

GRANDE CACHE COAL CORPORATION
NOTICE OF ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS
TO BE HELD ON AUGUST 17, 2005

TAKE NOTICE that the Annual and Special Meeting (the "**Meeting**") of Grande Cache Coal Corporation (the "**Corporation**") will be held in the Plaza Room of the Metropolitan Centre, 333 – 4th Avenue S.W., Calgary, Alberta, on Wednesday, August 17, 2005, at 10:00 a.m. (Calgary time) for the following purposes:

1. to receive and consider the consolidated financial statements of the Corporation for the fiscal year ended March 31, 2005 and the report of the auditors thereon;
2. to fix the number of directors to be elected at the Meeting at five;
3. to elect five directors;
4. to appoint auditors and to authorize the directors to fix their remuneration as such;
5. to approve a shareholder protection rights plan agreement as more particularly described in the Information Circular – Proxy Statement of the Corporation dated July 7, 2005 (the "**Information Circular**"); and
6. to transact such other business as may properly come before the Meeting or any adjournment or adjournments thereof.

Particulars of the matters referred to above are set forth in the Information Circular accompanying and forming part of this Notice of Annual and Special Meeting of Shareholders.

Shareholders of the Corporation who are unable to attend the Meeting are requested to date, sign and return the enclosed Instrument of Proxy to the Corporate Secretary of the Corporation in care of Computershare Trust Company of Canada, 9th Floor, 100 University Avenue, Toronto, Ontario M5J 2Y1. In order to be valid and acted upon at the Meeting, forms of proxy must be returned to the aforesaid address not less than 48 hours (excluding Saturdays, Sundays and holidays) prior to the time of the Meeting or any adjournments thereof.

Shareholders are cautioned that the use of the mail to transmit proxies is at each shareholder's risk.

The Board of Directors of the Corporation has fixed the record date for the Meeting at the close of business on July 7, 2005 (the "**Record Date**"). Only shareholders of the Corporation of record as at the Record Date are entitled to receive notice of the Meeting and to vote those shares included in the list of shareholders entitled to vote at the Meeting prepared as at the Record Date, unless any such shareholder transfers shares after the Record Date and the transferee of those shares, having produced properly endorsed certificates evidencing such shares or having otherwise established ownership of such shares, demands, not later than 10 days before the Meeting, that the transferee's name be included in the list of shareholders entitled to vote at the Meeting, in which case such transferee shall be entitled to vote such shares at the Meeting.

DATED at Calgary, Alberta this 7th day of July, 2005.

By order of the Board of Directors

(Signed) Robert H. Stan
President and Chief Executive Officer

GRANDE CACHE COAL CORPORATION
INFORMATION CIRCULAR - PROXY STATEMENT

**Annual and Special Meeting of Shareholders
to be held on August 17, 2005**

PROXIES

Solicitation of Proxies

This Information Circular - Proxy Statement (the "Information Circular") is furnished in connection with the solicitation by the management of Grande Cache Coal Corporation (the "Corporation") of proxies to be used at the Annual and Special Meeting (the "Meeting") of the shareholders of the Corporation to be held at the time and place and for the purposes set forth in the accompanying Notice of Annual and Special Meeting of Shareholders. The information disclosed in this Information Circular is as of July 7, 2005, unless otherwise stated. Solicitation of proxies will be primarily by mail but may also be by personal interviews, telephone, facsimile or other means of communication by the directors, officers and regular employees of the Corporation, at no additional compensation. The cost of the solicitation of proxies will be borne by the Corporation.

Appointment of Proxies

Instruments of Proxy will not be valid unless deposited with the Corporate Secretary of the Corporation in care of Computershare Trust Company of Canada, 9th Floor, 100 University Avenue, Toronto, Ontario M5J 2Y1, not less than forty-eight (48) hours (excluding Saturdays, Sundays and holidays) before the time of the Meeting or any adjournments thereof.

Instruments of Proxy must be in writing and must be executed by the shareholder or the shareholder's appointed attorney authorized in writing or, if the shareholder is a corporation, under its corporate seal or by a duly authorized officer whose title should be indicated. Instruments of Proxy signed by persons acting as attorney or in some other representative capacity such as executors, administrators or trustees, should reflect that person's capacity following their signature and should be accompanied by the appropriate instrument evidencing qualification and authority to act.

The persons named in the enclosed Instrument of Proxy are officers and/or directors of the Corporation. A shareholder has the right to appoint some other person or company (who need not be a shareholder) to represent such shareholder at the Meeting other than the persons designated in the accompanying Instrument Proxy. To exercise this right, a shareholder should cross out the names of the nominees of management and print legibly the name of the desired person in the blank space provided in the Instrument of Proxy or should complete another appropriate instrument of proxy.

Beneficial Holders of Common Shares

The information set forth in this section is provided to beneficial holders of common shares ("**Common Shares**") of the Corporation who do not hold their Common Shares in their own name ("**Beneficial Shareholders**"). Beneficial Shareholders should note that only proxies deposited by shareholders whose names appear on the records of the Corporation as the registered holders of shares can be recognized and acted upon at the Meeting. If shares are listed in an account statement provided to a Beneficial Shareholder by a broker, then in almost all cases those shares will not be registered in the Beneficial Shareholder's name on the records of the Corporation. Such shares will more likely be registered under the name of the Beneficial Shareholder's broker or an agent of that broker. In Canada, the vast majority of such shares are registered under the name of CDS & Co. (the registration name for The Canadian Depository for Securities Limited, which acts as nominees for many Canadian brokerage firms). Shares held by brokers or their nominees can only be voted (for or against resolutions) upon the instructions of the Beneficial Shareholder. Without specific instructions, the broker/nominees are prohibited from voting shares for their clients. The Corporation does not know for whose benefit the shares registered in the name of CDS & Co. are held.

Applicable regulatory policy requires intermediaries/brokers to seek voting instructions from Beneficial Shareholders in advance of shareholders' meetings. Every intermediary/broker has its own mailing procedures and provides its own return instructions, which should be carefully followed by Beneficial Shareholders in order to ensure that their shares are voted at the Meeting. The

majority of brokers now delegate responsibility for obtaining instructions from clients to ADP Investor Communications ("ADP"). ADP typically provides a scannable voting request form or applies a special sticker to the proxy forms, mails those forms to the Beneficial Shareholders and asks Beneficial Shareholders to return the voting request forms or proxy forms to ADP. Often Beneficial Shareholders are alternatively provided with a toll-free telephone number to vote their shares. ADP then tabulates the results of all instructions received and provides appropriate instructions respecting the voting of shares to be represented at the Meeting. **A Beneficial Shareholder receiving a voting instruction request or a proxy with an ADP sticker on it cannot use that instruction request or proxy to vote Common Shares directly at the Meeting as the proxy must be returned as directed by ADP well in advance of the Meeting in order to have the shares voted. Accordingly, it is strongly suggested that Beneficial Shareholders return their completed instructions or proxies as directed by ADP well in advance of the Meeting.**

Although a Beneficial Shareholder may not be recognized directly at the Meeting for the purposes of voting Common Shares registered in the name of his broker (or agent of the broker), a Beneficial Shareholder may attend at the Meeting as proxyholder for the registered shareholder and vote Common Shares in that capacity. Beneficial Shareholders who wish to attend the Meeting and indirectly vote their Common Shares as proxyholder for the registered shareholder should enter their own names in the blank space on the form of proxy provided to them and return the same to their broker (or the broker's agent) in accordance with the instructions provided by such broker (or agent), well in advance of the Meeting.

Revocation of Proxies

A shareholder who has submitted a proxy may revoke it at any time prior to the exercise thereof by instrument in writing signed by the shareholder or by an authorized attorney or, if the shareholder is a corporation, by a duly authorized officer, and deposited either at the registered office of the Corporation at any time up to and including the last business day preceding the day of the Meeting, or any adjournments thereof, at which the proxy is to be used, or with the Chairman of the Meeting, on the day of the Meeting or adjournments thereof, or in any other manner permitted by law.

