



## GRANDE CACHE COAL CORPORATION

### NEWS RELEASE

#### GRANDE CACHE COAL CORPORATION REPORTS NET INCOME OF \$47.1 MILLION IN SECOND QUARTER FISCAL 2009

**Calgary, Alberta, November 5, 2008** – Grande Cache Coal Corporation (GCE-TSX) ("Grande Cache Coal" or the "Corporation") today announced its financial and operating results for the three and six months ended September 30, 2008.

- The Corporation earned a record net income of \$47.1 million during the second quarter, in comparison to a net loss of \$8.8 million in the same period last year. Included in this quarter's net income was a \$10.2 million future income tax benefit that was recognized based on the projection of future taxable earnings. Net income per share was \$0.52 in the second quarter and \$0.61 for the fiscal year to date.
- Income from operations was \$37.4 million in the current quarter and \$41.3 million in the first six months of the fiscal year.
- Second quarter clean coal production improved 58% over the first quarter to 0.43 million tonnes, primarily as a result of improvements in the surface mine. As a result, the clean coal production cost dropped to \$70 per tonne, down from \$100 per tonne in the previous quarter.
- Second quarter sales volumes were 0.34 million tonnes, compared to 0.36 million tonnes in the same period last year. A delayed vessel caused 70 thousand tonnes to slip from the second quarter into the third quarter.
- Second quarter revenue was \$76.6 million, a 149% increase over last year's second quarter revenue of \$30.8 million. The average sales price achieved during the quarter was \$223 per tonne, in contrast to \$85 per tonne in the comparable period. The improvement reflects higher contract price settlements for the current coal year offset somewhat by calendar year contracts and carryover tonnage from the prior coal year.
- Cost of sales for the second quarter was \$35.9 million, or \$104 per tonne, down from \$135 per tonne in the first quarter of the year.
- The Corporation's cash position increased \$13.8 million during the quarter bringing the cash balance at September 30, 2008, to \$22.1 million.

#### Fiscal 2009 Guidance Update:

- Coal production was less than expected during the second quarter due to the underground mine being in an extended period of development, which temporarily reduces the volume of coal released. The underground mine continues to be in development which is expected to last until mid-November. As a result, the Corporation is revising its fiscal 2009 coal sales volume guidance to a projected range of 1.5 to 1.65 million tonnes, down from the previous guidance range of 1.8 to 2.0 million tonnes. The revised coal sales projection is contingent upon depillaring commencing in the underground mine as expected, sufficient rail service and timely shipping schedules.

- As a result of the revised sales volume guidance, the Corporation anticipates the average sales price for fiscal 2009 will be in the range of U.S.\$210 to U.S.\$220 per tonne, down from the previous guidance range of U.S.\$245 to U.S.\$255 per tonne. The decrease is a result of having a higher proportion of lower priced coal, which consists of carryover tonnage from the prior year and contracts settled on a calendar year basis, and a lower proportion of current coal year contracts, which will be carried into fiscal 2010.
- The Corporation projects that the average cost of sales for fiscal 2009 will be in the range of \$108 to \$113 per tonne, up from the previous guidance range of \$85 to \$88 per tonne. The increase is a result of lower sales volume, lower productivities, a lower plant yield, higher mining input costs, especially for diesel fuel and contract labour, and higher distribution costs.

Robert Stan, President and Chief Executive Officer commented “After a brief period of depillaring, the underground mine went back into a development stage of production due to the detection of additional coal. Although this temporarily reduces our coal production in the current year, it has a positive long term impact as more coal is available for recovery from the underground mine. We saw improvements in the surface mine and raw coal production increased significantly over the previous quarter. We will continue to take necessary steps to improve production in the current year, while making decisions that maximize overall coal recovery.”

Mr. Stan continued, “The revision to our fiscal 2009 sales volume means that we will have carryover tonnage into fiscal 2010. Although this will decrease the average U.S. sales price for fiscal 2009, the recent weakening of the Canadian dollar against the U.S. dollar should help mitigate the impact on our net income this year.”

#### Financing Activities:

- During the second quarter, Brookfield Bridge Lending Fund Inc. ("Brookfield") converted the remaining \$9.85 million balance on the three year floating rate senior secured convertible debenture into common shares at a conversion price of \$1.825 per share. The conversion resulted in the issuance of 5.4 million common shares and eliminated the Corporations remaining debt.
- The Corporation has an unused \$20 million revolving debt facility with Brookfield which matures on April 1, 2009. The Corporation is in discussions with several financial institutions regarding a replacement for the revolving debt facility.

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

## **Management's Discussion & Analysis**

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This Management's Discussion and Analysis ("MD&A") should be read in conjunction with the unaudited interim consolidated financial statements for the period ended September 30, 2008, and the audited consolidated financial statements, notes and related MD&A thereto of Grande Cache Coal Corporation ("Grande Cache Coal" or the "Corporation") for the fiscal year ended March 31, 2008. The consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles. This discussion provides management's analysis of the Corporation's historical financial and operating results and provides estimates of the Corporation's future financial and operating performance based on information currently available. Actual results will vary from estimates and the variances may be significant. Readers should be aware that historical results are not necessarily indicative of future performance.

This MD&A was prepared using information that is current as of November 4, 2008.

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

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

All references are to Canadian dollars unless otherwise indicated.

