



GRANDE CACHE COAL CORPORATION

NEWS RELEASE

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

Calgary, Alberta, November 13, 2006 – Grande Cache Coal Corporation (GCE-TSX) ("Grande Cache Coal" or the "Corporation") announced today its financial and operating results for the three and six months ended September 30, 2006.

- Revenue of \$29.8 million was earned on sales volumes of 0.3 million tonnes in the quarter for an average sales price of \$103 per tonne.
- The Corporation's cost of coal produced was \$63 per tonne in the second quarter, compared to \$104 per tonne in the second quarter of the prior year. Cost of sales in the second quarter was \$97 per tonne, compared to \$101 per tonne in the first quarter and \$109 in the prior year.
- Grande Cache Coal's net loss for the second quarter was \$1.8 million, or \$0.03 per share. Year to date, the Corporation experienced a net loss of \$0.04 million, or \$0.00 per share.
- EBITDA (earnings before interest, tax, depreciation and amortization) was \$0.4 million in the second quarter, and \$4.0 million year to date.
- During the second quarter, Grande Cache Coal acquired an additional 4,016 hectares of coal leases in the Smoky River Coalfield. Additional exploration will have to be conducted to define a coal reserve on the new lease areas in compliance with National Instrument 43-101 - Standards of Disclosure for Mineral Projects, however, the leases are expected to contain coal of hard coking quality similar to other coals on the property.
- Subsequent to the end of the second quarter, the Corporation announced the end of its relationship with North American Energy Partners ("NAEP"). Grande Cache Coal hired NAEP on a contract basis to develop infrastructure for its No. 12S B2 surface mine and its No. 7 underground mine and to operate the surface mine through the initial high strip ratio phase of mining. As this stage of operation has been completed, Grande Cache Coal is phasing out NAEP's presence on-site and transitioning to an owner-operated, appropriately-sized surface mining fleet to reduce its production costs.

"The second quarter was transitional for Grande Cache Coal as we positioned ourselves to phase out NAEP," said Robert Stan, President and Chief Executive Officer. "We believe that operating the surface mine with our own equipment will allow us to improve productivities and lower surface mine costs. We are extremely pleased with the performance of our underground mine and continue to invest capital in improving our processing facilities. With the current level of raw coal inventory in the surface mine and the strong performance in the underground mine, we will be able to comfortably meet our sales commitments for the current fiscal year."

Grande Cache Coal is an Alberta based metallurgical coal mining company whose experienced team of coal professionals have developed a sustainable, long-term mining operation to produce metallurgical coal for the steel industry from 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 September 30, 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 November 10, 2006.

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.

All references are to Canadian dollars unless otherwise indicated.

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Management's Discussion & Analysis

Financial Overview

<i>(millions of dollars)</i>			September 30 2006	March 31 2006
Balance Sheet				
Total assets			107.8	90.7
Long-term liabilities			13.6	13.5
Shareholders' equity			76.0	50.1
<i>(millions of dollars, except per share amounts)</i>	Three months ended September 30	Three months ended September 30	Six months ended September 30	Six months ended September 30
	2006	2005	2006	2005
Income Statement				
Revenue	29.9	34.6	59.0	44.3
Cost of sales	28.1	42.0	51.5	62.0
Net loss	(1.8)	(10.5)	(0.04)	(22.6)
Basic and diluted net loss per share	(0.03)	(0.26)	0.00	(0.56)
<i>(millions, except per tonne amounts)</i>	Three months ended September 30	Three months ended September 30	Six months ended September 30	Six months ended September 30
	2006	2005	2006	2005
Statistics				
Clean coal production	0.2	0.3	0.5	0.5
Coal sales	0.3	0.4	0.5	0.5
Average sales price (\$/tonne)	103	90	113	88
Average cost of sales (\$/tonne)	97	109	99	124
Average cost of production (\$/tonne)	63	104	61	107

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Revenue

Second quarter sales revenue was \$29.8 million on the sale of 0.3 million tonnes of coal compared with revenue of \$34.5 million on 0.4 million tonnes of coal sold in the same quarter last year. Sales volumes in the quarter reflect a reduction in customer liftings that has been experienced across the industry. Year to date sales revenue was \$58.8 million on sales of 0.5 million tonnes compared to revenue of \$43.9 million on 0.5 million tonnes sold last year. While year to date sales volumes remain comparable with last year, revenue earned is significantly greater due to the realization of a higher U.S. dollar sales price.

