



GRANDE CACHE COAL CORPORATION

NEWS RELEASE

GRANDE CACHE COAL CORPORATION ANNOUNCES THIRD QUARTER FISCAL 2007 FINANCIAL AND OPERATING RESULTS

Calgary, Alberta, February 7, 2007 – Grande Cache Coal Corporation (GCE-TSX) ("Grande Cache Coal" or the "Corporation") announced today its financial and operating results for the three and nine months ended December 31, 2006.

- Total sales volumes during the quarter were 0.3 million tonnes generating revenue of \$28.7 million with an average sales price of \$95 per tonne. The sales price for metallurgical coal sales was \$102 for the quarter and \$109 year to date.
- Grande Cache Coal's cost of coal produced in the third quarter was \$63 per tonne, compared to \$99 per tonne in the same period of the prior year. Third quarter cost of sales was \$88 per tonne, compared to \$97 per tonne in the prior quarter and \$130 per tonne in the third quarter of last year.
- Income from operations was \$0.6 million in the third quarter and \$1.8 million year to date.
- EBITDA was \$1.1 million in the quarter and \$5.1 million year to date.
- The Corporation incurred a net loss of \$2.2 million, or \$0.04 per share in the third quarter and a net loss of \$2.3 million, or \$0.04 per share for the year to date, due primarily to \$2.2 million in demobilization charges paid on the conclusion of a mining services contract.
- On October 25, 2006, the Corporation announced the end of its mining services contract with North American Energy Partners and demobilization of the equipment was completed in December.
- Grande Cache Coal is in the process of securing a fleet of mining equipment with which to operate the surface mine and financing alternatives are being negotiated. The Corporation has placed a deposit on a mining shovel which is expected to be onsite in the first quarter of fiscal 2008 and it is currently anticipated that full operations in the surface mine will resume in the second quarter of fiscal 2008.
- In December 2006 Mr. Eugene H. Nagai was appointed to the position of Vice President, Marketing and Transportation. Mr. Nagai is responsible for all aspects of the Corporation's marketing activities as well as overseeing the distribution of coal from the mine site to customers.
- The Corporation anticipates that coal sales volumes for fiscal 2007 will be approximately 1.0 million tonnes, due to certain fourth quarter shipments slipping into the first quarter of fiscal 2008. This slippage is anticipated to occur due to severe weather conditions that have limited the amount of coal that Grande Cache Coal's rail provider has been able to move to Westshore Terminals. In addition, poor weather conditions have slowed vessel loading resulting in a vessel backlog.

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 December 31, 2006, 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, 2006. 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, 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, 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 2006 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 2006 Management's Discussion and Analysis and 2006 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>	December 31		March 31	
	2006		2006	
Balance Sheet				
Total assets	115.4		90.7	
Long-term liabilities	13.7		13.5	
Shareholders' equity	74.1		50.1	

<i>(millions of dollars, except per share amounts)</i>	Three months ended		Nine months ended	
	December 31		December 31	
	2006	2005	2006	2005
Income Statement				
Revenue	28.7	19.2	87.5	63.1
Cost of sales	26.4	23.6	77.9	85.6
Income (loss) from operations	0.6	(6.5)	1.8	(29.1)
Net loss	(2.2)	(6.9)	(2.3)	(29.5)
Basic and diluted net loss per share	(0.04)	(0.17)	(0.04)	(0.73)

<i>(millions, except per tonne amounts)</i>	Three months ended		Nine months ended	
	December 31		December 31	
	2006	2005	2006	2005
Statistics				
Clean coal production	0.3	0.2	0.8	0.7
Coal sales	0.3	0.2	0.8	0.7
Average sales price (\$/tonne)	95	106	106	93
Average cost of sales (\$/tonne)	88	130	95	125
Average cost of production (\$/tonne)	63	99	62	104

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Revenue

Sales revenue in the third quarter was \$28.7 million on 0.3 million tonnes sold for an average sales price of \$95 per tonne, compared with sales revenue of \$19.2 million on 0.2 million tonnes sold for an average sales price of \$106 per tonne in the same quarter last year. Sales volumes in the current quarter included coking coal sales (72%) which carried an average realized price of \$108 per tonne, PCI coal sales (18%) which carried an average realized sales price of \$76 per tonne and thermal coal sales (10%), which carried an average realized price of \$35 per tonne. The low price on PCI and thermal coal sales had the result of reducing the total average sales price per tonne.