**Grande Cache Coal Corporation**  
**Management's Discussion & Analysis**

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**Financial Overview**

<i>(millions of dollars)</i>	<b>As at September 30 2008</b>	<b>As at March 31 2008</b>
Balance Sheet		
Total assets	<b>196.1</b>	123.5
Long-term liabilities	<b>6.0</b>	21.5
Shareholders' equity	<b>172.1</b>	83.6

<i>(millions of dollars, except per share amounts)</i>	<b>Three months ended September 30</b>		<b>Six months ended September 30</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
Statement of Net Income (Loss) and Comprehensive Income (Loss)				
Revenue	<b>76.6</b>	30.8	<b>118.0</b>	69.0
Cost of sales	<b>35.9</b>	33.1	<b>69.4</b>	67.7
Income (loss) from operations	<b>37.4</b>	(8.5)	<b>41.3</b>	(10.2)
Net income (loss) and comprehensive income (loss)	<b>47.1</b>	(8.8)	<b>50.4</b>	(10.9)
Basic net income (loss) per share	<b>0.52</b>	(0.14)	<b>0.61</b>	(0.19)
Diluted net income (loss) per share	<b>0.51</b>	(0.14)	<b>0.59</b>	(0.19)

<i>(millions of tonnes, except per tonne amounts)</i>	<b>Three months ended September 30</b>		<b>Six months ended September 30</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
Statistics				
Clean coal production (tonnes)	<b>0.43</b>	0.37	<b>0.70</b>	0.70
Coal sales (tonnes)	<b>0.34</b>	0.36	<b>0.59</b>	0.79
Average sales price (U.S.\$/tonne)	<b>214</b>	81	<b>193</b>	81
Average sales price (\$/tonne)	<b>223</b>	85	<b>199</b>	87
Average cost of sales (\$/tonne)	<b>104</b>	91	<b>117</b>	86
Average cost of production (\$/tonne)	<b>70</b>	62	<b>82</b>	59

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#### **Revenue**

The Corporation's second quarter revenue was \$76.6 million on sales of 0.34 million tonnes. A 70 thousand tonne vessel was delayed until October, reducing sales volume for the second quarter. Revenue was \$30.8 million on sales of 0.36 million tonnes in the comparable quarter of fiscal 2008. For the fiscal year to date, revenue was \$118.0 million on sales of 0.59 million tonnes versus revenue of \$69.0 million on sales of 0.79 million tonnes in the first six months of last fiscal year. Revenue is significantly higher in fiscal 2009 due to higher contracted sales prices obtained in the current coal year. Sales volumes for the fiscal year to date are lower than the comparable period due mainly to lower sales in the first quarter, which was a result of low coal production volumes.

The average price achieved on U.S. dollar denominated sales during the second quarter was U.S.\$214 per tonne, a 164% increase from U.S.\$81 per tonne in the second quarter last year reflecting higher contract price settlements for the current coal year. The sales prices achieved during the current quarter ranged from U.S.\$300 per tonne for current coal year sales to U.S.\$85 per tonne for carryover sales from the prior coal year. The average sales price for the first six months of fiscal 2009 was U.S.\$193 per tonne versus U.S.\$81 per tonne during the same period of last fiscal year.

The average Canadian price realized on U.S. dollar denominated sales during the second quarter was \$223 per tonne in comparison to \$85 per tonne in the same period last year. For the fiscal year to date, the average Canadian price was \$199 per tonne (\$87 per tonne – fiscal 2008), which reflects a stronger Canadian dollar in relation to the U.S. dollar for the current year.

#### **Production Costs and Cost of Sales**

The second quarter clean coal production cost was \$70 per tonne, up from \$62 per tonne in the same period last fiscal year. After a brief period of depillaring during the second quarter, the underground mine went back into a development stage of production which temporarily reduces the volume of coal released. This, in combination with higher mining input costs and a lower plant yield, resulted in a clean coal production cost that was higher than the comparable period.

The clean coal production cost for the year to date was \$82 per tonne (\$59 per tonne – fiscal 2008) and was a result of lower productivities, a lower plant yield and higher mining input costs.

Second quarter cost of sales was \$35.9 million, or \$104 per tonne, and consisted of cost of product sold of \$23.9 million (\$69 per tonne) and distribution costs \$12.0 million (\$35 per tonne). In the comparable period, the cost of sales was \$33.1 million, or \$91 per tonne, and was made up of cost of product sold of \$23.4 million (\$64 per tonne) and distribution costs of \$9.7 million (\$27 per tonne).

The increase in the unit cost of product sold is attributable to lower sales volumes in addition to higher mining input costs and a lower plant yield. The main reasons for the increase in distribution costs in the current quarter were an increase in fuel surcharges included in rail costs and a higher proportion of shipments to eastern North America, which carry higher rail rates than shipments to port in western Canada

Fiscal year to date cost of sales was \$69.4 million, or \$117 per tonne, compared to \$67.7 million, or \$86 per tonne in the same period last year. The year to date cost of sales consisted of cost of product sold of \$48.0 million (\$81 per tonne) and distribution costs of \$21.4 million (\$36 per tonne). In the comparable period of fiscal 2008, the cost of product sold was \$46.4 million (\$59 per tonne) and the distribution costs were \$21.3 million (\$27 per tonne).

The increase in the unit cost of product sold is largely a result of lower sales volumes. As well, during the first half of last fiscal year the surface mine was not operating as the contract miner had completed operations and the Corporation had not yet resumed surface mining activities. The surface mine operated throughout the first six

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### **Management's Discussion & Analysis**

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months of the current fiscal year and has incurred increasing mining input costs, especially for diesel fuel and contract labour.