The average sales price achieved on U.S. dollar denominated metallurgical coal sales was U.S.\$92 per tonne in the second quarter and U.S.\$100 per tonne year to date, compared to U.S.\$81 per tonne in the comparable quarter last year and U.S.\$77 per tonne year to date in fiscal 2006. Sales volumes in the second quarter included U.S. dollar denominated sales of PCI product sold at U.S.\$65 per tonne, while other sales in the quarter averaged U.S.\$100 per tonne.

The average realized price in Canadian dollars on coal sold was \$103 per tonne for the quarter and \$113 per tonne year to date, compared to \$90 per tonne and \$88 per tonne respectively, for the comparable periods last year. The strength of the Canadian dollar this year continues to have a negative affect on the U.S./Canadian price differential.

The Corporation's interest and other revenue for the quarter was the same as last year at \$0.1 million while year to date it was \$0.2 million compared to \$0.4 million last year. Interest and other revenue consists primarily of interest earned on short term investments and access fees charged for the use of roads belonging to the Corporation.

Production Costs and Cost of Sales

The cost of clean coal produced in the second quarter of 2007 was \$63 per tonne, compared to \$104 per tonne in the same quarter of 2006. Year to date cost of coal produced was \$61 per tonne, compared to \$107 per tonne in the prior year. Reducing production costs continues to be an important focus for the operation and further improvements are anticipated.

During the second quarter, the Corporation had an extended maintenance and vacation shutdown in each of the underground mine, the surface mine and the process plant which had the affect of drawing down coal inventories during the quarter. While this has the affect of temporarily increasing production costs, it allows for important maintenance activity on equipment for the future benefit of the operation. Production resumed at normal operating capacity in the underground mine and the process plant during the latter half of the quarter.

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 have been 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. The strip ratio remaining in the surface mine is expected to be below 5:1. Grande Cache Coal expects that mining costs in the surface mine will be reduced through the ownership and direct operation of equipment in the surface mine.

Total cost of sales for the second quarter of fiscal 2007 was \$28.1 million or \$97 per tonne compared to \$42.0 million or \$109 per tonne in the comparable quarter of the prior year. The cost of sales consisted of cost of product sold of \$19.0 million (\$66 per tonne) and distribution costs of \$9.1 million (\$31 per tonne). The cost of product sold and distribution costs for the second quarter of fiscal 2006 were \$33.2 million (\$86 per tonne) and \$8.8 million (\$23 per tonne), respectively. The decrease in the unit cost of product sold is a result of improved productivities across all areas of the operation. The increase in distribution costs is mainly due to the proportion of shipments to Eastern

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North America which carry higher rail rates than shipments to port in Western Canada and the impact of fuel surcharges on rail costs.

Other Expenses

General and administrative expenses were \$1.3 million in the second quarter (\$1.6 million – 2006) and \$3.3 million year to date (\$2.9 million – 2006). Included in these costs this quarter were head office administrative and marketing charges of \$1.0 million compared to \$1.1 million in the prior period. Year to date head office administrative and marketing charges were \$2.5 million both this year and last year. Also included in general and administrative expenses were non-cash charges for stock-based compensation of \$0.2 million in the second quarter (\$0.2 million – 2006) and \$0.6 million year to date (\$0.5 million – 2006). General and administrative expenses in the current quarter also held a foreign exchange loss of \$0.2 million, compared to \$0.5 million in the same period last year. Year to date foreign exchange losses are \$0.7 million compared to \$0.4 million last year.

Interest and other expenses were \$0.8 million in the second quarter (\$0.2 million – 2006) and \$1.1 million year to date (\$0.2 million – 2006). Interest charges consist primarily of interest paid on the revolving and term debt. Other expenses include a charge of \$0.3 million as a fee for the cancellation of a planned equipment purchase.

Depreciation, depletion and accretion charges were \$1.3 million this quarter compared to \$1.1 million in the second quarter of last year. For the first six months, depreciation, depletion and accretion costs were \$2.8 million in the current fiscal year and \$1.5 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.