Exercise of Discretion by Proxies

The shares represented by the Instrument of Proxy furnished by the Corporation, where the shareholder specifies a choice with respect to any matter to be acted upon, will be voted or withheld from voting on any ballot in accordance with the specification so made. **In the absence of such specification, such shares will be voted in favour of the matters described in the Notice of Annual and Special Meeting of Shareholders. The persons appointed under the Instrument of Proxy furnished by the Corporation are conferred discretionary authority with respect to amendments or variations of those matters specified in the Instrument of Proxy and Notice of Annual and Special Meeting of Shareholders and with respect to any other matters that may be properly brought before the Meeting or any adjournments thereof. At the time of the mailing of this Information Circular, the management of the Corporation knows of no such amendments, variations or other matters.**

Record Date

The directors of the Corporation have set the close of business on July 7, 2005 as the record date (the "**Record Date**") for the Meeting. Only shareholders of the Corporation of record as at the Record Date are entitled to receive notice of the Meeting and to vote those shares included in the list of shareholders entitled to vote at the Meeting prepared as at the Record Date, unless any such shareholder transfers shares after the Record Date and the transferee of those shares, having produced properly endorsed certificates evidencing such shares or having otherwise established ownership of such shares, demands, not later than 10 days before the Meeting, that the transferee's name be included in the list of shareholders entitled to vote at the Meeting, in which case such transferee shall be entitled to vote such shares at the Meeting.

VOTING SHARES AND PRINCIPAL HOLDERS THEREOF

The Corporation is authorized to issue an unlimited number of Common Shares and an unlimited number of preferred shares, issuable in series. The Common Shares are the only issued and outstanding voting securities of the Corporation, the holders thereof being entitled to one vote for each Common Share held. At the close of business on July 7, 2005, there were 40,618,690 Common Shares of the Corporation issued and outstanding. A quorum for the transaction of business at the Meeting is not less than two persons present at the Meeting holding or representing by proxy not less than 5% of the shares entitled to be voted at the Meeting.

To the knowledge of the directors and executive officers of the Corporation, as at July 7, 2005, no person or company beneficially owned, directly or indirectly, or exercised control or direction over, more than 10% of the issued and outstanding Common Shares.

MATTERS TO BE ACTED UPON AT THE MEETING

Election of Directors

The Board of Directors currently consists of five directors, the term of office of each of whom will expire at the Meeting unless directors are not elected at the Meeting (in which case the incumbent directors continue in office until their successors are elected). At the Meeting, shareholders will be asked to fix the number of directors to be elected at the Meeting at five and to elect five directors to succeed the present directors to serve until the next annual meeting, or until their respective successors have been elected or appointed.

Unless otherwise directed, it is the intention of management to vote proxies in the accompanying Instrument of Proxy for an ordinary resolution in favour of fixing the Board of Directors at five members and in favour of the election as directors of the five nominees hereinafter set forth, provided that in the event a vacancy among such nominees occurs because of death or for any other reason prior to the Meeting, the proxy shall not be voted with respect to such vacancy:

Robert H. Stan	Donald J. Douglas
Robert G. Brawn	Donald R. Seaman
Barry T. Davies	

The persons named above are all presently directors of the Corporation and have served continuously as such since the date they first became directors as set forth below. Each director was elected to the present term of office by a vote of securityholders at a meeting, the notice of which was accompanied by an information circular.

The following table sets forth the names and province and country of residence of the persons proposed to be nominated for election as directors, their principal occupations or employments, the periods during which they have served as directors of the Corporation and the number of Common Shares of the Corporation beneficially owned, directly or indirectly, or over which control or direction is exercised by each of them, as at the date hereof.

<u>Name, Province and Country of Residence</u>	<u>Director Since</u>	<u>Principal Occupation</u>	<u>Number of Common Shares Beneficially Owned, Directly or Indirectly, or Controlled or Directed</u>
Robert H. Stan ⁽³⁾ Alberta, Canada	July 2000	President (since February 2001) and Chief Executive Officer (since September 2002) of the Corporation. From April 1, 2000 to February 2001, Vice-President of Westpine Inc. (a private mining investment company). Prior to March 31, 2000, Vice-President, Marketing and Business Development of Smoky River Coal Limited ("SRCL") (a private metallurgical coal producer).	801,280
Robert G. Brawn ⁽¹⁾⁽²⁾⁽³⁾ Alberta, Canada	March 2001	President of 738831 Alberta Ltd. (a private investment company) since May 20, 2003. From April 20, 2001 until May 30, 2003, Chairman of Acclaim Energy Inc., a wholly owned subsidiary of Acclaim Energy Trust. Prior thereto, Chairman of Danoil Energy Ltd. (a predecessor of Acclaim Energy Inc.).	Nil ⁽⁴⁾

<u>Name, Province and Country of Residence</u>	<u>Director Since</u>	<u>Principal Occupation</u>	<u>Number of Common Shares Beneficially Owned, Directly or Indirectly, or Controlled or Directed</u>
Barry T. Davies Alberta, Canada	July 2000	President of Westpine Inc. (a private mining investment company) since April 1, 2000. From June 1997 to March 31, 2000, President and Chief Operating Officer of SRCL.	891,280
Donald J. Douglas ⁽¹⁾⁽²⁾ Alberta, Canada	March 2001	President and Chief Executive Officer of United Inc. (a private property development company).	401,749
Donald R. Seaman ⁽¹⁾⁽²⁾⁽³⁾ Alberta, Canada	March 2001	President of D.R.S. Resource Investments Inc. (a private investment company).	744,076

Notes:

- (1) Member of the Audit Committee, which committee is required pursuant to the *Business Corporations Act* (Alberta).
- (2) Member of the Compensation Committee.
- (3) Member of the Corporate Governance Committee.
- (4) A company owned by Mr. Brawn's adult children owns 499,157 Common Shares.
- (5) The Corporation does not have an executive committee.

The information as to voting securities beneficially owned, directly or indirectly, or over which control or direction is exercised, is based upon information furnished to the Corporation by the respective nominees.

Robert H. Stan, the President, Chief Executive Officer and a director of the Corporation, was the Vice-President, Marketing and Business Development of SRCL from July 1997 to March 31, 2000. On March 31, 2000 SRCL was placed in receivership by a group of secured lenders at a time of depressed metallurgical coal markets. PricewaterhouseCoopers Inc. was appointed the receiver of SRCL. SRCL's assets were sold through a sealed-bid process conducted from May through October 2000. Barry T. Davies, a director of the Corporation, was the President and Chief Operating Officer of SRCL from June 1997 to March 31, 2000.

Appointment of Auditors

Unless otherwise directed, it is management's intention to vote proxies in the accompanying form of proxy in favour of an ordinary resolution to appoint the firm of Collins Barrow Calgary LLP, Chartered Accountants, of Calgary, Alberta, to serve as auditors of the Corporation until the next annual meeting of the shareholders and to authorize the directors to fix their remuneration as such. Collins Barrow Calgary LLP have been auditors of the Corporation since its incorporation.

Shareholder Protection Rights Plan

Approval of Shareholder Protection Rights Plan Agreement

At the Meeting, shareholders will be asked to ratify, confirm and approve the Corporation's new shareholder protection rights plan, the terms and conditions of which are set out in the shareholder protection rights plan agreement dated effective May 27, 2005 (the "**Rights Plan**") between the Corporation and Computershare Trust Company of Canada (the "**Rights Agent**"). Capitalized terms not otherwise defined in this section shall have the same meaning ascribed to such terms in the full text of the Rights Plan. A shareholder or any other interested party can obtain a copy of the Rights Plan by contacting Mr. Thomas E. Pierce, Vice-President, Finance and Chief Financial Officer of the Corporation, at Suite 1610, 800 - 5th Avenue S.W., Calgary, Alberta T2P 3T6, Telephone (403) 543-7070.

The Corporation is not aware of any actual or threatened take-over bid for the Common Shares of the Corporation.

Confirmation by Shareholders

The Rights Plan was adopted by the Board of Directors of the Corporation and became effective on May 27, 2005. The policies of the Toronto Stock Exchange require, among other things, that the Rights Plan be ratified and approved by a majority of the votes cast by shareholders of the Corporation at the Meeting, excluding shareholders who may be exempted from the operation of the Rights Plan if the holder's percentage shareholding exceeds the Rights Plan's triggering ownership threshold (an "**Exempted Shareholder**") and such Exempted Shareholder's associates, affiliates and insiders (as those terms are defined in the *Securities Act* (Ontario)).

