



GRANDE CACHE COAL CORPORATION

**ANNUAL INFORMATION FORM
for the Fiscal Year Ended March 31, 2010**

June 10, 2010

TABLE OF CONTENTS

FORWARD-LOOKING INFORMATION ADVISORY 2
GENERAL GLOSSARY 3
CONVENTIONS 4
CURRENCY 4
CONVERSION FACTORS 4
GLOSSARY OF TECHNICAL TERMS 5
CORPORATE STRUCTURE 8
GENERAL DEVELOPMENT OF THE BUSINESS 8
DESCRIPTION OF THE BUSINESS 11
GRANDE CACHE COAL PROJECT 16
INDUSTRY CONDITIONS 22
RISK FACTORS 24
DIVIDEND POLICY 30
DESCRIPTION OF SHARE CAPITAL 30
MARKET FOR SECURITIES 31
ESCROWED SECURITIES AND SECURITIES SUBJECT TO CONTRACTUAL RESTRICTION ON TRANSFER 31
DIRECTORS AND EXECUTIVE OFFICERS 31
LEGAL PROCEEDINGS AND REGULATORY ACTIONS 33
INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS 34
TRANSFER AGENT AND REGISTRAR 34
MATERIAL CONTRACTS 34
INTERESTS OF EXPERTS 36
AUDIT COMMITTEE INFORMATION 36
ADDITIONAL INFORMATION 38

SCHEDULE "A" – MANDATE AND TERMS OF REFERENCE OF THE AUDIT COMMITTEE

FORWARD-LOOKING INFORMATION ADVISORY

This Annual Information Form contains forward-looking information relating, but not limited, to Grande Cache Coal Corporation's (the "**Corporation**" or "**Grande Cache Coal**") expectations, intentions, plans and beliefs. Forward-looking information can often be identified by forward-looking words such as "anticipate", "believe", "expect", "goal", "plan", "intend", "estimate", "may", and "will" or similar words suggesting future outcomes, or other expectations, beliefs, plans, objectives, assumptions, intentions or statements about future events or performance. This forward-looking information is given only as of the date of this Annual Information Form. In particular, this Annual Information Form contains forward-looking statements pertaining to the following: operating costs and coal production levels; capital expenditure programs; the recoverable quantity of coal reserves; projections of commodity prices and costs; supply and demand for coal; expectations regarding the Corporation's ability to raise capital and to continually add to reserves through acquisitions, exploration and development; expectations regarding the Corporation's ability to obtain required equipment, personnel, mine licences, mine permits and regulatory approvals required to proceed with mining and coal processing operations; and treatment under governmental regulatory regimes and tax laws.

Shareholders and prospective investors are cautioned not to place undue reliance on forward-looking information. By its nature, forward-looking information involves numerous assumptions, known and unknown risks and uncertainties, of both a general and specific nature, that could cause actual results to differ materially from those suggested by the forward-looking information or contribute to the possibility that predictions, forecasts or projections will prove to be inaccurate. For a further discussion of the assumptions, risks and uncertainties relating to the forward-looking statements contained in this Annual Information Form, please refer to the section "Risk Factors" in this Annual Information Form.

The forward-looking statements contained in this Annual Information Form are based, in part, upon certain assumptions made by the Corporation, including, but not limited to, the following: no material disruption in production; no material variation in anticipated coal sales volumes, coal prices or cost of product sold; no material variation in the forecasted yields, strip ratios, haul distances and productivity for each of the Corporation's mining areas; no material increases in the global supply of hard coking coal other than what is currently projected by management; significant quantities of weaker coking coals will not be substituted for hard coking coal; continued strength in global steel markets; no material disruption in operations at mine sites; an absence of labour disputes in the forecast period; no material increase in the cost of labour; no material variations in markets and pricing of metallurgical coal other than anticipated variations; no material variation in anticipated mining, energy or transportation costs; continued availability of and no material disruption in rail service and port facilities; no material delays in the current timing for completion of ongoing projects; financing will be available on terms favourable to the Corporation; no material variation in the operations of the Corporation's customers which could impact coal purchases; no material variation in historical coal purchasing practises of customers; coal sales contracts will be entered into with new customers; parties execute and deliver contracts currently under negotiation; and no material variations in the current regulatory environment.

The Corporation cautions that the list of risks and assumptions set forth or referred to above is not exhaustive. Some of the risks, uncertainties and other factors which negatively affect the reliability of forward-looking information are discussed in the Corporation's public filings with the Canadian securities regulatory authorities, including its most recent management information circular, management discussion and analysis, quarterly reports, material change reports and news releases. Copies of the Corporation's Canadian public filings are available at www.sedar.com. The Corporation further cautions that information contained on, or accessible through, this website is current only as of the date of such information and may be superseded by subsequent events or filings. Except as required by applicable securities laws, the Corporation undertakes no obligation to update publicly or otherwise revise any information, including any forward-looking information, whether as a result of new information, future events or other such factors that affect this information.

GENERAL GLOSSARY

In this Annual Information Form, unless the context otherwise requires, the following words and phrases shall have the meanings set forth below:

"**ABCA**" means the *Business Corporations Act* (Alberta), together with any amendments thereto and all regulations promulgated thereunder;

"**AEUB**" means the former Alberta Energy and Utilities Board which has been renamed the Alberta Energy Resources Conservation Board;

"**AMEC**" means AMEC Americas Inc.;

"**AMEC 2009 Report**" means the independent technical report of AMEC quantifying the coal reserves and resources of the mineable coal deposits of the Corporation dated effective June 26, 2009 and entitled "2009 NI 43-101 Technical Report Grande Cache Coal Corporation, Grande Cache, Canada";

"**AMEC 2010 Report**" means the independent technical report of AMEC quantifying the coal reserves and resources of the mineable coal deposits of the Corporation dated effective May 26, 2010 and entitled "2010 NI 43-101 Technical Report Grande Cache Coal Corporation, Grande Cache, Alberta, Canada";

"**Common Shares**" means the common shares in the capital of Grande Cache Coal after giving effect to the Share Split and the reorganization of Grande Cache Coal's share capital on March 22, 2004;

"**Corporation**" or "**Grande Cache Coal**" means Grande Cache Coal Corporation;

"**EPEA**" means the *Environmental Protection and Enhancement Act* (Alberta), together with any amendments thereto and all regulations promulgated thereunder;

"**ERCB**" means the Alberta Energy Resources Conservation Board which was formerly the Alberta Energy and Utilities Board;

"**GAAP**" means Canadian generally accepted accounting principles;

"**GSC 88-21**" means the Geological Survey of Canada Paper 88-21 "A Standardized Coal Resource/Reserve Reporting System for Canada", J.D. Hughes, L. Klatzel-Mudry and D. J. Nikols, 1989;

"**McIntyre**" means the former McIntyre Mines Ltd.;

"**NI 43-101**" means National Instrument 43-101 – Standards of Disclosure for Mineral Projects;

"**No. 7 Underground Operations**" means the underground operations of the Corporation covered by Alberta Energy Coal Lease No. 1300090001;

"**No. 8 Pit**" means the surface pit of the Corporation covered by Alberta Energy Coal Lease No. 1300090002;

"**No. 8 Pit East**" means the extension by the Corporation of the No. 8 Pit covered by Alberta Energy Coal Lease No. 1304020416;

"**No. 12 Pit North**" means the development area of the Corporation which has the potential for surface mining operations of low volatile coal covered by Alberta Energy Coal Lease No. 1306020565;

"**No. 12 Pit South A**" means an area containing a surface mineable reserve proposed for mining and an underground mineable resource, each of which is covered by Alberta Energy Coal Lease No. 1304020417;

"**No. 12 Pit South B2**" means the surface pit of the Corporation covered by Alberta Energy Coal Lease No. 1303010775;

"**No. 12 South B2 Underground Operations**" means the proposed underground operations of the Corporation north and northeast of the No. 12 Pit South B2 area covered by Alberta Energy Coal Lease Nos. 1303010775, 1304020417 and 1306020565;

"**No. 16 Pit**" means the proposed surface pit of the Corporation covered by Alberta Energy Coal Lease No. 1304020419;

"**Project**" means the Grande Cache Coal coal project covering the production of metallurgical coal from the development of pits and underground operations on the Corporation's 14 coal leases covering approximately 22,700 hectares in the Smoky River Coalfield;

"**Series 1 Preferred Shares**" means the exchangeable redeemable preferred shares in the capital of Grande Cache Coal after giving effect to the reorganization of Grande Cache Coal's share capital on March 22, 2004, which shares were converted into Common Shares on a 1.2307600339-for-one basis on May 12, 2004;

"**Share Split**" means the split of the class "A" voting common shares of the Corporation on a 25.937208-for-one basis effective March 22, 2004;

"**SRCL**" means the former Smoky River Coal Limited; and

"**TSX**" means the Toronto Stock Exchange.

CONVENTIONS

Certain terms used herein are defined in the "General Glossary" and the "Glossary of Technical Terms". All historical financial information with respect to the Corporation has been presented in Canadian dollars in accordance with GAAP.

CURRENCY

Unless otherwise indicated, references herein to "\$" or "dollars" are to Canadian dollars.

CONVERSION FACTORS

Measurements in this Annual Information Form are generally given in metric units. The following table sets forth standard conversions between metric units of measure and imperial units of measure.

To Convert From	To	Multiply By
Cubic metres	cubic yards	1.308
Metres	feet	3.281
Kilometres	miles	0.621
Hectares	acres	2.471
Kilograms	pounds	2.205
Tonnes	long tons	0.984
KJ/kg	Btu/lb	0.430

GLOSSARY OF TECHNICAL TERMS

The following are definitions of certain of the geological terms and references contained in this Annual Information Form.

"**adit**" means a horizontal opening to access a coal seam;

"**ash**" means ash forming constituents which may be subdivided into two basic classes: those that are structurally a part of the coal and hence inseparably mixed with it and segregated impurities that can be eliminated to a greater or lesser extent by ordinary cleaning methods;

"**ASTM**" is the abbreviation for the American Society for Testing Materials;

"**BCM**" means bank cubic metre, which represents one cubic metre of material measured prior to disturbance;

"**bituminous coal**" means a class of coal having heat values, calculated on an ash-free basis, typically ranging from 24,400 to 32,600 KJ/kg, commonly used for utility and industrial steam purposes and, in the steel-making industry, for making coke or for pulverized coal injection into the blast furnace;

"**coal reserve**" means coal quantities that are anticipated to be mineable based upon the completion of feasibility studies, utilizing existing technology, under prevailing economic conditions and which have no legal impediment to mining;

"**coal washability**" means the analysis of the specific gravity distribution of chemical and physical characteristics of coal;

"**coke**" means a hard, dry carbon substance produced by heating coal to a very high temperature in the absence of air, used primarily in the manufacture of iron and steel;

"**coking coal**" is metallurgical coal that exhibits the physical and chemical properties that are necessary to form coke;

"**continuous miner**" means a mining machine designed to remove coal from the face and to load that coal into cars or conveyors without the use of cutting machines, drills or explosives;

"**depillar**" means the retreat mining of pillars left in place after underground mine development;

"**dip**" means the angle at which a stratum is inclined from the horizontal, measured perpendicular to the strike and in the vertical plane;

"**drill hole**" means a circular hole made by drilling either to explore for minerals or to obtain geological information;

"**fault**" means a fracture in rock along which the adjacent rock surfaces are differentially displaced;

"**float/sink**" means a laboratory procedure which measures the floating and sinking of particles of material of various size fractions in heavy liquids at various specific gravities;

"**froth flotation**" means a process for recovering particles of coal or other minerals, in which the particles adhere to bubbles and can be removed as part of the froth;

"**ISO**" means the International Organization for Standardization, a worldwide federation of national standards bodies;

"**KJ/kg**" means kilojoules per kilogram, a metric unit of measure used to describe the amount of heat released on combustion of a kilogram of combustible material, such as coal, under specific conditions;

"**lease**" means a contract between a resource holder and a lessee, granting the lessee the right to search for and produce coal upon payment of an agreed rental, bonus and/or royalty;

"**metallurgical coal**" means the various grades of coal suitable for making steel and includes coking coal and PCI coal;

"**mineable**" means capable of being mined under current mining technology and environmental and legal restrictions, rules and regulations;

"**overburden**" means materials that overlie a mineral deposit;

"**PCI**" means pulverized coal injection, a process in which coal is pulverized and injected into a blast furnace. Those grades of coal used in the PCI process are generally non-coking. However, since such grades are utilized by the metallurgical industry, they are considered to be a metallurgical coal. PCI grade coal is used primarily as a heat source in the steel making process in partial replacement of high quality coking coals which are typically more expensive;

"**pit**" means an open excavation from which the raw mineral being mined is extracted;

"**portal**" means the surface entrance to an underground mine;

"**processing plant**" means a facility where coal is prepared for market or other usage. It consists of equipment that separates coal from impurities. Coal is washed, thermally or mechanically dried, sized, stored and loaded for shipment or conveyed to use point;

"**raw coal**" means coal from the breaker that has not been processed in a processing plant;

"**reclamation**" means the rehabilitation of land at a mining site after the coal is extracted. Reclamation operations are usually conducted as production operations are taking place elsewhere at the site. This process commonly includes recontouring or reshaping the land to its approximate original appearance, replacing coversoil and planting native grasses, trees and ground covers;

"**resource**" means all in-situ coal tonnes meeting either underground or surface criteria specified in GSC 88-21. Those tonnes can be considered as technically extractable coal independent of economic criteria;

"**room-and-pillar mining**" means a system of mining in which the coal is mined in rooms separated by pillars, which are subsequently mined;

"**royalty**" means a share of the product or profit reserved by the owner for permitting another to use the property;

"**run-of-mine coal**" or "**ROM**" means the coal produced from the mine before it is processed;

"**saleable coal**" means the shippable product of a coal mine or processing plant. Depending on customer specifications, saleable coal may be ROM, crushed-and-screened (sized) coal, or the clean coal from a processing plant;

"**shovel**" means a large electric or diesel powered machine used in the open pit mining process to remove and load overburden or coal;

"**shuttle car**" means self-discharging underground equipment used for receiving coal from the mining machine and transferring it to an underground loading point or belt conveyor system;

"**strike**" means the course or bearing of an inclined bed, vein or fault plane on a level surface; the direction of a horizontal line perpendicular to the direction of the dip;

"**strip ratio**" means the ratio of the volume of overburden moved to the tonnage of coal produced, measured in terms of BCM of overburden per tonne of coal produced. A lower strip ratio is an operational advantage because less overburden has to be removed in order to expose the raw coal;

"**surface mine**" means a mine in which the mineral deposit lies sufficiently near the surface to be extracted by removing the overburden;

"**syncline**" means a series of flat-lying rock strata that has been folded into a trough-like geological structure;

"**tonne**" means a metric tonne, which is approximately 2,205 pounds, as compared to a "short" ton, which is 2,000 pounds, or a "long" ton, which is 2,240 pounds. Unless expressly stated otherwise, the metric tonne is the unit of measure used in this Annual Information Form;

"**underground mine**" means a mine that is located below the earth's surface. Coal is removed mechanically and transferred by shuttle car or conveyor to the surface;

"**volatile matter**" means those products, exclusive of moisture, given off by a material such as gas or vapour, determined by definite prescribed methods, which may vary according to the nature of the material; and

"**yield**" means the ratio of the clean coal product to the raw coal plant feed, expressed as a percentage.