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

#### **Other Operating Expenses**

General and administrative expenses during the second quarter were \$0.8 million, down from \$3.0 million in the comparable period. The main reason for the decrease was a foreign exchange gain of \$1.0 million in the current quarter compared to a foreign exchange loss of \$1.2 million in the same quarter last fiscal year. The foreign exchange gain in the current quarter was due to a weakening of the Canadian dollar against the U.S. dollar while the loss in the comparable period was caused by a strengthening of the Canadian dollar. Also included in general and administrative expenses were head office administrative and marketing charges of \$1.6 million (\$1.4 million – fiscal 2008) and non-cash charges for stock-based compensation of \$0.2 million (\$0.4 million – fiscal 2008).

Fiscal 2009 year to date general and administrative expenses were \$2.7 million (\$5.2 million – fiscal 2008). Similar to the quarter, the primary reason for the decrease was a foreign exchange gain of \$0.9 million in the current year compared to a foreign exchange loss of \$2.0 million in the previous year. Head office administrative and marketing charges were \$3.2 million (\$2.5 million – fiscal 2008) and non-cash charges for stock-based compensation were \$0.4 million (\$0.7 million – fiscal 2008).

Depreciation, depletion and accretion charges in the second quarter were \$2.5 million compared to \$3.2 million in the second quarter of last year. Year to date depreciation, depletion and accretion charges were \$4.5 million versus \$6.2 million in the first six months of fiscal 2008. The decrease is mainly due to the change in value of depreciation and depletion included in coal inventory, offset somewhat by the addition of productive capital assets.

#### **Other Income (Expenses)**

Second quarter interest and other income was \$0.2 million compared to \$0.3 million in the same period last fiscal year. For the first six months of the year, interest and other income was \$0.4 million in comparison to \$0.7 million during the same period last year. Interest and other income consists primarily of interest earned on restricted cash, interest earned on short term investments and access fees charged for the use of roads and bridges belonging to the Corporation.

Interest and other expenses were \$0.1 million in the second quarter (\$0.4 million – fiscal 2008) and \$0.5 million for the year to date (\$0.9 million – fiscal 2008). Interest and other expenses consist primarily of interest paid on the revolving and long term debt.

#### **Income Taxes**

The Corporation had a future income tax benefit of \$10.2 million during the second quarter (nil – fiscal 2008) due to the recognition of a future income tax asset. The future income tax asset relates to losses incurred in previous periods and is based on the projection that it will be more likely than not that going forward taxable income will be available to utilize the future income tax asset.

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#### **Liquidity and Capital Resources**

At September 30, 2008, the Corporation had cash and cash equivalents of \$22.1 million and \$20.0 million of availability on the revolving debt facility. The Corporation's cash position increased \$13.8 million during the second quarter and \$17.9 million during the first six months of fiscal 2009.

Second quarter operating activities generated \$6.8 million in cash compared to \$5.9 million in the same period last year. For the fiscal year to date, cash generated from operating activities was \$19.9 million (\$9.2 million – fiscal 2008) and was largely due to the Corporation's net income of \$50.4 million versus a net loss of \$10.9 million in the first six months of fiscal 2008. In the current year, the net change in non-cash working capital relating to operating activities was (\$31.4) million during the second quarter and (\$24.1) million for the year date due to a significant increase in coal inventory and accounts receivable.

Second quarter financing activities generated cash of \$12.9 million (\$19.0 million – fiscal 2008) primarily due to warrants being exercised for \$12.6 million. During the second quarter of fiscal 2008 the Corporation issued share capital for gross proceeds of \$28.0 million. Costs for issuing the share capital were \$2.0 million resulting in net proceeds of \$26.0 million. In addition, Grande Cache Coal has a revolving debt facility on which net repayments of \$7.0 million were made during the second quarter of last year.

During the fourth quarter of fiscal 2008, Grande Cache Coal completed a financing agreement with Brookfield Bridge Lending Fund Inc. ("Brookfield"), consisting of a \$17.5 million floating rate senior secured convertible debenture (the "convertible debenture") and a secured revolving credit facility for an amount up to \$20.0 million (the "revolving facility"), subject to a borrowing base calculation. Pursuant to the terms of the convertible debenture, Brookfield converted \$7.65 million of the convertible debenture into 4.2 million shares during the first quarter and \$9.85 million of the convertible debenture into 5.4 million shares during the second quarter, bringing the balance of the convertible debenture to nil at September 30, 2008. The Corporation made net repayments of \$5.0 million on the revolving facility during the first half of the fiscal year bringing the balance to nil at September 30, 2008. During the first six months of fiscal 2008, the Corporation made net repayments on the revolving facility of \$10.0 million.

Investing activities led to a cash decrease of \$7.1 million during the second quarter and \$18.2 million for the fiscal year to date. Capital expenditures during the quarter were \$7.8 million (\$16.3 million – fiscal 2008) and \$17.0 million for the year to date (\$17.4 million – fiscal 2008). During the second quarter of fiscal 2008, certain stripping costs that had previously been capitalized were amortized resulting in charges of \$4.2 million. The Corporation also had a net increase in restricted cash of \$1.9 million during the first six months of fiscal 2009.

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

Grande Cache Coal expects that coal production will be lower than sales commitments made for fiscal 2009, which will result in sales being carried over into fiscal 2010. At September 30, 2008, the Corporation had \$20.3 million in coal inventory, compared to \$10.7 million at the end of the previous quarter.

