

Grande Cache Coal Corporation

Management's Discussion & Analysis

This Management's Discussion and Analysis ("MD&A") should be read in conjunction with the unaudited interim consolidated financial statements and notes thereto for the period ended September 30, 2009, 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, 2009. 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. All references are to Canadian dollars unless otherwise indicated.

This MD&A was prepared using information that is current as of November 9, 2009.

In the interest of providing Grande Cache Coal's shareholders and potential investors with information regarding Grande Cache Coal, including management's assessment of Grande Cache Coal's future plans and operations, certain statements in this MD&A are "forward-looking statements" within the meaning of applicable Canadian securities legislation. In some cases, forward-looking statements can be identified by terminology such as "anticipate", "believe", "continue", "could", "estimate", "expect", "forecast", "intend", "may", "objective", "ongoing", "outlook", "potential", "project", "plan", "should", "target", "would", "will" or similar words suggesting future outcomes, events or performance. The forward-looking statements contained in this MD&A speak only as of the date of this document and are expressly qualified by this cautionary statement.

Specifically, this MD&A contains forward-looking statements relating to: anticipated sales volumes of metallurgical coal in fiscal 2010; management of coal production in fiscal 2010; future development activities and related capital expenditures; the capital expenditure program for fiscal 2010; and funding sources for the capital expenditure program.

These forward-looking statements are based on certain key assumptions regarding, among other things: no material disruption in production; no material variation in anticipated coal sales volumes; no material variations in markets and pricing of metallurgical coal other than anticipated variations; continued availability of and no material disruption in rail service and port facilities; no material delays in the current timing for completion of ongoing projects; financing will be available on terms favourable to the Corporation; no material variation in historical coal purchasing practices of customers; coal sales contracts will be entered into with new customers; parties execute and deliver contracts currently under negotiation; and no material variations in the current regulatory environment. The reader is cautioned that such assumptions, although considered reasonable by Grande Cache Coal at the time of preparation, may prove to be incorrect.

Actual results achieved during the forecast period will vary from the information provided herein as a result of numerous known and unknown risks and uncertainties and other factors. Such factors include, but are not limited to: 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; and other factors, many of which are beyond the control of Grande Cache Coal. Many of these risk factors and uncertainties are discussed in Grande Cache Coal's Annual Information Form, Grande Cache Coal's MD&A, and other documents Grande Cache Coal files with the Canadian securities regulatory authorities.

There is no representation by Grande Cache Coal that actual results achieved during the forecast period will be the same in whole or in part as those forecast and Grande Cache Coal does not undertake any obligation to update

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publicly or to revise any of the included forward-looking statements, whether as a result of new information, future events or otherwise, except as may be required by applicable securities law.

Readers of this Management's Discussion and Analysis should refer to the section entitled "Risk Factors" in Grande Cache Coal's Management's Discussion and Analysis and Annual Information Form for the fiscal year ended March 31, 2009 for factors which could potentially impact the Corporation's financial performance and its ability to meet its targets.

Financial Overview

<i>(millions of dollars)</i>	As at September 30 2009	As at March 31 2009
Balance Sheet		
Cash and cash equivalents	80.1	68.0
Total assets	298.3	259.2
Long-term liabilities	33.7	16.7
Shareholders' equity	243.8	228.4

<i>(millions of dollars, except per share amounts)</i>	Three months ended September 30		Six months ended September 30	
	2009	2008	2009	2008
Statement of Net Income and Comprehensive Income				
Revenue	44.8	76.6	119.4	118.0
Cost of sales	30.2	35.9	86.8	69.4
Income from operations	9.5	36.4	20.2	40.5
Net income and comprehensive income	9.3	47.1	14.4	50.4
Basic net income per share	0.10	0.52	0.15	0.61
Diluted net income per share	0.09	0.51	0.15	0.59

<i>(millions of tonnes, except per tonne amounts)</i>	Three months ended September 30		Six months ended September 30	
	2009	2008	2009	2008
Statistics				
Clean coal production (tonnes)	0.43	0.43	0.77	0.70
Coal sales (tonnes)	0.36	0.34	0.87	0.59
Average sales price (US\$/tonne)	120	214	126	193
Average sales price (CDN\$/tonne)	124	223	138	199
Cost of product sold (\$/tonne)	57	69	73	81
Distribution costs (\$/tonne)	27	35	27	36
Cost of sales (\$/tonne)	84	104	100	117

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Revenue

Revenue earned during the second quarter was \$44.8 million on sales of 0.36 million tonnes compared to revenue of \$76.6 million on sales of 0.34 million tonnes in the same period last year. Revenue decreased primarily because contracts for the current coal year, which commenced April 1, 2009, have been settled at lower prices. For the fiscal year to date, revenue was \$119.4 million (fiscal 2009 - \$118.0 million) on sales of 0.87 million tonnes (fiscal 2009 - 0.59 million tonnes). A 47% increase in sales volumes offset the decrease in sales price keeping revenue for the first half of the year comparable to last year. Higher sales volumes were mainly driven by sales into the Chinese market.

The average price achieved during the second quarter was \$124 per tonne compared to \$223 per tonne in the same period last year. The average sales price of hard coking coal during the quarter, which accounted for 90% of the sales volume, was \$132 per tonne (US\$120 per tonne). The remaining sales volumes related to thermal coal sales. For the first six months of fiscal 2010, the average sales price was \$138 per tonne, down from \$199 per tonne in the comparable period. The decrease was primarily due to lower hard coking coal contract price settlements in the current coal year.

Cost of Sales

Cost of sales in the second quarter was \$30.2 million, or \$84 per tonne, compared to \$35.9 million, or \$104 per tonne in the same period last year. The cost of sales in the current quarter consisted of cost of product sold of \$20.4 million (\$57 per tonne) and distribution costs of \$9.8 million (\$27 per tonne). In the comparable quarter of fiscal 2009, the cost of product sold was \$23.9 million (\$69 per tonne) and distribution costs were \$12.0 million (\$35 per tonne).