CORPORATE STRUCTURE

Name, Address and Incorporation

The Corporation was incorporated under the name Grande Cache Coal Company Inc. pursuant to the ABCA on July 24, 2000. On November 3, 2000, Grande Cache Coal filed Articles of Amendment to reorganize its share capital. On October 1, 2001, Grande Cache Coal filed Articles of Amendment to reorganize its share capital and revise certain "private company" provisions in its Articles. On January 4, 2002 and April 15, 2002, Grande Cache Coal filed Articles of Amendment to reorganize its share capital. On November 18, 2002, the Corporation filed Articles of Amendment to change its name to Grande Cache Coal Corporation, remove "private company" provisions from its Articles and reorganize its share capital. On March 22, 2004, the Corporation filed Articles of Amendment to effect the Share Split and to reorganize its share capital to consist of an unlimited number of Common Shares without nominal or par value and an unlimited of preferred shares, issuable in series. In addition, the Articles of Amendment authorized the creation of the Series 1 Preferred Shares. See "Share Capital".

Grande Cache Coal's head office is located at Suite 1610, 800 – 5th Avenue S.W., Calgary, Alberta, T2P 3T6, and its registered office is located at Suite 1400, 350 – 7th Avenue S.W., Calgary, Alberta, T2P 3N9.

Intercorporate Relationships

Grande Cache Coal has one inactive wholly-owned subsidiary, Smoky River International Inc., which is incorporated under the ABCA.

GENERAL DEVELOPMENT OF THE BUSINESS

Three Year History

The Corporation was formed in July 2000 to reactivate metallurgical coal mining in the Smoky River Coalfield near Grande Cache, Alberta. Grande Cache Coal purchased the principal production infrastructure of the previous mine operator including mechanical and electrical components for coal processing, the raw and clean coal handling equipment, the rail loadout facilities and all of the geological, engineering and environmental data and records related to prior operations. Annual coal production from surface and underground operations in the Smoky River Coalfield operated by McIntyre and SRCL during the period 1969 to 2000 ranged up to more than three million tonnes and total metallurgical coal exports over this period exceeded 50 million tonnes. Most of the product was a high quality, hard coking coal that was exported to steel companies around the world. The coalfield also supplied fuel requirements to the H.R. Milner Generating Station located adjacent to the coal processing facilities.

The following is a summary of the significant events in the development of Grande Cache Coal's business over the last three completed financial years.

August 9, 2007 – Grande Cache Coal completed the underwritten equity financing of 20,500,000 units of the Corporation at a price of \$1.30 per unit for gross proceeds of \$26.65 million. Each unit consisted of one Common Share and one-half of one common share purchase warrant of the Corporation, each whole common share purchase warrant entitling the holder to acquire one Common Share of the Corporation at a price of \$1.60 per share until August 11, 2008. On September 7, 2007, pursuant to the exercise of the over-allotment option granted to the underwriters of the equity financing, the Corporation issued an additional 791,300 units of the Corporation for gross proceeds of \$1.029 million. The net proceeds of the offering was used by the Corporation to fund its ongoing exploration and development activities, capital projects and for general working capital purposes.

September 2007 – Mining operations at the No. 12 Pit South B2 resumed with Grande Cache Coal employees and equipment. Grande Cache Coal had previously ended its relationship with North American Energy Partners which Grande Cache Coal hired on a contract basis to develop infrastructure for its No. 12 Pit South B2 and its No. 7 Underground Operations and to operate the surface pit through the initial high strip ratio phase of mining.

February 12, 2008 – Grande Cache Coal completed a financing with Brookfield Bridge Lending Fund Inc. ("**Brookfield**"), the Corporation's then existing senior lender. At closing, a \$17.5 million floating rate senior secured convertible debenture (the "**Convertible Debenture**") of the Corporation due April 1, 2011 was issued to Brookfield and a secured revolving credit facility was entered into with Brookfield for an amount up to \$20.0 million (the "**Revolving Facility**"), 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 and associated fees and the balance of the proceeds were used for general corporate purposes. During the fiscal year ended March 31, 2009, the Corporation issued Brookfield 9,589,041 Common Shares at a price of \$1.825 per share in full and final satisfaction of the outstanding indebtedness owed to Brookfield pursuant to the Convertible Debenture. The Revolving Facility expired on April 1, 2009.

April 2008 – Grande Cache Coal filed an application for regulatory approval of the No. 8 Pit, including application to the Energy Resources Conservation Board ("**ERCB**") for an amendment to an existing mine permit held by the Corporation and a mine licence and application to Alberta Environment for various approvals under the *Water Act* (Alberta) and an amendment to an existing *Environmental Protection and Enhancement Act* (Alberta) (the "**EPEA**") approval held by the Corporation.

August 2008 – Grande Cache Coal filed an application for regulatory approval to re-establish surface coal mining operations in a portion of the designated No. 12 Pit South A area where the Corporation holds coal leases, including application to the ERCB for an amendment to an existing mine permit held by the Corporation and a mine licence and application to Alberta Environment for various approvals under the *Water Act* (Alberta) and an amendment to an existing EPEA approval held by the Corporation.

February 2009 – In response to the weak outlook for steel production in 2009 and, in particular, to the expected reduction in the amount of coal the Corporation's customers would require under new contracts at least in the initial months of fiscal 2010, management of the Corporation took steps to preserve the Corporation's balance sheet by reducing its current coal production level and curtailing non-essential expenditures. The Corporation reduced its workforce by approximately 25% at the mine site and arrangements were made with equipment suppliers to defer the delivery dates of new mining equipment with a cost of approximately \$48 million that was being acquired to increase productivity and for the development of the No. 8 Pit. This equipment was ordered in 2008 for delivery early in 2009 and was subsequently deferred to the fall of 2009.

March 2009 – Grande Cache Coal announced that it intends to seek regulatory approval for the No. 12 South B2 Underground Operations, the purpose of which is to provide a successor mine to the Corporation's present No. 7 Underground Operations. The No. 12 South B2 Underground Operations will require an ERCB amendment of a mine permit currently held by the Corporation, an ERCB mine licence, various Alberta Environment approvals under the *Water Act* (Alberta) and an amendment by Alberta Environment of an EPEA approval currently held by the Corporation.

June 2009 – Grande Cache Coal entered into an agreement with a Canadian chartered bank to provide the Corporation with an operating credit facility of up to \$25.0 million and the ability to enter into foreign exchange hedging arrangements.

July 2009 – Grande Cache Coal entered into a series of monthly agreements to hedge US dollar revenues totalling US\$45 million to April 2010 at an average rate of Cdn\$1.157 to the US dollar.

September 2009 – The United Mine Workers of America ("**UMWA**") were certified to represent approximately 400 operations employees at the mine.

December 2009 – Grande Cache Coal received the remaining regulatory approvals necessary to proceed with the development of its new No. 8 Pit. Development of the new pit commenced with initial surface preparation and road construction.

December 2009 – The Board of Directors of the Corporation approved a strategic expansion plan to increase clean coal production levels at the existing mine site to three million tonnes per year prior to March 31, 2013.

May 2010 – Grande Cache Coal renewed its rail transportation agreement with CN for the delivery of coal from the Project to Roberts Bank, British Columbia, which agreement is in effect until April 30, 2012. The UMWA ratified their first collective agreement with the Corporation which is a five year agreement that expires May 2015.

Outlook for Fiscal 2011

Metallurgical Coal Markets

World steel production continues to rebound from the global economic crisis. The World Steel Association is forecasting a 9.2% increase in steel demand for 2010 and a return to the record production levels of 2008. Emerging economies, especially China and India, will be the critical factor driving world steel demand in the near future. China currently accounts for almost 50% of both the supply and demand of steel products and Indian steel manufacturing is forecasted to reach record levels in 2010. This has resulted in strong demand and higher prices for metallurgical coal in fiscal 2011. As a result, the Corporation anticipates sales volumes of 2.0 to 2.2 million tonnes in fiscal 2011, a significant amount of which has already been contracted.

For fiscal 2011, approximately 85% of the annual sales volume will be contracted for sale under quarterly pricing arrangements as opposed to the traditional coal year pricing. This change to shorter term pricing is consistent with other metallurgical coal suppliers and will create quarterly negotiations to establish contract sales price. Contract price settlements for the first quarter of fiscal 2011 are approximately US\$195 per tonne, however, the average selling price of metallurgical coal for the first quarter of fiscal 2011 is expected to be US\$150 to US\$160 per tonne due to the shipment of lower priced carryover tonnage during April.

Current market sentiment suggests that second quarter coal prices will increase over the first quarter fiscal 2011 prices. Sales of metallurgical coal in the spot market continue to exceed first quarter pricing and demand remains strong. The Corporation has committed substantially all production for fiscal 2011 and continues to work with new customers to establish product acceptance for production growth in future years.

Operations

Grande Cache Coal has announced plans to increase annual production to 3.5 million tonnes by the end of fiscal 2013. The Corporation is currently developing the No. 8 Pit surface operations and is progressing the licensing and permitting process for two additional mining areas. The Corporation will continue to focus on productivity improvements and cost control measures throughout the operations while expanding production. An escalation of mining input costs or lower than expected production levels would have a negative impact on the anticipated cost of sales.

Capital Expenditures

Grande Cache Coal anticipates capital expenditures of approximately \$225 million over the three year period ending at the end of fiscal 2013, with approximately \$165 million of this capital being spent in fiscal 2011. The capital spending will include:

- new surface mine equipment for the No. 8 Pit at a cost of approximately \$46 million, including a P&H 2800 electric shovel, a P&H 320 electric drill, a P&H 250 XP diesel hydraulic drill and a fleet of six Komatsu 830E haul trucks; and
- development and infrastructure costs of approximately \$63 million, including approximately \$27 million for road construction, pre-stripping and development of the No. 8 Pit as well as approximately \$36 million for the initial cost of a new maintenance facility and a coal conveyor system.

Foreign Exchange

The recent strengthening of the Canadian dollar against the US dollar is expected to have a negative impact on Grande Cache Coal's fiscal 2011 financial results. Substantially all of the Corporation's coal sales occur in US dollars. Sustained or additional strengthening of the Canadian dollar against the US dollar, without hedges, would continue to have a negative impact on Grande Cache Coal's financial results. The Corporation has entered into foreign exchange forward contracts to mitigate the effect of a changing US dollar. As at June 10, 2010 the Corporation had contracts to sell US\$8 million per month through to March 31, 2011 at exchange rates of 1.049 to 1.065.

DESCRIPTION OF THE BUSINESS

General

Grande Cache Coal is an Alberta-based coal mining company whose experienced team of coal professionals is operating a mine that produces metallurgical coal for the steel industry from its coal leases covering approximately 22,000 hectares in the Smoky River Coalfield located in west central Alberta (see Figure 1). The coal project ("**Project**") includes the production of metallurgical coal from the development of the following pits and underground operations:

- No. 12 Pit South B2, a surface pit which commenced production in August 2004. This mine is expected to produce approximately 0.19 million tonnes of ROM coal (0.13 million tonnes of saleable coal) during the remaining life of the mine.
- No. 7 Underground Operations, an underground operation which commenced production in November 2004. This operation is expected to produce approximately 1.85 million tonnes of ROM coal (1.36 million tonnes of saleable coal) during the remaining life of the mine.
- No. 8 Pit, a surface pit which will commence production in June 2010. This pit is expected to produce approximately 20.20 million tonnes of ROM coal (15.37 million tonnes of saleable coal) during the life of the mine.
- No. 12 Pit South A, the southeast surface strike extension of the No. 12 Pit South B2 expected to produce approximately 13.15 million tonnes of ROM coal (10.21 million tonnes of saleable coal) during the life of the mine.
- No. 12 South B2 Underground Operations, an underground operation expected to produce approximately 8.60 million tonnes of ROM coal (6.78 million tonnes of saleable coal) during the life of the mine.
- No. 16 Pit, a surface pit expected to produce approximately 29.31 million tonnes of ROM coal (21.34 million tonnes of saleable coal) during the life of the mine.

The Corporation owns eight coal leases covering the foregoing mining areas and owns six additional coal leases which have exploration and development potential. The Corporation plans to conduct extensive exploration and evaluation of the coal potential of the coal leases which it holds in the Smoky River Coalfield with a view to identifying additional development and production options. The coal leases owned by Grande Cache Coal and the principal designated pits and operations of Grande Cache Coal are shown on Figure 2.

The Corporation's objectives include:

- becoming an increasingly significant coal producer;
- to operate in a safe manner and in compliance with environmental, safety and health legislation;
- to allocate the Corporation's resources prudently and efficiently for the development of its coal properties, to achieve maximum value for the Company and its shareholders; and
- to demonstrate to regulators, stakeholders, First Nations, local communities and the Alberta community at large that the Corporation will conduct its operations in an environmentally and socially responsible manner.

Grande Cache Coal is closely monitoring other opportunities for coal development both in western Canada and other geographic areas. While the primary focus of Grande Cache Coal will remain the development of a sustainable, long-term mining project based on the coal resources the Corporation has in the Grande Cache area, management believes there are other attractive opportunities that warrant consideration. These potential opportunities will continue to be monitored by management to assess the growth potential for Grande Cache Coal. Where appropriate, Grande Cache Coal is also committed to studying mining ventures involving other industrial minerals to take advantage of any strategic opportunities for growth that may arise.

Figure 1: Location of Grande Cache Coal Corp.

