Corporation has placed U.S.\$2.5 million in deposits and progress payments on surface mining equipment.

The Corporation believes that the current revolving facility in addition to a portion of the proceeds from the bought deal equity issue will be sufficient to fund its 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 and the timely start-up of full-scale surface mine operations. At June 30, 2007, the Corporation had \$19.8 million in coal inventory, compared to \$30.3 million at the end of the previous quarter.

Grande Cache Coal Corporation

Management's Discussion & Analysis

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 income (loss) was equal to the net income (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		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Clean coal production	0.3	0.2	0.3	0.2	0.3	0.3	0.2	0.3
Coal sales	0.4	0.2	0.3	0.3	0.2	0.2	0.2	0.4
Average sales price (\$/tonne)	89	78	95	103	125	122	106	90
Average cost of sales (\$/tonne)	81	86	88	97	101	121	130	109
Average cost of production (\$/tonne)	55	68	63	63	60	86	99	104
Revenue	38.2	13.8	28.7	29.8	29.0	27.0	19.2	34.5
(Loss) income from operations	(1.7)	(4.2)	0.6	(0.9)	2.1	(2.1)	(6.5)	(10.2)
Net (loss) income	(2.0)	(4.7)	(2.2)	(1.8)	1.7	(2.6)	(6.9)	(10.5)
Basic and diluted net (loss) income per share	(0.04)	(0.10)	(0.04)	(0.03)	0.03	(0.06)	(0.17)	(0.26)

Outlook

Metallurgical Coal Markets

Grande Cache Coal is continuing to experience strong demand for its coal products and anticipates selling 0.3 to 0.4 million tonnes of metallurgical coal during its second fiscal quarter. The Company continues to estimate that its coal sales volumes for fiscal 2008 will be in the range of 1.4 to 1.6 million tonnes, contingent upon adequate rail service and the timely commissioning of equipment for full-scale surface mine operations at the Corporation's No. 12 South B2 mine.

Grande Cache Coal Corporation

Management's Discussion & Analysis

Grande Cache Coal 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.

Operations

Various pieces of surface mining equipment have arrived on site and initial activity in the surface mine has commenced including grading of roads and preparation of drill pads. The mining shovel has arrived on site and has been substantially erected. Initial components of the haul trucks have arrived on site and other major truck components are in transit and scheduled to arrive in early August. The mining drill has arrived and is slated to be commissioned by mid-August. The Corporation has placed deposits on a majority of the additional pieces of mining equipment and it is expected that this equipment will be delivered during the second fiscal quarter. It is anticipated that full-scale operations of the surface mine will resume in September 2007, provided the necessary mining equipment continues to be delivered and commissioned in a timely manner.

Once full-scale surface mine operations resume the combination of a lower strip ratio and the anticipated productivity improvements are expected to reduce production costs from 2007 levels. As well, the Corporation is continuing to focus on cost control and productivity improvements in the underground mine and the process plant. These areas are not affected by the change in the surface mining activities and with continued underground mine production the Corporation anticipates it will produce sufficient coal volumes to meet its sales commitments for the first half of the fiscal year, following which the surface mine operations are expected to resume.

Production levels for fiscal 2008 will continue to be managed according to scheduled sales volumes and the maintenance of adequate inventory levels.

Capital Expenditures

The Corporation anticipates spending approximately \$40 million on capital additions and a drilling program in fiscal 2008. Grande Cache Coal is finalizing the acquisition of a fleet of mining equipment with which to operate the surface mine. Financing for the equipment is currently being negotiated and is expected to result in a combination of lease and debt financing in addition to use of a portion of the proceeds from the bought deal equity issue. Expenditures on equipment for the Corporation's surface mining fleet are expected to approximate \$32 million and will occur primarily during the second and third quarters of the year. The Corporation has placed deposits or made progress payments on a mining shovel, a mining drill, a fleet of haul trucks, and various other pieces of mining equipment. It is anticipated that operations in the surface mine will resume in September 2007, conditional upon timely delivery and commissioning of the mining equipment.

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.