The decrease in the unit cost of product sold was largely a result of reduced use of contractor services, lower maintenance costs and a decrease in the price of diesel fuel. The lower unit distribution cost was mainly caused by lower rail costs due to a reduction of fuel surcharges included in the rail rates, as well as a lower proportion of shipments going to eastern Canada, which carry higher rail rates than shipments to western Canada.

For the fiscal year to date, cost of sales was \$86.8 million, or \$100 per tonne, compared to \$69.4 million, or \$117 per tonne in the first six months of last year. Included in the current year was cost of product sold of \$63.2 million (\$73 per tonne) and distribution costs of \$23.6 million (\$27 per tonne). In the comparable period of fiscal 2009, the cost of product sold was \$48.0 million (\$81 per tonne) and distribution costs were \$21.4 million (\$36 per tonne).

The unit cost of product sold was lower over the first half of the fiscal year versus the comparable period due primarily to a reduction of costs incurred on external contractor services, equipment maintenance, and diesel fuel. In addition, the process plant achieved productivity improvements and a higher plant yield. The decrease in the unit distribution cost in the first six months of the fiscal year relates to a lower proportion of shipments going to eastern Canada, which carry higher rail rates than shipments to western Canada, as well as a reduction of fuel surcharges included in the rail rates. In addition, demurrage charges were lower in the first half of the fiscal year, compared to the same period last year.

Other Operating Expenses

Second quarter general and administrative expenses were \$2.2 million, compared to \$1.8 million in the same period last year. Included in general and administrative expenses were head office administrative and marketing charges of \$1.9 million (fiscal 2009 - \$1.6 million) and non-cash charges for stock-based compensation of \$0.3 million (fiscal 2009 - \$0.2 million). For the fiscal year to date, general and administrative expenses were \$4.3 million in comparison to \$3.6 million in the first six months of last fiscal year.

Depreciation, depletion and accretion charges were \$2.9 million during the second quarter (fiscal 2009 - \$2.5 million) and \$8.1 million during the first six months of the year (fiscal 2009 - \$4.5 million). The increase was caused

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by higher coal production, the addition of capital assets and the change in value of depreciation and depletion included in coal inventory.

Other Income (Expenses)

During the second quarter the Corporation incurred a foreign exchange loss of \$1.4 million in contrast to a gain of \$1.0 million during the comparable period. For the fiscal year to date, the Corporation's foreign exchange loss was \$4.6 million versus a \$0.9 million gain in the first six months of the prior fiscal year. The current period's losses were the result of a significant strengthening of the Canadian dollar against the US dollar.

The Corporation recorded an unrealized foreign exchange gain of \$3.2 million during the second quarter relating to foreign exchange forward contracts. The gain on these contracts for the fiscal year to date was \$3.0 million.

Interest and other income were \$0.1 million in the second quarter (fiscal 2009 - \$0.2 million) and \$0.2 million for the fiscal year to date (fiscal 2009 - \$0.4 million). Interest and other income consists primarily of interest earned on restricted cash, interest earned on short term investments and access fees charged for the use of roads and bridges belonging to the Corporation.

Interest and other expenses were nil in the current quarter and for the current year to date. In fiscal 2009 interest and other expenses were \$0.1 million during the second quarter and \$0.5 million for the fiscal year to date, and consisted primarily of interest paid on the revolving and long term debt.

Taxes

The Corporation's second quarter tax expense was \$2.1 million, which included a current tax expense of \$0.3 million for provincial Crown royalties and a future income tax expense of \$1.8 million. In the second quarter of fiscal 2009, the Corporation incurred a tax expense \$0.6 million for provincial Crown royalties and recorded a future income tax benefit of \$10.2 million, which related to losses incurred in previous periods and the projection that it would be more likely than not that going forward taxable income would be available to utilize the corresponding future income tax asset.

Liquidity and Capital Resources

The Corporation had cash and cash equivalents of \$80.1 million at September 30, 2009. During the second quarter Grande Cache Coal's cash position decreased \$18.2 million in comparison to a cash increase of \$13.2 million over the same period last fiscal year. In the first six months of fiscal 2010 the Corporation's cash position increased \$12.1 million.

Second quarter operating activities provided \$4.1 million in cash compared to \$6.8 million in the same period last year. Cash generated prior to changes in non-cash working capital was \$12.3 million in the current quarter and \$38.2 million during the comparable period. The primary difference for the variance was due to a net income of \$9.3 million during the second quarter of fiscal 2010 versus \$47.1 million during the same period of fiscal 2009. For the fiscal year to date, cash generated by operating activities before changes in non-cash working capital was \$27.3 million compared to \$44.1 million last year. The change was mainly related to the lower net income earned in the first half of the current year, primarily due to lower coal prices.

Financing activities during the second quarter resulted in a cash decrease of \$2.0 million in contrast to a cash increase of \$12.9 million in the same period last year. During the second quarter the Corporation entered into capital lease agreements for mining equipment totaling US\$17.1 million. Repayments on capital lease obligations were \$2.4 million during the current quarter. Also included in the second quarter were cash proceeds of \$0.3 million as a result of share option exercises. During the same period last year, financing activities included cash proceeds of \$12.6 million from the exercise of warrants and \$0.3 million related to the exercise of share options.

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Second quarter investing activities led to a cash decrease of \$18.6 million compared to a decrease of \$7.1 million in the comparable period. Capital additions were \$18.7 million (fiscal 2009 - \$7.8 million) and consisted of the addition of buildings and equipment totaling \$17.6 million (fiscal 2009 - \$6.2 million) and the development of mineral properties totaling \$1.1 million (fiscal 2009 - \$1.6 million). Included in the additions to buildings and equipment was the purchase of a new Hitachi EX5500 hydraulic excavator at a cost of \$11.0 million.

For the first six months of the year, investing activities led to a cash decrease of \$29.3 million in fiscal 2010 compared to \$18.2 million in fiscal 2009. Capital additions accounted for \$27.7 million in the first six months of the fiscal year and \$17.0 million in the same period of the previous year.

In June 2009, the Corporation entered into an agreement with HSBC Bank Canada to provide the Corporation with a credit facility up to \$25 million and the ability to enter into foreign exchange hedging arrangements. During the first quarter the Corporation entered into a series of foreign exchange forward contracts to sell a total of US\$45 million at an average rate of Canadian dollars 1.157 to the US dollar. At September 30, 2009, US\$35 million of the foreign exchange forward contracts were outstanding, all of which will mature by April 2010.