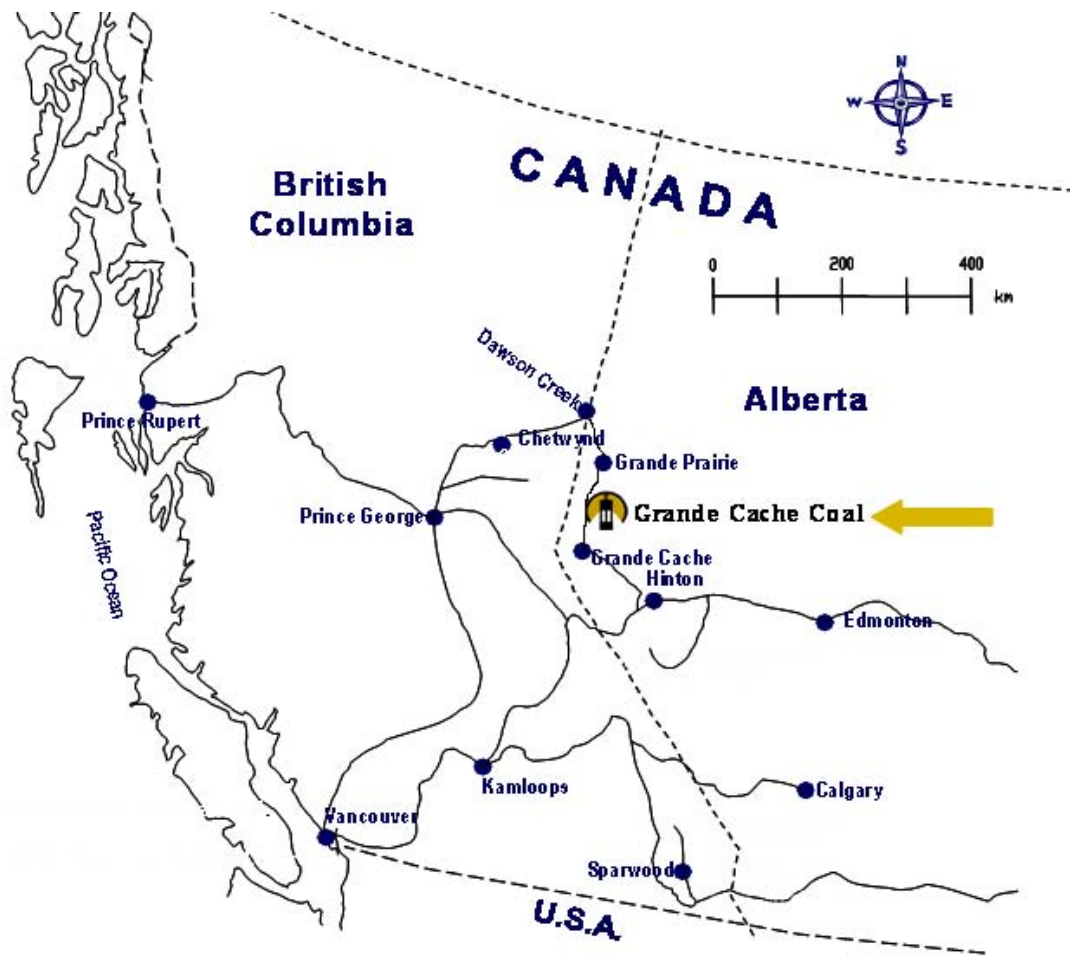
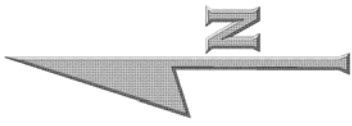
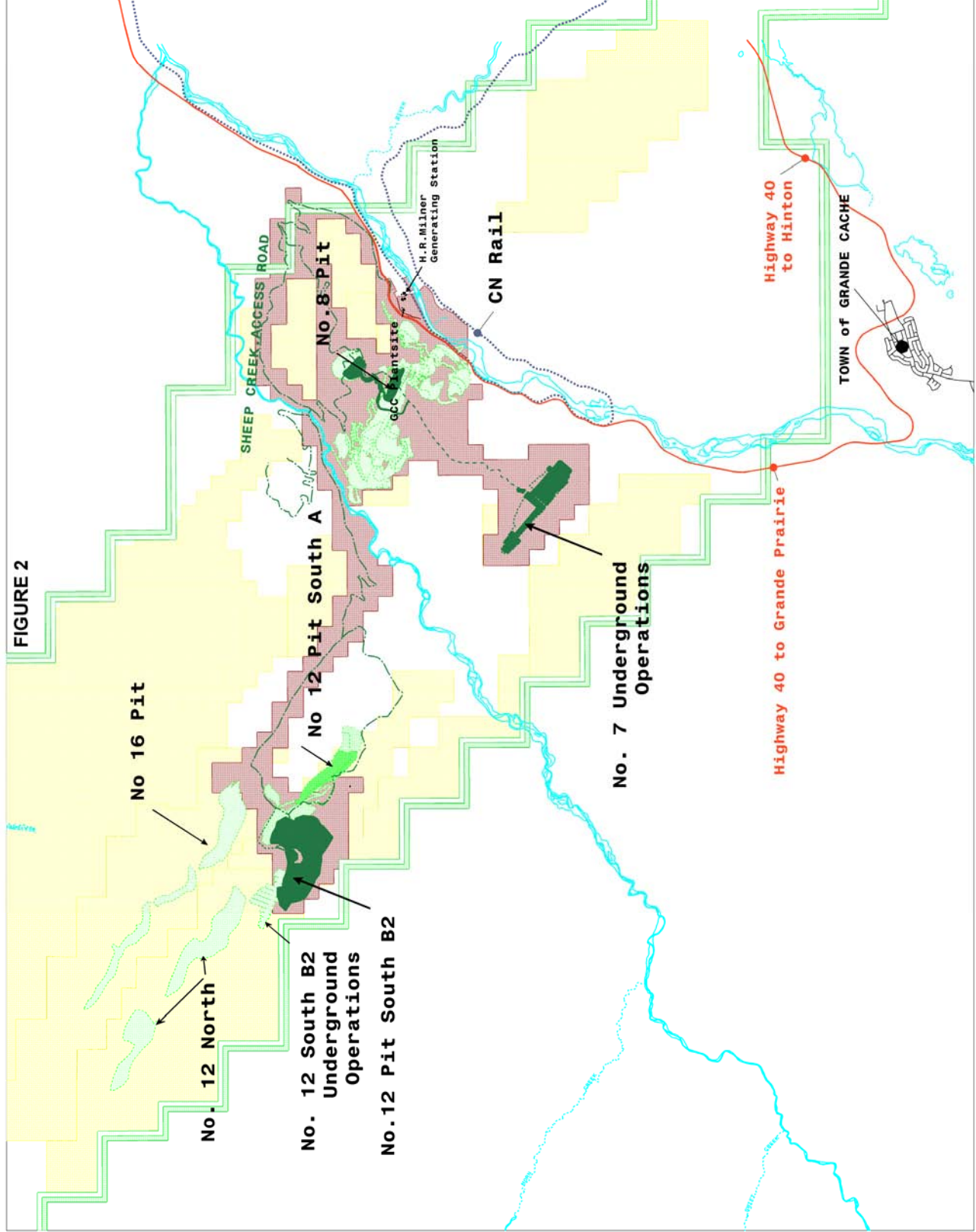


FIGURE 2



- Permit 2003-1B
- GCC Coal Leases
- Future Mining Area
- Active Mining Area
- Haul Road Network
- Highway 40
- CN Railway
- Stream, River
- Coal Policy: Category 4 Boundary



Grande Cache Coal Corporation

Grande Cache Coal Corporation

Current Mining Areas
Coal Leases and Permit Area
Future Mining Areas



May.31.10 session:leas10AI Author: BRK

Grande Cache Coal Corporation

Principal Product and Markets

The Corporation's principal product is hard coking coal. Hard coking coal is a type of metallurgical coal, which is a term used to describe coal products suitable for making steel in the integrated steel mill process. When making steel, two of the key raw ingredients are iron ore and coke. Coke is used to convert the iron ore into molten iron. Coke is made by heating coking coal to about 2,000°F (1,100°C) in the absence of oxygen in a coke oven. The lack of oxygen prevents the coal from burning. The coking process drives off various liquids, gases and volatile matter. The remaining solid matter forms coke, a solid mass of nearly pure carbon. Approximately 1.5 tonnes of metallurgical coal are needed to produce one tonne of coke. Only certain types of metallurgical coal have the necessary characteristics required to make coke. These characteristics include caking properties (the ability to melt, swell and re-solidify when heated) and low impurity levels (e.g. moisture, ash, sulphur, etc.).

There are three main categories of metallurgical coal: (i) hard coking coal that forms high-strength coke; (ii) semi-soft coking coal that produces coke of lesser quality; and (iii) PCI coal. PCI coal is generally not considered to be a coking coal, rather it is used primarily for its heat value and is injected into a blast furnace to replace expensive coke. Semi-soft and PCI coals normally have lower sales values compared to hard coking coal due to the relative availability of these products. Integrated steel mills will optimize the use of semi-soft and PCI coals in order to reduce overall costs. However, there are technical limits to the ability of integrated steel mills to substitute semi-soft and PCI coals for hard coking coal in their coking coal blend. During periods of high steel demand, high productivity and high PCI-rate furnaces require higher coke quality, for which more high quality hard coking coal is required.

The principal market for Grande Cache Coal's hard coking coal is the seaborne hard coking coal market. The seaborne hard coking coal market is defined by the global nature of international steel-making, the relative concentration of quality metallurgical coal deposits in Australia, the United States and Canada and the relative low cost of seaborne transportation. Australia remains the largest exporter while the United States and Canada follow at a distant second and third.

Trade in the seaborne hard coking coal market is influenced by crude steel production that, in turn, is largely dependent on the overall state of regional and global economic conditions. The global trade of steel products is very large and fluctuations in supply and demand in various regions throughout the world are common. Although there are fluctuations in the total amount of steel produced worldwide, the amount of steel produced by the integrated steel mill process has been steadily increasing. In turn, the volume of hard coking coal used in this process has not experienced the same variability as total steel production; however, recent price stratification has, in the short term, resulted in increased volume volatility of hard coking coal used in the process. Canadian hard coking coal is competitive in the seaborne market due to its high quality, its suitability for blending with coking coals from other countries and the desire of steel producers to diversify their supplier base in order to create competition and security of supply.

Competitive Conditions

The Corporation currently competes primarily with coal producers from Australia, the United States and Canada, in the seaborne hard coking coal market. The supply of coal in the global markets and the demand for coal among the world's steel producers has historically provided for a competitive seaborne market.

The financial performance of the Corporation is strongly influenced by the price of hard coking coal which is set in a highly competitive marketplace and impacted by numerous factors outside the control of the Corporation. These include the demand for steel, developments in mining technology, infrastructure and transportation capacity constraints, fluctuations in currency, interest rates, political stability and overall economic growth.

Steel producers generally will contract with multiple coal suppliers in order to ensure security of supply. The competitiveness of the Corporation is influenced by the production and transportation costs relative to other producers. Such costs are largely influenced by the location and nature of coal deposits, mining and processing costs, transportation and port costs, currency exchange rates, operating and management skills, and differing taxation systems between countries.

Competitive position is also dependent upon the stability of supply to customers and coal quality. The Corporation's hard coking coal products are comparable in quality with those of its competitors and perform well when blended by customers with other coals. The varying chemical and physical properties of its coal products, their relative supply and demand balance in the market,

and any differences in ocean freight costs into various markets can result in differentiation in pricing for Grande Cache Coal's hard coking coal products.

Cyclical Nature of Seaborne Hard Coking Coal Markets

The seaborne hard coking coal markets are cyclical in nature. The market for hard coking coal was characterized by a large number of producers, excess capacity and low prices for almost two decades prior to 2003. Over time, slow but steady growth in the demand for seaborne hard coking coal absorbed much of the production capacity and with few new mines coming into production and some closing, supply began to tighten in 2003.

Continued growth in global steel production, driven largely by the high production rates of integrated steel mills in Europe and Japan combined with increasing import demands of Chinese steel mills strengthened demand for hard coking coal in 2004. Increased demand combined with production and delivery issues from traditional suppliers of hard coking coal led to historically high price levels.

Increasing coal inventories, a slow down in steel production and an increase in coal supply around the world resulted in hard coking coal prices declining from historically high levels in 2006.

In 2007, rising steel demand and prices created an increasing demand for coking coal. Infrastructure constraints restricting coal exporting capacity and flooding late in the year in Queensland, Australia impacted supply for metallurgical coal and as a result, coal prices increased threefold. Premium coal contracts exceeded \$300 per tonne for the 2008 coal year, exceeding the previous top price of \$125 per tonne for contract hard coking in 2005.

By the second half of 2008, global steel production declined due to the worldwide economic slowdown and as a result steel producers were reducing their consumption of metallurgical coal. Many customers did not meet contracted volumes of coal and shipments were deferred into the following coal year.

Prices for the 2009 coal year declined significantly due to the decline in steel production that resulted from the economic decline that started in late 2008.

Grande Cache Coal's has contracted approximately 85% of sales volume for the fiscal year ending March 31, 2011 under quarterly pricing arrangements similar to other metallurgical coal suppliers. Contract price settlements for the first quarter of fiscal 2011 (quarter ending June 30, 2010) are approximately US\$195 per tonne, while the average selling price of metallurgical coal for the first quarter of fiscal 2011 is expected to be US\$150 to US\$160 per tonne due to the shipment of carryover tonnage in April 2010.

Current market sentiment suggests that second quarter coal prices will increase over the first quarter fiscal 2011 prices. Sales of metallurgical coal in the spot market continue to exceed first quarter pricing and demand remains strong. The Corporation has committed substantially all production for fiscal 2011 and continues to work with new customers to establish product acceptance for production growth in future years.

It is expected that ongoing economic expansion in China and India will require these nations to continue to import significant amounts of seaborne hard coking coal. Historically, most of China's hard coking coal needs have been met internally and by overland imports from Mongolia. However in coal year 2009, China imported 34 million tonnes of metallurgical coal, up from seven million tonnes in 2008. India's large population and industrial growth, and lack of hard coking coal resources, may turn the country into a more significant importer of seaborne hard coking coal. On the supply side, while there were few and relatively minor disruptions of coal supply until late in 2006 and 2007, production or shipment interruptions are a normal part of the business and should be anticipated. Potential for new sources of hard coking coal to come on line from competitors in Australia and Canada exist. While the projects are not large individually, they have the potential to add a significant amount of supply on a cumulative basis. Infrastructure constraints in Australia are being mitigated and additional capacity is being added to port and rail facilities.

These cyclical market conditions, taken together with normal variations in sales and operations, result in a high level of uncertainty in Grande Cache Coal's year over year sales volumes and such variations should be anticipated.

Economic Dependence

The majority of coal that is produced by Grande Cache Coal is exported outside of North America. Grande Cache Coal's mines are located more than 1,000 kilometres from seaports and are all serviced by a single rail system. Accordingly, mining operations are highly dependent on both rail and port services. As a result, a significant portion of total transportation and other costs are attributable to rail and port costs, which includes detention, on trains waiting at the terminal and demurrage charges for vessel waiting times. All of the metallurgical coal production from Grande Cache Coal is transported to port facilities by CN and loaded on to vessels in either Vancouver at Westshore Terminals Ltd. ("**Westshore Terminals**") or Thunder Bay at Thunder Bay Terminals Ltd. ("**Thunder Bay Terminals**"). Contractual disputes, rail and port capacity issues, prolonged labour stoppages, availability of vessels, weather problems or other factors that prevent CN, Westshore Terminals or Thunder Bay Terminals from providing their services could seriously impact Grande Cache Coal's financial condition. In addition, significant cost escalation for these services will serve to reduce profitability, possibly increasing the full cost of production above realized coal prices. To the extent such increases are sustained, Grande Cache Coal could experience losses and may decide to discontinue production, forcing Grande Cache Coal to incur closure and/or care and maintenance costs, as the case may be. Further, the vagaries of the shipping industry could affect the Corporation's revenues as a result of delays of ocean vessels and could significantly affect the Corporation's costs and relative competitiveness against the supply of coal from other markets.

The growth in global mining activities has created a demand for mining equipment and related supplies that was, until recently, in excess of supply. Future operations could be adversely affected if the Corporation or its contractors encounter difficulties obtaining equipment, tires and other supplies on a timely basis. If the Corporation was unable to secure the necessary mining equipment on a timely basis, expansion activities, construction projects currently underway, production and productivity, and costs could be materially affected.

Employees

As at March 31, 2010, the Corporation had 518 full-time employees, 18 of which were located at the Corporation's head office in Calgary. During fiscal 2010 the operations and maintenance employees at the mine site voted in favour of union representation by the United Mine Workers of America. In May 2010, the UMWA ratified their first collective agreement with the Corporation which is a five year contract that expires in May 2015.

Social and Environmental Policies

The Corporation is committed to the protection of and preservation of the environment and to compliance with all relevant industry standards, environmental legislation and regulations. Grande Cache Coal will apply cost-effective best management practices to advance environmental protection and to minimize environmental risks. Environmental objectives will involve the participation of all those involved in the Corporation's exploration and development activities and their contribution will be instrumental in achieving good environmental stewardship.