If the Rights Plan is not confirmed by a majority of the votes cast by the shareholders at the Meeting, the Rights Plan and the Rights will be rescinded or otherwise terminated and cancelled and be void and of no further force and effect. As of the date hereof, the Corporation is not aware of any holder of Voting Shares that would be excluded from the vote on the basis that such holder is an Exempted Shareholder. Accordingly, Shareholders will be asked to approve the following special resolution at the Meeting:

"BE IT RESOLVED THAT:

1. the Rights Plan dated as of May 27, 2005 between the Corporation and Computershare Trust Company of Canada, as Rights Agent, as described in the Information Circular of the Corporation dated July 7, 2005, as may be amended pursuant to its terms, be and the same is hereby ratified, confirmed and approved; and
2. any one director or officer of the Corporation be and is hereby authorized, for and on behalf of the Corporation, to execute (whether under the corporate seal of the Corporation or otherwise) and deliver all such deeds, documents and other instruments and to do and perform all such other acts and things as such director or officer may determine to be necessary or advisable to implement this resolution and the matters authorized hereby, such determination to be conclusively evidenced by the execution and delivery of any such deeds, documents or other instruments and the taking of any such actions."

The persons named in the enclosed Instrument of Proxy, if named as proxy, intend to vote in favour of the resolution regarding the ratification and approval of the Rights Plan unless a shareholder has specified in its proxy that its shares are to be voted against such resolution.

The Board of Directors reserves the right to alter any terms of, or not to proceed with, the Rights Plan at any time prior to the Meeting in the event that the Board of Directors determines that it would not be in the best interests of the Corporation and its shareholders to do so in light of the circumstances at the time.

Recommendation of the Board of Directors

In adopting the Rights Plan, the Board of Directors considered the appropriateness of establishing a shareholder protection rights plan, received the advice of its legal advisors and concluded that it was in the best interests of the Corporation and its shareholders to adopt the Rights Plan. **Accordingly, the Board of Directors unanimously recommends that shareholders ratify, confirm and approve the Rights Plan by voting in favour of the resolution to be submitted to the Meeting.**

Purpose of the Rights Plan

The Rights Plan was adopted by the Corporation to encourage the fair treatment of shareholders if there is an unsolicited Take-over Bid for the Voting Shares of the Corporation. The Rights Plan was also adopted by the Corporation to (i) provide all shareholders of the Corporation with an equal opportunity to share in any premium paid upon an acquisition of control; (ii) allow both the shareholders and the Board of Directors adequate time to assess a Take-over Bid made for the Voting Shares of the Corporation in relation to the circumstances and prospects of the Corporation; and (iii) allow a reasonable period of time for the Board of Directors to explore and develop alternative courses of action in an attempt to maximize shareholder value, if the Board of Directors is of the opinion that it is appropriate to do so. **Neither at the time of adoption of the Rights Plan nor at the date of this Information Circular was the Board of Directors aware of any specific Take-over Bid for the Voting Shares that has been made or is contemplated.**

It was not the intention in adopting the Rights Plan, to secure the continuance in office of the existing members of the Board of Directors or to avoid an acquisition of control of the Corporation in a transaction that is fair and in the best interests of the shareholders. The rights of shareholders under existing law to seek a change in the management of the Corporation or to influence or promote action of management in a particular manner will not be affected by the Rights Plan. The adoption of this plan does not affect the duty of the Board of Directors to act in good faith with a view to the best interests of the Corporation and its shareholders.

The Board of Directors believes that under the existing statutory rules relating to Take-over Bids there is insufficient time for the directors to fully assess an offer and to explore and develop alternatives for shareholders in the event of a Take-over Bid. The time required to consider and complete a change of control transaction must be considered from both the perspective of the Corporation and of potential purchasers. Under the statutory Take-over Bid rules, a take-over bid must remain open in most jurisdictions in Canada for a minimum of 35 days. The result is that shareholders may fail, in the absence of the Rights Plan, to fully assess the circumstances of the Corporation or to realize the maximum value for their Voting Shares. Accordingly, the directors believe that the Rights Plan which provides that any bid remain open for a minimum of 50 days is an appropriate mechanism to ensure that they will be able to discharge their responsibilities to assist shareholders in responding to a Take-over Bid.

The provisions of the Rights Plan relating to Permitted Bids, which are described below under "The Rights Plan - Permitted Bid", will enable shareholders to tender to any bid which is a Permitted Bid regardless of the views of the Board of Directors as to its acceptability. The Board of Directors believes that the Rights Plan will not adversely limit the opportunity for shareholders to dispose of the Voting Shares through a Take-over Bid for the Corporation which is a Permitted Bid and which provides fair value to all shareholders. If a potential acquirer does not meet the requirements of a Permitted Bid, the Board of Directors may negotiate with the acquirer to ensure the fairness of the terms of the Take-over Bid. **Shareholders are advised that the adoption of the Rights Plan may preclude their consideration or acceptance of offers which are inadequate and do not meet the requirements of a Permitted Bid.** The directors of the Corporation will continue to be bound to fairly consider any bid for the Voting Shares of the Corporation and to discharge their responsibilities with a view to the best interests of the Corporation and its shareholders.

Shareholder protection rights plans have been adopted by a large number of publicly held corporations in Canada and the United States. The terms of the Rights Plan are substantially similar to shareholder protection rights plans recently adopted by a number of other Canadian public companies.

The Rights Plan

The following is a summary description of the general operation of the Rights Plan, subject to being qualified in its entirety by the actual text of the Rights Plan.

The Rights

The Board of Directors authorized the issuance at the close of business on May 27, 2005 (the "**Record Time**") of one Right (defined as a right to purchase a Common Share, upon the terms and subject to the conditions set forth in the Rights Plan) in respect of each outstanding Common Share to holders of record at the Record Time. In addition, the Board of Directors authorized the issuance of one Right in respect of each Common Share issued after the Record Time and prior to the earlier of the Separation Time and the Expiration Time. The Corporation entered into the Rights Plan with Computershare Trust Company of Canada, as Rights Agent, regarding the exercise of the Rights, the issue of certificates evidencing the Rights and other related matters.

Each Right entitles the registered holder thereof to purchase from the Corporation on the occurrence of certain events, one Common Share at the exercise price, subject to adjustments (the exercise price is defined as the price at which a holder may purchase the securities issuable upon exercise of one whole Right and, until adjustment thereof in accordance with the terms of the Rights Plan, the exercise price shall be equal to fifty dollars (\$50)). The exercise price payable and the number of securities issuable upon the exercise of the Rights are subject to adjustment from time to time to prevent dilution upon the occurrence of certain corporate events affecting the Voting Shares. If a Flip-in Event occurs, each Right would then entitle the registered holder to receive, upon exercise thereof, that number of Common Shares that have a market value at the date of that occurrence equal to twice the Exercise Price. The Rights are not exercisable until the Separation Time. The Rights expire upon the termination of the

annual meeting of shareholders of the Corporation held in the year 2008, if not reconfirmed at the meeting, unless earlier redeemed by the Board of Directors in accordance with the provisions of the Rights Plan.

Overview of the Rights Plan

The Rights Plan utilizes the mechanism of the Permitted Bid to ensure that a person seeking control of the Corporation allows shareholders and the Board of Directors adequate time to assess the Take-over Bid. The purpose of the Permitted Bid is to allow a potential bidder to avoid the dilutive features of the Rights Plan by making a bid in conformity with the conditions specified in the Permitted Bid provisions. If a person makes a Take-over Bid that is a Permitted Bid, the transaction will not be affected in any respect. The Rights Plan should not deter a person seeking to acquire control of the Corporation if that person is prepared to make a Take-over Bid pursuant to the Permitted Bid requirements or is prepared to negotiate with the Board of Directors. Otherwise, a person will likely find it impractical to acquire 20% or more of the outstanding Voting Shares because the Rights Plan will substantially dilute the holdings of a person or group that seeks to acquire such an interest other than by means of a Permitted Bid or on terms approved by the Board of Directors. When a person or group becomes an Acquiring Person, the Rights Beneficially Owned by those persons or their transferees become void thereby diluting their holdings. The possibility of such dilution is intended to encourage such a person to make a Permitted Bid or to seek to negotiate with the Board of Directors the terms of an offer which is fair to all shareholders.