The Corporation believes that its existing cash, cash flow from operations and its operating credit facility will be sufficient to fund ongoing working capital requirements. The Corporation expects that capital expenditures during fiscal 2010 will be funded by existing cash, cash flow from operations and equipment leases.

Grande Cache Coal expects that coal inventory and coal production will be sufficient to meet anticipated coal sales volumes for fiscal 2010. At September 30, 2009, the Corporation had \$24.7 million in coal inventory, compared to \$16.2 million at June 30, 2009.

The Corporation did not have any off-balance sheet financing structures in place at September 30, 2009. At September 30, 2009, the Corporation had long term liabilities for asset retirement obligations with a present value of \$6.9 million, future income tax liabilities of \$14.1 million and capital lease obligation of \$12.7 million. Grande Cache Coal's asset retirement obligations are covered by a cash deposit of \$0.1 million and letters of credit totaling \$8.2 million provided to the Alberta Government, which are presently secured by restricted cash.

In order to ensure the continued availability of, and access to, facilities and services to meet operational requirements, the Corporation has entered into multi-year agreements for the lease of coal properties, light vehicles, equipment, buildings and office space.

At September 30, 2009, the Corporation had a commitment to purchase four new Komatsu AC 830E haul trucks. Remaining commitments owing on this mining equipment totalled approximately \$13.6 million, which included US dollar commitments of US\$10.2 million.

Under contracts existing at September 30, 2009, future minimum undiscounted amounts payable under these agreements were:

(millions of Canadian dollars)

Contractual Obligations	Payments Due by Period				
	Total	Less than 1 year	2-3 years	4-5 years	After 5 years
Leases	20.5	4.8	9.0	6.3	0.4
Purchase Obligations	13.6	13.6	-	-	-
Total Contractual Obligations	34.1	18.4	9.0	6.3	0.4

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Recent and Upcoming Changes in Accounting Policies

EIC-174 - Mining Exploration Costs, was issued by the CICA on March 27, 2009 and became applicable to the Corporation's financial statements issued after that date. EIC-174 provides guidance on accounting for capitalization and impairment of exploration costs related to mining properties. The impact of applying EIC-174 did not have a material impact on the interim consolidated financial statements.

CICA Handbook section 3064 – Goodwill and Intangible Assets, was adopted by the Corporation on April 1, 2009. Section 3064 replaces section 3062 – Goodwill and Other Intangible Assets, and establishes standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets. At the same time section 3064 was adopted, EIC-27 – Revenues and Expenditures during the Pre-operating Period, was withdrawn. The impact of adopting these accounting standard changes did not have a material impact on the interim consolidated financial statements.

EIC-173 - Credit Risk and the Fair Value of Financial Assets and Financial Liabilities, became applicable to the Corporation on April 1, 2009. EIC-173 provides guidance on how to take into account credit risk of an entity and counterparty when determining the fair value of financial assets and financial liabilities, including derivative instruments. The impact of applying EIC-173 did not have a material impact on the interim consolidated financial statements.

The Canadian Accounting Standards Board ("AcSB") has confirmed that International Financial Reporting Standards ("IFRS") will replace Canadian generally accepted accounting principles ("GAAP") in 2011 for publicly accountable enterprises. As such, the Corporation will be required to adopt IFRS for the fiscal year beginning April 1, 2011, including comparative data from the prior fiscal year. The Corporation has established a plan for transition and has engaged third party advisors to assist in the conversion project.

The Corporation's conversion approach consists of three phases: 1) Diagnostic, 2) Evaluation and Development and 3) Implementation. With the assistance of third party advisers, the Corporation has completed the diagnostic phase which identified the key differences between the Corporation's current accounting policies and IFRS and estimated the level of impact on the consolidated financial statements. The Corporation has moved into phase two and continues to assess the effects of adoption on key financial statement components and finalize its conversion plan. The Corporation has determined that a considerable portion of its conversion effort will relate to accounting for property, plant and equipment. Initial assessments of other financial statement components completed to date include stock based compensation, provisions and asset retirement obligations. During the second quarter of 2010, the Corporation also commenced analysis of IFRS financial statement presentation and disclosure requirements. Where applicable, key IFRS transition alternatives available upon first time adoption of IFRS are being considered and evaluated. The Corporation continues to focus on analyzing and developing implementation strategies and processes for the key IFRS transition issues identified. The Corporation continues to perform preliminary accounting assessments on less critical IFRS transition issues that will be further analyzed and evaluated throughout the implementation phase of the Corporation's project.

The transition to IFRS is a significant undertaking that may materially affect the Corporation's reported financial position and results of operations. Because the Corporation is still in the Evaluation and Development phase and has not yet selected its accounting policy choices and exemptions available to it under IFRS 1, the impact on the Corporation's financial position and future results of operations is not reliably determinable or estimable at this time.

The Corporation will continue to monitor developments in accounting standards as issued by the International Accounting Standards Board and the AcSB which may affect the timing, nature and disclosure of the Corporation's adoption of IFRS and will update its plan as necessary.

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Summary of Quarterly Results

<i>(millions, except per unit amounts)</i>	Fiscal 2010		Fiscal 2009				Fiscal 2008	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Clean coal production (tonnes)	0.43	0.34	0.26	0.35	0.43	0.27	0.37	0.35
Coal sales (tonnes)	0.36	0.51	0.11	0.36	0.34	0.25	0.42	0.44
Average sales price (US\$/tonne)	120	129	292	213	214	165	94	87
Average sales price (CDN\$/tonne)	124	147	364	254	223	166	95	85
Cost of product sold (\$/tonne)	57	84	72	96	69	97	59	56
Distribution costs (\$/tonne)	27	27	24	32	35	38	27	29
Cost of sales (\$/tonne)	84	111	96	128	104	135	86	85
Revenue	44.8	74.6	38.7	91.9	76.6	41.3	39.9	37.7
Income (loss) from operations	9.5	10.7	24.5	41.3	36.4	4.0	(0.8)	(3.0)
Net income (loss)	9.3	5.1	18.9	36.8	47.1	3.4	(1.2)	(3.4)
Basic net income (loss) per share	0.10	0.05	0.20	0.38	0.52	0.04	(0.02)	(0.05)
Diluted net income (loss) per share	0.09	0.05	0.20	0.38	0.51	0.04	(0.02)	(0.05)

During the current quarter the Corporation's average sales price trended downward as coal prices for fiscal 2010 were settled at lower levels than record high prices negotiated during fiscal 2009. However, the current coal year prices remain higher than those realized in fiscal 2008. The cost of product sold was reduced from previous quarters as the Corporation achieved reductions in contractor and maintenance costs and also benefited from lower diesel prices. Distribution costs remained stable compared to the previous quarter, and lower than much of fiscal 2009 during which costs were higher than normal largely because of the inclusion of fuel surcharges in rail rates.

