



GRANDE CACHE COAL CORPORATION

NEWS RELEASE

GRANDE CACHE COAL CORPORATION REPORTS NET INCOME OF \$36.8 MILLION IN THIRD QUARTER FISCAL 2009

Calgary, Alberta, February 4, 2009 – Grande Cache Coal Corporation (GCE-TSX) ("Grande Cache Coal" or the "Corporation") today announced its financial and operating results for the three and nine months ended December 31, 2008.

- Grande Cache Coal's third quarter net income was \$36.8 million, in comparison to a net loss of \$3.4 million in the same period last year. Net income for the first nine months of the fiscal year was \$87.2 million. Net income per basic share was \$0.38 in the quarter and \$1.00 for the fiscal year to date.
- Income from operations during the quarter was \$51.7 million and included a foreign exchange gain of \$10.4 million which was a result of the significant weakening of the Canadian dollar against the U.S. dollar. Income from operations for the fiscal year to date was \$93.1 million versus a loss of \$13.2 million in the same period last year.
- Revenue in the third quarter was \$91.9 million on sales of 0.36 million tonnes. The average sales price achieved during the quarter was \$254 (U.S.\$213) per tonne, in contrast to \$85 (U.S.\$87) per tonne in the same period last year. The increase in the U.S. sales price is due to higher contract price settlements for the current coal year, offset somewhat by calendar year contracts and carryover tonnage from the prior coal year. The Canadian sales price was much stronger during the quarter due to a weaker Canadian dollar.
- Third quarter cost of sales was \$46.3 million, or \$128 per tonne, up from \$37.7 million, or \$85 per tonne in the comparable period. The increase in costs is a result of lower sales volumes as well as higher mining costs, lower mine productivities, a lower plant yield and higher rail costs.
- The Corporation's cash position increased \$65.6 million during the quarter bringing the cash balance at December 31, 2008, to \$87.7 million.

"Although the third quarter results contributed significantly to our cash position due to the high coal prices, we remain focused on preparing the Corporation for the future" said Robert Stan, President and Chief Executive Officer. "The current worldwide economic climate has brought uncertainty into the coal markets that will have an impact on pricing and sales volumes as contracts are negotiated for the coal year beginning April 1, 2009. We continue to take the necessary steps aimed at cost reduction and productivity improvement and we will manage our future production levels to meet demand."

Fiscal 2009 Guidance Update:

- As previously announced, the Corporation revised its fiscal 2009 sales volume forecast to a range of 1.1 to 1.3 million tonnes due to a decline in global steel production brought on by the worldwide economic slowdown. Despite the lower sales volume, the Corporation continues to anticipate that the average sales price for fiscal 2009 will be in the range of U.S.\$210 to U.S.\$220 per tonne, however it is expected that the price will be on the lower end of the range.

- The Corporation projects that the average cost of sales for fiscal 2009 will be in the range of \$120 to \$125 per tonne, up from the previous guidance range of \$108 to \$113 per tonne. The increase is a result of lower sales volumes as well as higher than expected mining costs during the third quarter.

Grande Cache Coal is an Alberta based metallurgical coal mining company whose experienced team of coal professionals are managing a mine that produces metallurgical coal for the steel industry and holds coal leases covering over 22,000 hectares in the Smoky River Coalfield located in west-central Alberta. Grande Cache Coal's common shares are listed on the Toronto Stock Exchange under the trading symbol "GCE".

READER ADVISORY

Forward-looking Statement Advisory

This news release contains certain forward-looking statements, which are based on Grande Cache Coal's current internal expectations, estimates, projections, assumptions and beliefs, which may prove to be incorrect. Some of the forward-looking statements may be identified by words such as "expects", "anticipates", "believes", "projects", "plans" and similar expressions. These statements are not guarantees of future performance and undue reliance should not be placed on them. Such forward-looking statements necessarily involve known and unknown risks and uncertainties, which may cause Grande Cache Coal's actual performance and financial results in future periods to differ materially from any projections of future performance or results expressed or implied by such forward-looking statements. These risks and uncertainties include, among other things, changes in general economic, market and business conditions; uncertainties associated with estimating the quantity and quality of coal reserves and resources; commodity prices, currency exchange rates, the availability of credit facilities for capital expenditures requirements; debt service requirements; dependence on a single rail system; changes to legislation; liabilities inherent in coal mine development and production; competition for, among other things, capital, acquisitions of reserves, undeveloped lands and skilled personnel; geological, mining and processing technical problems; ability to obtain required mine licenses, mine permits and regulatory approvals required to proceed with mining and coal processing operations; ability to comply with current and future environmental and other laws; actions by governmental or regulatory authorities including increasing taxes and changes in other regulations; and the occurrence of unexpected events involved in coal mine development and production. Many of these risks and uncertainties are described in Grande Cache Coal's 2008 Annual Information Form, Grande Cache Coal's Management's Discussion and Analysis and other documents Grande Cache Coal files with the Canadian securities authorities. Copies of these documents are available without charge from Grande Cache Coal or may be accessed on Grande Cache Coal's website (www.gccoal.com) or on the website maintained by the Canadian securities regulatory authorities (www.sedar.com).

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

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 for the period ended December 31, 2008, 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, 2008. The consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles. This discussion provides management's analysis of the Corporation's historical financial and operating results and provides estimates of the Corporation's future financial and operating performance based on information currently available. Actual results will vary from estimates and the variances may be significant. Readers should be aware that historical results are not necessarily indicative of future performance.

This MD&A was prepared using information that is current as of February 3, 2009.