Trading of Rights

The Rights are not exercisable initially and certificates representing the Rights will not be sent to shareholders. Until the Separation Time, the Rights will be evidenced only by outstanding Common Share certificates. The Rights Plan provides that, until the Separation Time, the Rights will be transferred only with the associated Common Shares. Until the Separation Time, or earlier termination or expiration of the Rights, each new share certificate issued upon transfer of existing Common Shares or the issuance of additional Common Shares, will contain a notation incorporating the terms of the Rights Plan by reference. As soon as is practicable following the Separation Time, separate certificates evidencing the Rights (the "**Rights Certificates**") will be mailed to the holders of record of Common Shares as of the close of business at the Separation Time, and thereafter the Rights Certificates alone will evidence the rights.

Separation Time

The Rights will be exercisable and begin to trade separately from the Common Shares after the Separation Time. Separation Time means the close of business on the tenth business day after the earlier of:

- (a) the first date (the "**Share Acquisition Date**") of public announcement by the Corporation of a person or a group of affiliated or associated persons (an "**Acquiring Person**") that it has acquired beneficial ownership of 20% or more of the outstanding Voting Shares other than as a result of, among other things:
 - (i) a reduction of the number of Voting Shares outstanding;
 - (ii) a Permitted Bid (see below);
 - (iii) acquisition of Voting Shares in respect of which the Board of Directors has waived the provision of the Rights Plan; or
 - (iv) acquisition of Voting Shares pursuant to any dividend reinvestment plan or share purchase plan of the Corporation, a stock dividend or a stock split or other event pursuant to which a person becomes the beneficial owner of Voting Shares on the same pro rata basis as other holders of Voting Shares and acquisitions pursuant to a prospectus offering or private placement; and
- (b) the date of commencement of, or the first public announcement of the intent of any person other than the Corporation, to commence a Take-over Bid (other than a Permitted Bid or Competing Permitted Bid).

Beneficial Ownership

In general, a Person is deemed to Beneficially Own securities actually held by the Person and others in circumstances where those holdings are or should be grouped together for purposes of the Rights Plan. Included are holdings by the Person's Affiliates (generally, a person that controls, is controlled by, or under common control with another person) and Associates (generally, relatives sharing the same residence). Also included are securities which the Person or any of the Person's Affiliates or Associates has the right to acquire within 60 days other than customary agreements with and between underwriters and banking group or selling group members with respect to a distribution of securities and other than pledges of securities in the ordinary course of business.

A Person is also deemed to Beneficially Own any securities that are Beneficially Owned (as described above) by any other Person with which the Person is acting jointly or in concert.

The definition of Beneficial Ownership contains several exclusions whereby a Person is not considered to Beneficially Own a security. A Person is not deemed to be the Beneficial Owner of a security because the holder of such security has either: (i) agreed pursuant to a Permitted Lock-up Agreement to deposit or tender such security to a Take-over Bid made by such Person or such Person's Affiliate or Associate; or (ii) because such security has been deposited or tendered to a Take-over Bid made by such Person or such Person's Associates or Affiliates until the earlier of such security being accepted unconditionally for payment or exchange pursuant to the Take-over Bid and such security being taken up and paid for, whichever shall occur first. Permitted Lock-up Agreement is defined in the Agreement; however, generally a Permitted Lock-up Agreement is an agreement between a Person and one or more holders of Voting Shares (each a "**Locked-up Person**") to tender or deposit shares to a Take-over Bid that is a Permitted Bid (the "**Lock-up Bid**") which agreement permits the Locked-up Person to terminate its obligation to tender or deposit to the Lock-up Bid in order to tender or deposit those shares to another Take-over Bid or support another transaction where either (i) consideration offered per Voting Share under the other bid or transaction is higher than the consideration contained in or proposed to be contained in the Lock-up Bid and the other Take-over Bid is made for at least the same number of Voting Shares as the Lock-up Bid; or (ii) the consideration offered for each Voting Share exceeds by as much or more than a Specified Amount and the consideration is for at least the same number of Voting Shares as the Lock-up Bid and does not, by its terms provide for a Specified Amount greater than 7% of the consideration for each Voting Share contained in the Lock-up Bid. Further, if the Lock-up Bid is not successful, the Locked-up Person must not be required to pay break-up fees, top-up fees, penalties or expenses or other amounts that exceed in the aggregate the greater of (i) the cash equivalent of 2½% of the price or value payable under the Lock-up Bid to the Locked-up Person; or (ii) 50% of the increase in the consideration to the Locked-up Person resulting from another Take-over Bid or other transaction.

There are other exceptions to the deemed "Beneficial Ownership" provisions for institutional shareholders acting in the ordinary course of business. These exceptions apply to (i) an Investment Manager which holds securities in the ordinary course of business in the performance of its duties for the account of any other Person (a "**Client**"); (ii) a licensed trust corporation ("**Trust Company**") acting as trustee or administrator or in a similar capacity in relation to the estates of deceased or incompetent persons (each an "**Estate Account**") or in relation to other accounts (each an "**Other Account**") and which holds such security in the ordinary course of its duties for such accounts; (iii) such Person is a Crown agent or agency (the "**Crown Agency**"); (iv) the Person is established by statute for purposes that include, and the ordinary business or activity of such Person (the "**Statutory Body**") includes, the management of investment funds for employee benefit plans, pension plans, insurance plans of various public bodies and the Statutory Body holds such security for the purposes of its activities as such; or (v) the Person (an "**Administrator**") is the administrator or trustee of one or more pension funds or plans (a "**Plan**") registered under the laws of Canada or any province thereof or the corresponding laws of the jurisdiction by which such Plan is governed or is such a Plan and the Administrator or Plan holds such security for the purposes of its activities as such. The foregoing exceptions only apply so long as the Investment Manager, Trust Company, Crown Agency, Statutory Body or Administrator is not then making or has not then announced an intention to make a Take-over Bid, other than an Offer to Acquire Voting Shares or other securities by means of ordinary market transactions (including prearranged trades entered into in the ordinary course of business of such Person) executed through the facilities of a stock exchange or organized over-the-counter market, alone or by acting jointly or in concert with any other Person.

Finally, a Person is not deemed to "Beneficially Own" a security because (i) the Person is a Client of the same Investment Manager, an Estate Account or an Other Account of the same Trust Company, or Plan with the same Administrator as another Person or Plan on whose account the Investment Manager, Trust Company or Administrator, as the case may be, holds such security; or (ii) the Person is a Client of a Investment Manager, Estate Account, Other Account or Plan, and the security is owned by the Investment Manager, Trust Company or Administrator, as the case may be.

Acquiring Person

An Acquiring Person is, generally, a person who Beneficially Owns 20% or more of the outstanding Voting Shares of the Corporation. The Rights Plan provides certain exceptions to the definition of Acquiring Person, including the Corporation or a person who acquires 20% or more of the outstanding Voting Shares through a Permitted Bid acquisition or certain prescribed exempt acquisitions. The Rights Plan also excludes from the definition of Beneficial Ownership, amongst others, a person in its capacity as investment manager, trust corporation, pension fund or plan administrator or trustee (and clients and accounts of such persons) provided that the person is not making or proposing to make a Take-over Bid. Furthermore, an underwriter or members of a banking or selling group that becomes the Beneficial Owner of 20% or more of the outstanding Voting Shares in connection with a bona fide distribution of securities pursuant to a prospectus or by way of a private placement is deemed not to be an Acquiring Person.

Flip-in Event

Ten (10) business days following a transaction that results in a person becoming an Acquiring Person (a "**Flip-in Event**") the Rights will entitle holders to receive, upon exercise and payment of the Exercise Price, Common Shares with a market value equal to twice the Exercise Price of the Rights. In such event, however, any Rights beneficially owned by an Acquiring Person (including such person's associates and affiliates and any other person acting jointly or in concert with the Acquiring Person and any direct or indirect transferee of such persons) will be void. Holders of Rights who do not exercise their Rights upon the occurrence of a Flip-in Event may suffer substantial dilution.