Outlook

Metallurgical Coal Markets

For fiscal 2010, the Corporation anticipates that sales volumes will be in the range of 1.5 to 1.7 million tonnes, up from the previous expectation of 1.3 to 1.5 million tonnes. The increase is due to a continuing recovery in demand from traditional customers and sales to new customers in China. The projected increase is contingent upon continuing demand from China as well as adequate clean coal production, rail service and vessel arrivals. The average US dollar denominated sales price for fiscal 2010 is projected to be in the range of US\$115 to US\$125 per tonne, which will include carryover shipments from the prior coal year, spot sales and contract sales for the coal year that commenced April 1, 2009.

Operations

The Corporation achieved some productivity improvements and cost reductions during the second quarter. There will be a continuous focus on these initiatives over the remainder of the fiscal year. While it is expected that the average cost of sales will vary from quarter to quarter, the average cost of sales for fiscal 2010 is still anticipated to be in the range of \$110 to \$115 per tonne.

Capital Expenditures

Capital additions are expected to total approximately \$85 million during fiscal 2010. Approximately \$46 million of the capital additions is for the acquisition of new surface mining equipment and approximately \$20 million is for the development of the No. 8 surface mine and the No. 12 South B2 underground mine, pending receipt of regulatory

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approvals. Fiscal 2010 capital expenditures are expected to be funded by existing cash, cash flow from operations and equipment leases.

Other Information

Looking forward, export trade credit insurance may be used to support accounts receivable.

As at November 9, 2009, there were 96,350,143 common shares issued and outstanding, and the following share options were also outstanding:

<u>Share Options Outstanding</u>	<u>Number Granted</u>	<u>Number Vested</u>	<u>Exercise Price</u>	<u>Expiry Date</u>
	95,000	95,000	\$11.56	March 15, 2010
	10,000	10,000	\$9.08	June 9, 2010
	25,000	25,000	\$4.50	October 18, 2010
	245,000	245,000	\$2.44	April 11, 2011
	125,000	125,000	\$1.05	October 11, 2011
	50,000	50,000	\$1.05	November 16, 2011
	288,338	288,338	\$0.88	May 23, 2012
	1,116,803	558,459	\$1.04	January 8, 2013
	150,000	49,998	\$5.02	August 20, 2013
	1,975,000	-	\$1.01	November 12, 2013
	100,000	-	\$0.88	January 10, 2014
	125,000	-	\$0.77	February 10, 2014
	50,000	-	\$3.57	August 18, 2014
Total	<u>4,355,141</u>	<u>1,446,795</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, 2009, is available on the Corporation's SEDAR company profile at www.sedar.com.

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Consolidated Balance Sheets
(thousands of Canadian dollars)

(unaudited)	As at September 30 2009	As at March 31 2009
Assets		
Current assets		
Cash and cash equivalents	\$ 80,118	\$ 68,035
Restricted cash (note 3)	8,440	8,440
Accounts receivable (note 4)	21,913	15,153
Inventory (note 5)	30,818	49,800
Prepaid expenses	418	965
	<u>141,707</u>	<u>142,393</u>
Deposit for future reclamation expenditures	82	82
Capital assets (note 6)	<u>156,487</u>	<u>116,707</u>
	<u>\$ 298,276</u>	<u>\$ 259,182</u>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	\$ 16,838	\$ 13,078
Future income taxes (note 7)	611	886
Current portion of capital lease obligations (note 8)	3,342	52
	<u>20,791</u>	<u>14,016</u>
Asset retirement obligations (note 9)	6,935	6,429
Future income taxes (note 7)	14,071	10,298
Capital lease obligations (note 8)	12,691	-
	<u>54,488</u>	<u>30,743</u>
Shareholders' Equity		
Share capital (note 10)	195,107	194,541
Contributed surplus	3,773	3,362
Retained earnings	44,908	30,536
	<u>243,788</u>	<u>228,439</u>
	<u>\$ 298,276</u>	<u>\$ 259,182</u>
Commitments (note 11)		

See accompanying notes to the consolidated financial statements.

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Consolidated Statements of Net Income, Comprehensive Income and Retained Earnings
(thousands of Canadian dollars, except per share amounts)

(unaudited)	Three months ended		Six months ended	
	September 30		September 30	
	2009	2008	2009	2008
Revenue	\$ 44,793	\$ 76,634	\$ 119,378	\$ 117,980
Expenses				
Cost of product sold	20,487	23,869	63,152	47,991
Distribution	9,751	12,071	23,651	21,451
General and administrative	2,185	1,768	4,248	3,595
Depreciation, depletion and accretion	2,883	2,497	8,117	4,467
	<u>35,306</u>	<u>40,205</u>	<u>99,168</u>	<u>77,504</u>
Income from operations	9,487	36,429	20,210	40,476
Other income (expenses)				
Foreign exchange (losses) gains	(1,378)	960	(4,580)	865
Unrealized gains on foreign exchange forward contracts	3,217	-	3,005	-
Interest and other income	104	238	230	368
Interest and other expenses	(21)	(127)	(28)	(510)
	<u>11,409</u>	<u>37,500</u>	<u>18,837</u>	<u>41,199</u>
Income before taxes	11,409	37,500	18,837	41,199
Taxes				
Current tax expense	(355)	(646)	(967)	(992)
Future income taxes expense	(1,763)	10,211	(3,498)	10,211
	<u>9,291</u>	<u>47,065</u>	<u>14,372</u>	<u>50,418</u>
Net income and comprehensive income	9,291	47,065	14,372	50,418
Retained earnings (deficit), beginning of period	<u>35,617</u>	<u>(72,330)</u>	<u>30,536</u>	<u>(75,683)</u>
Retained earnings (deficit), end of period	\$ 44,908	\$ (25,265)	\$ 44,908	\$ (25,265)
Net income per share (note 12)				
Basic	\$ 0.10	\$ 0.52	\$ 0.15	\$ 0.61
Diluted	\$ 0.09	\$ 0.51	\$ 0.15	\$ 0.59