Liquidity and Capital Resources

Grande Cache Coal had cash and cash equivalents of \$3.7 million at September 30, 2006 and availability of \$7.5 million on its revolving facility. During the second quarter, the Corporation's cash position declined \$7.5 million compared to a cash usage of \$3.5 million in the same quarter last year. Over the first six months of the current fiscal year the cash position has increased \$2.7 million from \$1.0 million at March 31, 2006.

Cash used in operating activities during the three months ended September 30, 2006 was \$0.5 million, compared to a cash generation of \$0.6 million in the same quarter of the prior year. However, before changes in non-cash working capital, operating activities used \$0.2 million in the quarter compared to \$9.1 million in the same quarter of the prior year. Cash used in operating activities so far this year has resulted in a cash decrease of \$13.3 million, compared to cash use in the prior year of \$18.3 million. However, cash provided by operations before changes in non-cash working capital was \$3.3 million year to date, compared to a use of \$20.3 million in the prior year. This improvement was due to the improved operating results generated by the reduction in unit cost of coal produced.

Financing activities during the second quarter resulted in a cash usage of \$3.3 million on the net reduction of the revolving debt facility. In the prior year, financing activities resulted in a cash use of \$1.1 million on the repayment of notes payable. During the first six months of the current year, financing activities have generated cash of \$21.3 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.

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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 first six months of the year was \$4.0 million bringing the balance at September 30, 2006 to \$7.5 million.

The Corporation used \$3.7 million in cash for investing activities during the quarter compared to \$3.1 million in the same quarter last year. Cash used in investing activities included \$3.3 million 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.

Second quarter investing activities also include 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 remains available. At September 30, 2006, the Corporation had \$33.9 million in coal inventory, compared to \$38.7 million at the end of the previous quarter.

The Corporation did not have any off-balance sheet financing structures in place at September 30, 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.

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 \$0.1 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, occurring primarily in the fourth quarter of fiscal 2007 and first quarter of fiscal 2008.

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Summary of Quarterly Results

<i>(millions, except per unit amounts)</i>	2007		2006				2005	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Clean coal production	0.2	0.3	0.3	0.2	0.3	0.2	0.2	0.2
Coal sales	0.3	0.2	0.2	0.2	0.4	0.1	0.2	0.1
Average sales price (\$/tonne)	103	125	122	106	90	81	65	59
Average cost of sales (\$/tonne)	97	101	121	130	109	172	111	121
Average cost of production (\$/tonne)	63	60	86	99	104	110	94	87
Revenue	29.9	29.1	27.1	19.3	34.6	9.7	12.1	5.1
Net (loss) income	(1.8)	1.7	(2.6)	(6.9)	(10.5)	(12.2)	(10.2)	(6.0)
Basic and diluted net (loss) income per share	(0.03)	0.03	(0.06)	(0.17)	(0.26)	(0.30)	(0.27)	(0.16)

Outlook

Operations

The Corporation continues to focus on cost control and productivity improvement. The change of the surface mine to an appropriately sized fleet owned and operated directly by Grande Cache Coal 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 cost improvements in the surface mine. The surface mining contractor will complete its phase of mining operations in November 2006 and it is currently anticipated that waste movement in the surface mine will resume in the first 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.

The underground mine and coal processing activities will not be affected by the change in surface mining activities. The Corporation will be able to comfortably meet its sales commitments for the remainder of the current fiscal year by utilizing the raw coal inventory currently available in the surface mine together with production from its underground mine which remains strong.

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

Metallurgical Coal Markets

Negotiations for coal sales in the upcoming coal year are in the early stages.

Grande Cache Coal is maintaining a focus on expanding and diversifying its customer base geographically as well as within traditional markets to mitigate situations where shipment delays can occur. Negotiations of sales contracts and trial shipments with new customers are ongoing.

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 \$10 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, most of which will occur in the fourth quarter of fiscal 2007 and the first quarter of fiscal 2008. Options

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available for financing these capital expenditures include debt financing, capital and operating lease arrangements and equipment manufacturer's financing.