Year to date sales revenue was \$87.5 million on 0.8 million tonnes sold compared to revenue of \$63.1 million on sales volume of 0.7 million tonnes last year. The average realized sales price for the year was \$106 per tonne compared to \$93 per tonne last year reflecting a higher U.S. dollar sales price, a higher price on thermal sales and a stronger Canadian dollar.

The average sales price achieved on U.S. dollar denominated metallurgical coal sales was U.S.\$89 per tonne in the third quarter and U.S.\$96 per tonne year to date, compared to U.S.\$116 per tonne in the third quarter last year and U.S.\$85 per tonne year to date in fiscal 2006. Sales volumes in the third quarter included U.S. dollar denominated sales of PCI product sold at U.S.\$65 per tonne, while other metallurgical coal sales in the quarter averaged U.S.\$95 per tonne.

Production Costs and Cost of Sales

The third quarter clean coal production cost was \$63 per tonne, compared to \$99 per tonne in the same quarter last year. The year to date cost of coal produced was \$62 per tonne, compared to \$104 per tonne in the prior year. The Corporation is continuing to focus efforts on reducing production costs.

As the strip ratio remaining over the life of the current surface mining area has been reduced to a level below the average for the mine, the decision was made to end the Corporation's relationship with its surface mine contractor and secure a fleet of mining equipment appropriately sized to the lower strip ratio mining conditions. 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. Certain stripping costs have been capitalized including \$1.0 million in the third quarter and \$4.3 million year to date. These prepaid costs will be amortized over the future coal production generated by the stripping activity which occurred during the transition period. The remaining strip ratio in the surface mine is expected to be below 5:1 and the Corporation expects that the lower strip ratio combined with the ownership and direct operation of equipment will lower the future production cash costs in the surface mine.

The Corporation's third quarter cost of sales was \$26.4 million on 0.3 million tonnes, or \$88 per tonne, compared to \$23.6 million on 0.2 million tonnes, or \$130 per tonne in the same quarter of fiscal 2006. The cost of sales consisted of cost of product sold of \$18.0 million (\$60 per tonne) and distribution costs of \$8.4 million (\$28 per tonne). The cost of product sold and distribution costs for the third quarter of fiscal 2006 were \$20.4 million (\$113 per tonne) and \$3.2 million (\$17 per tonne), respectively.

The year to date cost of sales in fiscal 2007 was \$77.9 million or \$95 per tonne compared to \$85.6 million or \$125 per tonne in fiscal 2006. The year to date cost of sales consisted of cost of product sold of \$52.8 million (\$64 per tonne) and distribution costs of \$25.1 million (\$31 per tonne). The cost of product sold and distribution costs for the year to date in fiscal 2006 were \$70.7 million (\$103 per tonne) and \$14.9 million (\$22 per tonne), respectively.

For both the third quarter and the year to date, the decrease in the unit cost of product sold compared to the prior periods is a result of improved productivities across all areas of the operation, a lower strip ratio in the surface mine and a higher plant yield. The Corporation has also made a concerted effort to eliminate the services of contractors that carry high markup rates and replace the essential services with Grande Cache Coal employees and equipment.

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Management's Discussion & Analysis

The increase in distribution costs for both the current quarter and the year to date compared to the prior periods is mainly due to the proportion of shipments to eastern North America which carry higher rail rates than shipments to port in western Canada, and the impact of fuel surcharges on rail costs. The third quarter of last year also had a high proportion of thermal coal sales which substantially lowered the overall distribution cost per tonne. The distribution cost on metallurgical coal sales was \$23 per tonne in the third quarter of fiscal 2006.

Other Operating Expenses

General and administrative expenses were \$1.2 million in the third quarter compared to \$1.1 million in the same period last year and \$4.4 million year to date compared to \$4.0 million in fiscal 2006. Included in these costs this quarter were head office administrative and marketing charges of \$1.0 million (\$1.2 million – 2006). Year to date head office administrative and marketing charges were \$2.9 million this year compared to \$3.2 million last year. Also included in general and administrative expenses were non-cash charges for stock-based compensation of \$0.4 million in the third quarter (\$0.1 million – 2006) and \$1.0 million year to date (\$0.6 million – 2006). General and administrative expenses in the third quarter also include a foreign exchange gain of \$0.2 million (\$0.2 million – 2006) and a year to date foreign exchange loss of \$0.5 million (\$0.2 million – 2006).