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		Six months ended	
	September 30		September 30	
	2009	2008	2009	2008
Cash provided by (used for)				
Operating activities				
Net income and comprehensive income	\$ 9,291	\$ 47,065	\$ 14,372	\$ 50,418
Items not affecting cash				
Stock-based compensation (note 13)	319	199	631	415
Unrealized foreign exchange losses (gains)	1,257	(1,203)	3,732	(893)
Unrealized gains on foreign exchange forward contracts	(3,217)	-	(3,005)	-
Future income taxes	1,763	(10,211)	3,498	(10,211)
Depreciation, depletion and accretion	2,883	2,497	8,117	4,467
Settlement of asset retirement obligations (note 9)	-	(147)	-	(147)
	<u>12,296</u>	<u>38,200</u>	<u>27,345</u>	<u>44,049</u>
Net change in non-cash working capital relating to operating activities	<u>(8,243)</u>	<u>(31,375)</u>	<u>20,343</u>	<u>(24,146)</u>
	<u>4,053</u>	<u>6,825</u>	<u>47,688</u>	<u>19,903</u>
Financing activities				
Proceeds on exercise of options (note 10)	346	347	346	2,948
Payments on capital lease obligations	(2,383)	(17)	(2,402)	(34)
Repayment on revolving debt (note 14)	-	-	-	(5,000)
Proceeds on exercise of warrants (note 10)	-	12,562	-	17,354
Share issuance costs	-	(1)	-	(2)
	<u>(2,037)</u>	<u>12,891</u>	<u>(2,056)</u>	<u>15,266</u>
Investing activities				
Additions to mineral properties and development	(1,100)	(1,639)	(1,640)	(2,048)
Additions to buildings and equipment	(17,646)	(6,190)	(26,100)	(14,971)
Restricted cash (note 3)	-	-	-	(1,912)
Net change in non-cash working capital relating to investing activities	<u>139</u>	<u>731</u>	<u>(1,529)</u>	<u>723</u>
	<u>(18,607)</u>	<u>(7,098)</u>	<u>(29,269)</u>	<u>(18,208)</u>
Effect of foreign exchange on cash and cash equivalents	<u>(1,617)</u>	<u>1,203</u>	<u>(4,280)</u>	<u>893</u>
Increase in cash and cash equivalents	<u>(18,208)</u>	<u>13,821</u>	<u>12,083</u>	<u>17,854</u>
Cash and cash equivalents, beginning of period	<u>98,326</u>	<u>8,271</u>	<u>68,035</u>	<u>4,238</u>
Cash and cash equivalents, end of period	<u>\$ 80,118</u>	<u>\$ 22,092</u>	<u>\$ 80,118</u>	<u>\$ 22,092</u>

See accompanying notes to the consolidated financial statements.

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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, 2009, except as described in note 2.

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, 2009.

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

2. Recent and Upcoming Changes in Accounting Policies

EIC-174 - Mining Exploration Costs, was issued by the CICA on March 27, 2009 and became applicable to the Corporation's financial statements issued after that date. EIC-174 provides guidance on accounting for capitalization and impairment of exploration costs related to mining properties. The impact of applying EIC-174 did not have a material impact on the interim consolidated financial statements.

CICA Handbook section 3064 – Goodwill and Intangible Assets, was adopted by the Corporation on April 1, 2009. Section 3064 replaces section 3062 – Goodwill and Other Intangible Assets, and establishes standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets. At the same time section 3064 was adopted, EIC-27 – Revenues and Expenditures during the Pre-operating Period, was withdrawn. The impact of adopting these accounting standard changes did not have a material impact on the interim consolidated financial statements.

EIC-173 - Credit Risk and the Fair Value of Financial Assets and Financial Liabilities, became applicable to the Corporation on April 1, 2009. EIC-173 provides guidance on how to take into account credit risk of an entity and counterparty when determining the fair value of financial assets and financial liabilities, including derivative instruments. The impact of applying EIC-173 did not have a material impact on the interim consolidated financial statements.

The Canadian Accounting Standards Board ("AcSB") has confirmed that International Financial Reporting Standards ("IFRS") will replace Canadian generally accepted accounting principles ("GAAP") in 2011 for publicly accountable enterprises. As such, the Corporation will be required to adopt IFRS for the fiscal year beginning April 1, 2011, including comparative data from the prior fiscal year. The Corporation has established a plan for transition and has engaged third party advisors to assist in the conversion project.

The Corporation's conversion approach consists of three phases: 1) Diagnostic, 2) Evaluation and Development and 3) Implementation. With the assistance of third party advisers, the Corporation has completed the diagnostic phase which identified the key differences between the Corporation's current accounting policies and IFRS and estimated the level of impact on the consolidated financial statements. The Corporation has moved into phase two and continues to assess the effects of adoption on key financial statement components and finalize its conversion plan. The Corporation has determined that a considerable portion of its conversion effort will relate to accounting for property, plant and equipment. Initial assessments of other financial statement components completed to date include stock based compensation, provisions and asset retirement obligations. During the second quarter of 2010, the Corporation also commenced analysis of IFRS financial statement presentation and disclosure requirements. Where applicable, key IFRS transition alternatives available upon first time adoption of IFRS are being considered and evaluated. The Corporation continues to focus on analyzing and developing implementation strategies and processes for the key IFRS transition issues identified. The Corporation continues to perform preliminary accounting assessments on less critical IFRS transition issues that will be further analyzed and evaluated throughout the implementation phase of the Corporation's project.