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 November 13, 2006, 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
	22,500	22,500	\$9.08	June 9, 2010
	75,000	37,500	\$4.50	October 18, 2010
	745,000	248,333	\$2.44	April 11, 2011
	525,000	-	\$1.05	October 11, 2011
Total	<u>2,750,834</u>	<u>1,308,333</u>		

There are also 5,500,000 warrants outstanding, exercisable at a price of \$3.40 per share on or before 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)	September 30 2006	March 31 2006
Assets		
Current assets		
Cash and cash equivalents	\$ 3,657	\$ 973
Restricted cash (note 2)	6,528	6,138
Accounts receivable	4,540	2,836
Inventory (note 3)	36,654	26,509
Prepaid prestrip charges (note 4)	3,338	-
Prepaid expenses	<u>1,038</u>	<u>1,490</u>
	55,755	37,946
Deposit for future reclamation expenditures	82	82
Mineral properties and development	21,110	21,074
Buildings and equipment	<u>30,868</u>	<u>31,646</u>
	<u>\$ 107,815</u>	<u>\$ 90,748</u>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	\$ 10,652	\$ 15,653
Revolving debt (note 6)	<u>7,500</u>	<u>11,500</u>
	18,152	27,153
Long term debt (note 6)	10,000	10,000
Asset retirement obligations (note 7)	<u>3,662</u>	<u>3,470</u>
	<u>31,814</u>	<u>40,623</u>
Shareholders' Equity		
Share capital (note 8)	126,979	101,715
Contributed surplus	2,273	1,621
Deficit	<u>(53,251)</u>	<u>(53,211)</u>
	<u>76,001</u>	<u>50,125</u>
	<u>\$ 107,815</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 September 30 2006	Three months ended September 30 2005	Six months ended September 30 2006	Six months ended September 30 2005
Revenue				
Sales	\$ 29,778	\$ 34,521	\$ 58,774	\$ 43,922
Interest and other	92	104	221	360
	<u>29,870</u>	<u>34,625</u>	<u>58,995</u>	<u>44,282</u>
Expenses				
Cost of product sold	18,974	33,192	34,841	50,274
Distribution	9,099	8,827	16,635	11,730
General and administrative	1,262	1,565	3,262	2,903
Interest and other	755	152	1,113	152
Depreciation, depletion and accretion	1,328	1,094	2,763	1,524
	<u>31,418</u>	<u>44,830</u>	<u>58,614</u>	<u>66,583</u>
	(1,548)	(10,205)	381	(22,301)
Taxes	<u>(207)</u>	<u>(257)</u>	<u>(421)</u>	<u>(322)</u>
Net loss	(1,755)	(10,462)	(40)	(22,623)
Deficit, beginning of period	<u>(51,496)</u>	<u>(33,254)</u>	<u>(53,211)</u>	<u>(21,093)</u>
Deficit, end of period	\$ (53,251)	\$ (43,716)	\$ (53,251)	\$ (43,716)
Net loss per share (note 9)				
Basic and diluted	<u>\$ (0.03)</u>	<u>\$ (0.26)</u>	<u>\$ 0.00</u>	<u>\$ (0.56)</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 September 30 2006	Three months ended September 30 2005	Six months ended September 30 2006	Six months ended September 30 2005
Cash provided by (used for)				
Operating activities				
Net loss	\$ (1,755)	\$ (10,462)	\$ (40)	\$ (22,623)
Items not affecting cash				
Stock-based compensation (note 10)	247	204	653	522
Unrealized foreign exchange loss (gain)	(41)	71	(105)	275
Depreciation, depletion and accretion	1,328	1,094	2,764	1,524
	<u>(221)</u>	<u>(9,093)</u>	<u>3,272</u>	<u>(20,302)</u>
Net change in non-cash working capital relating to operating activities	<u>(312)</u>	<u>9,709</u>	<u>(16,582)</u>	<u>2,051</u>
	<u>(533)</u>	<u>616</u>	<u>(13,310)</u>	<u>(18,251)</u>
Financing activities				
Repayment of revolving debt (note 6)	(3,330)	-	(4,000)	-
Proceeds on issuance of share capital (note 8)	-	268	27,000	1,528
Repayment of notes payable (note 5)	-	(1,423)	-	(3,752)
Share issuance costs (note 8)	-	(1)	(1,736)	(1)
Net change in non-cash working capital relating to financing activities	-	145	-	145
	<u>(3,330)</u>	<u>(1,011)</u>	<u>21,264</u>	<u>(2,080)</u>
Investing activities				
Additions to mineral properties and development	(1,015)	(2,021)	(1,705)	(3,266)
Reductions (additions) to buildings and equipment	761	(3,227)	(82)	(8,915)
Restricted cash (note 2)	(90)	2,875	(390)	3,808
Net change in non-cash working capital relating to investing activities	<u>(3,323)</u>	<u>(693)</u>	<u>(3,198)</u>	<u>(1,605)</u>
	<u>(3,667)</u>	<u>(3,066)</u>	<u>(5,375)</u>	<u>(9,978)</u>
Effect of foreign exchange on cash and cash equivalents	41	(71)	105	(142)
(Decrease) increase in cash and cash equivalents	(7,489)	(3,532)	2,684	(30,451)
Cash and cash equivalents, beginning of period	<u>11,146</u>	<u>8,536</u>	<u>973</u>	<u>35,455</u>
Cash and cash equivalents, end of period	\$ 3,657	\$ 5,004	\$ 3,657	\$ 5,004