Permitted Bid

A Take-over Bid will not trigger the dilutive provision of the Rights Plan if it meets the Permitted Bid conditions prescribed in the Rights Plan. A Permitted Bid is a Take-over Bid, made by means of a Take-over Bid circular, which:

- (a) is made to all holders of record of Voting Shares wherever resident:
- (b) contains, and the take-up and payment for securities tendered or deposited is subject to, an irrevocable and unqualified condition that no Voting Shares will be taken up or paid for pursuant to the Take-over Bid prior to the close of business on a date which is not less than 50 days following the date of the Take-over Bid; and
- (c) contains irrevocable and unqualified provisions that:
 - (i) unless the Take-over Bid is withdrawn, Voting Shares may be deposited pursuant to the Take-over Bid at any time prior to the close of business on the date of first take-up or payment for Voting Shares under the Take-over Bid and that all Voting Shares deposited pursuant to the Take-over Bid may be withdrawn at any time prior to the close of business on such date;
 - (ii) more than 50% of the outstanding Voting Shares held by Independent Shareholders, determined as at the date of first take-up or payment for Voting Shares under the Take-over Bid, must be deposited to the Take-over Bid and not withdrawn at the close of business on the date of first take-up or payment for Voting Shares; and
 - (iii) in the event that more than 50% of the then outstanding Voting Shares held by Independent Shareholders shall have been deposited to the Take-over Bid, the Offeror will make public announcement of that fact and the Take-over Bid will be extended on the same terms for a period of not less than 10 business days from the date of such public announcement.

The Rights Plan also provides for a "Competing Permitted Bid," which is a Take-over Bid made while another Permitted Bid is in existence and that satisfies all of the provisions of a Permitted Bid except that, provided it is outstanding for a minimum period of 35 days, it may expire on the same date as the initial Permitted Bid.

Take-over Bid

A Take-over Bid is defined in the Rights Plan as an offer to acquire Voting Shares or other securities if, assuming the Voting Shares or other securities subject to the Offer to Acquire are acquired at the date of the Offer to Acquire by the Person making the Offer to Acquire, such Voting Shares (including all Common Shares that maybe acquired upon exercise of all rights of conversion, exchange or purchase attaching to the other securities) together with the Offeror's Securities, would constitute in the aggregate 20% or more of the outstanding Voting Shares at the date of the Offer to Acquire.

Redemption and Waiver

The Board of Directors acting in good faith may, at their option, at any time prior to the occurrence of a Flip-in Event, elect to redeem all, but not less than all, of the then outstanding Rights at a redemption price of \$0.00001 per Right. In addition, if an Offeror successfully completes a Permitted Bid, the Board of Directors shall be deemed to have elected to redeem the Rights.

The Board of Directors may, prior to the occurrence of a Flip-in Event, determine to waive the dilutive effects of the Rights Plan in respect of a Flip-in Event. In such case, such waiver would be deemed also to be a waiver, on the same terms and conditions, in respect of any other Flip-in Event which occurs by reason of a Take-over Bid made by way of a Take-over Bid circular to all holders of Voting Shares made prior to the expiry of the Take-over Bid for which the initial waiver was given. The Board of Directors may also waive the Rights Plan in respect of a particular Flip-in Event that has occurred through inadvertence, provided that the Acquiring Person that inadvertently triggered such Flip-in Event reduces its beneficial holdings to less than 20% of the outstanding Voting Shares.

Amendments

The Board of Directors may supplement or amend the Rights Plan with the majority approval of shareholders (or the holders of the Rights, if the Separation Time has occurred). In addition, the Board of Directors may, from time to time, supplement or amend the Rights Plan in order to correct any clerical or typographical error or which changes are required to maintain the validity of the Rights Plan as a result of any change in any applicable legislation, regulations or rules thereunder. The Board of Directors may also supplement or amend the Rights Plan to make any changes which the directors may deem necessary or desirable, provided that if such supplement or amendment occurs subsequent to shareholder ratification at the Meeting such supplement or amendment shall be subject to shareholder ratification at the next meeting of the shareholders (or holders of Rights, as the case may be), and provided further that no such supplement or amendment shall be made to the provisions relating to the Rights Agent except with the concurrence of the Rights Agent. In addition, no supplement or amendment may be made to the Rights Plan without the approval of the Toronto Stock Exchange.

Certain Canadian Federal Income Tax Considerations

This description is of a general nature only and is not intended nor should it be construed to constitute legal or tax advice to any particular shareholder. Shareholders are advised to consult their own tax advisors taking into account their own particular circumstances. The issuance of Rights to each holder should not result in any benefit being conferred on a particular holder and no amount should be required to be included in income thereon for purposes of the *Income Tax Act* (Canada) (the "**Tax Act**"). However, if at the time the Rights are issued, it is known that certain holders will not exercise their Rights or will not be entitled to exercise their Rights, Canada Revenue Agency ("**CRA**") is of the view that the Rights may not be conferred on all holders and the value of the benefit, if any, must be included in each holder's income for the taxation year. In the event that the issuance of Rights results in a shareholder benefit for purposes of the Tax Act, the Corporation believes that the value of the Rights is nominal and no income inclusion would be required. Should the Rights result in an income inclusion to a non-resident holder, the Tax Act deems that such amount will be treated as a dividend. Dividends paid or credited or deemed to be paid or credited to a non-resident holder of Shares will be subject to Canadian non-resident withholding tax at the rate of 25% of the gross amount of such dividends under the Tax Act. This rate may be reduced under an applicable income tax treaty or convention between Canada and such non-resident holder's country of residence. In the case of a non-resident holder which is the beneficial owner of such dividends and a resident of the United States for the purposes of the Canada-United States Income Tax Convention, 1980, the rate of non-resident withholding tax in respect of dividends on the Shares will generally be reduced to a rate of 15% of the gross amount of such dividends (except that where such beneficial owner is a corporation and owns at least 10% of the Voting Shares of the Corporation, the rate of withholding tax is reduced to 5% for dividends paid or credited or deemed to be paid or credited). In addition, the Rights will, on the date hereof, be qualified investments under trusts governed by registered retirement savings plans ("**RRSPs**"), registered retirement income funds ("**RRIFs**"), registered education savings plans ("**RESPs**") or deferred

profit sharing plans ("DPSPs") under the Tax Act and the regulations thereunder. The Rights will not, on the date hereof, be foreign property for purposes of the Tax Act for RRSPs, RRIFFs, RESPs or DPSPs and other persons subject to tax under Part XI of the Tax Act.

Additional Information

In the event that a shareholder or any other interested party has questions or concerns regarding the Rights Plan, you are invited to contact Thomas E. Pierce, Vice-President, Finance and Chief Financial Officer of the Corporation, at (403) 543-7070. A copy of the Rights Plan will be available on SEDAR at www.sedar.com or from the Corporation by calling (403) 543-7070 or emailing a request to investorinfo@gccoal.com.

EXECUTIVE COMPENSATION

Composition and Role of Compensation Committee

The Board of Directors of the Corporation has appointed a Compensation Committee composed of three directors, Donald J. Douglas (Chairman), Robert G. Brawn and Donald R. Seaman. None of these directors are officers of the Corporation other than Robert G. Brawn who is the Chairman of the Board, and all are "unrelated" for the purposes of the Toronto Stock Exchange (the "TSX") Guidelines, as described under "Corporate Governance Practices". The committee's mandate includes making recommendations to the Board of Directors in respect of compensation issues relating to directors, senior management and employees of the Corporation, including recommending performance objectives and the compensation package for the Chief Executive Officer.

Report of the Compensation Committee

To: The Shareholders of Grande Cache Coal Corporation

The Corporation's compensation philosophy is aimed at attracting and retaining quality and experienced people which is considered to be critical to the success of the Corporation. Employee compensation, including executive officer compensation, is comprised of three elements: base salary, short-term incentive compensation (being cash bonuses) and long-term incentive compensation (being stock options).

Recommendations for executive compensation are made by the Compensation Committee to the full Board for approval.

Base Salaries

Base salary ranges for executive officers are determined upon review of comparative data compiled by an independent compensation consultant and the Corporation for a number of comparable companies within the resource industries of competitive salaries paid to senior officers. Base salaries paid to senior officers of the Corporation, including the Chief Executive Officer, are comparable to the salaries of positions for the Corporation's peer group, using such criteria as assets under management and number of employees. Salaries of executive officers, including that of the Chief Executive Officer, are reviewed annually, subject to the terms of the employment agreements.

The Corporation evaluates three components in determining over-all compensation for the executives. Salaries and cash bonuses provide short-term remuneration while options are viewed as both long-term incentives and commitment to the Corporation. Both of these are evaluated in comparison to similar companies within the resource industries.