Grande Cache Coal Corporation

Management's Discussion & Analysis

As at July 31, 2007, there were 51,057,988 common shares issued and outstanding, and the following share options were also outstanding:

Share Options Outstanding	Number Granted	Number Vested	Exercise Price	Expiry Date
	1,058,334	1,058,334	\$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	37,500	\$4.50	October 18, 2010
	645,000	430,000	\$2.44	April 11, 2011
	525,000	175,000	\$1.05	October 11, 2011
	175,000	58,333	\$1.05	November 16, 2011
	125,000	41,667	\$0.79	December 14, 2011
	520,000	-	\$0.88	May 23, 2012
Total	<u>3,435,834</u>	<u>2,113,334</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)	June 30 2007	March 31 2007
Assets		
Current assets		
Cash and cash equivalents	\$ 3,444	\$ 4,614
Restricted cash (note 3)	6,528	6,528
Accounts receivable	14,463	5,129
Inventory (note 4)	24,329	34,677
Prepaid prestrip charges (note 5)	4,193	4,193
Prepaid expenses	3,430	1,769
	<u>56,387</u>	<u>56,910</u>
Deposit for future reclamation expenditures	82	82
Capital assets (note 6)	<u>49,708</u>	<u>50,473</u>
	<u>\$ 106,177</u>	<u>\$ 107,465</u>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	\$ 12,122	\$ 8,788
Revolving and term debt (note 7)	<u>22,000</u>	<u>15,000</u>
	34,122	23,788
Long term debt (note 7)	-	10,000
Asset retirement obligations (note 8)	3,847	3,783
Capital lease obligations	<u>106</u>	<u>104</u>
	<u>38,075</u>	<u>37,675</u>
Shareholders' Equity		
Share capital (note 9)	126,979	126,979
Contributed surplus	3,378	3,036
Deficit	<u>(62,255)</u>	<u>(60,225)</u>
	<u>68,102</u>	<u>69,790</u>
	<u>\$ 106,177</u>	<u>\$ 107,465</u>
Commitments and Contingencies (note 12)		

See accompanying notes to the consolidated financial statements.

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

(unaudited)	Three months ended June 30	
	2007	2006
Revenue	\$ 38,160	\$ 28,996
Expenses		
Cost of product sold	22,954	15,867
Distribution	11,669	7,536
General and administrative	2,211	2,000
Depreciation, depletion and accretion	2,995	1,436
	<u>39,829</u>	<u>26,839</u>
(Loss) income from operations	(1,669)	2,157
Other income (expenses)		
Interest and other income	423	129
Interest and other expenses	(519)	(357)
	<u>(1,765)</u>	<u>1,929</u>
(Loss) income before taxes	(1,765)	1,929
Taxes	(265)	(214)
Net (loss) income and comprehensive (loss) income	(2,030)	1,715
Deficit, beginning of period	<u>(60,225)</u>	<u>(53,211)</u>
Deficit, end of period	\$ (62,255)	\$ (51,496)
Net (loss) income per share (note 10)		
Basic and diluted	<u>\$ (0.04)</u>	<u>0.03</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	
	June 30	
	2007	2006
Cash provided by (used for)		
Operating activities		
Net (loss) income	\$ (2,030)	\$ 1,715
Items not affecting cash		
Stock-based compensation (note 11)	342	406
Unrealized foreign exchange loss	369	(64)
Depreciation, depletion and accretion	2,995	1,436
	<u>1,676</u>	<u>3,493</u>
Net change in non-cash working capital relating to operating activities	<u>1,595</u>	<u>(16,271)</u>
	<u>3,271</u>	<u>(12,778)</u>
Financing activities		
Repayment of revolving and term debt (note 7)	(3,000)	(670)
Proceeds on issuance of share capital (note 9)	-	27,000
Share issuance costs (note 9)	-	(1,736)
Payment on capital lease obligations	(14)	-
Net change in non-cash working capital relating to financing activities	2	-
	<u>(3,012)</u>	<u>24,594</u>
Investing activities		
Additions to mineral properties and development	(37)	(690)
Additions to buildings and equipment	(1,023)	(843)
Restricted cash (note 3)	-	(300)
Net change in non-cash working capital relating to investing activities	-	126
	<u>(1,060)</u>	<u>(1,707)</u>
Effect of foreign exchange on cash and cash equivalents	<u>(369)</u>	<u>64</u>
(Decrease) increase in cash and cash equivalents	<u>(1,170)</u>	<u>10,173</u>
Cash and cash equivalents, beginning of period	<u>4,614</u>	<u>973</u>
Cash and cash equivalents, end of period	<u>\$ 3,444</u>	<u>\$ 11,146</u>

See accompanying notes to the consolidated financial statements.