The Corporation did not have any off-balance sheet financing structures in place at September 30, 2008. The only long term liabilities of the Corporation are asset retirement obligations with a present value of \$5.9 million and capital lease obligations of \$13 thousand. Grande Cache Coal's asset retirement obligations are covered by a cash deposit of \$0.1 million and letters of credit totaling \$8.2 million provided to the Alberta Government, which are presently secured by restricted cash.

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### Management's Discussion & Analysis

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#### Recent and Upcoming Changes in Accounting Policies

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

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

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

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

The Canadian Accounting Standards Board has decided that International Financial Reporting Standards ("IFRS") will be adopted as Canadian generally accepted accounting principles ("GAAP") for publicly accountable enterprises. As such, the Corporation will be required to adopt IFRS for the fiscal year beginning April 1, 2011, including comparative data from the prior year. The Corporation is establishing a plan for transition and has engaged third party advisors to assist in assessing the differences between IFRS and Canadian GAAP and the impact the transition will have on the consolidated financial statements.

#### Summary of Quarterly Results

<i>(millions, except per unit amounts)</i>	2009		2008				2007	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Clean coal production (tonnes)	0.43	0.27	0.37	0.35	0.37	0.33	0.23	0.27
Coal sales (tonnes)	0.34	0.25	0.42	0.44	0.36	0.43	0.18	0.30
Average sales price (\$/tonne)	223	166	95	85	85	89	78	95
Average cost of sales (\$/tonne)	104	135	86	85	91	81	86	88
Average cost of production (\$/tonne)	70	100	63	50	62	55	68	63
Revenue	76.6	41.3	39.9	37.7	30.8	38.2	13.8	28.7
Income (loss) from operations	37.4	4.0	(0.7)	(3.0)	(8.5)	(1.7)	(4.2)	0.6
Net income (loss) comprehensive income (loss)	47.1	3.4	(1.2)	(3.4)	(8.8)	(2.0)	(4.7)	(2.2)
Basic net income (loss) per share	0.52	0.04	(0.02)	(0.05)	(0.14)	(0.04)	(0.09)	(0.04)
Diluted net income (loss) per share	0.51	0.04	(0.02)	(0.05)	(0.14)	(0.04)	(0.09)	(0.04)

#### Outlook

##### Metallurgical Coal Markets

Coal production was less than expected during the second quarter due to the underground mine being in an extended period of development, which temporarily reduces the volume of coal released. The underground mine continues to

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be in development which is expected to last until mid-November. As a result, the Corporation is revising its fiscal 2009 coal sales volume guidance to a projected range of 1.5 to 1.65 million tonnes, down from the previous guidance range of 1.8 to 2.0 million tonnes. The revised coal sales projection is contingent upon depillaring commencing in the underground mine as expected, sufficient rail service and timely shipping schedules.

As a result of the revised sales volume guidance, the Corporation anticipates the average sales price for fiscal 2009 will be in the range of U.S.\$210 to U.S.\$220 per tonne, down from the previous guidance range of U.S.\$245 to U.S.\$255 per tonne. The decrease is a result of having a higher proportion of lower priced coal, which consists of carryover tonnage from the prior year and contracts settled on a calendar year basis, and a lower proportion of current coal year contracts, which will be carried into fiscal 2010.

The Corporation is maintaining a focus on expanding and diversifying its customer base geographically as well as within traditional markets. The demand for metallurgical coking coal is expected to remain strong over the medium term.

#### Operations

The Corporation projects that the average cost of sales for fiscal 2009 will be in the range of \$108 to \$113 per tonne, up from the previous guidance range of \$85 to \$88 per tonne. The increase is a result of lower sales volume, lower productivities, a lower plant yield, higher mining input costs, especially diesel fuel and contract labour, and higher distribution costs. The Corporation is continuing to focus on productivity improvements and cost control measures in the surface mine, underground mine and process plant.

#### Capital Expenditures

The Corporation continues to anticipate capital expenditures will total approximately \$50 million in fiscal 2009.

#### Other Information

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

As at November 4, 2008, there were 96,069,809 common shares issued and outstanding, and the following share options were also outstanding:

<b>Share Options Outstanding</b>	<b>Number Granted</b>	<b>Number Vested</b>	<b>Exercise Price</b>	<b>Expiry Date</b>
	250,000	250,000	\$1.00	March 21, 2009
	100,000	100,000	\$3.70	July 21, 2009
	12,500	12,500	\$3.70	August 8, 2009
	115,000	115,000	\$11.56	March 15, 2010
	10,000	10,000	\$9.08	June 9, 2010
	75,000	75,000	\$4.50	October 18, 2010
	280,000	280,000	\$2.44	April 11, 2011
	150,000	150,000	\$1.05	October 11, 2011
	50,000	50,000	\$1.05	November 16, 2011
	360,407	187,064	\$0.88	May 23, 2012
	1,508,402	241,730	\$1.04	January 8, 2013
	150,000	-	\$5.02	August 20, 2013
<b>Total</b>	<b>3,061,309</b>	<b>1,471,294</b>		

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**Additional Information**

Additional information regarding the Corporation and its business operations, including the Corporation's annual information form for the fiscal year ended March 31, 2008, is available on the Corporation's SEDAR profile at [www.sedar.com](http://www.sedar.com).