Depreciation, depletion and accretion charges were \$0.5 million in the third quarter compared to \$1.1 million in the same quarter of last year. Inventory at December 31, 2006, included \$1.6 million in depreciation, depletion and accretion charges, an increase of \$0.9 million from September 30, 2006. Year to date depreciation, depletion and accretion expenses were \$3.3 million compared to \$2.6 million in the prior year. The year to date increase is largely a result of increased production as well as the addition and productive use of more capital assets.

Other Income (Expenses)

Grande Cache Coal's interest and other income was \$0.1 million in the third quarter of both this year and last year, while year to date it was \$0.3 million in fiscal 2007 compared to \$0.4 million in the prior 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 belonging to the Corporation.

Interest and other expenses were \$0.5 million in the third quarter compared to \$0.2 million last year and \$1.2 million year to date compared to \$0.4 million year to date in fiscal 2006. Interest charges consist primarily of interest paid on the revolving and term debt.

Non-recurring charges were \$2.2 million during the third quarter and \$2.5 million year to date. 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 a charge of \$0.3 million as a fee for the cancellation of a planned equipment purchase.

Liquidity and Capital Resources

As at December 31, 2006, the Corporation had cash and cash equivalents of \$3.7 million. During the third quarter, the Corporation's cash position did not change compared to a cash use of \$2.6 million in the same quarter last year. The Corporation's cash position has increased \$2.7 million over the last nine months from \$1.0 million at March 31, 2006.

Operating activities in the third quarter resulted in a cash use of \$5.1 million compared to a cash use of \$19.2 million in the same quarter last year. For the year to date, operating activities have resulted in a cash decrease of \$18.4 million, compared to a cash decrease of \$37.4 million in fiscal 2006.

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Cash provided by operations before changes in non-cash working capital was \$2.0 million year to date, compared to a cash use of \$26.0 million in the prior year. This improvement was due to improved operating results generated by the reduction in the unit cost of coal produced.

Third quarter financing activities generated cash of \$7.5 million, consisting of proceeds drawn on the revolving debt facility. In the same quarter last year, financing activities generated cash of \$20.0 million consisting of \$10.0 million from the revolving debt facility and \$10.0 million from the term debt facility. During the first nine months of the fiscal 2007, financing activities have generated cash of \$28.8 million. The Corporation closed a bought deal equity financing for net proceeds of \$25.3 million. 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 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. The proceeds of the equity financing were used to finance the Corporation's capital expenditures and provide additional working capital. Share issuance costs related to the bought deal equity financing were \$1.7 million.

The Corporation has a \$15.0 million revolving credit facility used to fund working capital requirements. The net proceeds from the revolving facility during the first nine months of the year were \$3.5 million bringing the balance at December 31, 2006 to \$15.0 million.

Investing activities in the third quarter resulted in a cash decrease of \$2.4 million compared to \$3.3 million last year and a year to date cash use of \$7.7 million compared to \$13.3 million in fiscal 2006. Cash used in investing activities included \$1.0 million in the third quarter and \$4.3 million year to date for prestripping activities in the surface mine. As the strip ratio remaining over the life of the current surface mining area has been reduced, the decision was made to end the Corporation's relationship with its surface mine contractor and secure a fleet of mining equipment more appropriately sized to the mine's lower strip ratio mining conditions. 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.

Cash invested in capital projects was \$1.2 million in the third quarter (\$3.2 million – 2006) and \$3.0 million year to date (\$15.4 million – 2006). Included in the year to date capital spending for fiscal 2007 was the refund of U.S.\$1.0 million on the cancellation of an equipment purchase for which a deposit had previously been made. The Corporation had commitments to purchase a mining shovel and a drill from a major mining equipment manufacturer. The estimated total cost of the equipment was U.S.\$16 million, with progress payments required over the course of the manufacturing process. The Corporation cancelled this commitment on September 8, 2006. To the date of cancellation, progress payments of U.S.\$4.7 had been paid towards this commitment. Of the U.S.\$4.7 million already paid, U.S.\$3.4 million has been used to purchase underground mining equipment from the same vendor, U.S.\$0.3 million was retained by the vendor as a cancellation fee and U.S.\$1.0 million was returned to the Corporation.