See accompanying notes to the consolidated financial statements.

Grande Cache Coal Corporation
Notes to Consolidated Financial Statements
September 30, 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 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.

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

	September 30	March 31
	2006	2006
Coal inventory	\$ 33,902	\$ 25,041
Materials inventory	2,752	1,468
Total	<u>\$ 36,654</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 totaling \$3.3 million due to mining conditions in the period during 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 quarter.

5. 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.

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.

6. 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

Grande Cache Coal Corporation
Notes to Consolidated Financial Statements
September 30, 2006
(Unaudited)

(thousands of Canadian dollars, except per share amounts)

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. The net repayment on the revolving facility during the second quarter was \$3,330 bringing the balance at September 30, 2006, to \$7,500.

7. 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 \$3,662 as at September 30, 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:

	Six months ended September 30 2006
Balance – March 31, 2006	\$ 3,470
Increase in liability	72
Accretion expense	<u>120</u>
Balance – September 30, 2006	<u>\$ 3,662</u>

8. 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 – September 30, 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.

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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 September 30 2006	Three months ended September 30 2005	Six months ended September 30 2006	Six months ended September 30 2005
Weighted average shares outstanding – basic and diluted	50,769	40,678	50,495	40,556
Net income (loss)	\$ (1,755)	\$ (10,462)	\$ (40)	\$ (22,623)
Net income (loss) per share:				
Basic and diluted	<u>\$ (0.03)</u>	<u>\$ (0.26)</u>	<u>\$ 0.00</u>	<u>\$ (0.56)</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 second quarter was \$247 compared to \$204 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 \$653 compared to \$522 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.

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.

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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	2,230	2.54

Details of the share options exercisable at September 30, 2006 are as follows:

<i>(thousands of shares)</i>	Common Shares	
	Number	Weighted Average Exercise Price
	700	\$ 1.00
	162	3.70
	105	11.56
	23	9.08
	990	\$ 2.75

Of the share options outstanding, 1,259 thousand options expire in 2009, 226 thousand options expire in 2010, and 745 thousand options expire in 2011.

11. 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 has been retained by the vendor as a cancellation fee, and U.S.\$1.0 million has been returned to the Corporation.

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12. Subsequent Events

On October 12, 2006, 525 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 \$1.05 per share. The options have a five year term and are subject to an 18 month vesting period.

On October 25, 2006, the Corporation announced the end of its relationship with North American Energy Partners ("NAEP"). The Corporation hired NAEP on a contract basis to develop infrastructure for its No. 12S B2 surface mine and its No. 7 underground mine and to operate the surface mine through the initial high strip ratio phase of mining. As this stage of operation has been completed, the Corporation is phasing out NAEP's presence on-site and transitioning to an owner-operated, appropriately-sized surface mining fleet to reduce its production costs. Demobilization charges to be paid by the Corporation to NAEP will be approximately \$2 million.

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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).

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