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

(unaudited)	As at September 30 2008	As at March 31 2008
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 22,092	\$ 4,238
Restricted cash (note 3)	8,440	6,528
Accounts receivable	33,424	20,171
Inventory (note 4)	26,322	10,477
Prepaid expenses	612	1,084
Future income tax asset (note 6)	10,211	-
	<u>101,101</u>	<u>42,498</u>
Deposit for future reclamation expenditures	82	82
Capital assets (note 5)	<u>94,931</u>	<u>80,937</u>
	<u>\$ 196,114</u>	<u>\$ 123,517</u>
<b>Liabilities</b>		
Current liabilities		
Accounts payable and accrued liabilities	\$ 18,068	\$ 13,484
Revolving debt (note 7)	<u>-</u>	<u>5,000</u>
	18,068	18,484
Long term debt (note 7)	-	17,382
Asset retirement obligations (note 8)	5,938	4,020
Capital lease obligations	<u>13</u>	<u>52</u>
	<u>24,019</u>	<u>39,938</u>
<b>Shareholders' Equity</b>		
Share capital (note 9)	194,530	154,676
Equity portion of convertible debenture (note 7)	-	118
Contributed surplus	2,830	4,468
Deficit	<u>(25,265)</u>	<u>(75,683)</u>
	<u>172,095</u>	<u>83,579</u>
	<u>\$ 196,114</u>	<u>\$ 123,517</u>
Commitments (note 12)		

*See accompanying notes to the consolidated financial statements.*

**Grande Cache Coal Corporation**  
**Consolidated Statements of Net Income (Loss), Comprehensive Income (Loss) and Deficit**  
*(thousands of Canadian dollars, except per share amounts)*

(unaudited)	Three months ended September 30		Six months ended September 30	
	2008	2007	2008	2007
<b>Revenue</b>	\$ 76,634	\$ 30,796	\$ 117,980	\$ 68,956
<b>Expenses</b>				
Cost of product sold	23,869	23,430	47,991	46,384
Distribution	12,071	9,656	21,451	21,325
General and administrative	808	3,013	2,730	5,224
Depreciation, depletion and accretion	2,497	3,186	4,467	6,181
	<u>39,245</u>	<u>39,285</u>	<u>76,639</u>	<u>79,114</u>
<b>Income (loss) from operations</b>	<b>37,389</b>	<b>(8,489)</b>	<b>41,341</b>	<b>(10,158)</b>
<b>Other income (expenses)</b>				
Interest and other income	238	285	368	708
Interest and other expenses	<u>(127)</u>	<u>(426)</u>	<u>(510)</u>	<u>(945)</u>
<b>Income (loss) before taxes</b>	<b>37,500</b>	<b>(8,630)</b>	<b>41,199</b>	<b>(10,395)</b>
<b>Income taxes</b>				
Current income tax (expense)	(646)	(211)	(992)	(476)
Future income tax benefit (note 6)	<u>10,211</u>	<u>-</u>	<u>10,211</u>	<u>-</u>
<b>Net income (loss) and comprehensive income (loss)</b>	<b>47,065</b>	<b>(8,841)</b>	<b>50,418</b>	<b>(10,871)</b>
Deficit, beginning of period	<u>(72,330)</u>	<u>(62,255)</u>	<u>(75,683)</u>	<u>(60,225)</u>
<b>Deficit, end of period</b>	<b>\$ (25,265)</b>	<b>\$ (71,096)</b>	<b>\$ (25,265)</b>	<b>\$ (71,096)</b>
<b>Net income (loss) per share (note 13)</b>				
Basic	\$ 0.52	\$ (0.14)	\$ 0.61	\$ (0.19)
Diluted	\$ 0.51	\$ (0.14)	\$ 0.59	\$ (0.19)

See accompanying notes to the consolidated financial statements.

**Grande Cache Coal Corporation**  
**Consolidated Statements of Cash Flows**  
*(thousands of Canadian dollars)*

(unaudited)	Three months ended September 30		Six months ended September 30	
	2008	2007	2008	2007
<b>Cash provided by (used for)</b>				
<b>Operating activities</b>				
Net income (loss) and comprehensive income (loss)	\$ 47,065	\$ (8,841)	\$ 50,418	\$ (10,871)
Items not affecting cash				
Stock-based compensation (note 14)	199	376	41	71
Settlement of asset retirement obligation	(146)	-	(146)	-
Unrealized foreign exchange loss	(1,203)	728	(893)	1,097
Future income tax benefit (note 6)	(10,211)	-	(10,211)	-
Depreciation, depletion and accretion	2,497	3,186	4,467	6,181
	<u>38,201</u>	<u>(4,551)</u>	<u>44,050</u>	<u>(2,875)</u>
Net change in non-cash working capital relating to operating activities	<u>(31,376)</u>	<u>10,488</u>	<u>(24,147)</u>	<u>12,083</u>
	<u>6,825</u>	<u>5,937</u>	<u>19,903</u>	<u>9,208</u>
<b>Financing activities</b>				
Repayment on revolving debt (note 7)	-	(7,000)	(5,000)	(10,000)
Proceeds on exercise of warrants (note 9)	12,562	-	17,35	-
Proceeds on exercise of options (note 9)	347	-	2,94	-
Proceeds on issuance of share capital (note 9)	-	27,956	-	27,95
Share issuance costs (note 9)	(1	(1,977	(2	(1,977
Payment on capital lease obligations	(17	(16)	(34	(30
Net change in non-cash working capital relating to financing activities		-		-
	<u>12,89</u>	<u>18,963</u>	<u>15,26</u>	<u>15,95</u>
<b>Investing activities</b>				
Additions to mineral properties and development	(1,639)	(194)	(2,048)	(231)
Additions to buildings and equipment	(6,190)	(16,122)	(14,971)	(17,145)
Restricted cash (note 3)	-	-	(1,912)	-
Net change in non-cash working capital relating to investing activities	<u>731</u>	<u>4,302</u>	<u>723</u>	<u>4,302</u>
	<u>(7,098)</u>	<u>(12,014)</u>	<u>(18,208)</u>	<u>(13,074)</u>
<b>Effect of foreign exchange on cash and cash equivalents</b>	<u>1,20</u>	<u>(727)</u>	<u>893</u>	<u>(1,096)</u>
<b>Increase in cash and cash equivalents</b>	<u>13,82</u>	<u>12,159</u>	<u>17,85</u>	<u>10,98</u>
Cash and cash equivalents, beginning of period	<u>8,27</u>	<u>3,444</u>	<u>4,23</u>	<u>4,61</u>
<b>Cash and cash equivalents, end of period</b>	<u>\$ 22,09</u>	<u>\$ 15,603</u>	<u>\$ 22,09</u>	<u>\$ 15,60</u>