Certain information set forth in this MD&A, including management's assessment of the Corporation's future plans and operations, contains forward-looking statements which are based on the Corporation's current internal expectations, estimates, projections, assumptions and beliefs, which may prove to be incorrect. Some of the forward-looking statements may be identified by words such as "expects", "anticipates", "believes", "projects", "plans" and similar expressions. These statements are not guarantees of future performance and undue reliance should not be placed on them. Such forward-looking statements necessarily involve known and unknown risks and uncertainties, which may cause Grande Cache Coal's actual performance and financial results in future periods to differ materially from any projections of future performance or results expressed or implied by such forward-looking statements. These risks and uncertainties include, among other things, changes in general economic, market and business conditions; uncertainties associated with estimating the quantity and quality of coal reserves and resources; commodity prices, currency exchange rates, the availability of credit facilities for capital expenditure requirements, debt service requirements; dependence on a single rail system; changes to legislation; liabilities inherent in coal mine development and production; competition for, among other things, capital, acquisitions of reserves, undeveloped lands and skilled personnel; geological, mining and processing technical problems; ability to obtain required mine licenses, mine permits and regulatory approvals required to proceed with mining and coal processing operations; ability to comply with current and future environmental and other laws; actions by governmental or regulatory authorities including increasing taxes and changes in other regulations; and the occurrence of unexpected events involved in coal mine development and production. Many of these risks and uncertainties are described in Grande Cache Coal's 2008 Annual Information Form, Grande Cache Coal's 2008 Management's Discussion and Analysis and other documents Grande Cache Coal files with the Canadian securities authorities.

Readers of this Management's Discussion and Analysis should refer to the section entitled "Risk Factors" in Grande Cache Coal's 2008 Management's Discussion and Analysis and 2008 Annual Information Form for factors which could potentially impact the Corporation's financial performance and its ability to meet its targets.

All references are to Canadian dollars unless otherwise indicated.

Grande Cache Coal Corporation
Management's Discussion & Analysis

Financial Overview

<i>(millions of dollars)</i>	As at December 31 2008	As at March 31 2008
Balance Sheet		
Cash and cash equivalents	87.7	4.2
Total assets	241.9	123.5
Long-term liabilities	6.0	21.5
Shareholders' equity	209.1	83.6

<i>(millions of dollars, except per share amounts)</i>	Three months ended December 31		Nine months ended December 31	
	2008	2007	2008	2007
Statement of Net Income (Loss) and Comprehensive Income (Loss)				
Revenue	91.9	37.7	209.9	106.6
Cost of sales	46.3	37.7	115.8	105.4
Income (loss) from operations	51.7	(3.0)	93.1	(13.2)
Net income (loss) and comprehensive income (loss)	36.8	(3.4)	87.2	(14.3)
Basic net income (loss) per share	0.38	(0.05)	1.00	(0.23)
Diluted net income (loss) per share	0.38	(0.05)	0.96	(0.23)

<i>(millions of tonnes, except per tonne amounts)</i>	Three months ended December 31		Nine months ended December 31	
	2008	2007	2008	2007
Statistics				
Clean coal production (tonnes)	0.35	0.35	1.05	1.05
Coal sales (tonnes)	0.36	0.44	0.95	1.23
Average sales price (U.S.\$/tonne)	213	87	201	83
Average sales price (\$/tonne)	254	85	220	87
Average cost of sales (\$/tonne)	128	85	121	86
Average cost of production (\$/tonne)	97	50	87	56

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Revenue

Revenue during the third quarter was \$91.9 million on sales of 0.36 million tonnes compared to revenue of \$37.7 million on sales of 0.44 million tonnes in the comparable quarter of fiscal 2008. Fiscal year to date revenue was \$209.9 million on sales of 0.95 million tonnes in contrast to revenue of \$106.6 million on sales of 1.23 million tonnes in the first nine months of last fiscal year. Revenue is significantly higher in fiscal 2009 due to higher contracted sales prices obtained in the current coal year, offset somewhat by lower sales volumes. Sales volumes for the fiscal year to date are lower than the comparable period due mainly to lower sales in the first quarter, which was a result of low coal production volumes.

The average price achieved on U.S. dollar denominated sales during the third quarter was U.S.\$213 per tonne compared to U.S.\$87 per tonne in the third quarter last year reflecting higher contract price settlements. The sales prices achieved during the current quarter ranged from U.S.\$295 per tonne for current coal year sales to U.S.\$90 per tonne for carryover sales from the prior coal year. The average sales price for the first nine months of fiscal 2009 was U.S.\$201 per tonne versus U.S.\$83 per tonne during the same period of last fiscal year.

For the third quarter, the average Canadian price realized on U.S. dollar denominated sales was \$254 per tonne (\$85 per tonne – 2008). During the quarter, the average U.S. to \$CDN exchange rate realized was 1.19 due to a significant weakening of the Canadian dollar compared to the U.S. dollar. For the fiscal year to date, the average Canadian price was \$220 per tonne versus \$87 per tonne in fiscal 2008, reflecting a weaker Canadian dollar in the current year.

Production Costs and Cost of Sales

The clean coal production cost for the third quarter was \$97 per tonne (\$50 per tonne – fiscal 2008). The higher unit cost is a result of the underground mine being more predominantly in a development stage of production, a higher strip ratio in the surface mine, a lower plant yield and higher mining input costs. During the quarter a number of contractual service arrangements were terminated and are being replaced with Grande Cache Coal employees. Additionally, the agreement with the current coal haul contractor was terminated and a new agreement was negotiated and implemented with a new contractor. Although these measures resulted in additional transition costs during the quarter they are expected to reduce operating costs going forward. For the fiscal year to date the clean coal production cost was \$87 per tonne, compared to \$56 per tonne in the same period last year. The reasons for the increase in quarterly costs are also the cause of the higher costs for the fiscal year to date.

Third quarter cost of sales was \$46.3 million, or \$128 per tonne, and consisted of cost of product sold of \$34.7 million (\$96 per tonne) and distribution costs of \$11.6 million (\$32 per tonne). In the comparable period, the cost of sales was \$37.7 million, or \$85 per tonne, and was made up of cost of product sold of \$25.0 million (\$56 per tonne) and distribution costs of \$12.7 million (\$29 per tonne).

The increase in the quarterly unit cost of product sold is attributable to lower sales volumes in addition to a higher surface mine strip ratio, lower productivity in the underground mine, a lower plant yield, and higher mining input costs. The main reason for the increase in distribution costs in the current quarter was an increase in fuel surcharges included in rail.