Grande Cache Coal Corporation
Notes to Consolidated Financial Statements
June 30, 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 income (loss) was equal to the net income (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. 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.

Grande Cache Coal Corporation
Notes to Consolidated Financial Statements
June 30, 2007

(Unaudited)

(thousands of Canadian dollars, except per share amounts)

4. Inventory

	June 30 2007	March 31 2007
Coal inventory	\$ 19,756	\$ 30,251
Materials inventory	4,573	4,426
Total	<u>\$ 24,329</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 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. These deferred charges are amortized over the future production generated by the stripping activity.

6. Capital Assets

	June 30 2007	March 31 2007
Mineral properties and development	\$ 18,435	\$ 19,788
Buildings and equipment	31,047	30,456
Capital leases	226	229
	<u>\$ 49,708</u>	<u>\$ 50,473</u>

7. Revolving and Term Debt

During the third quarter of fiscal 2006, the Corporation entered into a \$20 million secured credit facility consisting of a \$10 million term facility and a \$10 million revolving facility. Interest was payable monthly at a rate of prime plus 2% per annum.

The Corporation amended and extended its secured credit facility on March 28, 2006. The restated credit facility consisted of a \$10 million term facility and a \$15 million revolving facility with interest payable monthly at a rate of prime plus 2% per annum. The amended facilities had a maturity date of April 8, 2007, subject to a one year extension option.

In the fourth quarter of fiscal 2007, the Corporation exercised its option to extend its \$10 million term facility and \$15 million revolving facility for an additional year. The credit facilities are secured by a general security agreement with interest payable monthly at a rate of prime plus 2% per annum and have a maturity date of April 8, 2008.

The credit facilities are being used to finance the Corporation's working capital. The balance on the term facility at June 30, 2007 was \$10,000. The net repayment on the revolving facility during the first quarter was \$3,000 bringing the balance at June 30, 2007, to \$12,000.

Grande Cache Coal Corporation
Notes to Consolidated Financial Statements
June 30, 2007
(Unaudited)

(thousands of Canadian dollars, except per share amounts)

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 \$3,847 as at June 30, 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		-
Accretion expense		<u>64</u>
Balance – June 30, 2007	\$	<u><u>3,847</u></u>

9. Share Capital

Authorized

Unlimited common shares
 Unlimited preferred shares, issuable in series

Issued

<i>(thousands)</i>	<u>2007</u>		<u>2006</u>	
	Number	Stated Value	Number	Stated Value
Common shares				
Balance – March 31	50,769	126,979	40,769	\$ 101,715
Shares issued on bought deal equity financing	<u>-</u>	<u>-</u>	<u>10,000</u>	<u>27,000</u>
Balance – June 30	<u>50,769</u>	<u>126,979</u>	<u>50,769</u>	<u>128,715</u>
Less: Share issuance costs		<u>-</u>		<u>1,736</u>
		<u>126,979</u>		<u>\$ 126,979</u>

On April 5, 2006, the Corporation closed a bought deal equity financing. At closing, a total of 10.0 million units ("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 in the first quarter of 2007. 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.

Grande Cache Coal Corporation
Notes to Consolidated Financial Statements
June 30, 2007

(Unaudited)

(thousands of Canadian dollars, except per share amounts)

10. Net (Loss) Income per Share

The following table reconciles the denominators for basic and diluted net (loss) income 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 in the current quarter as the effect of all option exercises would be anti-dilutive to the loss per share. There was no dilutive effect for the Corporation's outstanding share options and warrants in the prior quarter as they were not in-the-money during the period.

	Three months ended June 30	
	2007	2006
Weighted average shares outstanding – basic and diluted	<u>50,769</u>	<u>50,219</u>
Net (loss) income	\$ <u>(2,030)</u>	\$ <u>1,715</u>
Net (loss) income per share:		
Basic and diluted	\$ <u>(0.04)</u>	\$ <u>0.03</u>

11. 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 general and administrative expenses for the first quarter was \$342, compared to \$406 in the same quarter last year and was a result of options granted pursuant to the Corporation's share option plan

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.