See accompanying notes to the consolidated financial statements.

**Grande Cache Coal Corporation**  
**Notes to Consolidated Financial Statements**  
**September 30, 2008**  
**(Unaudited)**

*(thousands of Canadian dollars, except per share amounts)*

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**1. Basis of Presentation**

The interim consolidated financial statements of the Corporation have been prepared in accordance with Canadian generally accepted accounting principles. The interim consolidated financial statements have been prepared using the same accounting policies as the consolidated financial statements for the fiscal year ended March 31, 2008, except as described in note 2.

The interim consolidated financial statements should be read in conjunction with the Corporation's audited consolidated financial statements and notes thereto for the year ended March 31, 2008.

**2. Recent and Upcoming Changes in Accounting Policies**

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

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

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

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

The Canadian Accounting Standards Board has made the decision that International Financial Reporting Standards ("IFRS") will be adopted as Canadian generally accepted accounting principles ("GAAP") for publicly accountable enterprises. As such, the Corporation will be required to adopt IFRS for the fiscal year beginning April 1, 2011, including comparative data from the prior year. The Corporation is establishing a plan for transition and has engaged third party advisors to assist in assessing the differences between IFRS and Canadian GAAP and the impact the transition will have on the consolidated financial statements.

**3. Restricted Cash**

Cash secured letters of credit in the amount of \$8,240 have been provided to the Alberta Government for security to cover anticipated costs of reclamation for the Corporation's mining areas, processing facilities and surrounding infrastructure, including \$2,712 in the first quarter of fiscal 2009. In addition, cash secured letters of credit of \$200 have been made available to service providers. During the first quarter of fiscal 2009, the Corporation received \$800 in cash due to the return of restricted cash that had been used as security for a letter of credit that was made available to a service provider.

**Grande Cache Coal Corporation**  
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*(thousands of Canadian dollars, except per share amounts)*

**4. Inventory**

	<b>As at September 30 2008</b>	<b>As at March 31 2008</b>
Coal inventory	\$ 20,314	\$ 5,500
Materials inventory	<u>6,008</u>	<u>4,977</u>
	<u>\$ 26,322</u>	<u>\$ 10,477</u>

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

Materials inventory consists of parts, supplies and consumables, and is valued at the lower of average cost and net realizable value. The Corporation maintains an inventory of parts and supplies for day to day maintenance and operations. For the three months ended September 30, 2008, parts and supplies inventories of \$1,648 were expensed to cost of product sold compared to \$1,200 in the same period of fiscal 2008. For the fiscal year to date, parts and supplies inventories of \$3,282 were expensed to cost of product sold compared to \$2,275 in the same period of fiscal 2008.

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

**5. Capital Assets**

	<b>As at September 30 2008</b>	<b>As at March 31 2008</b>
Mineral properties and development	\$ 18,163	\$ 16,080
Buildings and equipment	76,556	64,639
Capital leases	<u>212</u>	<u>218</u>
	<u>\$ 94,931</u>	<u>\$ 80,937</u>

**6. Income Taxes**

The Corporation has recognized a future income tax asset of \$10,211. The components of the future income tax asset are as follows:

	<b>As at September 30 2008</b>	<b>As at March 31 2008</b>
Temporary differences related to buildings and equipment and mineral properties and development costs	\$ 1,974	\$ 2,396
Asset retirement obligations	1,744	1,181
Share issuance costs	1,178	1,178
Non-capital loss carryforward	5,311	17,658
Other	4	-
Valuation allowance	-	(22,413)
Future income tax asset	<u>\$ 10,211</u>	<u>\$ -</u>

**Grande Cache Coal Corporation**  
**Notes to Consolidated Financial Statements**  
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**7. Revolving and Term Debt**

In the prior year the Corporation had a \$25 million secured credit facility consisting of a \$10 million term facility and a \$15 million revolving facility with Brookfield Bridge Lending Fund Inc. ("Brookfield"). The credit facilities were secured by a general security agreement with interest payable monthly at a rate of prime plus 2% per annum and had a maturity date of April 8, 2008. The credit facilities were being used to finance the Corporation's working capital.