Fiscal year to date cost of sales was \$115.8 million, or \$121 per tonne, compared to \$105.4 million, or \$86 per tonne in the same period last year. The year to date cost of sales consisted of cost of product sold of \$82.8 million (\$87 per tonne) and distribution costs of \$33.0 million (\$34 per tonne). In the comparable period of fiscal 2008, the cost of product sold was \$71.4 million (\$58 per tonne) and the distribution costs were \$34.0 million (\$28 per tonne).

The increase in the unit cost of product sold is a result of lower sales volumes combined with lower productivity in the underground mine and a lower plant yield. In addition, during the first half of the last fiscal year the surface mine was not operating as the contract miner had completed operations and the Corporation had not yet resumed surface

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mining. The surface mine operated throughout the first nine months of the current fiscal year and has incurred increasing mining input costs, especially for diesel fuel and contract labour.

There were three main reasons for the increase in distribution costs for the fiscal year to date. First, there were a higher proportion of shipments to eastern North America, which carry higher rail rates than shipments to port in western Canada. Second, due to the low production volume in the first quarter, the Corporation incurred demurrage charges for vessels that had arrived at the port but could not be loaded due to a shortage of available coal. Third, there has been an increase in fuel surcharges included in rail costs.

Other Operating Expenses

General and administrative expenses during the third quarter were \$1.5 million and included head office administrative and marketing charges of \$1.3 million and non-cash charges for stock-based compensation of \$0.2 million. In the third quarter of fiscal 2008, general and administrative expenses were \$1.4 million and consisted of head office administrative and marketing charges of \$1.2 million and non-cash charges for stock-based compensation of \$0.2 million. Fiscal year to date general and administrative expenses were \$5.1 million, which included head office administrative and marketing charges of \$4.4 million and non-cash charges for stock-based compensation of \$0.7 million. In the first nine months of fiscal 2008 general and administrative expenses were \$4.6 million including head office administrative and marketing charges of \$3.7 million and non-cash charges for stock-based compensation of \$0.9 million

The Corporation had a foreign exchange gain of \$10.4 million during the third quarter due to a significant weakening of the Canadian dollar against the U.S. dollar. Of the \$10.4 million gain, \$5.8 million was unrealized and \$4.6 million was realized. For the fiscal year to date, the foreign exchange gain was \$11.3 million compared to a foreign exchange loss of \$2.0 million in the first nine months of fiscal 2008.

Depreciation, depletion and accretion charges in the third quarter were \$2.8 million versus \$1.6 million in same period last year. Year to date depreciation, depletion and accretion charges were \$7.3 million compared to \$7.8 million in fiscal 2008. The decrease is mainly due to the change in value of depreciation and depletion included in coal inventory, offset somewhat by the addition of productive capital assets.

Other Income (Expenses)

Third quarter interest and other income was \$0.2 million (\$0.2 million - fiscal 2008). For the first nine months of the fiscal year, interest and other income was \$0.6 million in comparison to \$0.9 million during the same period last fiscal year. Interest and other income consists primarily of interest earned on restricted cash, interest earned on short term investments and access fees charged for the use of roads and bridges belonging to the Corporation.

Interest and other expenses were nil in the third quarter (\$0.3 million – fiscal 2008) and \$0.5 million for the fiscal year to date (\$1.3 million – fiscal 2008). Interest and other expenses consist primarily of interest paid on the revolving and long term debt.

Income Taxes

The Corporation had income tax expenses of \$15.2 million during the third quarter (\$0.3 million – fiscal 2008). Included in income taxes was a current income tax expense of \$9.6 million, which consisted of Canadian and provincial income tax as well as provincial crown royalties. Income taxes also included a future income tax expense of \$5.6 million. For the fiscal year to date, income tax expenses were \$5.9 million compared to \$0.7 million in the first nine months of fiscal 2008.

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Liquidity and Capital Resources

At December 31, 2008, the Corporation had cash and cash equivalents of \$87.7 million and \$20.0 million of availability on the revolving debt facility. The Corporation's cash position increased \$65.6 million during the third quarter and \$83.4 million during the first nine months of fiscal 2009.

Operating activities generated cash of \$77.1 million during the third quarter compared to \$0.4 million in the same period last year. The increase in cash was largely due to the Corporation's net income of \$36.8 million as well as a reduction in the accounts receivable. For the fiscal year to date, cash generated from operating activities was \$97.0 million (\$9.6 million – 2008) and was mainly due to the Corporation's net income of \$87.2 million versus a net loss of \$14.3 million in the first nine months of fiscal 2008.

During the fourth quarter of fiscal 2008, Grande Cache Coal completed a financing agreement with Brookfield Bridge Lending Fund Inc. ("Brookfield"), consisting of a \$17.5 million floating rate senior secured convertible debenture (the "convertible debenture") and a secured revolving credit facility for an amount up to \$20.0 million (the "revolving facility"), subject to a borrowing base calculation. Pursuant to the terms of the convertible debenture, Brookfield converted \$7.65 million of the convertible debenture into 4.2 million common shares of the Corporation during the first quarter of fiscal 2009 and \$9.85 million of the convertible debenture into 5.4 million common shares of the Corporation during the second quarter of fiscal 2009, bringing the balance of the convertible debenture to nil.

Financing activities during the third quarter of the current and previous fiscal years consisted of minimal payments towards a capital lease. For the fiscal year to date, financing activities generated cash of \$15.3 million which consisted of warrant exercises for \$17.4 million, share option exercises for \$2.9 million and a repayment of \$5.0 million on the revolving facility. Financing activities in the first nine months of fiscal 2008 generated cash of \$15.9 million, during which time the Corporation issued share capital for gross proceeds of \$28.0 million. Costs for issuing the share capital were \$2.0 million resulting in net proceeds of \$26.0 million. Additionally, the Corporation made net repayments of \$10.0 million on the revolving facility.

Investing activities resulted in a cash decrease of \$17.3 million during the third quarter and \$35.5 million for the fiscal year to date. Capital expenditures were \$16.9 million during the quarter and \$33.9 million for the fiscal year to date and primarily relate to the addition of mining equipment. The Corporation also had a net increase in restricted cash of \$1.9 million during fiscal 2009. Investing activities, mainly due to capital additions, during the prior year were \$10.9 million in the third quarter and \$24.0 million for the year to date.