Grande Cache Coal believes the current revolving facility is sufficient to fund its ongoing working capital requirements. The Corporation expects to maintain sufficient inventory levels at the port to meet customer requirements, provided adequate rail service is available. At December 31, 2006, the Corporation had \$30.9 million in coal inventory, compared to \$33.9 million at the end of the previous quarter.

The Corporation did not have any off-balance sheet financing structures in place at December 31, 2006. The only long term liabilities of the Corporation are asset retirement obligations with a present value of \$3.7 million and long term debt of \$10.0 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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Grande Cache Coal is securing a fleet of mining equipment with which to operate the surface mine. Financing alternatives for the equipment requirements are currently being assessed and are expected to result in a combination of lease and debt financing. The Corporation has placed a U.S.\$0.3 million deposit on a mining shovel for the surface operation which is expected to be onsite in the first quarter of fiscal 2008. Capital expenditures for the surface mine are expected to total approximately \$30 million, with \$5 million to be incurred in the fourth quarter of 2007 and the balance during the first and second quarters of fiscal 2008.

Summary of Quarterly Results

<i>(millions, except per unit amounts)</i>	2007			2006				2005
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Clean coal production	0.3	0.2	0.3	0.3	0.2	0.3	0.2	0.2
Coal sales	0.3	0.3	0.2	0.2	0.2	0.4	0.1	0.2
Average sales price (\$/tonne)	95	103	125	122	106	90	81	65
Average cost of sales (\$/tonne)	88	97	101	121	130	109	172	111
Average cost of production (\$/tonne)	63	63	60	86	99	104	110	94
Revenue	28.7	29.8	29.0	27.0	19.2	34.5	9.4	11.9
Income (loss) from operations	0.6	(0.9)	2.1	(2.1)	(6.5)	(10.2)	(12.4)	(10.3)
Net (loss) income	(2.2)	(1.8)	1.7	(2.6)	(6.9)	(10.5)	(12.2)	(10.2)
Basic and diluted net (loss) income per share	(0.04)	(0.03)	0.03	(0.06)	(0.17)	(0.26)	(0.30)	(0.27)

Outlook

Operations

The Corporation continues to focus on cost control and productivity improvement. The change in the surface mine from a contractor to a Grande Cache Coal owned and operated fleet is expected to reduce production costs. This change together with the remaining strip ratio in the surface mine at levels lower than the average for the pit is expected to result in cash cost improvements in the surface mine. It is currently anticipated that full operations in the surface mine will resume in the second quarter of fiscal 2008. In the interim period, raw coal will continue to be hauled from the surface mine to the process plant as required.

In early January, the Corporation temporarily shut down operations in the processing plant and underground mine in order to control coal inventory levels at the mine site. Employee call backs have occurred and the underground mine has resumed operations. The processing plant is expected to resume production in mid February.

The underground mine and coal processing activities are not affected by the change in surface mining activities. The Corporation has sufficient raw and clean coal inventory at the mine site to be able to meet its sales commitments for the remainder of the current fiscal year provided rail service is adequate. Sales commitments for the first half of fiscal 2008 will be met by utilizing the raw coal inventory currently available in the surface mine together with production from the underground mine.

Production levels for the remainder of fiscal 2007 and throughout fiscal 2008 will continue to be managed according to scheduled sales volumes.

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Management's Discussion & Analysis

Metallurgical Coal Markets

The Corporation anticipates that coal sales volumes for fiscal 2007 will be approximately 1.0 million tonnes, due to certain fourth quarter shipments slipping into the first quarter of fiscal 2008. This slippage is anticipated to occur due to severe weather conditions that have limited the amount of coal that Grande Cache Coal's rail provider has been able to move to Westshore Terminals. In addition, poor weather conditions have slowed vessel loading resulting in a vessel backlog.

Negotiations for coal sales in the upcoming coal year are currently ongoing with both new and existing customers. 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.

Capital Expenditures

The Corporation anticipates spending approximately \$5 million on capital additions and a drilling program in fiscal 2007. Expenditures on equipment for the Corporation's surface mining fleet are expected to approximate \$30 million, with \$5 million to be incurred during the fourth quarter of 2007 and the balance during fiscal 2008.

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 provide security for non-payment on certain coal sale transactions.