During the fourth quarter of fiscal 2008, Grande Cache Coal completed a financing agreement with Brookfield for a \$17.5 million three year floating rate senior secured convertible debenture and a secured revolving credit facility for an amount up to \$20 million, subject to a borrowing base calculation. The proceeds from the convertible debenture were used to fully repay the Corporation's pre-existing term facility with Brookfield (\$10 million) and associated fees. The balance of the proceeds from the convertible debenture as well as proceeds from the revolving facility are used for general corporate purposes.

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

Pursuant to the terms of the convertible debenture, Brookfield converted \$7,650 into 4.2 million common shares during the first quarter and \$9,850 into 5.4 million common shares during the second quarter, bringing the balance of the convertible debenture at September 30, 2008, to nil.

Net repayments on the revolving facility in the first quarter of fiscal 2009 were \$5.0 million bringing the balance to nil at June 30, 2008. The balance on the revolving facility remained nil at September 30, 2008.

	<b>As at September 30 2008</b>	<b>As at March 31 2008</b>
Revolving debt	\$ -	\$ 5,000
Convertible debenture	-	17,500
Less: Equity portion of convertible debenture	-	(118)
Long term debt	-	17,382
	<u>\$ -</u>	<u>\$ 22,382</u>

**8. Asset Retirement Obligations**

Future asset retirement obligations were calculated based on the Corporation's estimated costs to fulfill its legal asset retirement obligations. The Corporation has estimated the net present value of its asset retirement obligations to be \$5,938 as at September 30, 2008, based on a total future liability of \$10,596. The Corporation's credit adjusted risk free rates range from 5.5% to 7.6% depending on the period when the provision originated and the term of estimated years to reclamation.

**Grande Cache Coal Corporation**  
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**(Unaudited)**

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

Balance – March 31, 2007	\$	3,783
Increase in liability		-
Settlement of liability		(19)
Accretion expense		<u>256</u>
Balance – March 31, 2008	\$	4,020
Increase in liability		1,872
Settlement of liability		(146)
Accretion expense		<u>192</u>
Balance – September 30, 2008	\$	<u>5,938</u>

**9. Share Capital**

Authorized

Unlimited common shares

Unlimited preferred shares, issuable in series

Issued

<i>(thousands)</i>	Number	Stated Value
Common shares		
Balance – March 31, 2007	50,769	\$ 126,979
Shares issued on private placement	289	277
Shares issued on bought deal equity financing	20,500	26,650
Shares issued on over-allotment option	791	1,029
Shares issued on exercise of warrants	861	1,377
Shares issued on exercise of options	151	343
Share issuance costs	-	<u>(1,979)</u>
Balance – March 31, 2008	73,361	\$ 154,676
Shares issued on exercise of warrants	10,847	17,354
Shares issued on exercise of options	2,273	5,002
Shares issued on conversion of convertible debenture	9,589	17,500
Share issuance costs	-	<u>(2)</u>
Balance – September 30, 2008	<u>96,070</u>	<u>\$ 194,530</u>

During the first quarter of fiscal 2009, 2,995 thousand warrants were exercised for cash proceeds of \$4,792. Additionally, 2,020 thousand common share options were exercised for cash proceeds of \$2,601. On exercise of these common share options, \$1,804 was credited to share capital from contributed surplus. As well, Brookfield converted \$7,650 of the convertible debenture into 4,192 thousand common shares.

During the second quarter of fiscal 2009, 7,852 thousand warrants were exercised for cash proceeds of \$12,562 and three thousand warrants expired. At September 30, 2008, there were no purchase warrants outstanding. Additionally, 253 thousand common share options were exercised for cash proceeds of \$347. On exercise of these common share options, \$249 was credited to share capital from contributed surplus. During the second quarter, Brookfield converted \$9,850 of the convertible debenture into 5,397 thousand common shares.

**Grande Cache Coal Corporation**  
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**(Unaudited)**

*(thousands of Canadian dollars, except per share amounts)*

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

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

On August 9, 2007, the Corporation closed a bought deal equity financing. At closing, a total of 20.5 million units (the "Units") of the Corporation were issued at a price of \$1.30 per Unit for gross proceeds of \$26.65 million. In addition, the Corporation granted to the underwriters an over-allotment option to purchase up to an additional 3.1 million Units at the issue price for a period of 30 days following the closing date. Each Unit consisted of one common share and one-half of one common share purchase warrant of the Corporation, each whole warrant entitled the holder thereof to acquire one common share at a price of \$1.60 per share until August 11, 2008.

On September 7, 2007, the underwriters of the Corporation's bought deal equity financing that closed on August 9, 2007 exercised their over-allotment option, resulting in the issuance of 791 thousand units (the "Units") of the Corporation at a price of \$1.30 per Unit for gross proceeds of \$1,029. Each Unit consisted of one common share and one-half of one common share purchase warrant of the Corporation, each whole warrant entitled the holder thereof to acquire one common share at a price of \$1.60 per share until August 11, 2008.

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

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

## **10. Capital Management**

Grande Cache Coal's objective is to maintain a capital structure that will sustain ongoing operations, allow for capital expansion and provide returns to shareholders. The capital structure, as disclosed on the balance sheet, consists of cash and cash equivalents, shareholders' equity and revolving debt.