The Corporation has a \$20.0 million revolving debt facility which matures on April 1, 2009. The Corporation is in discussions with several financial institutions regarding a replacement for the revolving debt facility. For the remainder of fiscal 2009, the Corporation expects to generate sufficient cash flow internally to fund ongoing working capital requirements and the current commitments for equipment purchases and does not expect to draw any proceeds on the revolving debt facility.

At December 31, 2008, Grande Cache Coal had \$22.1 million in coal inventory, compared to \$20.3 million at the end of the previous quarter. The Corporation expects that coal inventory and coal production will be sufficient to meet customer requirements for the remainder of fiscal 2009.

The Corporation did not have any off-balance sheet financing structures in place at December 31, 2008. The only long term liabilities of the Corporation are asset retirement obligations with a present value of \$6.0 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.

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Recent and Upcoming Changes in Accounting Policies

The CICA Handbook sections 1535 – Capital Disclosures, 3031 – Inventories, 3862 – Financial Instruments - Disclosures and 3863 – Financial Instruments – Presentation, were adopted by the Corporation on April 1, 2008.

Section 1535 requires the disclosure of information regarding objectives, policies and processes for managing capital. Adoption of this accounting standard resulted in additional disclosure in the Corporation's notes to the interim consolidated financial statements.

Section 3031 prescribes new accounting treatment for inventories. The adoption of section 3031 did not have a material impact on the interim consolidated financial statements of the Corporation however it resulted in additional disclosure which is provided in the Corporation's notes to the interim consolidated financial statements.

Section 3862 requires enhanced financial statement disclosure of financial instruments including the significance of financial instruments, the nature and extent of risks arising from financial instruments and how those risks will be managed. Section 3863 establishes enhanced financial statement presentation of financial instruments and their implications on the Corporation's financial position, performance and cash flows. Adoption of these accounting standards did not have a material impact on the interim consolidated financial statements however it resulted in additional disclosure which is provided in the Corporation's notes to the interim consolidated financial statements.

On April 1, 2009, new CICA Handbook section 3064 – Goodwill and Intangible Assets, will be adopted by the Corporation. Section 3064 will replace section 3062 – Goodwill and Other Intangible Assets, and will establish standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets. At the same time section 3064 is adopted, EIC-27 – Revenues and Expenditures during the Pre-operating Period, will be withdrawn. The Corporation is assessing the impact of adopting these accounting standard changes and does not expect that they will have a material impact on the consolidated financial statements.

The Canadian Accounting Standards Board has decided that International Financial Reporting Standards ("IFRS") will be adopted as Canadian generally accepted accounting principles ("GAAP") 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 is establishing a plan for transition and has engaged third party advisors to assist in assessing the differences between IFRS and Canadian GAAP and the impact the transition will have on the consolidated financial statements.

Summary of Quarterly Results

<i>(millions, except per unit amounts)</i>	2009			2008				2007
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Clean coal production (tonnes)	0.35	0.43	0.27	0.37	0.35	0.37	0.33	0.23
Coal sales (tonnes)	0.36	0.34	0.25	0.42	0.44	0.36	0.43	0.18
Average sales price (\$/tonne)	254	223	166	95	85	85	89	78
Average cost of sales (\$/tonne)	128	104	135	86	85	91	81	86
Average cost of production (\$/tonne)	97	70	100	63	50	62	55	68
Revenue	91.9	76.6	41.3	39.9	37.7	30.8	38.2	13.8
Income (loss) from operations	51.7	37.4	4.0	(0.7)	(3.0)	(8.5)	(1.7)	(4.2)
Net income (loss) comprehensive income (loss)	36.8	47.1	3.4	(1.2)	(3.4)	(8.8)	(2.0)	(4.7)
Basic net income (loss) per share	0.38	0.52	0.04	(0.02)	(0.05)	(0.14)	(0.04)	(0.09)
Diluted net income (loss) per share	0.38	0.51	0.04	(0.02)	(0.05)	(0.14)	(0.04)	(0.09)

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Outlook

Metallurgical Coal Markets

Global steel production is declining due to the worldwide economic slowdown, and as a result steel producers are uncertain about the level of demand they will experience in 2009 and beyond. This in turn has affected the demand for metallurgical coal. Grande Cache Coal has received indications from certain customers that shipments originally scheduled for delivery by March 31, 2009 will be deferred into the following fiscal year. The full extent of these delayed shipments is unknown at this time given that many steel companies have yet to provide detailed shipping schedules for the quarter ending March 31, 2009. As a result of these shipping deferrals, coal sales for the fiscal year ending March 31, 2009 are now expected to be in the range of 1.1 to 1.3 million tonnes. The Corporation continues to anticipate that the average sales price for fiscal 2009 will be in the range of U.S.\$210 to U.S.\$220 per tonne, however it is expected that the price will be on the lower end of the range.

Coal volume requirements and contract prices for fiscal 2010 are not known at this time. The Corporation expects that negotiations of coal prices and volumes for the next fiscal year will commence shortly and will be impacted by the current economic conditions. The Corporation is maintaining a focus on expanding and diversifying its customer base.

Operations

Grande Cache Coal intends to continue production at current levels and, if necessary, will adjust its planned production for fiscal 2010 accordingly, once customer negotiations are complete. The Corporation is taking steps necessary to reduce costs and position itself to meet changing customer requirements. This includes curtailment of non-essential expenditures, a reduction of third party contractor costs and a review of planned capital expenditures that support the Corporation's longer term growth plans.

The Corporation projects that the average cost of sales for fiscal 2009 will be in the range of \$120 to \$125 per tonne, up from the previous guidance range of \$108 to \$113 per tonne. The increase is primarily a result of lower sales volumes due to lower steel production brought on by the economic slowdown and higher than expected mining costs during the third quarter.