As at February 6, 2007, there were 50,768,688 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	700,000	\$1.00	March 21, 2009
	162,500	162,500	\$3.70	July 21, 2009
	37,500	37,500	\$3.70	August 8, 2009
	125,000	100,000	\$11.56	March 15, 2010
	10,000	10,000	\$9.08	June 9, 2010
	75,000	37,500	\$4.50	October 18, 2010
	698,332	248,332	\$2.44	April 11, 2011
	525,000	-	\$1.05	October 11, 2011
	175,000	-	\$1.05	November 16, 2011
	125,000	-	\$0.79	December 14, 2011
Total	<u>2,991,666</u>	<u>1,295,832</u>		

There are also 5,500,000 warrants outstanding, exercisable at a price of \$3.40 per share until April 5, 2007.

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, 2006, 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 2006	March 31 2006
Assets		
Current assets		
Cash and cash equivalents	\$ 3,694	\$ 973
Restricted cash (note 2)	6,528	6,138
Accounts receivable	14,112	2,836
Inventory (note 3)	34,078	26,509
Prepaid prestrip charges (note 4)	4,325	-
Prepaid expenses	756	1,490
	<u>63,493</u>	<u>37,946</u>
Deposit for future reclamation expenditures	82	82
Mineral properties and development	20,650	21,074
Buildings and equipment	<u>31,176</u>	<u>31,646</u>
	<u>\$ 115,401</u>	<u>\$ 90,748</u>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	\$ 12,534	\$ 15,653
Revolving debt (note 5)	<u>15,000</u>	<u>11,500</u>
	27,534	27,153
Long term debt (note 5)	10,000	10,000
Asset retirement obligations (note 6)	<u>3,722</u>	<u>3,470</u>
	<u>41,256</u>	<u>40,623</u>
Shareholders' Equity		
Share capital (note 7)	126,979	101,715
Contributed surplus	2,644	1,621
Deficit	<u>(55,478)</u>	<u>(53,211)</u>
	<u>74,145</u>	<u>50,125</u>
	<u>\$ 115,401</u>	<u>\$ 90,748</u>

See accompanying notes to the consolidated financial statements.

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

(unaudited)	Three months ended December 31		Nine months ended December 31	
	2006	2005	2006	2005
Revenue	\$ 28,689	\$ 19,213	\$ 87,463	\$ 63,135
Expenses				
Cost of product sold	18,005	20,358	52,846	70,632
Distribution	8,426	3,194	25,061	14,924
General and administrative	1,167	1,144	4,429	4,047
Depreciation, depletion and accretion	533	1,064	3,296	2,588
	<u>28,131</u>	<u>25,760</u>	<u>85,632</u>	<u>92,191</u>
Income (loss) from operations	558	(6,547)	1,831	(29,056)
Other income (expenses)				
Interest and other income	89	71	310	431
Interest and other expenses	(465)	(240)	(1,243)	(392)
Non-recurring charges (Note 8)	(2,206)	-	(2,541)	-
	<u>(2,024)</u>	<u>(6,716)</u>	<u>(1,643)</u>	<u>(29,017)</u>
Loss before taxes	(2,024)	(6,716)	(1,643)	(29,017)
Taxes	(203)	(159)	(624)	(481)
Net loss	(2,227)	(6,875)	(2,267)	(29,498)
Deficit, beginning of period	<u>(53,251)</u>	<u>(43,716)</u>	<u>(53,211)</u>	<u>(21,093)</u>
Deficit, end of period	\$ (55,478)	\$ (50,591)	\$ (55,478)	\$ (50,591)
Net loss per share (note 9)				
Basic and diluted	<u>\$ (0.04)</u>	<u>(0.17)</u>	<u>\$ (0.04)</u>	<u>(0.73)</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	
	2006	2005	2006	2005
Cash provided by (used for)				
Operating activities				
Net loss	\$ (2,227)	\$ (6,875)	\$ (2,267)	\$ (29,498)
Items not affecting cash				
Stock-based compensation (note 10)	370	61	1,023	583
Unrealized foreign exchange loss (gain)	22	87	(83)	362
Depreciation, depletion and accretion	533	1,064	3,296	2,588
	(1,302)	(5,663)	1,969	(25,965)
Net change in non-cash working capital relating to operating activities	(3,783)	(13,508)	(20,364)	(11,457)
	(5,085)	(19,171)	(18,395)	(37,422)
Financing activities				
Proceeds on revolving and term debt (note 5)	7,500	20,000	3,500	20,000
Proceeds on issuance of share capital (note 7)	-	17	27,000	1,545
Share issuance costs (note 7)	-	-	(1,736)	(1)
Repayment of notes payable (note 11)	-	-	-	(3,752)
Net change in non-cash working capital relating to financing activities	-	-	-	145
	7,500	20,017	28,764	17,937
Investing activities				
Additions to mineral properties and development	(470)	(936)	(2,175)	(4,202)
Additions to buildings and equipment	(745)	(2,262)	(827)	(11,177)
Restricted cash (note 2)	-	(200)	(390)	3,608
Net change in non-cash working capital relating to investing activities	(1,141)	82	(4,339)	(1,523)
	(2,356)	(3,316)	(7,731)	(13,294)
Effect of foreign exchange on cash and cash equivalents	(22)	(87)	83	(229)
Increase (decrease) in cash and cash equivalents	37	(2,557)	2,721	(33,008)
Cash and cash equivalents, beginning of period	3,657	5,004	973	35,455
Cash and cash equivalents, end of period	\$ 3,694	\$ 2,447	\$ 3,694	\$ 2,447