GRANDE CACHE COAL PROJECT

Independent Technical Report

The Corporation engaged AMEC to prepare the AMEC 2010 Report which provides an independent evaluation of the coal resources and reserves at the Project in compliance with National Instrument 43-101 – Standards of Disclosure for Mineral Projects ("NI 43-101"). Carel H. van Eendenburg, P. Eng., Senior Mine Engineer, Timothy O. Kuhl, R. Geo., Principal Geologist and James Yue, P.Eng., Senior Process Engineer, all employees of AMEC, were the "Qualified Persons" under NI 43-101 responsible for preparing the AMEC 2010 Report.

More detailed information on the Project including property description and location, surface and mineral tenure, accessibility, climate, infrastructure and topography, history, geological setting, deposit type, mineralization, exploration, drilling, sampling method and approach, sample preparation, analysis and security, data verification, mineral process and metallurgical testing and mineral resource and reserve estimates can be found in the AMEC 2010 Report available under the Corporation's profile on the SEDAR website at www.sedar.com.

Property Description and Location

The Corporation's underground operations, pits and process facilities are located within the Corporation's coal mining lease blocks which are located approximately 20 kilometres north of the town of Grande Cache, in the Municipal District of Greenview in west central Alberta, Canada. See Figures 1 and 2.

Surface and Mineral Tenure

In Alberta, coal tenure is held through mineral leases granted by the province. Surface and underground mining rights are also granted by the province first through a mine permit, followed by a mine licence. Grande Cache Coal holds the following leases which comprise the principal mineral properties forming the Project:

Mine Area	Lease Number	Area (hectares)	Date Recorded
No. 7 Underground Operations	1300090001	608	September 6, 2000
No. 8 Pit	1300090002	496	September 6, 2000
No. 8 Pit East	1304020416	1,744	February 2, 2004
	1306020563	64	February 17, 2006
No. 12 Pit North	1306020565	2,736	February 17, 2006
No. 12 Pit South B2	1303010775	224	January 31, 2003
No. 12 South B2 Underground Operations	1303010775	224	January 31, 2003
	1304020417	912	February 2, 2004
	1306020565	2,736	February 17, 2006
No. 12 Pit South A	1304020417	912	February 2, 2004
No. 16 Pit	1304020419	2,756	February 2, 2004

In addition, Grande Cache Coal owns six additional coal leases which have exploration and development potential and cover approximately 13,344 hectares in the Smoky River Coalfield.

Coal leases are granted by the Provincial Government of Alberta for a period of 15 years and are renewable. Leases are granted with the following conditions: payment of a royalty; compliance with laws; indemnification of lessor; lost coal provision and agreement not to mine, without consent, under any bridge, railway, pipeline, public road or highway. Special provisions of the Corporation's leases include: cannot transfer lease without consent; compliance with a plan for mining coal from the lease; compliance with milestones and renewal is predicated on attaining milestones.

The Corporation operates under the Alberta Energy and Utilities Board (the "**AEUB**") (now the ERCB) Permit C2003-1 issued in January 2003 and amended Permit C2003-1B issued in December 2009. This permit, which encompasses approximately 4,610 hectares, covers the area over the mineral leases that are utilized for the mining activities and the supporting infrastructure. The Corporation holds a number of surface rights dispositions issued by Alberta Sustainable Resource Development. These dispositions allow surface access to Crown lands covering the Corporation's areas of operations, notably mineral surface leases for mining areas, miscellaneous leases for the processing plant and ancillary facilities, and licences of occupation for haul roads.

Access and Infrastructure

Provincial Highway 40 is a paved, two-laned road that connects the Project area with the town of Grande Cache and with the communities of Grande Prairie to the north and Hinton to the southeast. The Project area is served by a branch line of Canadian National Railway Company ("**CN**"), which connects with the main east-west line of the CN, allowing access to the three major coal export terminals in British Columbia and to the Great Lakes.

Existing infrastructure at the Project consists of coal processing, coal loading, rail waste storage and office facilities. Adjacent to the Corporation's facilities is the coal fired H.R. Milner Generating Station owned by Milner Power Inc. (a subsidiary of Maxim Power Corp.). Electrical power is obtained from the provincial electrical power grid through a substation located next to the H.R. Milner Generating Station. Natural gas for thermal dryer operations at the coal processing plant and space heating at the mine offices and administration building is provided by a natural gas pipeline operated by ATCO Gas. Water for processing plant

requirements is obtained from the Smoky River via a water intake and pump station operated by the H.R. Milner Generating Station.

Regional Structure and Stratigraphy

The Gates Formation is the formation within the Smoky River Coalfield that contains the coal seams of economic interest. The Gates Formation consists of 350 metres of sandstone, shale and coal and is subdivided into three members:

- The Torrens Member is the lowermost member of the Gates Formation and is a marine sandstone and siltstone sequence approximately 30 metres in thickness.
- The Grande Cache Member, composed of interbedded sandstone, siltstone, coal and mudstone, is up to 150 metres in thickness. Eight coal seams (Seam 3 through Seam 8 and, Seam 10 and Seam 11) are present.
- The Mountain Park Member is the uppermost member of the Gates Formation, and consists of 150 to 180 metres of non-marine fine sandstone and siltstone with minor coal.

Deposit Geology

The coal seams in the Smoky River Coalfield are numbered bottom up, with Seam 3 as the lowest coal of interest and Seam 11 being the highest.

In the No. 7 Underground Operations area, Seam 4 dominates at 4.3 metres average thickness although all seams are present but most are thin and of no economic interest in this area. The seams are found in the broad, relatively flat lying trough of a syncline.

In the No. 8 Pit area, the coal sequence includes Seams 3 through 8, 10 and 11. Seam 4 is the major seam, averaging over 5.8 metres in thickness and having the largest areal extent. Seams 10 and 11 are above Seam 4 in the stratigraphic sequence and are considered rider seams. They are approximately 3 metres in thickness each.

In the No. 12 Pit area, Seam 4 is the thickest seam with an average thickness of 6.8 metres. Seams 5 and 6 lie above Seam 4 and both range in thickness between 0.7 and 1.9 metres. Next up, is the Seam 7/Seam 8 zone. The interval consists of 0.6 metres of Seam 8 and 3.3 metres of Seam 7 separated by 0.6 metres of carbonaceous mudstone.

In the No. 16 Pit area, the coal seams that are of economic interest are Seams 4, 5, 6, 7 and 8. Seam 4 thickness ranges between 4.6 and 7.2 metres. Seam 5 maintains a consistent stratigraphic thickness of 1.5 to 1.9 metres. The average thickness of Seam 6 is more variable than Seam 5, ranging between 1.0 and 2.0 metres. Seam 7 is between 1.8 and 3.3 metres thick and Seam 8 averages 1.7 metres in thickness.

Exploration and Drilling

Since exploration drilling commenced in the Smoky River Coalfield in the late 1950s, a substantial exploration database has been created. This includes more than 3,300 drill holes of which approximately 1,850 are within the proposed mining areas.

In addition to the drill holes, a total of 79 adits have been driven across the Smoky River Coalfield to provide bulk samples for coal washability test work. Of these, 22 adits are located within areas proposed to be mined by the Corporation. The bulk samples provide data for estimating coal processing yield and product quality by seam across the property.

Most exploration drill holes, except those prior to 1970, have been geophysically logged with gamma, density, resistivity and hole deviation tools. Holes drilled since 1990 were also logged with dipmetre tools where hole conditions permitted. In addition, since 1990 selected holes have been logged with a sonic tool to assist in rock strength estimation. Cores of the coal seams and immediate roof sections were recovered from approximately 10% of the pre-2004 drill holes.

The Corporation has completed 142 drill holes since mid-2007 for a total of 23,220 metres drilled. The drilling was completed in the areas of No. 8 Pit, No. 12 South B2 Underground Operations and No. 16 Pit. AMEC has concluded that the Corporation used industry standard procedures collecting the drill data.

Coal Resources

The following table summarizes Grande Cache Coal's measured and indicated in-place coal resources as of March 31, 2010 as reported in the AMEC 2010 Report.

Summary of In-place Measured and Indicated Coal Resources ⁽¹⁾⁽²⁾

	Measured (Mt)	Indicated (Mt)	Total (Mt)
No. 7 Underground Operations	3.3	-	3.3
No. 8 Pit	28.4	4.4	32.8
No. 12 Pit South B2	5.8	1.8	7.6
No. 12 South B2 Underground Operations	10.6	-	10.6
No. 12 Pit South A ⁽²⁾	30.4	7.6	38.0
No. 12 Pit North ⁽³⁾	34.2	13.8	48.0
No. 16 Pit	33.6	24.7	58.3

Notes:

- (1) Quality of all resources classified as Low-Volatile Bituminous (ASTM).
- (2) Underground resource estimated by AMEC in 2007. Minimum depth of cover approximately 50 metres. Maximum underground extraction angle 15°; remaining resource surface mine with less than 50 metres of cover.
- (3) Resource estimate by AMEC in 2007.

The following table summarizes Grande Cache Coal's inferred in-place coal resources as of March 31, 2010 as reported in the AMEC 2010 Report.

Summary of In-place Inferred Coal Resources ⁽¹⁾

	Inferred (Mt)
No. 8 Pit	0.9
No. 12 Pit South B2	0.2
No. 12 South B2 Underground Operations	3.2
No. 12 Pit South A	1.7
No. 12 Pit North ⁽²⁾	6.6
No. 16 Pit	26.8

Notes:

- (1) Quality of all resources classified as Low-Volatile Bituminous (ASTM).
- (2) No. 12 Pit North inferred resources estimated by AMEC in 2006/2007.

Coal Reserves

The following table summarizes Grande Cache Coal's proven and probable run-of-mine coal reserves as of April 1, 2010 as reported in the AMEC 2010 Report.

Summary of Proven and Probable Run-of-Mine Coal Reserves ⁽¹⁾

	Proven (Mt)	Probable (Mt)	Total ⁽²⁾ (Mt)
No. 7 Underground Operations ⁽³⁾	1.85	-	1.85
No. 8 Pit ⁽⁴⁾	17.49	2.71	20.20
No. 12 Pit South B2 ⁽⁵⁾	0.08	0.11	0.19
No. 12 South B2 Underground Operations ⁽⁶⁾	8.60	-	8.60
No. 12 Pit South A ⁽⁴⁾⁽⁷⁾	10.52	2.63	13.15
No. 16 Pit ⁽⁴⁾	16.89	12.42	29.31

Notes:

- (1) Quality of all reserves classified as Low-Volatile Bituminous (ASTM).
- (2) Average ROM quality for reserves is reported in Section 16 of the AMEC 2010 Report under the respective mining areas.
- (3) Value as reported by the Corporation's mine operations staff. Equivalent to reserve estimate from the AMEC 2009 Report, less depletion of approximately 657,000 tonnes, plus an operational adjustment of approximately 120,000 tonnes due to design changes.
- (4) Proven and Probable categories have been broken out on pro-rated basis based on resource categorization.
- (5) Value as reported by the Corporation's mine operations staff. Equivalent to reserve estimate from the AMEC 2009 Report, less depletion of approximately 1,250,000 tonnes, less an operational adjustment of approximately 140,000 tonnes due to design changes and lower coal recovery; the pushback area previously reported (approximately 350,000 tonnes) is currently not planned to be mined and can no longer be classified as coal reserve.
- (6) The Corporation has made an adjustment of approximately 360,000 tonnes to the 2009 estimate by excluding an area of geological complexity.
- (7) Planned surface pits only.

The following table summarizes Grande Cache Coal's proven and probable saleable coal reserves as of March 31, 2010 as reported in the AMEC 2010 Report.

Summary of Proven and Probable Saleable Coal Reserves (Clean Coal) ⁽¹⁾

	Proven (Mt)	Probable (Mt)	Total ⁽²⁾ (Mt)
No. 7 Pit ⁽³⁾	1.36	-	1.36
No. 8 Pit ⁽⁴⁾	13.31	2.07	15.37
No. 12 Pit South B2 ⁽³⁾	0.05	0.08	0.13
No. 12 South B2 Underground Operations	6.78	-	6.78
No. 12 Pit South A ⁽⁴⁾⁽⁵⁾	8.17	2.04	10.21
No. 16 Pit ⁽⁴⁾	12.29	9.05	21.34

Notes:

- (1) Quality of all reserves classified as Low-Volatile Bituminous (ASTM).
- (2) Total coal will be marketed as hard coking coal and 500,000 clean tonnes annually as PCI coal.
- (3) ROM coal from Table 17-10 in the AMEC 2010 Report multiplied by plant yield used in the Corporation's five year plan.
- (4) Proven and Probable categories have been broken out on pro-rated basis based on resource categorization.
- (5) Planned surface pits only.

Mining Operations

Surface Pit Operations

Surface mining activities in the No. 12 Pit South B2 and No. 8 Pit are based on a typical truck shovel operation. Hydraulic shovels (21 and 27 cubic metres) are utilized as the primary loading unit. The waste is hauled in large rear dump trucks with 231 tonne capacity to nearby waste dumps. Once the overburden is removed, the coal is loaded onto trucks for transport to the coal processing plant. Diesel hydraulic blasthole drills are used for production drilling. The other support equipment in use includes:

- tracked dozers for coal cleaning, shovel support, as well as road and waste dump construction and maintenance;
- road graders for haul road construction and maintenance;
- a front-end loader for coal loading and shovel backup;
- backhoes for coal cleaning and recovery, and ditching for water control;
- miscellaneous equipment for construction, dust suppression, and maintenance;
- portable lighting for pits and dumps; and
- pumps for in-pit water control.

Grande Cache Coal is currently developing the No. 8 Pit and intends to develop the No. 12 Pit South A upon receipt of all necessary regulatory approvals. The timing of the development of the No. 16 Pit is currently under review. The open pit mines will all be developed with similar operating techniques, mining equipment, process plant and other shared facilities. A new fleet of larger loading and haulage equipment will be employed at the new surface pits. Operating parameters for the future open pit mines will generally be similar to those of No. 12 Pit South B2 with allowances for location, coal stratigraphy and structure, and geotechnical conditions.

Underground Operations

Grande Cache Coal's No. 7 Underground Operations employ the room-and-pillar mining method and the Seam 4 mineable reserves are being accessed from four in-seam surface portal entries. The portals are used for air intake ventilation, a supply and access portal, a conveyor beltway and return air portal. The mine has been developed using a set of seven main production headings which were developed on the way in and are being depillared. Shuttle cars are used to transport the coal from the continuous miners to the belt conveyor system. Roof bolting machines are utilized to install roof support. After a panel is developed, one continuous miner is utilized to depillar the panel. The second continuous miner, a roof bolter and a shuttle car are used to set up the next panel to be developed.

Grande Cache Coal's current plan is that, upon completion of the No. 7 Underground Operations, the underground equipment and mining operations will be transferred to the No. 12 South B2 Underground Operations, subject to regulatory approvals.