Short-Term Incentive Compensation - Bonuses

In addition to base salaries, the Corporation may award cash bonuses to employees, including executive officers. The award of a bonus is determined, in the case of employees, by senior management of the Corporation and approved by the Compensation Committee. Bonus levels for Vice Presidents are established by the Compensation Committee in consultation with the Chief Executive Officer and an independent compensation consultant, and the Chief Executive Officer's bonus is established by the Compensation Committee in consultation with an independent resource consultant. The bonus levels established by the Compensation Committee are then recommended to the full Board for approval. In the case of non-executive employees, bonuses

are based on the employee's contribution in adding share value and reducing costs and the employee's contribution to overall corporate goals. In the case of executive officers, including the Chief Executive Officer, bonus awards are based on actual corporate and individual performance as assessed by the Compensation Committee and the Board. The Corporation had not adopted a formal bonus plan for fiscal 2005. Bonuses in the aggregate amount of \$105,000 were awarded to the executive officers named in the Summary Compensation Table included herein for fiscal 2005.

Long-Term Incentive Compensation - Stock Options

Individual stock options are granted by the Compensation Committee on the recommendation of senior management. Stock options are intended to align executive and shareholder interests by attempting to create a direct link between compensation and shareholder return. Participation in the Corporation's share option plan rewards overall corporate performance, as measured through the price of the Corporation's shares. In addition, the plan enables executives to develop and maintain a significant ownership position in the Corporation.

Stock options are normally awarded by the Compensation Committee upon the commencement of employment based on the level of responsibility within the Corporation. Additional grants may be made periodically to ensure that the number of options granted to any particular individual is commensurate with the individual's level of ongoing responsibility within the Corporation. The Corporation also evaluates the number of options an individual has been granted and the term remaining on those options when considering further grants.

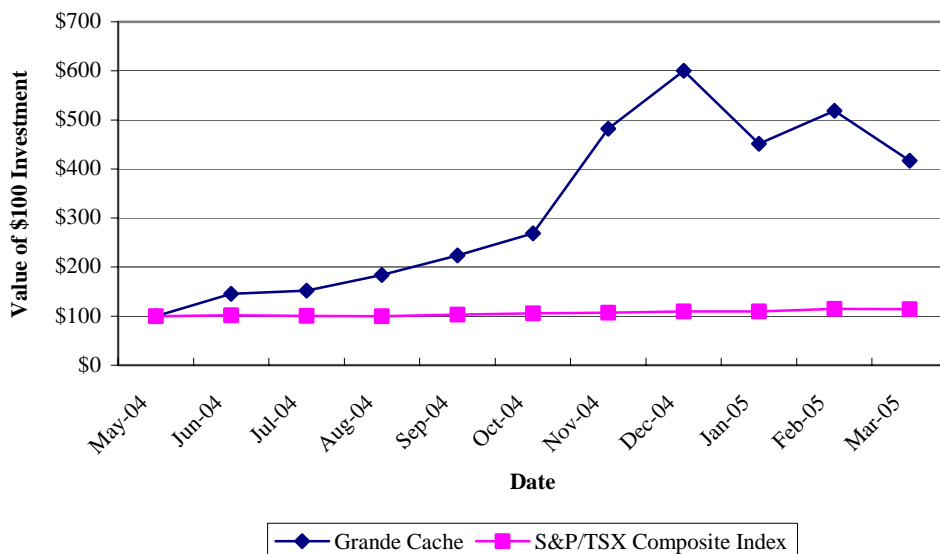
Summary

The Compensation Committee believes that the Corporation's compensation policies have allowed the Corporation to attract and retain a team of talented, motivated and experienced executive officers, professionals and support staff working towards the common goal of enhancing shareholder value. The Compensation Committee and the Board will continue to review compensation policies to ensure that they are competitive within the resource industries and consistent with the performance of the Corporation.

Submitted by the Compensation Committee: Donald J. Douglas, Robert G. Brawn, and Donald R. Seaman.

Performance Graph

The following chart compares the total cumulative the Corporation shareholder return for \$100 invested in Common Shares for the period from its initial listing on the TSX on May 12, 2004 to March 31, 2005, to the cumulative total return of the S&P/TSX Composite Index for the same period.



Comparison of Cumulative Total Return ⁽¹⁾

	May 12, 2004	June 30, 2004	July 31, 2004	August 30, 2004	September 30, 2004	October 31, 2004	November 30, 2004	December 31, 2004	January 31, 2005	February 28, 2005	March 31, 2005
Grande Cache S&P/TSX Composite Index	\$100.00	\$126.46	\$132.27	\$160.01	\$195.17	\$233.89	\$420.03	\$522.61	\$393.25	\$451.64	\$362.93
	\$100.00	\$101.52	\$100.48	\$99.52	\$102.98	\$105.39	\$107.28	\$109.85	\$109.35	\$114.86	\$114.20

Note:

(1) Assuming an investment of \$100 on May 12, 2004.

Summary Compensation Table

The following table sets out certain information respecting the compensation paid to the President and Chief Executive Officer, Vice President, Finance and Chief Financial Officer and the only other executive officer of the Corporation whose salary and bonus for the financial year ended March 31, 2005 exceeded \$150,000, for each of the Corporation's last three financial years. These individuals are referred to collectively as the "**Named Executive Officers**".

Name and Principal Position	Fiscal Year	Annual Compensation			Long-term Compensation	All Other Compensation
		Salary	Bonus	Other Annual Compensation	Shares under Options Granted	
		(\$)	(\$)	(\$)	(#)	(\$)
Robert H. Stan President and Chief Executive Officer ⁽¹⁾	2005	217,500	35,000	⁽⁵⁾	50,000	Nil
	2004	180,000	Nil	⁽⁵⁾	300,000	Nil
	2003	90,000 ⁽⁴⁾	Nil	⁽⁵⁾	Nil	90,000 ⁽⁶⁾
Thomas E. Pierce Vice President, Finance and Chief Financial Officer ⁽²⁾	2005	156,000	35,000	⁽⁵⁾	25,000	Nil
	2004	4,125	Nil	⁽⁵⁾	125,000	Nil
Eugene Wusaty Vice President, Operations and Chief Operating Officer ⁽³⁾	2005	162,000	35,000	⁽⁵⁾	25,000	Nil
	2004	17,000	Nil	⁽⁵⁾	125,000	Nil

Notes:

- (1) Mr. Stan was appointed President of the Corporation in February 2001 and Chief Executive Officer of the Corporation in September 2002.
- (2) Mr. Pierce was appointed Vice-President, Finance and Chief Financial Officer of the Corporation on March 15, 2004. The salary amount in the table for fiscal 2004 reflects the amount paid to Mr. Pierce from March 15, 2004 to March 31, 2004.
- (3) Mr. Wusaty was appointed Vice-President, Operations and Chief Operating Officer of the Corporation on March 1, 2004. The salary amount in the table for fiscal 2004 reflects the amount paid to Mr. Wusaty from March 1, 2004 to March 31, 2004.
- (4) Represents management fees in respect of Mr. Stan's services paid to Westpine Inc., a company indirectly owned 50% by Mr. Stan and his spouse.
- (5) The value of perquisites and benefits for each Named Executive Officer was not greater than the lesser of \$50,000 and 10% of such officer's salary and bonus.
- (6) Represents contingent management fees payable to Westpine Inc. which contingent management fees were converted into Common Shares of the Corporation on March 22, 2004 on the basis of one Common Share for each \$1.03 of outstanding contingent management fees.

Long-term Incentive Plan Awards

Other than the grant of stock options pursuant to the Corporation's share option plan, the Corporation made no long-term incentive plan awards during the most recently completed financial year.

Option Grants During the Fiscal Year Ended March 31, 2005

The following table sets out certain information respecting grants of options to purchase Common Shares to the Named Executive Officers during the most recently completed financial year.

Name	Options Granted	% of Total Options Granted to Employees in Financial Year	Exercise Price	Market Value of Common Shares on the Date of Grant	Expiration Date
	(#)	(%)	(\$/share)	(\$/share)	
Robert H. Stan	25,000 ⁽¹⁾	5.2%	\$3.70	\$3.70	July 21, 2009
	25,000 ⁽¹⁾	5.2%	\$11.56	\$11.56	March 15, 2010
Thomas E. Pierce	25,000 ⁽²⁾	5.2%	\$11.56	\$11.56	March 15, 2010
Eugene Wusaty	25,000 ⁽²⁾	5.2%	\$11.56	\$11.56	March 15, 2010

Notes:

- (1) The options vested on the date of grant.
- (2) The options vest as to one-half on each of the first and second anniversaries of the date of grant.