Capital Expenditures

Grande Cache Coal continues to anticipate capital expenditures will total approximately \$50 million in fiscal 2009. The Corporation is also investigating opportunities to secure financing for a portion of its capital expenditure program for the remainder of fiscal 2009 and into fiscal 2010.

Other Information

The Corporation has not entered into any off-balance sheet arrangements at this time. Looking forward, export trade credit insurance may be used to support accounts receivable.

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As at February 3, 2009, there were 96,069,809 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>
	250,000	250,000	\$1.00	March 21, 2009
	75,000	75,000	\$3.70	July 21, 2009
	12,500	12,500	\$3.70	August 8, 2009
	105,000	105,000	\$11.56	March 15, 2010
	10,000	10,000	\$9.08	June 9, 2010
	25,000	25,000	\$4.50	October 18, 2010
	280,000	280,000	\$2.44	April 11, 2011
	150,000	150,000	\$1.05	October 11, 2011
	50,000	50,000	\$1.05	November 16, 2011
	347,073	347,073	\$0.88	May 23, 2012
	1,358,402	241,730	\$1.04	January 8, 2013
	150,000	-	\$5.02	August 20, 2013
	1,975,000	-	\$1.01	November 12, 2013
	100,000	-	\$0.88	January 10, 2014
Total	<u>4,887,975</u>	<u>1,546,303</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, 2008, is available on the Corporation's SEDAR profile at www.sedar.com.

Grande Cache Coal Corporation
Consolidated Balance Sheets
(thousands of Canadian dollars)

(unaudited)	As at December 31 2008	As at March 31 2008
Assets		
Current assets		
Cash and cash equivalents	\$ 87,671	\$ 4,238
Restricted cash (note 3)	8,440	6,528
Accounts receivable	1,412	20,171
Inventory (note 4)	27,758	10,477
Prepaid expenses	3,110	1,084
Future income tax asset (note 6)	4,666	-
	<u>133,057</u>	<u>42,498</u>
Deposit for future reclamation expenditures	82	82
Capital assets (note 5)	<u>108,755</u>	<u>80,937</u>
	<u>\$ 241,894</u>	<u>\$ 123,517</u>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	\$ 17,856	\$ 13,484
Current income tax payable	8,858	-
Revolving debt (note 7)	-	5,000
	<u>26,714</u>	<u>18,484</u>
Long term debt (note 7)	-	17,382
Asset retirement obligations (note 8)	6,034	4,020
Capital lease obligations	-	52
	<u>32,748</u>	<u>39,938</u>
Shareholders' Equity		
Share capital (note 9)	194,530	154,676
Equity portion of convertible debenture (note 7)	-	118
Contributed surplus	3,074	4,468
Retained earnings (deficit)	11,542	(75,683)
	<u>209,146</u>	<u>83,579</u>
	<u>\$ 241,894</u>	<u>\$ 123,517</u>
Commitments (note 12)		

See accompanying notes to the consolidated financial statements.

Grande Cache Coal Corporation
Consolidated Statements of Net Income (Loss), Comprehensive Income (Loss)
and Retained Earnings (Deficit)

(thousands of Canadian dollars, except per share amounts)

(unaudited)	Three months ended December 31		Nine months ended December 31	
	2008	2007	2008	2007
Revenue	\$ 91,944	\$ 37,679	\$ 209,924	\$ 106,635
Expenses				
Cost of product sold	34,762	25,001	82,753	71,385
Distribution	11,582	12,697	33,033	34,022
General and administrative	1,481	1,399	5,076	4,611
Foreign exchange (gain) loss	(10,421)	(9)	(11,286)	2,003
Depreciation, depletion and accretion	2,802	1,635	7,269	7,816
	<u>40,206</u>	<u>40,723</u>	<u>116,845</u>	<u>119,837</u>
Income (loss) from operations	51,738	(3,044)	93,079	(13,202)
Other income (expenses)				
Interest and other income	243	222	611	930
Interest and other expenses	(19)	(327)	(529)	(1,272)
Income (loss) before taxes	51,962	(3,149)	93,161	(13,544)
Income taxes				
Current income tax expense	(9,610)	(250)	(10,602)	(726)
Future income tax (expense) benefit	(5,545)	-	4,666	-
Net income (loss) and comprehensive income (loss)	36,807	(3,399)	87,225	(14,270)
Deficit, beginning of period	<u>(25,265)</u>	<u>(71,096)</u>	<u>(75,683)</u>	<u>(60,225)</u>
Retained earnings (deficit), end of period	\$ 11,542	\$ (74,495)	\$ 11,542	\$ (74,495)
Net income (loss) per share (note 13)				
Basic	\$ 0.38	\$ (0.05)	\$ 1.00	\$ (0.23)
Diluted	\$ 0.38	\$ (0.05)	\$ 0.96	\$ (0.23)

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		Nine months ended	
	December 31		December 31	
	2008	2007	2008	2007
Cash provided by (used for)				
Operating activities				
Net income (loss) and comprehensive income (loss)	\$ 36,807	\$ (3,399)	\$ 87,225	\$ (14,270)
Items not affecting cash				
Stock-based compensation (note 14)	244	190	659	908
Settlement of asset retirement obligation	-	(19)	(146)	(19)
Unrealized foreign exchange (gain) loss	(5,816)	205	(6,709)	1,302
Future income tax expense (benefit)	5,545	-	(4,666)	-
Depreciation, depletion and accretion	2,802	1,635	7,269	7,816
	<u>39,582</u>	<u>(1,388)</u>	<u>83,632</u>	<u>(4,263)</u>
Net change in non-cash working capital relating to operating activities	<u>37,500</u>	<u>1,770</u>	<u>13,353</u>	<u>13,853</u>
	<u>77,082</u>	<u>382</u>	<u>96,985</u>	<u>9,590</u>
Financing activities				
Repayment on revolving debt (note 7)	-	-	(5,000)	(10,000)
Proceeds on exercise of warrants (note 9)	-	-	17,354	-
Proceeds on exercise of options (note 9)	-	-	2,948	-
Proceeds on issuance of share capital (note 9)	-	-	-	27,956
Share issuance costs (note 9)	-	(2)	(2)	(1,979)
Payment on capital lease obligations	(13)	(15)	(47)	(45)
Net change in non-cash working capital relating to financing activities	-	-	-	2
	<u>(13)</u>	<u>(17)</u>	<u>15,253</u>	<u>15,934</u>
Investing activities				
Additions to mineral properties and development	(2,144)	(946)	(4,192)	(1,177)
Additions to buildings and equipment	(14,752)	(10,242)	(29,723)	(27,387)
Restricted cash (note 3)	-	-	(1,912)	-
Net change in non-cash working capital relating to investing activities	(410)	264	313	4,566
	<u>(17,306)</u>	<u>(10,924)</u>	<u>(35,514)</u>	<u>(23,998)</u>
Effect of foreign exchange on cash and cash equivalents	<u>5,816</u>	<u>(222)</u>	<u>6,709</u>	<u>(1,318)</u>
Increase in cash and cash equivalents	<u>65,579</u>	<u>(10,781)</u>	<u>83,433</u>	<u>208</u>
Cash and cash equivalents, beginning of period	<u>22,092</u>	<u>15,603</u>	<u>4,238</u>	<u>4,614</u>
Cash and cash equivalents, end of period	<u>\$ 87,671</u>	<u>\$ 4,822</u>	<u>\$ 87,671</u>	<u>\$ 4,822</u>