Processing Operations

Run-of-mine coal is delivered by truck from the underground portal at No. 7 Underground Operations and the No. 12 Pit South B2 to a run-of-mine coal stockpile at the process plant. After removal of the oversize material in the breaker, the plant feed coal is conveyed to the raw coal silo. Cleaning of the coarse coal takes place in heavy media cyclones using finely ground magnetite in water as the dense medium. A parallel circuit processes the fine coal in froth flotation circuits. The coal is dewatered in centrifuges or on disc filters before being dried in a fluidized bed dryer. The clean coal is transferred to a clean coal stockpile for loading onto rail cars. Fine refuse is thickened and pumped to one of the active settling ponds. Coarse refuse is utilized for construction projects or hauled to a long term storage area at Flood Creek.

The Corporation currently uses three settling ponds, designated as Cells 1, 3 and 4, for storage of fine refuse. The fine refuse is slurried by pipeline from the processing plant to the settling ponds. The Corporation holds Miscellaneous Lease MLL040071 covering the three settling ponds. A major portion of the fine refuse is dewatered, mixed with the coarse refuse and hauled to a storage area at Flood Creek.

Production and Quality Control

All exposed coal seams are sampled and analyzed under the supervision of a professional geologist and categorized by quality and coking potential. Run-of-mine coal and processed coal is continuously tested in the Corporation's onsite laboratory. These data are then used to determine stockpiling and blending strategies. As a result, the Corporation has an available inventory of coal sources of varying qualities, which can be combined, as required, to form blended products. In addition to sampling at source, coal is sampled at all stages of coal processing, at the rail loadout and at the port, to control quality. By blending coals of different qualities, the Corporation is able to create a consistent, high quality product.

Coal Transportation

The coal processing plant is located adjacent to the CN branch line, which connects to the CN main line at Swan Landing, between Hinton and Jasper. The loadout facilities are set up to weigh and load unit trains (each train carrying up to 12,000 tonnes). A spray system coats the coal and each railcar with a dust inhibitor to minimize the escape of coal dust during transportation. Grande Cache Coal has entered into a rail transportation agreement with CN to transport coal production from the Project to Westshore Terminals at Roberts Bank, British Columbia, which agreement is in effect until April 30, 2012. Grande Cache Coal also has a rail transportation agreement with CN to transport coal production from the Project to Thunder Bay Terminals at Thunder Bay, Ontario which is in effect until December 31, 2010. During fiscal 2010, approximately 88% of Grande Cache Coal's coal shipments were westbound and approximately 12% were eastbound. Westshore Terminals provides ship loading services pursuant to a port loading services agreement, which agreement is valid through March 31, 2013, with yearly escalation clauses. Thunder Bay Terminals provides loading services and coal handling for eastbound shipments pursuant to a port loading services agreement, which is in effect until December 31, 2010.

INDUSTRY CONDITIONS

Grande Cache Coal is regulated by federal, provincial and local laws regarding such diverse matters as employee health and safety, permitting and licensing, and protection of the environment. In addition, consumers of Grande Cache Coal's products are subject to regulation regarding the manner in which they use certain of Grande Cache Coal's products and changes in these regulations could affect the demand for such products.

Alberta and the Canadian federal government have established approval processes, environmental standards and reclamation guidelines specific to the coal industry. Mining activities in Alberta are monitored by regulatory authorities, including the ERCB (formerly the AEUB) and Alberta Environment. Examples of federal and provincial legislation that govern Grande Cache Coal's operations include the *Fisheries Act* (Canada), the *Canadian Environmental Protection Act, 1999*, the *Coal Conservation Act* (Alberta), the EPEA and the *Water Act* (Alberta).

Grande Cache Coal's policy is to minimize the impact of its operations on the environment through its policies and practices, and to comply with applicable laws and regulations.

Outlined below are some of the principal aspects of legislation and regulations governing Grande Cache Coal's coal mining operations in Alberta.

Real Property and Mining Taxes

The real property holdings of Grande Cache Coal are held through Alberta Crown coal leases. Alberta Crown coal leases are granted, under the *Mines & Minerals Act* (Alberta), for a term of 15 years and are renewable, subject to, the regulations in force at the time of renewal, terms and conditions prescribed by order of the Alberta Minister of Energy and consideration of remaining coal reserves. Annual lease rental rates are \$3.50 per hectare. Bituminous coal under Crown coal lease is subject to royalties which are levied based on mine-mouth value of marketable coal produced and revenue generated by the sale of the coal resource. Royalties are based on a two-tiered system with an initial rate of one percent of the mine-mouth value of marketable coal produced from the Crown coal leases per month. Following the date when the cumulative mine-mouth revenue of the coal mine equals or exceeds the aggregate of the allowed cumulative project costs and a 10 percent return allowance of the project, an additional royalty on bituminous coal is payable to the Crown, the value of which is equivalent to 13 percent of the mine-mouth value of marketable coal net of allowed operating and capital costs earned from Crown leases for a calendar year.

Permits, Licences and Approvals

Mine sites require numerous permits, licences and approvals in order to operate, and various regulatory authorities supervise mining operations to ensure that the conditions and standards which apply to mining activities are adhered to. Operation of Grande Cache Coal's properties requires regular and open communication between management and regulatory authorities as existing permits, licences and approvals require periodic updating and renewal. New applications are filed from time to time in order to commence and expand mining operations. In this regard, Grande Cache Coal is required to submit detailed mining and environmental data in order to commence, renew and extend mining activities.

Grande Cache Coal's area of operations is contained within the boundaries of the mine permit designated by the ERCB. The main mine operating approval required by the ERCB is a mine licence issued under the *Coal Conservation Act* (Alberta). The mine licence establishes conformance with an engineered mine plan.

Mining operations also require a number of approvals issued pursuant to the EPEA, which regulates the environmental aspects of mine and coal handling operations, the reclamation of mine land, the deposit of waste and the discharge of various substances resulting from mining operations, and the *Water Act* (Alberta), which regulates water use, and the diversion or alteration of watercourses. Grande Cache Coal's EPEA Approval No. 155804-00-03 requires that land disturbed in connection with mining operations be reclaimed by Grande Cache Coal.

Grande Cache Coal's operations in Alberta are also subject to the *Fisheries Act* (Canada) which prohibits the deposit of a toxic substance into waters that are inhabited by fish and the destruction of fish habitat. Provisions of the *Fisheries Act* (Canada) require that a permit be obtained to allow new activities or discharges that may impact aquatic habitats, including new operations at river and stream crossings. Further, new operations at rivers, streams or other bodies of water may require an approval under the *Navigable Waters Protection Act* (Canada). Other federal statutes that apply to Grande Cache Coal's operations include the *Canadian Environmental Protection Act, 1999*, which regulates the use of substances that are considered to be toxic, and the *Explosives Act* (Canada), which regulates the use of explosives.

Other than as set forth in "Risk Factors", Grande Cache Coal is not aware of any matters which would hinder its ability to obtain or renew the permits, licences and approvals which it requires.

Environmental Assessment

Under both Canadian federal and provincial laws, new mining projects and significant expansions to existing mines are subject to environmental assessment legislation that establishes a formal regulatory structure for assessing existing environmental conditions, identifying potential environmental impacts from the proposed mining operation and developing extensive environmental management programs to mitigate significant impacts. Approvals of new projects and the expansion of existing approvals often are not granted until an environmental assessment is completed, including consultation with members of the public and other affected stakeholders.

The approval of a new mine or the modification of an existing coal mine in Alberta is subject to the environmental assessment procedures set out under the EPEA and the regulations made thereunder. Pursuant to this legislation, any project that may have a significant adverse effect upon the environment can be required to undergo an environmental assessment if it is in the public interest to do so.

Under the *Canadian Environmental Assessment Act*, the requirement for an environmental assessment can be triggered if the mining project involves federal lands, aboriginal reservations, federal monies or requires a federal licence, permit or approval.

Occasionally, a mining project will fall under both the provincial and federal environmental assessment regimes. Bilateral cooperation agreements between the federal government and certain provinces, including Alberta, provide a framework for coordinating and streamlining the environmental assessment process for projects that require an environmental assessment by both levels of government. As a result, a project will undergo a single environmental assessment that meets the legal requirements of both the provincial and federal government.

Releases

Federal and provincial environmental legislation regulates the discharge or release of substances into the environment. Generally, these regulations prohibit unauthorized releases that have an adverse effect or potentially adverse effect on or otherwise impair the environment. Grande Cache Coal has an Environmental Management System ("**EMS**") that incorporates measures to prevent unauthorized releases and appropriate emergency response procedures and training programs to minimize any environmental impact from its operations. The EMS is an integral part of Grande Cache Coal's mining operations and aids in the continual improvement of environmental performance. Grande Cache Coal identifies regulatory and environmental aspects of its business, implements standard practices and procedures, trains employees and maintains adequate emergency response capabilities for environmental matters. Grande Cache Coal's corporate EMS incorporates major elements of the ISO 14001

program such as tracking its record of environmental compliance. Grande Cache Coal's corporate goal is to achieve environmentally responsible operations and full compliance with all applicable environmental laws.

Reclamation Activities

The mining approvals that Grande Cache Coal needs in order to undertake mining activities require that Grande Cache Coal reclaim the land disturbed as a result of mining. Reclamation of mined land is a priority for Grande Cache Coal.

In Alberta, reclamation activities are governed by the approval issued under the EPEA. Mine operators are required to submit an annual report to the ERCB and Alberta Environment that includes a report on reclamation activities. Inspectors from Alberta Environment regularly inspect sites to confirm compliance with approved reclamation plans.

The Alberta Government requires security to be posted for reclamation obligations based on forecasted costs to reclaim mined sites. This requirement for security is satisfied by posting letters of credit issued by a Canadian chartered bank.

Aboriginal Rights Claims

Canadian courts have recognized that aboriginal peoples may continue to have certain rights at law in respect of land used or occupied by their ancestors where treaties have not been concluded which extinguish those rights. These rights may vary from limited rights of use for traditional purposes to a right of aboriginal title and will depend upon, among other things, the nature and extent of prior aboriginal use and occupation. The courts have encouraged the federal and provincial governments and aboriginal peoples to resolve rights claims through negotiation of treaties.

The Aseniwuche Winewak Nation of Canada has identified a traditional land use area that encompasses a broad area of west central Alberta, including Grande Cache Coal's lease areas. The Aseniwuche Winewak Nation of Canada strives to achieve economic enhancement for its constituents. The Corporation and the Aseniwuche Winewak Nation signed an agreement in January 2005 covering areas of mutual support and environmental monitoring which agreement expired in 2010. In 2009, the Corporation and the Aseniwuche Winewak Nation engaged in a process to renew the agreement, which will be designated an Impact Benefit Agreement ("IBA"). In November 2009, the Corporation and the Aseniwuche Winewak Nation signed a Memorandum of Understanding which serves as a bridging agreement until the IBA is completed to the parties' mutual satisfaction which is anticipated to occur in 2010.

The Corporation has also engaged in consultations with the Metis Nation of Alberta Local Council #1994 of Grande Cache in respect of their aspirations and position in the Grande Cache aboriginal community. On December 22, 2008, the Corporation and the Metis Nation of Alberta Local Council #1994 signed a Memorandum of Understanding setting forth principles and commitments in fostering a cooperative partnership on areas of mutual interest.

RISK FACTORS

An investment in the Corporation's securities should be considered highly speculative due to the nature of the Corporation's involvement in the exploration for, and the acquisition, development and mining of, coal deposits. An investment in the Corporation's securities involves a high degree of risk and should only be made by persons who can afford the total loss of their investment. An investor should consider carefully the risk factors set out below. In addition, investors should carefully review and consider all other information contained in this Annual Information Form before making an investment decision.

Exploration, Development and Operating Risks

The exploration for and development of coal deposits involves significant risks, which even a combination of experience, knowledge and careful evaluation may not be able to overcome. Few properties that are explored are ultimately developed into producing mines. There can be no guarantee that the estimates of quantities and qualities of coal disclosed will be available to extract. With all mining operations there is uncertainty and, therefore, risk associated with operating parameters and costs resulting from the scaling up of extraction methods tested in pilot conditions. Coal exploration is speculative in nature and there can be no assurance that any coal discovered will result in an increase in the Corporation's resource base.

Establishment of a coal reserve and development of a coal mine does not assure a profit on the investment or recovery of costs. In addition, mining hazards or environmental damage could greatly increase the cost of operations, and various field operating conditions may adversely affect the production from a mine. These conditions include delays in obtaining governmental approvals or consents, insufficient transportation capacity or other geological, geotechnical and mechanical conditions. While diligent mine supervision and effective maintenance operations can contribute to maximizing production rates over time, production delays from normal field operating conditions cannot be eliminated and can be expected to adversely affect revenue and cash flow levels to varying degrees.

The Corporation's operations are subject to all of the hazards and risks normally encountered in the exploration, development and production of coal. These include unusual and unexpected geological formations, rock falls, seismic activity, flooding and other conditions involved in the extraction of material, any of which could result in damage to, or destruction of, mines and other producing facilities, damage to life or property, environmental damage and possible legal liability. Losses resulting from the occurrence of any of these risks could have a material adverse effect on the Corporation's business, financial condition and results of operations.

Volatility of Coal Prices

The market price of coal is volatile and is affected by numerous factors that are beyond the Corporation's control. These include international supply and demand, the level of consumer product demand, international economic trends, currency exchange rate fluctuations, the level of interest rates, the rate of inflation, global or regional political events and international events, as well as a range of other market forces. Sustained downward movements in coal market prices could render less economic, or uneconomic, some or all of the coal extraction and/or exploration and development activities to be undertaken by the Corporation.

Project Development, Expansion Targets and Operational Delays

There can be no assurance that the Corporation will be able to manage effectively the expansion of its operations or that the Corporation's current personnel, systems, procedures and controls will be adequate to support the Corporation's operations. Any failure of management to effectively manage the Corporation's growth and development could have a material adverse effect on the Corporation's business, financial condition and results of operations.

The Corporation's operational targets are subject to the completion of planned operational goals on time and according to budget, and are dependent on the effective support of the Corporation's personnel, systems, procedures and controls. Any failure of these may result in delays in the achievement of operational targets with a consequent material adverse impact on the business, operations and financial performance of the Corporation.

The location of all of the Corporation's current activities dictate that climatic conditions have an impact on operations and, in particular, severe weather could disrupt the delivery of supplies, equipment and fuel. It is, therefore, possible that exploration and mining activity levels might fluctuate. Unscheduled interruptions in the Corporation's operations due to mechanical or other failures or industrial relations related issues or problems or issues with the supply of goods or services could have a serious impact on the financial performance of those operations.

Dependence Upon the Steel Industry

Substantially all of the metallurgical coal that Grande Cache Coal produces is sold to steel producers. The steel industry's demand for metallurgical coal is affected by a number of factors including the cyclical nature of that industry's business, technological developments in the steel-making process and the availability of substitutes for steel such as aluminum, composites and plastics. A significant reduction in the demand for steel products would reduce the demand for metallurgical coal, which would have a material adverse effect upon Grande Cache Coal. Similarly, if less expensive ingredients could be used in substitution for metallurgical coal in the integrated steel mill process, the demand for metallurgical coal would materially decrease, which would also materially adversely affect Grande Cache Coal.