Option Exercises During the Fiscal Year Ended March 31, 2005 and Fiscal Year End Option Values

The following table sets forth certain information with respect to options exercised by the Named Executive Officers during the most recently completed financial year and their respective option positions as at March 31, 2005.

Name	Options Exercised	Aggregate Value Realized	Unexercised Options at Year End			
			Number of Options		Value of in-the-Money Options ⁽¹⁾⁽²⁾	
			Exercisable	Unexercisable	Exercisable	Unexercisable
(#)	(#)	(#)	(#)	(\$)	(\$)	
Robert H. Stan	Nil	Nil	150,000	200,000	1,213,750	2,050,000
Thomas E. Pierce	Nil	Nil	41,666	108,334	427,077	854,173
Eugene Wusaty	Nil	Nil	41,666	108,334	427,077	854,173

Notes:

- (1) The value of unexercised in-the-money options at year-end is based on the closing price of the Common Shares on the TSX on March 31, 2005, which was \$11.25 per share.
- (2) "In-the-money" means that the market value of the Common Shares underlying the options on that date exceeded the option exercise price.

Compensation of Directors

During the last completed fiscal year, non-management directors were paid quarterly, in arrears, a monthly retainer in the amount of \$2,000 and a fee of \$1,000 per meeting of the Board or any committee of the Board in which they participated. The Chairman of the Board was paid quarterly, in arrears, a monthly retainer in the aggregate amount of \$4,000 and an aggregate fee of \$2,000 per meeting of the Board or any committee of the Board in which he participated. In addition, the directors were reimbursed for their reasonable expenses incurred in carrying out their duties as directors. Directors are entitled to participate in the Corporation's share option plan and as at March 31, 2005, non-management directors held options to purchase an aggregate of 540,000 Common Shares exercisable at prices ranging from \$1.00 to \$11.56 per share.

Employment Contracts and Termination of Employment Arrangements

The Corporation has entered into employment agreements with Robert H. Stan, Thomas E. Pierce and Eugene Wusaty that provide for the payment of annual salary, participation in the Corporation's option plan, any performance bonus program adopted by the Corporation, as well as additional benefits including participation in the Corporation's group benefit plan for employees. In the event of the constructive dismissal of the executive or termination of the employment agreement without cause, the executive

is entitled to receive two (2) year's base salary plus an additional 15% for loss of benefits. If the termination or constructive dismissal occurs within two (2) years of a change of control of the Corporation (as defined in the employment agreements), the executive will receive an additional amount equal to two (2) times the last bonus the executive received. Mr. Stan also has an election to leave the Corporation within three (3) months of a change of control and receive the previously described payment.

SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

The Corporation has a share option plan (the "**Share Option Plan**") pursuant to which the directors, or a committee of directors appointee by the Board, may from time to time, at their discretion, grant to directors, officers, employees and other service providers of the Corporation, or any of its subsidiaries, options to purchase Common Shares. The purchase price for any optioned shares is fixed by the directors at the time of grant but may not be less than the closing trading price of the Common Shares on the last trading day preceding the date of grant. The options are non-assignable and non-transferable.

The number of Common Shares reserved for options under the Share Option Plan is fixed at 3,646,670. The maximum number of shares reserved for options may be increased by the Board of Directors upon receipt of any applicable regulatory approvals and, if required by applicable regulatory authorities, shareholder approval. The Share Option Plan provides that, among other things: the number of shares reserved for issuance to any one optionee may not exceed 5% of the aggregate number of issued and outstanding Common Shares; the maximum number of shares reserved for issuance pursuant to options granted to insiders at any time may not exceed 10% of the aggregate number of issued and outstanding Common Shares; the maximum number of shares which may be issued to insiders within a one-year period may not exceed 10% of the aggregate number of issued and outstanding Common Shares; and the maximum number of shares which may be issued to any one insider and its associates within a one-year period may not exceed 5% of the aggregate number of issued and outstanding Common Shares.

The Share Option Plan is the only equity compensation plan of the Corporation. The following table sets forth information with respect to the options outstanding under the Share Option Plan as at July 7, 2005.

Plan Category	Number of Common Shares to be Issued Upon Exercise of Outstanding Options (a)	Weighted-Average Exercise Price of Outstanding Options	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (excluding Securities Reflected in Column (a))
Equity compensation plans approved by securityholders ⁽¹⁾	1,860,000	\$2.80 per Common Share	1,786,670 Common Shares
Equity compensation plans not approved by securityholders	Nil	N/A	Nil
Total	1,860,000		1,786,670 Common Shares

Note:

- (1) The Board of Directors of the Corporation approved the Share Option Plan prior to the initial public offering of the Corporation which was completed on May 12, 2004. Securityholders of the Corporation were not required to approve the Share Option Plan at the time that it was adopted by the Board of Directors.

INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

To management's knowledge, no individual who is, or at any time during the most recently completed financial year was, a director, executive officer or senior officer of the Corporation, a proposed nominee for election as a director of the Corporation, or any associate of any such individual: (i) is, or at any time since the beginning of the most recently completed financial year of the Corporation has been, indebted to the Corporation or any of its subsidiaries; or (ii) has indebtedness to another entity that is, or at any time since the beginning of the most recently completed financial year has been, the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by the Corporation or any of its subsidiaries.

CORPORATE GOVERNANCE PRACTICES

The TSX adopted a set of 14 guidelines (the "**Guidelines**") relating to corporate governance matters. The Guidelines address such matters as the constitution and independence of boards of directors, the functions to be performed by boards and their committees, and the relationship among a corporation's board, management and shareholders. The Corporation's disclosure with respect to the Guidelines is set forth in Appendix A to this Information Circular.

INTERESTS OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

There were no material interests, direct or indirect, of directors or executive officers of the Corporation, any shareholder who beneficially owns, directly or indirectly, or exercises control or direction over more than 10% of the outstanding Common Shares, or any other Informed Person (as defined in National Instrument 51-102) or any known associate or affiliate of such persons, in any transaction since the commencement of the last completed financial year of the Corporation or in any proposed transaction which has materially affected or would materially affect the Corporation or any of its subsidiaries, except as disclosed elsewhere in this Information Circular. Fred Davidson, the Corporate Secretary of the Corporation, is a partner in the law firm of Burnet, Duckworth & Palmer LLP, which firm from time to time provides legal services to the Corporation.

INTERESTS OF CERTAIN PERSONS AND COMPANIES IN MATTERS TO BE ACTED UPON

Management of the Corporation is not aware of any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, of any person who has been a director or executive officer of the Corporation at any time since the beginning of the Corporation's last financial year, of any proposed nominee for election as a director of the Corporation, or of any associates or affiliates of any of the foregoing persons, in any matter to be acted on at the Meeting (other than the election of directors).

AUDIT COMMITTEE INFORMATION

See the disclosure under the heading "Audit Committee Information" at pages 42 and 43 of the Corporation's annual information form dated June 29, 2005 for information in respect of the Corporation's audit committee as required by Multilateral Instrument 52-110.

OTHER MATTERS

Management of the Corporation knows of no amendments, variations or other matters to come before the Meeting other than the matters referred to in the Notice of Annual and Special Meeting of Shareholders. However, if any other matter properly comes before the Meeting, the accompanying Instrument of Proxy will be voted on such matter in accordance with the best judgment of the person voting the proxy.

ADDITIONAL INFORMATION

Additional financial information is provided in the Corporation's audited consolidated financial statements and management's discussion and analysis for the financial year ended March 31, 2005.

Additional information relating to the Corporation including the materials listed in the preceding paragraph may be found on SEDAR at www.sedar.com. Securityholders of the Corporation may contact the Corporation to request a copy of the Corporation's consolidated financial statements and management's discussion and analysis at:

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

Phone: (403) 543-7070
Fax: (403) 543-7092

APPROVAL

The contents and sending of this Information Circular have been approved by the directors of the Corporation.