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The transition to IFRS is a significant undertaking that may materially affect the Corporation's reported financial position and results of operations. Because the Corporation is still in the Evaluation and Development phase and has not yet selected its accounting policy choices and exemptions available to it under IFRS 1, the impact on the Corporation's financial position and future results of operations is not reliably determinable or estimable at this time.

The Corporation will continue to monitor developments in accounting standards as issued by the International Accounting Standards Board and the AcSB which may affect the timing, nature and disclosure of the Corporation's adoption of IFRS and will update its plan as necessary.

3. Restricted Cash

Cash secured letters of credit in the amount of \$8,240 have been provided to the Alberta Government for security to cover anticipated costs of reclamation for the Corporation's mining areas, processing facilities and surrounding infrastructure, including \$2,712 during the first quarter of last fiscal year. In addition, cash secured letters of credit of \$200 have been made available to service providers. During the first quarter of last fiscal year, the Corporation received \$800 in cash due to the return of restricted cash that had been used as security for a letter of credit that was made available to a service provider.

4. Accounts Receivable

	As at September 30 2009	As at March 31 2009
Trade accounts receivable	\$ 17,057	\$ 13,899
Goods and services tax receivable	1,442	876
Unrealized gain on foreign exchange forward contracts	3,005	-
Other	409	378
	<u>\$ 21,913</u>	<u>\$ 15,153</u>

5. Inventory

	As at September 30 2009	As at March 31 2009
Coal inventory	\$ 24,698	\$ 44,332
Materials inventory	6,120	5,468
	<u>\$ 30,818</u>	<u>\$ 49,800</u>

Coal inventory is valued at the lower of average production cost and net realizable value. Production costs include mining, labour, operating materials and supplies, transportation costs and a relevant allocation of overhead including depreciation and depletion.

Materials inventory consists of parts, supplies and consumables, and is valued at the lower of average cost and net realizable value. The Corporation maintains an inventory of parts and supplies for day to day maintenance and operations. For the three months ended September 30, 2009, parts and supplies inventories of \$1,798 were

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expensed to cost of product sold, compared to \$1,648 in the same period last fiscal year. For the six months ended September 30, 2009, parts and supplies inventories of \$3,415 were expensed to cost of product sold, compared to \$3,282 in the same period last fiscal year

There was no write-down of inventories or reversal of a write-down of inventories during the current period.

6. Capital Assets

	As at September 30 2009	As at March 31 2009
Mineral properties and development	\$ 22,127	\$ 22,718
Buildings and equipment	111,199	93,783
Capital leases	18,766	206
Assets held for sale	4,395	-
	<u>\$ 156,487</u>	<u>\$ 116,707</u>

During the second quarter of fiscal 2010, the Corporation acquired mining equipment at a cost of US\$17,127 through capital lease agreements.

In fiscal 2009 the Corporation entered into an agreement with a property and development company to purchase condominium units for employees. During the first quarter of fiscal 2010, construction of the condominium units was completed and final payments were made. The Corporation intends to sell the majority of the condominium units to employees within one year, as such these condominium units have been classified as assets held for sale and have not been depreciated.

7. Taxes

At September 30, 2009, the Corporation had a future income tax liability of \$14,682, of which \$611 was classified as a current liability. The components of the future income tax liability were as follows:

	As at September 30 2009	As at March 31 2009
Temporary differences related to buildings and equipment and mineral properties and development costs	\$ 19,030	\$ 12,428
Asset retirement obligations	(1,734)	(1,607)
Share issuance costs	(418)	(523)
Non-capital loss carry forwards	(2,574)	-
Income tax credits	(289)	-
Other	667	886
Future income tax liability	<u>\$ 14,682</u>	<u>\$ 11,184</u>

8. Capital Lease Obligations

The Corporation has certain mining equipment and buildings under capital leases agreements. The capital leases for the mining equipment are denominated in US dollars at interest rates up to a maximum of 6.5% per annum, expire by fiscal 2014 and are secured by the related assets.

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The following table reconciles the Corporation's capital lease obligations:

Balance – March 31, 2009	\$	52
Fair value of initial capital leases		18,694
Payments made during the period		(2,403)
Interest portion of payments		2
Foreign exchange adjustment to US dollar obligation		(312)
Balance – September 30, 2009		16,033
Current portion of capital lease obligations		(3,342)
Long term portion of capital lease obligations	\$	<u>12,691</u>

Future minimum payments under capital leases at September 30, 2009 consist of the following:

Less than 1 year	\$	4,242
2-3 years		8,198
4-5 years		5,998
After 5 years		-
Total minimum lease payments		18,438
Amounts representing interest		(2,405)
Present value of minimum lease payments		16,033
Current portion of capital lease obligations		(3,342)
Long term portion of capital lease obligations	\$	<u>12,691</u>

9. 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 \$6,935 as at September 30, 2009, based on a total future liability of \$11,915. The Corporation's credit adjusted risk free rates range from 5.0% 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, 2008	\$	4,020
Increase in liability		2,170
Settlement of liability		(147)
Accretion expense		386
Balance – March 31, 2009	\$	6,429
Increase in liability		286
Accretion expense		220
Balance – September 30, 2009	\$	<u><u>6,935</u></u>

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10. Share Capital

Authorized

Unlimited common shares

Unlimited preferred shares, issuable in series

Issued

<i>(thousands)</i>	Number	Stated Value
Common shares		
Balance – March 31, 2008	73,361	\$ 154,676
Shares issued on exercise of warrants	10,846	17,354
Shares issued on exercise of options	2,280	5,013
Shares issued on conversion of convertible debenture	9,589	17,500
Share issuance costs	<u>-</u>	<u>(2)</u>
Balance – March 31, 2009	96,076	\$ 194,541
Shares issued on exercise of options	<u>274</u>	<u>566</u>
Balance – September 30, 2009	<u>96,350</u>	<u>195,107</u>

There were no changes to share capital during the first quarter of fiscal 2010.

During the second quarter of fiscal 2010, 274 thousand common share options were exercised for cash proceeds of \$346. On exercise of these common share options, \$220 was credited to share capital from contributed surplus.

The following transactions occurred during fiscal 2009.