Global Financial Crisis

Recent market events and conditions, including disruptions in the international credit markets and other financial systems and the deterioration of global economic conditions, have caused significant volatility to commodity prices. These conditions worsened in 2008 and continued in 2009, causing a loss of confidence in the broader United States of America and global credit and financial markets and resulting in the collapse of, and government intervention in, major banks, financial institutions and insurers and creating a climate of greater volatility, less liquidity, widening of credit spreads, a lack of price transparency, increased credit losses and tighter credit conditions. Notwithstanding various actions by governments, concerns about the general condition of the capital markets, financial instruments, banks, investment banks, insurers and other financial institutions caused the broader credit markets to further deteriorate and stock markets to decline substantially. Although economic conditions improved toward the latter portion of 2009 and into 2010, these factors have negatively impacted company valuations and may impact the performance of the global economy going forward.

Currency Risk

The Corporation's revenues from operations are received in United States dollars while most of its operating expenses are incurred in Canadian dollars. Although the Corporation has taken certain steps to help mitigate foreign currency fluctuations, there is no assurance that the activities or products are or will continue to be effective. Accordingly, the inability of the Corporation to obtain or to put in place effective hedges could materially increase exposure to fluctuations in the value of the Canadian dollar relative to the US dollar. This could have a material adverse effect on the Corporation's business, financial condition and results of operations. In addition, the relative exchange rate fluctuation between the Canadian dollar and the currencies of Grande Cache Coal's international competitors will impact the ability of Grande Cache Coal coal products to compete in foreign markets.

Dependence on Suppliers of Services and Products

Grande Cache Coal's mine is located more than 1,000 kilometres from seaports and all are serviced by a single rail line, for which there are no economic alternatives. Additionally, all of the Corporation's export sales are loaded through one port facility, for which there are limited cost effective alternatives. Accordingly, operations are highly dependent on both rail and port services. The cost of securing additional facilities and services of this nature could significantly increase transportation and other costs. An interruption of rail or port services, including due to severe weather or labour disruptions, could significantly limit the Corporation's ability to operate and to the extent that alternate sources of transportation of port and rail services are available, it could increase transportation and port costs significantly. Further, the vagaries of the shipping industry could affect the Corporation's revenues as a result of delays of ocean vessels and could significantly affect the Corporation's costs and relative competitiveness against the supply of coal from other markets.

The growth in global mining activities has created a demand for mining equipment and related supplies that until recently, was in excess of supply. As a result, future operations could be adversely affected if Grande Cache Coal were to encounter difficulties obtaining equipment, tires and other supplies on a timely basis. In the event that Grande Cache Coal is unable to secure required mining equipment on a timely basis, expansion activities, production, productivity and costs could be negatively affected.

Competition

The coal mining industry is competitive in all its phases. Grande Cache Coal competes with numerous other participants in the search for, and the acquisition of, coal properties and in the marketing of coal as well as for the recruitment and retention of qualified employees and other personnel. Grande Cache Coal's competitors include coal mining companies that have substantially greater financial resources, staff and facilities than those of Grande Cache Coal. Grande Cache Coal's ability to increase reserves in the future will depend not only on its ability to explore and develop its present properties, but also on its ability to select, acquire and develop suitable properties or prospects.

Marketability

The marketability of the coal owned by the Corporation, or which may be acquired or discovered by the Corporation, will be affected by numerous factors beyond the control of the Corporation. These factors include market fluctuations, the proximity and capacity of coal markets and government regulations, including regulations relating to prices, taxes, royalties, land tenure, land

use, importing and exporting of coal and environmental protection. A combination of one or more of these factors may result in the Corporation not receiving an adequate return on invested capital.

Additional Funding Requirements

Grande Cache Coal anticipates requiring substantial additional funds for the exploration, development, production and acquisition of coal reserves in the future. No assurance can be given that the Corporation will be able to raise the additional funding that may be required for such activities, should such funding not be fully generated from existing cash and internally generated cash flow. Coal prices, revenues, taxes, transportation costs, capital expenditures and operating expenses and geological results are all factors that will have an impact on the amount of additional capital that may be required. To meet such funding requirements, the Corporation may be required to undertake additional equity financing, which would be dilutive to shareholders. Additional debt financing, if available, may also involve restrictions on financing and operating activities. There is no assurance that additional financing would be available on terms acceptable to the Corporation or at all. If the Corporation is unable to obtain additional financing as needed, it may be required to reduce the scope of its operations or anticipated expansion, forfeit its interest in some or all of its properties and licences, incur financial penalties or reduce or terminate its operations.

Work Stoppages and Dependence on Key Personnel

Substantially all the Corporation's personnel located at the mine site are unionized. In addition, the rail carrier and port facilities on which Grande Cache Coal is dependent to deliver coal to its customers are unionized. Strikes, lockouts or other work stoppages or slow-downs involving the unionized employees of Grande Cache Coal's key service suppliers could have a material adverse effect upon Grande Cache Coal's revenues.

Grande Cache Coal's success depends in large measure on certain key personnel. The loss of the services of such key personnel could have a material adverse affect on Grande Cache Coal. Grande Cache Coal does not have key person insurance in effect for management. The contributions of these individuals to the immediate operations of Grande Cache Coal are likely to be of central importance. The competition for qualified personnel in the coal mining and other resource industries is intense and there can be no assurance that Grande Cache Coal will be able to continue to attract and retain all personnel necessary for the development and operation of its business. The Corporation could experience increases in costs and decreases in operating efficiency, productivity and profit margins if it is unable to attract, hire and retain a sufficient number of skilled employees to support the operation. Investors must rely upon the ability, expertise, judgment, discretion, integrity and good faith of the management of Grande Cache Coal.

Governmental Regulations and Processing Licences and Permits

The activities of the Corporation are subject to government approvals, various laws governing prospecting, development, land resumptions, production taxes, labour standards and occupational health, mine safety, toxic substances and other matters, including issues affecting local, First Nations and Aboriginal populations. Activities of the Corporation are also subject to various laws and regulations relating to the protection of the environment. No assurance can be given that new rules and regulations will not be enacted or that existing rules and regulations will not be applied in a manner which could limit or curtail production or development. Amendments to current laws and regulations governing operations and activities of exploration and mining, or more stringent implementation thereof, could have a material adverse impact on the business, operations and financial performance of the Corporation. Further, the mining licences and permits issued in respect of the Corporation's projects and mines may be subject to conditions which, if not satisfied, may lead to the revocation of such licences. In the event of revocation, the value of the Corporation's investments in such projects may decline.

Permits and Permitting Process

The Corporation must obtain numerous permits, licences and approvals that strictly regulate access, environmental and health and safety and other matters in connection with coal mining. Regulatory authorities exercise considerable discretion in whether or not to issue permits, licences and approvals and the timing of such issuances. Also, private individuals and the public at large possess rights to comment on and otherwise engage in the permitting, licensing and approval process, including through intervention in the courts. Accordingly, new permits, licences and approvals required by the Corporation to fully exploit its properties may not be issued, or if issued, may not be issued in a timely fashion, or may contain requirements which restrict Grande Cache Coal's ability to conduct its mining operations or to do so profitably.

Reserve and Resource Estimates

The Corporation's reported coal reserves and resources are only estimates. No assurance can be given that the estimated coal reserves and resources will be recovered or that they will be recovered at the rates estimated. Coal reserve and resource estimates are based on limited sampling, and, consequently, are uncertain because the samples may not be representative. Coal reserve and resource estimates may require revision (either up or down) based on actual production experience. Market fluctuations in the price of coal, as well as increased production costs or reduced recovery rates, may render certain coal reserves and resources uneconomic and may ultimately result in a restatement of reserves and/or resources. Moreover, short-term operating factors relating to the coal reserves and resources, such as the need for subsequent development of ore bodies and the processing of new or different ore grades, may adversely affect the Corporation's profitability in any particular accounting period.

Environmental Regulation and Liability

The Corporation's activities are subject to environmental regulation (including regular environmental impact assessments and permitting) in the Province of Alberta. Such regulations typically cover a wide variety of matters including, prevention of waste, pollution and protection of the environment, labour regulations and worker safety. The Corporation may also be subject under such regulations to clean-up costs and liability for toxic or hazardous substances that may exist on or under any of its properties or that may be produced as a result of its operations. Environmental legislation and permitting are likely to evolve in a manner that will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects, a heightened degree of responsibility for companies and their directors and employees, and potentially greater financial and economic burdens.

Uninsured Risks

The Corporation, as a participant in mining and exploration activities, may become subject to liability for hazards that cannot be insured against or against which it may elect not to be so insured because of high premium costs. Furthermore, the Corporation may incur liability to third parties (in excess of any insurance coverage) arising from negative environmental impacts or any other damage or injury.

Changes in Legislation

There can be no assurance that income tax laws, royalty regulations and governmental incentive programs relating to the mining industry in Canada will not be changed in a manner which adversely affects Grande Cache Coal. In addition, there can be no assurance that income tax laws, royalty regulations and government incentive programs relating to the mining industry in other coal producing countries will not change to favour Grande Cache Coal's competitors leading to reduced international coal prices and demand for coal products that Grande Cache Coal intends to produce.

Regulatory Efforts to Control Greenhouse Gas Emissions

Grande Cache Coal's business emits a large quantity of carbon dioxide and produces metallurgical coal products that emit large quantities of carbon dioxide when consumed by end users. Carbon dioxide and other greenhouse gases are the subject of public concern and regulatory reporting.

In early 2010, the Government of Canada announced revised targets for reducing greenhouse gas emissions as it had committed to do as a signatory to the Copenhagen Accord. Canada's new aim is to reduce absolute emissions by 17 per cent from 2005 levels by 2020 - numbers that mirror those in a bill that is currently before the U.S. Senate. In the meantime, regulations to reduce greenhouse-gas emissions that the Canadian government initially indicated would be developed in 2008 have been put on hold. Additional policy measures are anticipated over the coming years under this federal policy.

In Alberta, the *Climate Change and Emissions Management Act* and the Specified Gas Emitters Regulation require certain existing large emitters (facilities, including coal processing facilities, that are releasing 100,000 tonnes or more of greenhouse gas emissions in any calendar year after and including 2003) to reduce their emissions intensity by 12% starting July 1, 2007. The Government of Alberta is contemplating reducing the reporting threshold from 100,000 tonnes of greenhouse gas emissions in any calendar year to 50,000 tonnes per year, subject to discussion of harmonization with the Government of Canada reporting requirement. The regulation also outlines options for meeting reduction targets. If reducing emissions intensity by 12% is not

initially possible, large emitters will be able to invest in an Alberta-based technology fund to develop infrastructure to reduce emissions or to support research into innovative climate change solutions. Large emitters will be required to pay \$15 per tonne to the technology fund for every tonne of emissions above the 12% reduction target. Alternatively, large emitters could also invest in Alberta-based projects outside their operations that reduce or offset emissions on their behalf. One issue affecting the reporting of greenhouse gas emissions is the accounting for fugitive emissions at the mine face, where methane may be released; at present, no technology is available to capture these emissions. The coal industry is engaged in discussions with the Government of Alberta to seek ways to deal with this issue. The risk to the coal mining industry is that disproportionate greenhouse gas management will need to be applied to other aspects of operations under its control to meet intensity reduction targets.

Grande Cache Coal intends to expand current levels of production, which will likely qualify the Corporation for the greenhouse gas intensity reduction requirement. Grande Cache Coal is engaged in upgrading processing plant operations, ongoing modernization of equipment and efficiency improvements, which will have the effect of reducing greenhouse gas emissions intensity.

The primary source of greenhouse gas emissions in Canada is the use of hydrocarbon energy. Grande Cache Coal's operations depend significantly on hydrocarbon energy sources such as diesel fuel and natural gas to conduct daily operations, and there are typically no economic substitutes for these forms of energy. The federal and provincial governments have not finalized any formal regulatory programs to control greenhouse gases from facilities and it is not yet possible to reasonably estimate the nature, extent, timing and cost of any programs proposed or contemplated, or their potential effects on operations. Most of Grande Cache Coal's products are sold outside of Canada, and sales are not expected to be significantly affected by Canada's expressed goals. However, the broad adoption of emission limitations or other regulatory efforts to control greenhouse gas emissions by other countries could materially negatively affect the demand for coal, as well as restrict development of new coal projects and increase production and transportation costs.

Litigation

Legal proceedings may arise from time to time in the course of Grande Cache Coal's business. There have been a number of cases where the rights and privileges of mining and exploration companies have been the subject of litigation. Such litigation may be brought against Grande Cache Coal in the future from time to time or Grande Cache Coal may be subject to another form of litigation.

Health and Safety

The Corporation's activities are and will continue to be subject to health and safety standards and regulations. Failure to comply with such requirements may result in fines and/or penalties being assessed against the Corporation.

Title to Assets

Grande Cache Coal's properties may be subject to native land claims or government regulations. Although title reviews may be conducted prior to the purchase of coal properties, such reviews do not guarantee or certify that an unforeseen defect in the chain of title will not arise to defeat Grande Cache Coal's claim which could result in a reduction or extinguishment of the revenue received by Grande Cache Coal.

Dividends

To date, Grande Cache Coal has not paid any dividends on the outstanding Common Shares. Any decision to pay dividends on the Common Shares will be made by the Board of Directors on the basis of Grande Cache Coal's earnings, financial requirements and other conditions existing at such future time.

Debt Instruments

Grande Cache Coal's operating credit facility of up to \$28 million with a Canadian chartered bank contains covenants that require Grande Cache Coal to meet certain financial tests and that restrict, among other things, the ability to incur additional debt, dispose

of assets or pay dividends in certain circumstances. These restrictions limit Grande Cache Coal from paying dividends to shareholders.

Directors' and Officers' Conflicts of Interest

Certain of the Corporation's directors and officers are directors and officers of other natural resource or mining-related companies. These associations may give rise to conflicts of interest from time to time, and as a result of such conflicts of interest, the Corporation may miss opportunities to participate in certain transactions which may have a material adverse effect on the Corporation's financial position.

Forward-Looking Information May Prove Inaccurate

Shareholders and prospective investors are cautioned not to place undue reliance on forward-looking information. By its nature, forward-looking information involves numerous assumptions, known and unknown risks and uncertainties, of both a general and specific nature, that could cause actual results to differ materially from those suggested by the forward-looking information or contribute to the possibility that predictions, forecasts or projections will prove to be materially inaccurate.

Additional information on the risks, assumptions and uncertainties are found under the heading "Forward-Looking Information Advisory" of this Annual Information Form.

DIVIDEND POLICY

The Corporation's current policy is to retain future profits for growth. As a result, no dividends have been paid on the Corporation's shares during the three most recently completed financial years. The Corporation's dividend policy is reviewed periodically by the board of directors and is subject to change, depending on earnings of the Corporation, financial requirements and other factors, as appropriate. As at the date hereof, the Corporation does not intend to change its dividend policy.

The Corporation's operating credit facility with a Canadian chartered bank prohibits the Corporation from paying cash dividends on the Common Shares.

DESCRIPTION OF SHARE CAPITAL

The following is a summary of the rights, privileges, restrictions and conditions attaching to the shares in Grande Cache Coal's share capital.

Common Shares

Grande Cache Coal is authorized to issue an unlimited number of Common Shares without nominal or par value. Holders of Common Shares are entitled to one vote per share at meetings of shareholders of Grande Cache Coal. Subject to the rights of the holders of Preferred Shares and any other shares having priority over the Common Shares, holders of Common Shares are entitled to dividends if, as and when declared by the board of directors and upon liquidation, dissolution or winding-up to receive the remaining property of Grande Cache Coal.