Dated: July 7, 2005

APPENDIX A

GRANDE CACHE CORPORATE GOVERNANCE GUIDELINES TABLE

GUIDELINES	COMPLIANCE	COMPLIANCE COMMENTS
<p>1. The Board should explicitly assume responsibility for the stewardship of the Corporation, including:</p> <p>a) the adoption of a strategic planning process;</p> <p>b) the identification of the principal risks of the corporation's business and the implementation of appropriate systems to manage these risks;</p> <p>c) succession planning, including appointing, training and monitoring senior management; and</p> <p>d) the Corporation's communications policy; and</p> <p>e) the integrity of the Corporation's internal control and management information systems.</p>	<p>Yes</p> <p>Yes</p> <p>Yes</p> <p>Yes</p> <p>Yes</p>	<p>The Board is required to manage the business and affairs of the Corporation pursuant to the provisions of the <i>Business Corporations Act</i> (Alberta), which includes the Board's responsibility for stewardship. The Board generally directs the business and affairs through management. Generally the Board meets a minimum of four times each year, once in each fiscal quarter. In addition, the Board meets at other times when matters are raised requiring its approval and the timing is such that it is not prudent or possible to wait for a regularly scheduled quarterly meeting.</p> <p>The Board approves strategic planning initiatives formulated by management in consultation with the Chairman.</p> <p>The Board assumes responsibility for the identification of the principal risks of the business and the implementation of appropriate systems to manage these risks and the integrity of the internal control and management information systems through the activities of the Audit Committee.</p> <p>The Board takes ultimate responsibility for the appointment and monitoring of the Corporation's senior management. No formal system of succession planning has been developed. The Board reviews the performance of the senior executives on an ongoing basis.</p> <p>The Board reviews, on an ongoing basis, the methods by which the Corporation communicates with its shareholders, regulatory bodies and the public. The Board or individual members review all of the Corporation's major compliance and communication documents, including annual and quarterly reports, financing documents and other material disclosure documents. Through the Audit Committee, all public financial information is reviewed and recommended to the Board for approval prior to its release. The Corporation has adopted a Disclosure, Confidentiality and Trading Policy which it requires all directors, officers and employees to comply with.</p> <p>The Board, both directly and through the Audit Committee and the external auditors, assesses the integrity of the Corporation's internal control and management information systems on an ongoing basis.</p>
<p>2. The Board should be constituted with a majority of individuals who qualify as unrelated directors.</p>	<p>Yes</p>	<p>The Board is composed of five directors, four of whom qualify as unrelated.</p>

GUIDELINES	COMPLIANCE	COMPLIANCE COMMENTS
3. The analysis of the application of the principles supporting the conclusion in paragraph 2 above.	Yes	Mr. Robert H. Stan, President and Chief Executive Officer, is a related director because of his being part of the management group. The remaining members of the Board are independent of management and are free from any interest and any business or other relationship (other than interests and relationships arising from shareholdings) which could, or could reasonably be perceived to, materially interfere with such director's ability to act in the best interests of the Corporation.
4. The Board should appoint a committee of directors composed exclusively of outside, i.e. non-management directors, a majority of whom are unrelated directors, with the responsibility for proposing to the full Board new nominees to the Board and for assessing directors on an ongoing basis.	Yes	The Board has a Corporate Governance Committee, comprised of Donald R. Seaman (Chairman), Robert G. Brawn and Barry T. Davies. All members are outside directors. The Corporate Governance Committee has, among its mandates, the responsibility for recommending suitable candidates for nomination to the Board and maintaining an overview of the entire membership of the Board, including a review of the contribution of individual directors.
5. The Board should implement a process to be carried out by the Nominating Committee or other appropriate committee for assessing the effectiveness of the Board as a whole, the committees of the Board and the contribution of individual directors.	Yes	The responsibility for the assessment of the effectiveness of the Board as a whole, the committees of the Board, the appointments to those committees and the mandates thereof, as well as the contribution of individual directors on an ongoing basis, has been delegated to the Corporate Governance Committee.
6. The existence of an orientation and education program for new recruits to the Board.	Yes	Board members are continuously informed as to the affairs of the Corporation and participate in field trips to the Corporation's coal operation in Grande Cache, Alberta. The Board has not added a new director since March 2001. Any new director will be provided with historical information on the Corporation, will be given an opportunity to make field trips to the Corporation's coal operation and given orientation programs similar to those given to directors.
7. The size of the Board and the impact of the number of directors upon the Board's effectiveness.	Yes	The Board considers that five members as proposed to be elected at the Meeting is currently an appropriate number of directors having regard to the size of the Corporation, the number of required committees, the nature of its business and operations and the experience and expertise required to carry out their duties effectively while maintaining a diversity of views and experience. The size and composition of the Board will continue to be assessed and reviewed.
8. The adequacy and form of the compensation of directors should realistically reflect the responsibilities and risk involved in being an effective director.	Yes	During 2005, the Compensation Committee and the Board reviewed the compensation of directors and implemented compensation changes to reflect the responsibilities and risks involved in being an effective director.
9. Committees of the Board should generally be composed of outside directors, a majority of whom are unrelated directors.	Yes	The Board has constituted three committees: the Compensation Committee, the Corporate Governance Committee and the Audit Committee. All of the members of each of the Board's committees are unrelated, outside directors. While Robert G. Brawn is the Chairman of the Board, he is not considered by the Board to be a part of management and thus, is an outside director for the purposes of the Guidelines.

GUIDELINES	COMPLIANCE	COMPLIANCE COMMENTS
10. The Board's responsibility for (or a committee of the Board's general responsibility for) developing the Corporation's approach to governance issues.	Yes	The Board has appointed a Corporate Governance Committee which has the responsibility for developing the Corporation's approach to corporate governance and ensuring the continuing effectiveness of the Board and its various committees.
<p>11. The Board has developed:</p> <p>a) position descriptions for the Board and for the CEO, involving the definition of the limits to management's responsibilities; and</p> <p>b) the corporate objectives for which the CEO is responsible for meeting.</p>	<p>See comment</p> <p>Yes</p>	<p>To date, the Board has not developed specific position descriptions for its members since the Board, acting together, exercises plenary power. The Board retains all powers not delegated by the Board to management or Board committees. The Chief Executive Officer's responsibilities are reviewed annually. The Chief Executive Officer is accountable to the Board for meeting corporate objectives and for managing the day to day business of the Corporation, subject to compliance with plans and objectives approved from time to time by the Board. The Board retains responsibility for significant changes in the Corporation's affairs, such as approval of major expenditures, financing arrangements and significant acquisitions and divestitures.</p> <p>The corporate objectives of the CEO include maximizing shareholder value, implementing the business plan for the Corporation that is reviewed annually by the Board, developing and staffing the Corporation's management structure and providing effective communication between the Board, management and shareholders.</p>
12. The structures and procedures ensuring that the Board can function independently of management.	Yes	The Corporation has appointed Robert G. Brawn, an unrelated director, as Chairman of the Board and a majority of the Board are independent of management. The Board believes it functions and can continue to function independently of management. The Board (including the unrelated members thereof) and any committees can meet in the absence of management at their discretion, and any committee or member of the Board may engage outside advisors at the expense of the Corporation in appropriate circumstances as outlined below.
<p>13.</p> <p>a) The Audit Committee of the Board should be composed only of outside directors.</p> <p>b) The roles and responsibilities of the Audit Committee should be specifically defined.</p> <p>c) The Audit Committee should have direct communication channels with the internal and external auditors to discuss and review specific issues as appropriate.</p>	<p>Yes</p> <p>Yes</p> <p>Yes</p>	<p>The Corporation's Audit Committee is comprised of Donald J. Douglas (Chairman), Robert G. Brawn and Donald R. Seaman, all of whom are outside directors.</p> <p>The roles and responsibilities of the Audit Committee are specifically defined in its mandate.</p> <p>The Audit Committee meets quarterly with the Corporation's auditors. The meetings cover the scope of the audit, reviews of quarterly financial statements and a review of the results of the audit and the auditors' evaluation of the internal controls. The Audit Committee meets with the auditors separately from management at each meeting.</p>

GUIDELINES	COMPLIANCE	COMPLIANCE COMMENTS
d) The Audit Committee's duties should include oversight responsibility for management reporting on internal controls and should ensure that management has designed and implemented an effective system of internal controls.	Yes	The mandate of the Audit Committee includes oversight of the nature and scope of the annual audit, management's reporting on internal accounting standards and practices, financial information and accounting systems and procedures, financial reporting and statements and recommending, for Board approval, the audited financial statements and other mandatory disclosure releases containing financial information.
14. The existence of a system which enables an individual director to engage an outside adviser at the expense of the Corporation in appropriate circumstances.	Yes	A director or a group of directors may engage outside advisors at the expense of the Corporation, subject to approval of the Corporate Governance Committee.