During the first quarter of fiscal 2009, 2,995 thousand warrants were exercised for cash proceeds of \$4,792. Additionally, 2,020 thousand common share options were exercised for cash proceeds of \$2,601. On exercise of these common share options, \$1,804 was credited to share capital from contributed surplus. As well, Brookfield Bridge Lending Fund Inc. ("Brookfield"), the Corporation's then existing senior lender, converted \$7,650 of a convertible debenture into 4,192 thousand common shares.

During the second quarter of fiscal 2009, 7,851 thousand warrants were exercised for cash proceeds of \$12,562. Additionally, 253 thousand common share options were exercised for cash proceeds of \$347. On exercise of these common share options, \$249 was credited to share capital from contributed surplus. As well, Brookfield converted \$9,850 of a convertible debenture into 5,397 thousand common shares.

There were no changes to share capital during the third quarter of fiscal 2009.

During the fourth quarter of fiscal 2009, 7 thousand common share options were exercised for cash proceeds of \$7. On exercise of these common share options, \$5 was credited to share capital from contributed surplus.

11. Commitments

At September 30, 2009, the Corporation had a commitment to purchase four new Komatsu AC 830E haul trucks. Remaining commitments owing on this equipment totalled approximately \$13,624, which included US dollar commitments of US\$10,224 (refer to note 17 – Subsequent Events).

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12. Net Income per Share

The following table reconciles the denominators for basic and diluted net income per share calculations. The treasury stock method is used to determine the dilutive effect of outstanding options to purchase common shares.

<i>(thousands, except per share amounts)</i>	Three months ended		Six months ended	
	September 30		September 30	
	2009	2008	2009	2008
Weighted average shares outstanding – basic	96,165	90,118	96,121	83,318
Dilutive effect of share options	<u>2,671</u>	<u>2,117</u>	<u>2,188</u>	<u>2,232</u>
Weighted average shares outstanding – diluted	98,836	92,235	98,309	85,550
Net income	\$ <u>9,291</u>	\$ <u>47,065</u>	\$ <u>14,372</u>	\$ <u>50,418</u>
Net income per share - basic	\$ 0.10	\$ 0.52	\$ 0.15	\$ 0.61
Net income per share - diluted	\$ 0.09	\$ 0.51	\$ 0.15	\$ 0.59

13. Stock-Based Compensation

The Corporation has a share option plan for the benefit of directors, officers, employees and consultants, 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 \$319, compared to \$199 in the same quarter last year and was a result of options granted pursuant to the Corporation's share option plan. The fiscal year to date stock-based compensation was \$631, compared to \$415 in the prior year.

On August 17, 2009, pursuant to the Corporation's share option plan, options were granted to purchase 50 thousand common shares at an exercise price of \$3.57 per share. The options have a five year term and are subject to a three year vesting period.

During the second quarter of fiscal 2010, options to purchase 274 thousand common shares were exercised at a weighted average price of \$1.26 per share and options to purchase 37 thousand common shares were cancelled.

During fiscal 2009, options to purchase common shares were granted pursuant to the share option plan as follows. On August 20, 2008, options were granted to purchase 150 thousand common shares at an exercise price of \$5.02 per share, on November 12, 2008, options were granted to purchase 1,975 thousand common shares at an exercise price of \$1.01 per share, on January 12, 2009, options were granted to purchase 100 thousand common shares at an exercise price of \$0.88 per share and on February 11, 2009, options were granted to purchase 125 thousand common shares at an exercise price of \$0.77 per share. The options have a five year term and are subject to a three year vesting period.

During fiscal 2009, options to purchase 2,280 thousand common shares were exercised at a weighted average price of \$1.30 per share and options to purchase 672 thousand 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 147%, risk-free interest rates of 1.3% to 4.5% and an expected term 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, 2008	5,218	\$ 1.57
Granted	2,350	1.25
Cancelled	(672)	1.86
Exercised	<u>(2,280)</u>	<u>1.30</u>
Outstanding – March 31, 2009	4,616	1.50
Granted	50	3.57
Cancelled	(37)	3.70
Exercised	<u>(274)</u>	<u>1.26</u>
Outstanding – September 30, 2009	<u>4,355</u>	<u>\$ 1.52</u>

Of the share options outstanding at September 30, 2009, 95 thousand options expire in fiscal 2010, 35 thousand options expire in fiscal 2011, 420 thousand options expire in fiscal 2012, 1,405 thousand options expire in fiscal 2013, 2,350 thousand options expire in fiscal 2014, and 50 thousand options expire in fiscal 2015.

Details of the share options exercisable at September 30, 2009 are as follows:

<i>(thousands of shares)</i>	Common Shares	
	Number	Weighted Average Exercise Price
	95	\$ 11.56
	10	9.08
	25	4.50
	245	2.44
	175	1.05
	288	0.88
	559	1.04
	<u>50</u>	<u>5.02</u>
	<u>1,447</u>	<u>\$ 2.19</u>

14. Revolving and Term Debt

During the fourth quarter of fiscal 2008, Grande Cache Coal completed a financing agreement with Brookfield for a \$17,500 three year floating rate senior secured convertible debenture and a secured revolving credit facility for an amount up to \$20,000, subject to a borrowing base calculation. The proceeds from the convertible debenture were used to fully repay the Corporation's pre-existing term facility with Brookfield (\$10,000) and associated fees. The balance of the proceeds from the convertible debenture as well as proceeds from the revolving facility were used for general corporate purposes.

Pursuant to the terms of the convertible debenture, Brookfield converted \$17,500 into 9,589 thousand common shares during fiscal 2009, including \$7,650 (4,192 thousand common shares) during the first quarter and \$9,850 (5,397 thousand common shares) during the second quarter. In addition, net repayments of \$5,000 were made on the revolving facility during the first quarter of fiscal 2009 bringing the balance to nil. Interest expense on the revolving and term debt was \$486 during the first quarter of fiscal 2009. The revolving credit facility with Brookfield expired on April 1, 2009.