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

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

## **11. Financial Instruments**

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

**Grande Cache Coal Corporation**  
**Notes to Consolidated Financial Statements**  
**September 30, 2008**  
**(Unaudited)**

*(thousands of Canadian dollars, except per share amounts)*

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

<b>Financial instrument</b>	<b>Classification</b>
Cash and cash equivalents	Held-for-trading
Restricted cash	Held-to-maturity
Accounts receivable	Loans and receivables
Accounts payable and accrued liabilities	Other financial liabilities
Revolving debt	Other financial liabilities

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

Credit Risk

The Corporation is exposed to credit risk in the event that it does not receive payment of accounts receivable. The Corporation typically sells its product to large steel companies with high credit ratings. The maximum credit risk exposure at September 30, 2008 is \$33.4 million, which is equal to the carrying amount of all accounts receivable. The Corporation does not deem the accounts receivable to be impaired or past due.

Liquidity Risk

The Corporation is exposed to liquidity risk in the event that it would be unable to meet obligations associated with financial liabilities. The Corporation has a \$20 million revolving credit facility which it utilizes for working capital purposes. At September 30, 2008, the balance on the revolving debt facility was nil. At September 30, 2008, the Corporation had undiscounted financial liabilities of \$18.1 million for accounts payable and accrued liabilities that are due within three months.

Market Risk

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

*Foreign exchange rates*

Substantially all of the Corporation's sales are denominated in U.S. dollars. As such, accounts receivable are exposed to changes in the U.S./Canadian dollar exchange rate. Based on the U.S. dollar denominated accounts receivable balance at September 30, 2008, each decrease of U.S.\$0.01 relative to the Canadian dollar would have resulted in a decrease of \$248, which would have been charged to income in the current quarter.

*Interest rates*

Interest accrues on the Corporation's convertible debenture at a variable annual rate equal to a Canadian chartered bank's prime lending rate plus 1.75 percent per annum, calculated daily. A 1% increase in the prime rate would have resulted in an increased interest expense of \$11 for the three months ending September 30, 2008.

**12. Commitments**

The Corporation made commitments to purchase used haul trucks for the surface mine with an estimated total cost of \$2.0 million. At September 30, 2008, \$0.5 million in deposits had been made towards the purchase of the used haul trucks.

Grande Cache Coal made a commitment to purchase \$0.2 million in equipment for an upgrade to the information technology infrastructure.

**Grande Cache Coal Corporation**  
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*(thousands of Canadian dollars, except per share amounts)*

**13. Net Income (Loss) per Share**

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

<i>(thousands, except per share amounts)</i>	<b>Three months ended</b>		<b>Six months ended</b>	
	<b>September 30</b>		<b>September 30</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
Weighted average shares outstanding – basic	90,118	62,814	83,318	56,824
Dilutive effect of options	2,117	-	2,232	-
Weighted average shares outstanding – diluted	92,235	62,814	85,550	56,824
Net income (loss)	\$ 47,065	\$ (8,841)	\$ 50,418	\$ (10,871)
Net income (loss) per share - basic	\$ 0.52	\$ (0.14)	\$ 0.61	\$ (0.19)
Net income (loss) per share - diluted	\$ 0.51	\$ (0.14)	\$ 0.59	\$ (0.19)

**14. Stock-Based Compensation**

The Corporation has a share option plan, pursuant to which the Board of Directors, or a committee thereof, may from time to time grant options to purchase common shares. Total stock-based compensation expense included in general and administrative expenses for the second quarter was \$199, compared to \$376 in the same quarter last year and was a result of options granted pursuant to the Corporation's share option plan. The fiscal year to date stock-based compensation was \$415, compared to \$718 in the prior year.

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

On August 20, 2008, pursuant to the Corporation's share option plan, options to purchase 150 thousand common shares were granted to employees and consultants of the Corporation at an exercise price of \$5.02 per share. The options have a five year term and will vest on a one-third basis on each of August 20, 2009, August 20, 2010 and August 20, 2011.

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

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

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

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

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

**Grande Cache Coal Corporation**  
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*(thousands of Canadian dollars, except per share amounts)*

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

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

The fair value of each share option granted is estimated on the date of the grant using the Black-Scholes option pricing model, using an estimated volatility at the time of each grant between 42% and 95%, risk-free interest rates of 3% to 4.5% and an expected term of five years.

Details of the share options outstanding are as follows:

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

Of the share options outstanding at September 30, 2008, 363 thousand options expire in 2009, 200 thousand options expire in 2010, 480 thousand options expire in 2011, 360 thousand options expire in 2012, and 1,658 expire in 2013.

Details of the share options exercisable at September 30, 2008 are as follows:

<i>(thousands of shares)</i>	<b>Common Shares</b>	
	<b>Number</b>	<b>Weighted Average Exercise Price</b>
	250	\$ 1.00
	112	3.70
	115	11.56
	10	9.08
	75	4.50
	280	2.44
	200	1.05
	187	0.88
	<u>242</u>	<u>1.04</u>
	<u><u>1,471</u></u>	<u><u>\$ 2.54</u></u>

**Grande Cache Coal Corporation**  
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**(Unaudited)**

*(thousands of Canadian dollars, except per share amounts)*

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**15. Subsequent Events**

Subsequent to September 30, 2008, the following events occurred.

The Corporation made payments of \$1.5 million towards the purchase commitments on used haul trucks for the surface mine.

The Corporation entered into an agreement with a property and development company to purchase condominium units for employees at a total cost of approximately \$4.9 million. A deposit of \$0.2 million was made towards this commitment.

The Corporation entered into various purchase commitments for surface mine equipment. The total cost of the commitments is approximately \$21.4 million. Payments of \$1.5 million were made towards these commitments.

## READER ADVISORY

### Forward-looking Statement Advisory

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

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