See accompanying notes to the consolidated financial statements.

Grande Cache Coal Corporation
Notes to Consolidated Financial Statements
December 31, 2006
(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, 2006.

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, 2006.

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

2. Restricted Cash

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

3. Inventory

	December 31 2006	March 31 2006
Coal inventory	\$ 30,866	\$ 25,041
Materials inventory	<u>3,212</u>	<u>1,468</u>
Total	<u>\$ 34,078</u>	<u>\$ 26,509</u>

4. Prepaid Prestrip Charges

In accordance with EIC-160: Stripping Costs Incurred in the Production Phase of a Mining Operation, the Corporation has 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 will be amortized over the future production generated by the stripping activity which occurred during the second and third quarters.

5. 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 consists of a \$10 million term facility and a \$15 million revolving facility. Interest is payable monthly at a rate of prime plus 2% per annum. The facilities are secured by a general security agreement and have a maturity date of April 8, 2007, subject to a one year extension option.

The credit facilities are being used to finance the Corporation's working capital and also allowed for the retirement of a \$5 million loan the Corporation received from a member of the Board of Directors in the third quarter of fiscal 2006. The loan was secured by coal inventory at port, was interest bearing at 8% per annum and repayable 2 months from the date of receipt.

The net repayment on the revolving facility during the first quarter was \$670 bringing the balance at June 30, 2006, to \$10,830. The net repayment on the revolving facility during the second quarter was \$3,330 bringing the balance at September 30, 2006, to \$7,500. The net borrowing on the revolving facility during the third quarter was \$7,500 bring the balance at December 31, 2006, to \$15,000.

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6. 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 \$3,722 as at December 31, 2006, 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 term of estimated years to reclamation.

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

	Nine months ended December 31 2006
Balance – March 31, 2006	\$ 3,470
Increase in liability	72
Accretion expense	<u>180</u>
Balance – December 31, 2006	<u>\$ 3,722</u>

7. 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	<u>10,000</u>	<u>27,000</u>
Balance – December 31, 2006	<u>50,769</u>	<u>128,715</u>
Less: Share issuance costs		<u>1,736</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 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.

8. Non-recurring Charges

In the second quarter of 2007, Grande Cache Coal incurred a charge of \$335 for cancelling a commitment to purchase mining equipment from a major equipment manufacturer.

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During the third quarter of 2007, demobilization charges of \$2,206 were paid by the Corporation to North American Energy Partners as part of ending a contractual relationship.

These expenses are not expected to occur again in the future and have been classified as non-recurring costs. The non-recurring costs have been classified as Other Expenses as they are not part of the continuing day to day operations of the mine.

9. 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 they were not in-the-money during the quarter, and the effect of all option and warrant exercises would be anti-dilutive to the loss per share in the prior year.