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15. Capital Management

Grande Cache Coal's objective is to maintain a capital structure that will sustain ongoing operations, allow for capital expansion and provide returns to shareholders. The capital structure, as disclosed on the balance sheet, consists of cash and cash equivalents and shareholders' equity. The Corporation also has an unused operating credit facility of up to \$25,000 and the ability to enter into foreign exchange hedging arrangements.

As part of capital management, the Corporation prepares an annual capital expenditures budget and may from time to time issue new equity or debt in order to finance capital expenditures. The Corporation has not declared or paid any dividends on its outstanding common shares and any decision to pay dividends in the future would be based on the financial condition of the Corporation. The Corporation may elect to adjust its capital structure through the purchase of shares for cancellation, issuance of new shares, issuance of new debt, refinancing of existing debt or by acquiring or disposing of assets.

For the operating credit facility, the Corporation is subject to certain borrowing covenants that are monitored on a monthly basis when monies are drawn on such facility.

16. Financial Instruments

Grande Cache Coal's financial instruments include cash and cash equivalents, restricted cash, accounts receivable, accounts payable and accrued liabilities and an operating credit facility. The fair value of these financial instruments approximates their carrying amounts on the balance sheet due to the short periods to maturity and the terms of the financial instruments.

The Corporation's financial instruments have been classified as follows:

Financial instrument	Classification
Cash and cash equivalents	Held-for-trading
Restricted cash	Held-to-maturity
Accounts receivable	Loans and receivables
Accounts payable and accrued liabilities	Other financial liabilities
Operating credit facility	Other financial liabilities

The Corporation's financial instruments are exposed to certain risks, including credit risk, liquidity risk and market risk.

Credit Risk

Grande Cache Coal carries a balance of cash and cash equivalents as disclosed on the balance sheet at September 30, 2009. The Corporation invests conservatively a portion of its cash in short-term, low risk term deposits with credit worthy financial institutions. The remainder of the cash balance is held with major financial institutions and is available for immediate use.

The Corporation has a balance of restricted cash as disclosed on the balance sheet at September 30, 2009. Restricted cash is held with major financial institutions for the purpose of securing letters of credit and is invested in short-term guaranteed investment certificates. The Corporation is exposed to credit risk in the event that the financial institutions were to redeem the letter of credit to the beneficiary. The Corporation considers this risk as low as the majority of the letters of credit have been provided to the Alberta Government for security to cover future anticipated costs of reclamation.

Grande Cache Coal is exposed to credit risk in the event that it does not receive payment of accounts receivable. The maximum credit risk exposure is equal to the carrying amount of accounts receivable as disclosed on the

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balance sheet at September 30, 2009. The Corporation typically sells its product to large steel companies with high credit ratings. The Corporation does not deem the accounts receivable to be impaired or past due.

The Corporation has the ability to enter into foreign exchange forward contracts. Derivative credit risk arises from the possibility that the counterparty to the contract fails to fulfill its obligation in accordance with the terms and conditions of the contract. Derivative credit risk is reduced by dealing with credit worthy counterparties in compliance with established credit approval policies.

Liquidity Risk

The Corporation is exposed to liquidity risk in the event that it would be unable to meet obligations associated with financial liabilities. The Corporation has a \$25,000 operating credit facility that it can utilize for working capital purposes. The balance owing on the operating credit facility at September 30, 2009 was nil, however availability on the facility was reduced by approximately \$1,449 due to the Corporation entering into foreign exchange forward contracts. At September 30, 2009, the Corporation had contractual obligations with estimated future minimum undiscounted amounts payable due as follows:

	Less than 1 year	2-3 years	4-5 years	After 5 years
Accounts payable and accrued liabilities	16,838	-	-	-
Leases	4,802	8,963	6,293	387
Purchase obligations	13,624	-	-	-
	35,264	8,963	6,293	387

Market Risk

The Corporation is exposed to market risk due to fluctuations in foreign currency exchange rates and interest rates.

Foreign currency exchange rates

The majority of the Corporation's sales are denominated in US dollars. As such, trade accounts receivable are exposed to changes in the US/Canadian dollar exchange rate. Based on the US dollar denominated trade accounts receivable balance at September 30, 2009, each decrease of US\$0.01 relative to the Canadian dollar would have resulted in a decrease of \$131, which would have been charged to income in the current period.

The Corporation has US dollar denominated capital lease obligations. At September 30, 2009, the outstanding commitment on the capital lease obligations was US\$14,962. Significant fluctuations in the US/Canadian dollar exchange rate could materially impact the Canadian dollar value of the capital lease payments. The Corporation entered into this liability in US currency to provide a natural hedge against foreign exchange rate fluctuations on the trade accounts receivable.

The Corporation entered into a series of foreign exchange forward contracts to sell a total of US\$45,000 at an average rate of Canadian dollars 1.157 to the US dollar. At September 30, 2009, US\$35,000 of the foreign exchange forward contracts were outstanding, all of which will mature by April 2010. The Corporation recorded an unrealized foreign exchange gain of \$3,217 during the second quarter and \$3,005 for the fiscal year to date, relating to these foreign exchange forward contracts.

The Corporation entered into a US dollar purchase commitment for mining equipment. At September 30, 2009, US\$10,224 remained owing on this commitment. Significant fluctuations in the US/Canadian dollar exchange

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rate could materially impact the Canadian dollar value of this commitment.

Interest rates

Interest accrues on the Corporation's operating credit facility at a rate equal to the prime lending rate or a US dollar base rate plus 1.00 percent per annum, calculated daily. The Corporation did not have a balance owing on the operating credit facility at September 30, 2009.

17. Subsequent Events

Subsequent to September 30, 2009, the following events occurred.

The Corporation entered into a US\$10.4 million sale leaseback agreement with HSBC Bank Canada for the Hitachi EX5500 hydraulic excavator that was purchased during the second quarter of fiscal 2010. The capital lease agreement has a term of 60 months, bears interest at 6.7% per annum and is collateralized by the related asset.

The Corporation entered into US dollar denominated capital lease agreements to acquire two Komatsu AC 830E haul trucks at a cost of US\$7.0 million. The capital leases have terms of 48 months, bear interest at 6.5% per annum and are secured by the related assets. The Corporation has also made arrangements to acquire the final two Komatsu AC 830E haul trucks with capital leases under the same terms.