Preferred Shares

Grande Cache Coal is authorized to issue an unlimited number of preferred shares issuable in series, each series consisting of such number of shares and having such rights, privileges, restrictions and conditions as may be determined by the board of directors of Grande Cache Coal prior to the issuance thereof. With respect to the payment of dividends and the distribution of assets in the event of liquidation, dissolution or winding up of Grande Cache Coal, whether voluntary or involuntary, the preferred shares are entitled to preference over the Common Shares and any other shares ranking junior to the preferred shares from time to time and may also be given such other preferences over the Common Shares and any other shares ranking junior to the preferred shares as may be determined at the time of creation of such series.

MARKET FOR SECURITIES

Grande Cache Coal's Common Shares are listed on the TSX under the symbol "GCE". The following table sets forth the high and low sales prices (which are not necessarily the closing prices) and the trading volumes for the Common Shares on the TSX as reported by the TSX for each month or, if applicable, partial month, since the beginning of Grande Cache Coal's most recently completed financial year.

	Price Range (\$)		Trading Volume
	High	Low	
2009			
January.....	1.93	0.70	36,867,466
February.....	1.02	0.57	33,515,342
March.....	1.49	0.55	63,203,584
April.....	1.58	0.95	62,308,081
May.....	1.77	1.30	62,245,344
June.....	2.42	1.53	84,508,150
July.....	3.17	1.53	116,590,478
August.....	4.18	2.93	89,512,969
September.....	4.64	2.96	59,915,297
October.....	4.32	3.54	27,398,091
November.....	4.35	3.38	26,465,827
December.....	5.77	3.96	35,409,476
2010			
January.....	7.04	5.07	39,980,986
February.....	6.84	5.01	33,144,873
March.....	8.65	6.62	33,458,181
April.....	8.75	6.61	28,796,575
May.....	6.68	4.16	64,719,546
June (1-9).....	5.76	4.62	19,767,224

ESCROWED SECURITIES AND SECURITIES SUBJECT TO CONTRACTUAL RESTRICTION ON TRANSFER

To the knowledge of management of the Corporation, none of the securities of the Corporation are held in escrow or are subject to a contractual restriction on transfer as at the date hereof.

DIRECTORS AND EXECUTIVE OFFICERS

Name, Occupation and Security Holding

The following table sets forth certain information in respect of Grande Cache Coal's directors and executive officers.

Name and Province and Country of Residence	Position(s) with Grande Cache Coal ⁽¹⁾	Principal Occupation During the Five Preceding Years
Robert H. Stan Alberta, Canada	President, Chief Executive Officer and Director	President and Chief Executive Officer of Grande Cache Coal.
Robert G. Brawn ⁽²⁾⁽³⁾ Alberta, Canada	Chairman and Director	President of 738831 Alberta Ltd. (a private investment company).
Barry T. Davies Hong Kong, China	Director	President of Rudgear Holdings Ltd. (a private investment company) since March 2006; and prior thereto, President of Rudgear Inc. (a private investment company).

Name and Province and Country of Residence	Position(s) with Grande Cache Coal ⁽¹⁾	Principal Occupation During the Five Preceding Years
Donald J. Douglas ⁽²⁾⁽³⁾ Alberta, Canada	Director	President and Chief Executive Officer of United Inc. (a private property development company).
Nicholas G. Kirton ⁽²⁾⁽³⁾ Alberta, Canada	Director	Independent businessman.
John R. Morgan Alberta, Canada	Director	President and Chief Executive Officer of Infinito Gold Ltd. (a mineral exploration company).
Ian J. Bootle Alberta, Canada	Vice President, Finance and Chief Financial Officer	Vice President, Finance and Chief Financial Officer of Grande Cache Coal since November 17, 2008; and prior thereto, Chief Financial Officer of Innicor Subsurface Technologies Inc. (a global integrated supplier of wellbore products).
Lloyd E. Metz Alberta, Canada	Vice President, Operations and Development	Vice President of Grande Cache Coal since October 24, 2006, from December 2005 to October 20, 2006, Director, Engineering and Planning of Grande Cache Coal, and prior thereto, Chief Mining Engineer of Grande Cache Coal.
Eugene H. Nagai Alberta, Canada	Vice President, Marketing and Transportation	Vice President, Marketing and Transportation of Grande Cache Coal since December 11, 2006; and prior thereto, Director of Marketing for Prism Sulphur Corporation (a producer owned sulphur marketing company).
Thomas E. Pierce Alberta, Canada	Vice President, Business Development	Vice President, Business Development of Grande Cache Coal since March 30, 2009. From June 1, 2006 until December 31, 2008, Chief Financial Officer of Clarity Capital Corporation (a private company specializing in advising emerging private and public companies), and prior thereto, Vice-President, Finance and Chief Financial Officer of Grande Cache Coal.
Denis Doucet	General Manager, Grande Cache Operations	General Manager, Grande Cache Coal since February 9, 2010. From February 2, 2009 until January 29, 2010, General Manager, Colorado Stone Quarries (an underground marble quarry). From August 2006 until January 30, 2009, General Manager of Blue Note Caribou Mines Inc. (a base metal mining company) and prior thereto, Mine Superintendent, Fraser Mine at Falconbridge Ltd. (a base metal mining company).
Kevin R. Wade Alberta, Canada	Controller	Controller of Grande Cache Coal since December 1, 2006 and from December 3, 2005 to December 1, 2006, Manager of Accounting of Grande Cache Coal. Prior thereto, Senior Corporate Accountant as well as other financial positions at Fording Inc. and Elk Valley Coal Corporation (a coal mining company).

<u>Name and Province and Country of Residence</u>	<u>Position(s) with Grande Cache Coal ⁽¹⁾</u>	<u>Principal Occupation During the Five Preceding Years</u>
M. Rosaria Iavasile Alberta, Canada	Treasurer	Treasurer of Grande Cache Coal since May 22, 2007. Manager, Treasury of Enerflex Holdings General Partner Ltd. (as administrator of Enerflex Systems Income Fund) from March 2006 to May 2007. Prior thereto, Treasury Coordinator at Precision Drilling Corporation (administrator of Precision Drilling Income Fund).
Fred D. Davidson Alberta, Canada	Corporate Secretary	Partner, Burnet, Duckworth & Palmer LLP (a law firm).

Notes:

- (1) All of the directors of Grande Cache Coal have been appointed to hold office until the next annual general meeting of shareholders or until their successor is duly elected or appointed, unless their office is earlier vacated. Messrs. Stan and Davies have been directors of Grande Cache Coal since July 24, 2000, Messrs. Brawn and Douglas have been directors of Grande Cache Coal since March 29, 2001, Mr. Morgan has been a director of Grande Cache Coal since July 31, 2006 and Mr. Kirton has been a director of Grande Cache Coal since January 12, 2009.
- (2) Member of the Audit Committee.
- (3) Member of the Compensation, Nominating and Corporate Governance Committee.
- (4) Grande Cache Coal does not have an Executive Committee.

As at the date of this Annual Information Form, the directors and executive officers of Grande Cache Coal as a group, beneficially owned, or controlled or directed, directly or indirectly, in the aggregate, approximately 1,956,915 Common Shares, representing approximately 2.0% of the outstanding Common Shares.

Conflicts of Interest

There are potential conflicts of interest to which the directors and officers of Grande Cache Coal will be subject in connection with the operations of Grande Cache Coal. In particular, certain of the directors and officers of Grande Cache Coal are involved in managerial or director positions with other resource companies whose operations may, from time to time, be in direct competition with those of Grande Cache Coal or with entities which may, from time to time, provide financing to, or make equity investments in, competitors of Grande Cache Coal. Conflicts, if any, will be subject to the procedures and remedies available under the ABCA. The ABCA provides that in the event that a director has an interest in a contract or proposed contract or agreement, the director shall disclose his interest in such contract or agreement and shall refrain from voting on any matter in respect of such contract or agreement unless otherwise provided by the ABCA.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS**Legal Proceedings**

None of the Corporation or any of its subsidiaries is a party to any legal proceeding nor was it a party to any legal proceeding during the 2010 financial year, nor is the Corporation aware of any contemplated legal proceeding involving the Corporation or its subsidiaries or any of its property which involves a claim for damages exclusive of interest and costs that may exceed 10% of the current assets of the Corporation.

Regulatory Actions

During the year ended March 31, 2010, there were no (i) penalties or sanctions imposed against the Corporation by a court relating to securities legislation or by a securities regulatory authority; (ii) any other penalties or sanctions imposed by a court or regulatory body against the Corporation that would likely be considered important to a reasonable investor in making an investment decision, or (iii) settlement agreements the Corporation entered into before a court relating to securities legislation or with a securities regulatory authority.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

There are no material interests, direct or indirect, of any director or executive officer of Grande Cache Coal, any person or Corporation that beneficially owns, or controls or directs, directly or indirectly, more than 10% of any class or series of Grande Cache Coal's outstanding voting securities, or any associate or affiliate of any of the foregoing persons or companies, in any transaction during the fiscal year ended March 31, 2010 or during the current financial year that has materially affected or will materially affect Grande Cache Coal, other than as disclosed elsewhere in this Annual Information Form. Fred Davidson, the Corporate Secretary of Grande Cache Coal, is a Partner of Burnet, Duckworth & Palmer LLP, which firm receives fees for legal services provided to Grande Cache Coal.

TRANSFER AGENT AND REGISTRAR

Computershare Trust Corporation of Canada is Grande Cache Coal's transfer agent and registrar. The registers of transfers of Grande Cache Coal's Common Shares are located in Calgary, Alberta and Toronto, Ontario.

MATERIAL CONTRACTS

Except for contracts entered into in the ordinary course of business (unless otherwise required by applicable securities requirements to be disclosed), the Corporation has not entered into any material contracts during the last financial year, or before the last financial year which are still in effect, other than a shareholder protection rights plan agreement dated May 27, 2005 between the Corporation and Computershare Trust Corporation of Canada (the "**Plan**"). The Plan was ratified by the shareholders of Grande Cache Coal at the annual and special meetings of shareholders held on August 17, 2005 and August 19, 2008. The objectives of the Plan are to ensure, to the extent possible, that all shareholders of the Corporation are treated equally and equitably in connection with any takeover bid for the Corporation. The Plan discourages discriminatory, coercive or unfair takeovers of the Corporation and gives the board of directors time if, in the circumstances, the board of directors determines it is appropriate to take such time, to pursue alternatives to maximize shareholder value in the event an unsolicited takeover bid is made for all or a portion of the outstanding Common Shares of the Corporation.

In order to implement the Plan, the board of directors of the Corporation authorized the issuance of one right (a "**Right**") in respect of each Common Share of the Corporation outstanding at the close of business on May 27, 2005 (the "**Record Time**"). In addition, the Board authorized the issuance of one Right in respect of each additional Common Share issued after the Record Time. The Rights trade with and are represented by the Common Share certificates, including certificates issued prior to the Record Time. Until such time as the Rights separate from the Common Shares and become exercisable, rights certificates will not be distributed to shareholders.

Rights will expire on the earlier of redemption or termination, as hereinafter described, or following the close of the annual general meeting of shareholders of the Corporation in 2011, unless shareholders at that meeting reconfirm the Plan for additional time.

If a person or a group acting in concert (an "**Acquiring Person**") acquires (other than pursuant to an exemption available under the Plan) beneficial ownership of 20% or more of the Common Shares (a "**Flip-in Event**") otherwise than pursuant to a takeover bid permitted by the Plan (a "**Permitted Bid**"), Rights (other than those held by such Acquiring Person which will become void) will separate from the Common Shares and permit the holder thereof to purchase Common Shares at a 50% discount to their market price.

The requirements of a "Permitted Bid" include the following:

- (a) the takeover bid must be made by means of a takeover bid circular;
- (b) the takeover bid is made to all holders of voting shares as registered on the books of the Corporation, other than the offeror;
- (c) the takeover bid contains, and the take-up and payment for securities tendered or deposited is subject to, an irrevocable and unqualified provision that no voting shares will be taken up or paid for pursuant to the takeover bid prior to the close of business on the date which is not less than 50 days following the date of the takeover bid and only if at such date more than 50% of the voting shares held by independent shareholders shall have been deposited or tendered pursuant to the takeover bid and not withdrawn;

- (d) the takeover bid contains an irrevocable and unqualified provision that unless the takeover bid is withdrawn, voting shares may be deposited pursuant to such takeover bid at any time during the period of time between the date of the takeover bid and the date on which voting shares may be taken up and paid for and that any voting shares deposited pursuant to the takeover bid may be withdrawn until taken up and paid for; and
- (e) the takeover bid contains an irrevocable and unqualified provision that if, on the date on which voting shares may be taken up and paid for, more than 50% of the voting shares held by independent shareholders shall have been deposited pursuant to the takeover bid and not withdrawn, the offeror will make a public announcement of that fact and the takeover bid will remain open for deposits and tenders of voting shares for not less than ten business days from the date of such public announcement.

The Plan allows for a competing Permitted Bid (a "**Competing Permitted Bid**") to be made while a Permitted Bid is in existence. A Competing Permitted Bid must satisfy all of the requirements of a Permitted Bid except that it may expire on the same date as the Permitted Bid, subject to the requirement that it be outstanding for a minimum period of 35 days in accordance with applicable securities legislation.

A person, or a group acting in concert, who is the beneficial owner of 20% or more of outstanding Common Shares as of the Record Time is exempt from the dilutive effects of the Plan provided such person (or persons) does not increase its beneficial ownership by more than 1% (other than in accordance with the terms of the Plan). A person does not become an Acquiring Person by virtue of having entered into an agreement (a "**Permitted Lock-Up Agreement**") with a shareholder whereby the shareholder agrees to deposit or tender voting shares to a takeover bid made by such person, provided that the agreement meets certain requirements including:

- (a) the terms of the agreement are publicly disclosed and a copy of the agreement is publicly available;
- (b) the shareholder who has agreed to tender voting shares to the takeover bid (the "Lock-Up Bid") made by the other party to the agreement is permitted to terminate its obligation under the agreement in order to tender voting shares to another takeover bid or transaction where the offer price or value of the consideration payable under the other takeover bid or transaction is for higher consideration per share than that at which the shareholder has agreed to deposit or tender voting shares to the Lock-Up Bid or is equal to or greater than a specified minimum which is not more than 5% higher than the offer price under the Lock-Up Bid; and
- (c) no break-up fees or other penalties that exceed in the aggregate the greater of 2.5% of the consideration payable under the Lock-Up Bid and 50% of the increase in consideration payable under another takeover bid or transaction shall be payable by the shareholder if the shareholder fails to deposit or tender voting shares to the Lock-Up Bid.

At any time prior to the Rights becoming exercisable, the board of directors may waive the operation of the Plan with respect to certain events before they occur, including in connection with a takeover bid. If a potential offeror does not desire to make a Permitted Bid, it can negotiate with, and obtain the prior approval of, the board of directors to make a takeover bid by way of a takeover bid circular sent to all holders of voting shares on the terms which the board of directors considers fair to all shareholders. Any waiver of the application of the Plan in respect of a particular takeover bid shall also constitute a waiver of any other takeover bid which is made by means of a takeover bid circular to all holders of voting shares while the initial takeover bid is outstanding. The board of directors may also waive the application of the 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 of the Corporation within 10 days or such earlier or later date as may be specified by the Board. With the prior consent of the holders of voting shares, the board of directors may, prior to the occurrence of a Flip-in Event that would occur by reason of an acquisition of voting shares otherwise than pursuant to the foregoing, waive the application of the Plan to such Flip-in Event.