See accompanying notes to the consolidated financial statements.

Grande Cache Coal Corporation
Notes to Consolidated Financial Statements
December 31, 2008
(Unaudited)

(thousands of Canadian dollars, except per share amounts)

1. Basis of Presentation

The interim consolidated financial statements of the Corporation have been prepared in accordance with Canadian generally accepted accounting principles. The interim consolidated financial statements have been prepared using the same accounting policies as the consolidated financial statements for the fiscal year ended March 31, 2008, 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 fiscal year ended March 31, 2008.

2. Recent and Upcoming Changes in Accounting Policies

The CICA Handbook sections 1535 – Capital Disclosures, 3031 – Inventories, 3862 – Financial Instruments - Disclosures and 3863 – Financial Instruments – Presentation, were adopted by the Corporation on April 1, 2008.

Section 1535 requires the disclosure of information regarding objectives, policies and processes for managing capital. Adoption of this accounting standard resulted in additional disclosure which is provided in note 10 to the interim consolidated financial statements.

Section 3031 prescribes new accounting treatment for inventories. The adoption of section 3031 did not have a material impact on the interim consolidated financial statements however it resulted in additional disclosure which is provided in note 4 to the interim consolidated financial statements.

Section 3862 requires enhanced financial statement disclosure of financial instruments including their significance, the nature and extent of risks arising from financial instruments and how those risks will be managed. Section 3863 established enhanced financial statement presentation of financial instruments and their implications on the Corporation's financial position, performance and cash flows. Adoption of these accounting standards did not have a material impact on the interim consolidated financial statements however it resulted in additional disclosure which is provided in note 11 to the interim consolidated financial statements.

On April 1, 2009, new CICA Handbook section 3064 – Goodwill and Intangible Assets, will be adopted by the Corporation. Section 3064 will replace section 3062 – Goodwill and Other Intangible Assets, and will establish standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets. At the same time section 3064 is adopted, EIC-27 – Revenues and Expenditures during the Pre-operating Period, will be withdrawn. The Corporation is assessing the impact of adopting these accounting standard changes and does not expect that they will have a material impact on the consolidated financial statements.

The Canadian Accounting Standards Board has made the decision that International Financial Reporting Standards ("IFRS") will be adopted as Canadian generally accepted accounting principles ("GAAP") 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 is establishing a plan for transition and has engaged third party advisors to assist in assessing the differences between IFRS and Canadian GAAP and the impact the transition will have on the consolidated financial statements.

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 in the first quarter of fiscal 2009. In addition, cash secured letters of credit of \$200 have been made available to service providers. During the first quarter of fiscal 2009, 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.

Grande Cache Coal Corporation
Notes to Consolidated Financial Statements
December 31, 2008
(Unaudited)

(thousands of Canadian dollars, except per share amounts)

4. Inventory

	As at December 31 2008	As at March 31 2008
Coal inventory	\$ 22,068	\$ 5,500
Materials inventory	<u>5,690</u>	<u>4,977</u>
	<u>\$ 27,758</u>	<u>\$ 10,477</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 December 31, 2008, parts and supplies inventories of \$1,799 were expensed to cost of product sold compared to \$1,291 in the same period of fiscal 2008. For the fiscal year to date, parts and supplies inventories of \$5,081 were expensed to cost of product sold compared to \$3,566 in the same period of fiscal 2008.

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

5. Capital Assets

	As at December 31 2008	As at March 31 2008
Mineral properties and development	\$ 19,165	\$ 16,080
Buildings and equipment	89,381	64,639
Capital leases	<u>209</u>	<u>218</u>
	<u>\$ 108,755</u>	<u>\$ 80,937</u>

6. Income Taxes

The Corporation has recognized a future income tax asset of \$4,666. The components of the future income tax asset are as follows:

	As at December 31 2008	As at March 31 2008
Temporary differences related to capital assets	\$ (5,911)	\$ 2,396
Asset retirement obligations	1,509	1,181
Share issuance costs	661	1,178
Non-capital loss carryforward	8,804	17,658
Other	(397)	-
Valuation allowance	<u>-</u>	<u>(22,413)</u>
Future income tax asset	<u>\$ 4,666</u>	<u>\$ -</u>

Grande Cache Coal Corporation
Notes to Consolidated Financial Statements
December 31, 2008
(Unaudited)

(thousands of Canadian dollars, except per share amounts)

7. Revolving and Term Debt

In the prior year the Corporation had a \$25,000 secured credit facility consisting of a \$10,000 term facility and a \$15,000 revolving facility with Brookfield Bridge Lending Fund Inc. ("Brookfield"). The credit facilities were secured by a general security agreement and had a maturity date of April 8, 2008. The credit facilities were being used to finance the Corporation's working capital.

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.