	Three months ended		Nine months ended	
	December 31		December 31	
	2006	2005	2006	2005
Weighted average shares outstanding – basic and diluted	<u>50,769</u>	<u>40,767</u>	<u>50,587</u>	<u>40,626</u>
Net loss	\$ <u>(2,227)</u>	\$ <u>(6,875)</u>	\$ <u>(2,267)</u>	\$ <u>(29,498)</u>
Net loss per share:				
Basic and diluted	\$ <u>(0.04)</u>	\$ <u>(0.17)</u>	\$ <u>(0.04)</u>	\$ <u>(0.73)</u>

10. 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 third quarter was \$370 compared to \$61 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 \$1,023 compared to \$583 in the prior year.

On April 12, 2006, 900 thousand options to purchase common shares were granted to employees and directors of the Corporation under the Corporation's share option plan at an exercise price of \$2.44 per share. The options have a five year term and are subject to an 18 month vesting period.

On July 28, 2006, 35 thousand options to purchase common shares were cancelled and on September 26, 2006 188 thousand options to purchase common shares were cancelled.

As part of the Corporation's share option plan, on October 12, 2006, 525 thousand options to purchase common shares were granted to employees and directors of the Corporation at an exercise price of \$1.05, on November 17, 2006, 175 thousand options to purchase common shares were granted to employees of the Corporation at an exercise price of \$1.05 and on December 15, 2006, 125 thousand options to purchase common shares were granted to employees of the Corporation at an exercise price of \$0.79. The options have a five year term and are subject to an 18 month vesting period.

On October 26, 2006, 5 thousand options to purchase common shares were cancelled, on November 10, 2006, 23 thousand options to purchase common shares were cancelled, on November 30, 2006, 23 thousand options to purchase common shares were cancelled and on December 25, 2006, 13 thousand options to purchase common shares were cancelled.

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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 86%, risk-free interest rates of 3% to 4% 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, 2006	1,554	\$ 2.73
Granted	900	2.44
Cancelled	-	-
Exercised	-	-
Outstanding – June 30, 2006	2,454	\$ 2.62
Granted	-	-
Cancelled	223	3.48
Exercised	-	-
Outstanding – September 30, 2006	2,231	2.54
Granted	825	1.01
Cancelled	64	4.44
Exercised	-	-
Outstanding – December 31, 2006	2,992	2.08

Details of the share options exercisable at December 31, 2006 are as follows:

<i>(thousands of shares)</i>	Common Shares	
	Number	Weighted Average Exercise Price
	700	\$ 1.00
	200	3.70
	100	11.56
	10	9.08
	38	4.50
	248	2.44
	1,296	\$ 2.67

Of the share options outstanding at December 31, 2006, 1,259 thousand options expire in 2009, 210 thousand options expire in 2010, and 1,523 thousand options expire in 2011.

11. Notes Payable

The Corporation entered into a coal sale agreement dated April 13, 2004, with a Japanese trading company (the "Trading Co.") for the sale of approximately 250,000 tonnes of metallurgical coal to the Trading Co. by September 30, 2005. In conjunction with the coal sale agreement, the parties entered into an advance payment agreement pursuant to which the Trading Co. agreed to advance U.S.\$4,000 to the Corporation. As the advance was denominated in U.S. dollars, changes in the U.S./Canadian dollar exchange rate impacted the carrying value of the note.

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Repayment of the advance occurred through a reduction in the price per tonne otherwise payable by the Trading Co. for coal delivered under the coal sale agreement. During the second quarter of 2006, the remainder of the coal under the agreement was shipped and the balance owing was repaid.

12. Commitments

The Corporation had previously made commitments to purchase a mining shovel and a drill from a major mining equipment manufacturer. The estimated total cost of the equipment was U.S.\$16 million, with progress payments required over the course of the manufacturing process. The Corporation cancelled this commitment on September 8, 2006. To the date of cancellation, progress payments of U.S.\$4.7 million had been paid towards this commitment. Of the U.S.\$4.7 million already paid, U.S.\$3.4 million has been used to purchase underground mining equipment from the same vendor, U.S.\$0.3 million was retained by the vendor as a cancellation fee, and U.S.\$1.0 million was returned to the Corporation.

Grande Cache Coal has a commitment to purchase a mining shovel from a major heavy equipment distributor for an estimated total cost of U.S.\$4.7 million.

13. Subsequent Events

On January 4, 2007, the Corporation placed a U.S.\$0.2 million deposit on the mining shovel for the surface mine operations. To date, the total deposit placed on the mining shovel is U.S.\$0.3 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 income from operations.

Caution on Forward-looking Statements

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 2006 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.*