The board of directors may 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. Rights are deemed to be redeemed following completion of a Permitted Bid, a Competing Permitted Bid or a takeover bid in respect of which the board of directors has waived the application of the Plan.

The issuance of Rights is not dilutive and will not affect reported earnings or cash flow per share until the rights separate from the underlying Common Shares and become exercisable or until the exercise of the rights. The issuance of the rights will not change the manner in which shareholders currently trade their Common Shares.

The Corporation may, with the prior approval of shareholders (or the holders of Rights if the Separation Time has occurred), supplement, amend, vary or delete any of the provisions of the Plan.

INTERESTS OF EXPERTS

Names of Experts

The only persons or companies who are named as having prepared or certified a report, valuation, statement or opinion described or included in a filing, or referred to in a filing, made under National Instrument 51-102 by the Corporation during, or relating to, the Corporation's most recently completed financial year, and whose profession or business gives authority to the report, valuation, statement or opinion made by the person or Corporation, are PricewaterhouseCoopers LLP, the Corporation's independent auditors and AMEC, the Corporation's independent mining consultants.

Interests of Experts

There were no registered or beneficial interests, direct or indirect, in any securities or other property of the Corporation or of one of its associates or affiliates: (i) held by AMEC or by the "designated professionals" (as defined in Form 51-102F2 to National Instrument 51-102) of AMEC, when AMEC prepared the report, valuation, statement or opinion referred to herein as having been prepared by AMEC; (ii) received by AMEC or by the "designated professionals" of AMEC, after the time specified above; or (iii) to be received by AMEC or by the "designated professionals" of AMEC; except in each case for the ownership of Common Shares, which in respect of AMEC and AMEC's "designated professionals", as a group, has at all relevant times represented less than one percent of the outstanding Common Shares. In addition, none of AMEC, and no director, officer or employee of AMEC, is or is expected to be elected, appointed or employed as a director, officer or employee of the Corporation or of any associate or affiliate of the Corporation.

PricewaterhouseCoopers LLP is independent of the Corporation within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of Alberta.

AUDIT COMMITTEE INFORMATION

Composition of the Audit Committee

The Audit Committee of the Corporation is comprised of Nicholas G. Kirton (Chair), Robert G. Brawn and Donald J. Douglas. The following table sets out the assessment of each Audit Committee member's independence, financial literacy and relevant educational background and experience supporting such financial literacy.

<u>Name and Municipality of Residence</u>	<u>Independent</u>	<u>Financially Literate</u>	<u>Relevant Education and Experience</u>
Nicholas G. Kirton Calgary, Alberta	Yes	Yes	Mr. Kirton's education and experience relevant to the performance of his responsibilities as an Audit Committee member are derived from his work as a Chartered Accountant since 1969 until his retirement in 2004 with KPMG LLP. In addition, Mr. Kirton has served as a director and audit committee member of a number of publicly listed entities and currently serves as a director of Canexus Limited (the administrator of Canexus Income Fund), Essential Energy Services Ltd. and Gran Tierra Energy Inc. Mr. Kirton holds a Bachelor of Science degree in Mathematics and Physics from Bishop's University, received his Chartered Accountant designation in 1969 and was made a Fellow of the Chartered Accountants in 1996. Mr. Kirton previously served as a member of the Board of Directors of both KPMG and the Canadian Institute of Chartered Accountants.

<u>Name and Municipality of Residence</u>	<u>Independent</u>	<u>Financially Literate</u>	<u>Relevant Education and Experience</u>
Donald J. Douglas Calgary, Alberta	Yes	Yes	Mr. Douglas' education and experience relevant to the performance of his responsibilities as an Audit Committee member are derived from his work as the President of United Inc., a private property development Corporation, a position which he has held since it commenced operations in July 1993. Mr. Douglas has also been, and continues to be, a director of numerous investment and management companies in Alberta, and serves as a director of certain non-profit and charitable organizations. In addition, Mr. Douglas has served as a director and audit committee member of a number of publicly listed companies and currently serves as a director of PFB Corporation, TRAFINA Energy Ltd. and Whitemud Resources Inc. Mr. Douglas holds a Masters of Business Administration from IMEDE Management Development Institute in Lausanne, Switzerland and a Bachelor of Commerce from the University of Alberta.
Robert G. Brawn Calgary, Alberta	Yes	Yes	Mr. Brawn's education and experience relevant to the performance of his responsibilities as an Audit Committee member are derived from over 42 years of work experience in the oil and gas industry. Most recently, Mr. Brawn has been the President of 738831 Alberta Ltd., a private investment Corporation, since May 30, 2003. From April 20, 2001 until May 30, 2003, Mr. Brawn was the Chairman of Acclaim Energy Inc., a wholly-owned subsidiary of Acclaim Energy Trust (now Penn West Energy Trust). Prior thereto Mr. Brawn was the Chairman of Danoil Energy Ltd., a predecessor of Acclaim Energy Inc. Mr. Brawn has also served as a director and audit committee member of a number of publicly listed entities and currently serves as a director of Penn West Petroleum Ltd. (the administrator of Penn West Energy Trust), Parkland Industries Inc. (the administrator of Parkland Income Fund) and Black Diamond Group Limited. Mr. Brawn received a Bachelor of Science, Engineering from the University of Alberta in 1958.

Audit Committee Mandate and Terms of Reference

The text of the Mandate and Terms of Reference of the Audit Committee is appended as Schedule "A" to this Annual Information Form.

Pre-Approval of Policies and Procedures

Under the Mandate and Terms of Reference of the Audit Committee, the Audit Committee is required to review and pre-approve any non-audit services to be provided to the Corporation or its subsidiaries by the external auditors and consider the impact on the independence of such auditors. The Audit Committee may delegate to one or more independent members the authority to pre-approve non-audit services, provided that the member report to the Audit Committee at the next scheduled meeting such pre-approval and the member comply with such other procedures as may be established by the Audit Committee from time to time.

The Audit Committee has determined that in order to ensure the continued independence of the auditors, only limited non-audit related services would be provided to the Corporation by its auditors and in such case, only with the prior approval of the Audit Committee.

External Auditor Service Fees

The following table sets forth the audit service fees billed by Grande Cache Coal's external auditor, PricewaterhouseCoopers LLP, for the periods indicated:

<u>Type of Fees and Fiscal Year Ended</u>	<u>Aggregate Fees Billed</u>	<u>Description of Services</u>
Audit Fees		
Fiscal Year Ended March 31, 2010	\$80,000	Audit of consolidated financial statements
Fiscal Year Ended March 31, 2009	\$76,000	Audit of consolidated financial statements
Audit – Related Fees		
Fiscal Year Ended March 31, 2010	\$26,250	Review of interim consolidated financial statements
Fiscal Year Ended March 31, 2009	\$21,000	Review of interim consolidated financial statements
Tax Fees		
Fiscal Year Ended March 31, 2010	\$172,707	Various taxation matters
Fiscal Year Ended March 31, 2009	\$109,485	Various taxation matters
All Other Fees		
Fiscal Year Ended March 31, 2010	\$16,730	Various matters relating to the transition to International Financial Reporting Standards and other matters
Fiscal Year Ended March 31, 2009	\$37,825	Various matters relating to the transition to International Financial Reporting Standards and other matters

ADDITIONAL INFORMATION

Additional information, including directors' and officers' remuneration and indebtedness, principal holders of Grande Cache Coal's securities and securities authorized for issuance under equity compensation plans is contained in Grande Cache Coal's information circular – proxy statement dated June 19, 2009 relating to the annual general meeting of shareholders held on August 18, 2009. Additional financial information is provided in Grande Cache Coal's audited consolidated financial statements and management's discussion and analysis for the financial year ended March 31, 2010.

Additional information relating to Grande Cache Coal including the materials listed in the preceding paragraphs may be found on SEDAR at www.sedar.com.

SCHEDULE "A"

GRANDE CACHE COAL CORPORATION

AUDIT COMMITTEE

MANDATE AND TERMS OF REFERENCE

Role and Objective

The Audit Committee (the "**Committee**") is a committee of the board of directors (the "**Board**") of Grande Cache Coal Corporation ("**Grande Cache Coal**" or the "**Corporation**") to which the Board has delegated its responsibility for the oversight of the nature and scope of the annual audit, the oversight of management's reporting on internal accounting standards and practices, the review of financial information, accounting systems and procedures, financial reporting and financial statements and has charged the Committee with the responsibility of recommending, for approval of the Board, the audited financial statements, interim financial statements and other mandatory disclosure releases containing financial information.

The primary objectives of the Committee are as follows:

1. to assist directors in meeting their responsibilities (especially for accountability) in respect of the preparation and disclosure of the financial statements of Grande Cache Coal and related matters;
2. to provide better communication between directors and external auditors;
3. to enhance the external auditor's independence;
4. to increase the credibility and objectivity of financial reports; and
5. to strengthen the role of the outside directors by facilitating in depth discussions between directors on the Committee, management and external auditors.

Membership of Committee

1. The Committee will be comprised of at least three (3) directors of Grande Cache Coal or such greater number as the Board may determine from time to time and all members of the Committee shall be "independent" (as such term is used in National Instrument 52-110 – Audit Committees ("**NI 52-110**") unless the Board determines that the exemption contained in NI 52-110 is available and determines to rely thereon.
2. The Board may from time to time designate one of the members of the Committee to be the Chair of the Committee.
3. All of the members of the Committee must be "financially literate" (as defined in NI 52-110) unless the Board determines that an exemption under NI 52-110 from such requirement in respect of any particular member is available and determines to rely thereon in accordance with the provisions of NI 52-110.

Mandate and Responsibilities of Committee

It is the responsibility of the Committee to:

1. Oversee the work of the external auditors, including the resolution of any disagreements between management and the external auditors regarding financial reporting.
2. Satisfy itself on behalf of the Board with respect to Grande Cache Coal's internal control systems.

3. Review the annual and interim financial statements of Grande Cache Coal and related management's discussion and analysis ("MD&A") prior to their submission to the Board for approval. The process should include but not be limited to:
 - reviewing changes in accounting principles and policies, or in their application, which may have a material impact on the current or future years' financial statements;
 - reviewing significant accruals, reserves or other estimates;
 - reviewing accounting treatment of unusual or non-recurring transactions;
 - ascertaining compliance with covenants under loan agreements;
 - reviewing disclosure requirements for commitments and contingencies;
 - reviewing adjustments raised by the external auditors, whether or not included in the financial statements;
 - reviewing unresolved differences between management and the external auditors; and
 - obtain explanations of significant variances with comparative reporting periods.
4. Review the financial statements, prospectuses and other offering documents, MD&A, annual information forms ("AIF") and all public disclosure containing audited or unaudited financial information (including, without limitation, annual and interim press releases and any other press releases disclosing earnings or financial results) before release and prior to Board approval. The Committee must be satisfied that adequate procedures are in place for the review of Grande Cache Coal's disclosure of all other financial information and will periodically assess the accuracy of those procedures.
5. Review and approve the disclosure of audit committee information required to be included in the AIF of the Corporation prior to its filing with regulatory authorities.
6. With respect to the appointment of external auditors by the Board:
 - recommend to the Board the external auditors to be nominated;
 - recommend to the Board the terms of engagement of the external auditor, including the compensation of the auditors and a confirmation that the external auditors will report directly to the Committee;
 - on an annual basis, review and discuss with the external auditors all significant relationships such auditors have with the Corporation to determine the auditors' independence;
 - when there is to be a change in auditors, review the issues related to the change and the information to be included in the required notice to securities regulators of such change; and
 - review and pre-approve any non-audit services to be provided to Grande Cache Coal or its subsidiaries by the external auditors and consider the impact on the independence of such auditors. The Committee may delegate to one or more independent members the authority to pre-approve non-audit services, provided that the member(s) report to the Committee at the next scheduled meeting such pre-approval and the member(s) comply with such other procedures as may be established by the Committee from time to time.
7. Review with external auditors (and internal auditor if one is appointed by Grande Cache Coal) their assessment of the internal controls of Grande Cache Coal, their written reports containing recommendations for improvement, and management's response and follow-up to any identified weaknesses. The Committee will also review annually with the external auditors their plan for their audit and, upon completion of the audit, their reports upon the financial statements of Grande Cache Coal and its subsidiaries.

8. Review risk management policies and procedures of Grande Cache Coal (i.e. hedging, litigation and insurance).
9. Establish a procedure for:
 - the receipt, retention and treatment of complaints received by Grande Cache Coal regarding accounting, internal accounting controls or auditing matters; and
 - the confidential, anonymous submission by employees of Grande Cache Coal of concerns regarding questionable accounting or auditing matters.
10. Review and approve Grande Cache Coal's hiring policies regarding partners and employees and former partners and employees of the present and former external auditors of Grande Cache Coal.

The Committee has authority to communicate directly with the internal auditors (if any) and the external auditors of the Corporation. The external auditors shall be required to report directly to the Committee. The Committee will also have the authority to investigate any financial activity of Grande Cache Coal. All employees of Grande Cache Coal are to cooperate as requested by the Committee.

The Committee may also retain persons having special expertise and/or obtain independent professional advice to assist in fulfilling their responsibilities at such compensation as established by the Committee and at the expense of Grande Cache Coal without any further approval of the Board.

Meetings and Administrative Matters

1. At all meetings of the Committee every resolution shall be decided by a majority of the votes cast. In case of an equality of votes, the Chairman of the meeting shall be entitled to a second or casting vote.
2. The Chair will preside at all meetings of the Committee, unless the Chair is not present, in which case the members of the Committee that are present will designate from among such members the Chair for purposes of the meeting.
3. A quorum for meetings of the Committee will be a majority of its members, and the rules for calling, holding, conducting and adjourning meetings of the Committee will be the same as those governing the Board unless otherwise determined by the Committee or the Board.
4. Meetings of the Committee should be scheduled to take place at least four times per year. Minutes of all meetings of the Committee will be taken. The Chief Financial Officer will attend meetings of the Committee, unless otherwise excused from all or part of any such meeting by the Chairman.
5. The Committee will meet with the external auditor at least once per year (in connection with the preparation of the year-end financial statements) and at such other times as the external auditor and the Committee consider appropriate.
6. Agendas, approved by the Chair, will be circulated to Committee members along with background information on a timely basis prior to the Committee meetings.
7. The Committee may invite such officers, directors and employees of the Corporation as it sees fit from time to time to attend at meetings of the Committee and assist in the discussion and consideration of the matters being considered by the Committee.
8. Minutes of the Committee will be recorded and maintained and circulated to directors who are not members of the Committee or otherwise made available at a subsequent meeting of the Board.
9. The Committee may retain persons having special expertise and may obtain independent professional advice to assist in fulfilling its responsibilities at the expense of the Corporation.

10. Any members of the Committee may be removed or replaced at any time by the Board and will cease to be a member of the Committee as soon as such member ceases to be a director. The Board may fill vacancies on the Committee by appointment from among its members. If and whenever a vacancy exists on the Committee, the remaining members may exercise all its powers so long as two members remain on the Committee. Subject to the foregoing, following appointment as a member of the Committee, each member will hold such office until the Committee is reconstituted.
11. Any issues arising from these meetings that bear on the relationship between the Board and management should be communicated to the Chairman of the Board by the Committee Chair.