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	<u>3,436</u>	<u>\$ 1.86</u>

Of the share options outstanding at June 30, 2007, 1,246 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.

Grande Cache Coal Corporation
Notes to Consolidated Financial Statements
June 30, 2007
(Unaudited)

(thousands of Canadian dollars, except per share amounts)

Details of the share options exercisable at June 30, 2007 are as follows:

<i>(thousands of shares)</i>	Number	Common Shares Weighted Average Exercise Price
	1,058	\$ 1.00
	187	3.70
	115	11.56
	10	9.08
	38	4.50
	430	2.44
	233	1.05
	42	0.79
	<u>2,113</u>	<u>\$ 2.21</u>

12. Commitments and Contingencies

Grande Cache Coal has commitments to purchase mining equipment from heavy equipment distributors for the purpose of resuming full-scale operations in the surface mine. Included in these commitments are a mining shovel with an estimated total cost of U.S.\$4.7 million, a mining drill with an estimated total cost of \$1.9 million, and haul trucks with an estimated total cost of U.S.\$5.5 million. At June 30, 2007, a total of U.S.\$2.5 million in deposits and progress payments has been made towards the purchase of this mining equipment.

13. Subsequent Events

On July 3, 2007, the Corporation made a U.S.\$0.7 million progress payment on the haul trucks for the surface mine operations. To date, the total payments made towards the purchase of the haul trucks is U.S.\$2.4 million.

On July 5, 2007, the Corporation made a commitment to purchase various additional pieces of equipment for the surface mine and made a deposit of U.S.\$0.3 million towards this purchase commitment. The total cost of this commitment is U.S.\$3.0 million.

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 July 10, 2007, the Corporation made a commitment to purchase tires for the fleet of haul trucks for the surface mine and made a deposit of \$0.4 million towards this purchase commitment. The total cost of this commitment is \$0.9 million.

On July 19, 2007, Grande Cache Coal entered into an agreement with a syndicate of underwriters pursuant to which the underwriters agreed to purchase 20,500,000 units ("Units") of the Corporation on a bought deal basis, at a price of \$1.30 per Unit for gross proceeds to Grande Cache Coal of \$26,650,000. In addition, the Corporation has 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 will consist of one common share and one-half of one common share purchase warrant, each whole warrant entitling the holder thereof to acquire one common share at a price of \$1.60 per share for a period of one year from the closing date. The offering is

Grande Cache Coal Corporation
Notes to Consolidated Financial Statements
June 30, 2007
(Unaudited)

(thousands of Canadian dollars, except per share amounts)

scheduled to close on or about August 9, 2007 and is subject to certain conditions including, but not limited to, the receipt of all necessary approvals.

On July 25, 2007, the Corporation made a \$0.7 million progress payment on the mining drill for the surface mine operations. To date, the total payments made towards the purchase of the mining drill is \$1.3 million.

READER ADVISORY

Non-GAAP Financial Measure

This news release contains the term "EBITDA" which is not a recognized measure under Canadian generally accepted accounting principles ("GAAP"). It is therefore unlikely to be comparable to similar measures presented by other companies. Management defines EBITDA as income from operations before depreciation, depletion and accretion expense. EBITDA is presented on a consistent basis from period to period. Management uses EBITDA to assess the operating performance of Grande Cache Coal's ongoing business without the effects of depreciation, depletion and accretion expenses, interest, tax and non-recurring items. Management excludes depreciation, depletion and accretion expense because it largely depends on the accounting methods and assumptions used, as well as non-operating factors such as the historical cost of capital assets. Management excludes non-recurring items because they are transitional in nature. Management believes that in addition to income from operations, EBITDA is a useful supplemental measure as it allows management to compare Grande Cache Coal's operating performance on a consistent basis. Management believes that certain investors and analysts use EBITDA to measure a company's ability to service debt and to meet other payment obligations, or as a common valuation measurement in the mining industry. The most comparable GAAP financial measure is net income.

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).

For further information, please contact:

Anita L. Roncin, Vice President, Finance and Chief Financial Officer

Grande Cache Coal Corporation
Suite 1610, 800 - 5th Avenue S.W.
Calgary, Alberta T2P 3T6
Canada

Telephone: (403) 543-7070
Facsimile: (403) 543-7092
www.gccoal.com

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