At March 31, 2008, the Corporation determined that \$17,382 of the convertible debenture should be classified as long term debt based on the market interest rate of a similar liability without an associated equity component. The residual value of \$118 was allocated to equity.

Pursuant to the terms of the convertible debenture, Brookfield converted \$7,650 into 4.2 million common shares during the first quarter and \$9,850 into 5.4 million common shares during the second quarter of the current fiscal year, bringing the balance of the convertible debenture to nil.

Net repayments on the revolving facility in the first quarter of fiscal 2009 were \$5,000 bringing the balance to nil at June 30, 2008. The balance on the revolving facility remained nil at December 31, 2008.

	As at December 31 2008	As at March 31 2008
Revolving debt	\$ -	\$ 5,000
Convertible debenture	-	17,500
Less: Equity portion of convertible debenture	-	(118)
Long term debt	-	17,382
	<u>\$ -</u>	<u>\$ 22,382</u>

8. Asset Retirement Obligations

Future asset retirement obligations were calculated based on the Corporation's estimated costs to fulfill its legal asset retirement obligations. The Corporation has estimated the net present value of its asset retirement obligations to be \$6,034 as at December 31, 2008, based on a total future liability of \$10,596. The Corporation's credit adjusted risk free rates range from 5.5% to 7.6% depending on the period when the provision originated and the term of estimated years to reclamation.

Grande Cache Coal Corporation
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(Unaudited)

(thousands of Canadian dollars, except per share amounts)

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

Balance – March 31, 2007	\$	3,783
Increase in liability		-
Settlement of liability		(19)
Accretion expense		256
		<hr/>
Balance – March 31, 2008	\$	4,020
Increase in liability		1,872
Settlement of liability		(146)
Accretion expense		288
		<hr/>
Balance – December 31, 2008	\$	<u>6,034</u>

9. Share Capital

Authorized

Unlimited common shares

Unlimited preferred shares, issuable in series

Issued

<i>(thousands)</i>	Number	Stated Value
Common shares		
Balance – March 31, 2007	50,769	\$ 126,979
Shares issued on private placement	289	277
Shares issued on bought deal equity financing	20,500	26,650
Shares issued on over-allotment option	791	1,029
Shares issued on exercise of warrants	861	1,377
Shares issued on exercise of options	151	343
Share issuance costs	-	(1,979)
		<hr/>
Balance – March 31, 2008	73,361	\$ 154,676
Shares issued on exercise of warrants	10,847	17,354
Shares issued on exercise of options	2,273	5,002
Shares issued on conversion of convertible debenture	9,589	17,500
Share issuance costs	-	(2)
		<hr/>
Balance – December 31, 2008	<u>96,070</u>	<u>\$ 194,530</u>

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 converted \$7,650 of the convertible debenture into 4,192 thousand common shares.

During the second quarter of fiscal 2009, 7,852 thousand warrants were exercised for cash proceeds of \$12,562 and three thousand warrants expired. At September 30, 2008, there were no purchase warrants outstanding. 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. During the second quarter, Brookfield converted \$9,850 of the convertible debenture into 5,397 thousand common shares.

Grande Cache Coal Corporation
Notes to Consolidated Financial Statements
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(Unaudited)

(thousands of Canadian dollars, except per share amounts)

The following transactions occurred during the fiscal year ended March 31, 2008.

On July 9, 2007, Grande Cache Coal completed a private placement of 289 thousand common shares at a price of \$0.96 per share, which was the five day volume weighted average trading price of the common shares of the Corporation calculated as at June 14, 2007. The shares were issued to certain directors and officers of the Corporation.

On August 9, 2007, the Corporation closed a bought deal equity financing. At closing, a total of 20.5 million units (the "Units") of the Corporation were issued at a price of \$1.30 per Unit for gross proceeds of \$26,650. In addition, the Corporation granted to the underwriters an over-allotment option to purchase up to an additional 3.1 million Units at the issue price for a period of 30 days following the closing date. Each Unit consisted of one common share and one-half of one common share purchase warrant of the Corporation, each whole warrant entitled the holder thereof to acquire one common share at a price of \$1.60 per share until August 11, 2008.

On September 7, 2007, the underwriters of the Corporation's bought deal equity financing that closed on August 9, 2007 exercised their over-allotment option, resulting in the issuance of 791 thousand Units at a price of \$1.30 per Unit for gross proceeds of \$1,029

Share issuance costs related to the private placement, bought-deal equity financing and over-allotment option were \$1,979.

During the fourth quarter of fiscal 2008, 861 thousand warrants were exercised for cash proceeds of \$1,377 and 151 thousand common share options were exercised for cash proceeds of \$200. On exercise of these common share options, \$143 was credited to share capital from contributed surplus.

10. 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, shareholders' equity and revolving debt.

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

11. Financial Instruments

Grande Cache Coal's financial instruments include cash and cash equivalents, restricted cash, accounts receivable, accounts payable and accrued liabilities, current income tax payable and revolving debt. 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.

Grande Cache Coal Corporation
Notes to Consolidated Financial Statements
December 31, 2008
(Unaudited)

(thousands of Canadian dollars, except per share amounts)

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
Current income tax payable	Other financial liabilities
Revolving debt	Other financial liabilities

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

Credit Risk

The Corporation is exposed to credit risk in the event that it does not receive payment of accounts receivable. The Corporation typically sells its product to large steel companies with high credit ratings. The maximum credit risk exposure at December 31, 2008 is \$1,412, which is equal to the carrying amount of all accounts receivable. The Corporation does not deem the accounts receivable to be impaired or past due.

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 \$20,000 revolving credit facility which it utilizes for working capital purposes. At December 31, 2008, the balance on the revolving debt facility was nil. At December 31, 2008, the Corporation had undiscounted financial liabilities of \$17,856 for accounts payable and accrued liabilities that are due within three months.

Market Risk

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

Foreign exchange rates

Substantially all of the Corporation's sales are denominated in U.S. dollars. As such, accounts receivable are exposed to changes in the U.S./Canadian dollar exchange rate. The Corporation did not have any U.S. dollar denominated accounts receivable at December 31, 2008.

