



GRANDE CACHE COAL CORPORATION

NEWS RELEASE

GRANDE CACHE COAL CORPORATION ANNOUNCES FIRST QUARTER FISCAL 2009 FINANCIAL AND OPERATING RESULTS

Calgary, Alberta, August 14, 2008 – Grande Cache Coal Corporation (GCE-TSX) ("Grande Cache Coal" or the "Corporation") today announced its financial and operating results for the three months ended June 30, 2008.

- Net income for the first quarter was \$3.4 million, or \$0.04 per share, in comparison to a \$2.0 million loss in the same quarter last year.
- During the quarter, the Corporation had lower than planned coal production due to the underground mine being in an extended development stage which temporarily reduced the volume of coal released, issues with the deployment of equipment and people in the surface mine and a lower plant yield. This, in combination with increasing mining input costs, resulted in a clean coal production cost of \$100 per tonne.
- The low production resulted in sales volume of 0.25 million tonnes, however sales for the fiscal year are still expected to be in the range of 1.8 to 2.0 million tonnes.
- Revenue for the quarter was \$41.3 million, an 8% increase over last year's first quarter due to significantly higher coal prices. The average price achieved during the quarter was \$166 per tonne versus \$89 per tonne in the comparable period reflecting higher contract price settlements for the current coal year offset by carryover tonnage from the prior coal year which were settled at lower prices.
- Cost of sales for the quarter was \$135 per tonne and was largely a result of the low sales volume made worse by higher mining input costs.

"Although we had a slow start to the year, we foresee substantially better results over the remainder of the fiscal year," said Robert Stan, President and Chief Executive Officer. "During the second quarter we commenced depillaring activities in the underground mine which has increased raw coal production. We are also seeing better availability of surface mine equipment allowing us to move more material. There has certainly been a high demand for our product so we are doing everything we can to increase production in order to meet our customer's needs."

Financing Activities:

- To date, Grande Cache Coal has \$5.85 million outstanding on a three year floating rate senior secured convertible debenture with Brookfield Bridge Lending Fund Inc. ("Brookfield"). The Corporation has the potential to be free of this facility by the end of the second quarter in the event that (i) Brookfield exercises its option to convert the remaining balance into common shares at a conversion price of \$1.825 per share, (ii) the Corporation chooses to redeem the balance at a redemption price equal to 107% of the principle amount being redeemed plus interest, or (iii) the Corporation requires Brookfield to convert the balance provided the 15 day volume weighted average trading price (on volumes of at least 300,000 common shares for 15 consecutive trading days) of the common shares exceeds \$4.00 per share. Full conversion of the remaining balance will result in the issuance of 3.2 million common shares.
- Currently, the Corporation has an unused \$20 million revolving credit facility with Brookfield.

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

This Management's Discussion and Analysis ("MD&A") should be read in conjunction with the unaudited interim consolidated financial statements for the period ended June 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 August 13, 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

Financial Overview

<i>(millions of dollars)</i>	As at June 30 2008	As at March 31 2008
Balance Sheet		
Total assets	131.2	123.5
Long-term liabilities	15.8	21.5
Shareholders' equity	102.1	83.6

<i>(millions of dollars, except per share amounts)</i>	Three months ended June 30	
	2008	2007
Statement of Net Income (Loss)		
Revenue	41.3	38.2
Cost of sales	33.5	34.6
Income (loss) from operations	4.0	(1.7)
Net income (loss)	3.4	(2.0)
Basic and diluted net income (loss) per share	0.04	(0.04)

<i>(millions of tonnes, except per tonne amounts)</i>	Three months ended June 30	
	2008	2007
Statistics		
Clean coal production (tonnes)	0.27	0.33
Coal sales (tonnes)	0.25	0.43
Average sales price (U.S.\$/tonne)	165	82
Average sales price (\$/tonne)	166	89
Average cost of sales (\$/tonne)	135	81
Average cost of production (\$/tonne)	100	55

Grande Cache Coal Corporation

Management's Discussion & Analysis

Revenue

First quarter revenue was \$41.3 million on sales of 0.25 million tonnes compared to revenue of \$38.2 million on sales of 0.43 million tonnes in the same period of fiscal 2008. Sales volumes were lower than the comparable quarter due to low coal production volumes.