Interest rates

Interest accrues on the Corporation's revolving debt facility at a rate equal to a Canadian chartered bank's prime lending rate plus 1.75 percent per annum, calculated daily. The Corporation did not have a balance owing on the revolving debt facility at December 31, 2008.

12. Commitments

Grande Cache Coal made a commitment to purchase \$474 in equipment for an upgrade to the information technology infrastructure. At December 31, 2008, \$286 had been paid towards this commitment.

The Corporation entered into an agreement with a property and development company to purchase condominium units for employees at a total cost of approximately \$4,868. At December 31, 2008, \$707 had been paid towards this commitment.

Grande Cache Coal Corporation
Notes to Consolidated Financial Statements
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(Unaudited)

(thousands of Canadian dollars, except per share amounts)

The Corporation entered into various purchase commitments for mining equipment. The total cost of these commitments is approximately \$50,600. At December 31, 2008, payments of \$2,149 had been made towards these commitments.

13. Net Income (Loss) per Share

The following table reconciles the denominators for basic and diluted net income (loss) per share calculations. The treasury stock method is used to determine the dilutive effect of the share options. There was no dilutive effect for the Corporation's outstanding share options and warrants in the prior year as the effect of all exercises would have been anti-dilutive to the loss per share.

<i>(thousands, except per share amounts)</i>	Three months ended December 31		Nine months ended December 31	
	2008	2007	2008	2007
Weighted average shares outstanding – basic	96,070	72,349	87,584	62,018
Dilutive effect of options	750	-	3,400	-
Weighted average shares outstanding – diluted	96,820	72,349	90,984	62,018
Net income (loss)	\$ 36,807	\$ (3,399)	\$ 87,225	\$ (14,270)
Net income (loss) per share - basic	\$ 0.38	\$ (0.05)	\$ 1.00	\$ (0.23)
Net income (loss) per share - diluted	\$ 0.38	\$ (0.05)	\$ 0.96	\$ (0.23)

14. Stock-Based Compensation

The Corporation has a share option plan, pursuant to which the Board of Directors, or a committee thereof, may from time to time grant options to purchase common shares. Total stock-based compensation expense included in general and administrative expenses for the third quarter was \$244, compared to \$190 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 \$659, compared to \$908 in the prior year.

During the first quarter of fiscal 2009, options to purchase 2,020 thousand common shares were exercised at a weighted average price of \$1.29 per share.

On August 20, 2008, pursuant to the Corporation's share option plan, options to purchase 150 thousand common shares were granted to employees and consultants of the Corporation at an exercise price of \$5.02 per share. The options have a five year term and are subject to a three year vesting period.

On September 4, 2008, options to purchase 34 thousand common shares were cancelled.

During the second quarter of fiscal 2009, options to purchase 253 thousand common shares were exercised at a weighted average price of \$1.37 per share.

On November 12, 2008, pursuant to the Corporation's share option plan, options to purchase 1,975 thousand common shares were granted to employees, consultants, officers and directors of the Corporation at an exercise price of \$1.01 per share. The options have a five year term and are subject to a three year vesting period.

During the third quarter, options to purchase 248 thousand common shares were cancelled.

The following transactions occurred during the fiscal year ended March 31, 2008.

Grande Cache Coal Corporation
Notes to Consolidated Financial Statements
December 31, 2008
(Unaudited)

(thousands of Canadian dollars, except per share amounts)

On May 24, 2007, pursuant to the Corporation's share option plan, options to purchase 520 thousand common shares were granted to employees, consultants, officers and directors of the Corporation at an exercise price of \$0.88 per share. The options have a five year term and are subject to an 18 month vesting period.

On June 30, 2007, options to purchase 32 thousand common shares were cancelled. On August 31, 2007, options to purchase 17 thousand common shares were cancelled.

On January 9, 2008, options to purchase 1,950 thousand common shares were granted to employees, consultants, officers and directors of the Corporation pursuant to the Corporation's share option plan at an exercise price of \$1.04 per share. The options have a five year term and will vest on a one third basis on each of March 31, 2008, March 31, 2009 and March 31, 2010.

During the fourth quarter of fiscal 2008, options to purchase 151 thousand common shares were exercised at a weighted average price of \$1.32 per share.

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 126%, risk-free interest rates of 2.3% to 4.5% and an expected term of five years.

Details of the share options outstanding are as follows:

<i>(thousands of shares)</i>	Common Shares	
	Number	Weighted Average Exercise Price
Outstanding – March 31, 2007	2,948	\$ 2.07
Granted	2,470	1.01
Cancelled	(49)	4.13
Exercised	(151)	1.32
Outstanding – March 31, 2008	5,218	1.57
Granted	-	-
Cancelled	-	-
Exercised	(2,020)	1.29
Outstanding – June 30, 2008	3,198	1.75
Granted	150	5.02
Cancelled	(34)	1.04
Exercised	(253)	1.37
Outstanding – September 30, 2008	3,061	1.95
Granted	1,975	1.01
Cancelled	(248)	2.42
Exercised	-	-
Outstanding – December 31, 2008	4,788	\$ 1.54

Of the share options outstanding at December 31, 2008, 338 thousand options expire in 2009, 140 thousand options expire in 2010, 480 thousand options expire in 2011, 347 thousand options expire in 2012, and 3,483 thousand options expire in 2013.

Grande Cache Coal Corporation
Notes to Consolidated Financial Statements
December 31, 2008
(Unaudited)

(thousands of Canadian dollars, except per share amounts)

Details of the share options exercisable at December 31, 2008 are as follows:

<i>(thousands of shares)</i>	Common Shares	
	Number	Weighted Average Exercise Price
	250	\$ 1.00
	87	3.70
	105	11.56
	10	9.08
	25	4.50
	280	2.44
	200	1.05
	347	0.88
	242	1.04
	<u>1,546</u>	<u>\$ 2.23</u>

15. Subsequent Events

Subsequent to December 31, 2008, the Corporation made payments of \$3,036 towards purchase commitments for various pieces of mining equipment.