The average price achieved on U.S. dollar denominated sales was U.S.\$165 per tonne in the first quarter compared to U.S.\$82 per tonne in the same period last year reflecting higher contract price settlements for the current coal year offset by carryover tonnage from the prior coal year which were settled at lower prices. The sales prices achieved during the current quarter ranged from U.S.\$300 per tonne for current coal year sales to U.S.\$81 per tonne for carryover sales. The average Canadian price achieved for U.S. dollar denominated sales was \$166 per tonne during the quarter compared to \$89 per tonne in the same period last year depicting a stronger Canadian dollar in relation to the U.S dollar for the current period.

Production Costs and Cost of Sales

The Corporation's clean coal production cost was \$100 per tonne compared to \$55 per tonne in the same period last fiscal year. During the current quarter, the Corporation had lower than planned coal production due to the underground mine being in an extended development stage which temporarily reduced the volume of coal released, issues with the deployment of equipment and people in the surface mine and a lower plant yield. This, in combination with increasing mining input costs, resulted in a clean coal production cost that was higher than the comparable period.

First quarter cost of sales was \$33.5 million, or \$135 per tonne, compared to \$34.6 million, or \$81 per tonne in the same period last year. The cost of sales in the current quarter consisted of cost of product sold of \$24.1 million (\$97 per tonne) and distribution costs of \$9.4 million (\$38 per tonne). In the comparable quarter of fiscal 2008, the cost of product sold was \$22.9 million (\$54 per tonne) and the distribution costs were \$11.7 million (\$27 per tonne).

The increase in the unit cost of product sold is largely a result of low sales volume due to low production levels during the quarter. As well, during the first quarter of last fiscal year the surface mine was not operating as the contractor had completed operations and the Corporation had not yet resumed surface mining activities. The surface mine operated throughout the current quarter and has seen increasing mining input costs, especially for diesel fuel.

There were three main reasons for the increase in distribution costs in the current quarter. 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, 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

Grande Cache Coal's general and administrative expenses were \$1.9 million during the quarter, down from \$2.2 million in the comparable period. Included in the general and administrative expenses were head office administrative and marketing charges of \$1.6 million (\$1.1 million – 2008) and non-cash charges for stock-based compensation of \$0.2 million (\$0.3 million – 2008). The quarter also included a foreign exchange loss of \$0.1 million compared to a loss of \$0.8 million in the same quarter last fiscal year.

First quarter depreciation, depletion and accretion charges were \$2.0 million versus \$3.0 million in the comparable period of last year. The decrease is due to lower coal production levels and the change in value of depreciation and depletion included in coal inventory, offset somewhat by the addition of productive capital assets.

Grande Cache Coal Corporation

Management's Discussion & Analysis

Other Income (Expenses)

Interest and other income in the first quarter was \$0.1 million compared to \$0.4 million in the same period last fiscal year. Interest and other income consists primarily of interest earned on restricted cash, interest earned on short term investments and access fees charged for the use of roads and bridges belonging to the Corporation.

Interest and other expenses were \$0.4 million in the current quarter versus \$0.5 million in the comparable period and consist primarily of interest paid on the revolving and long term debt.

Liquidity and Capital Resources

At June 30, 2008, Grande Cache Coal had cash and cash equivalents of \$8.3 million and \$20.0 million of availability on the revolving debt facility. The Corporation's cash position increased by \$4.0 million during the first quarter compared to a cash decrease of \$1.2 million in the same period last fiscal year.

First quarter operating activities provided \$13.1 million in cash compared to \$3.3 million in the same period last year. Cash generation was enhanced by the Corporation's first quarter net earnings of \$3.4 million versus a net loss of \$2.0 million in the first quarter of fiscal 2008. The net change in non-cash working capital relating to operating activities was \$7.2 million in the first quarter and included a significant reduction in accounts receivable and an increase in inventory.

Financing activities during the first quarter resulted in a cash increase of \$2.4 million in comparison to a cash decrease of \$3.0 million for the same period last year. During the current quarter, warrants were exercised for cash proceeds of \$4.8 million and share options were exercised for cash proceeds of \$2.6 million.

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 of fiscal 2009, bringing the balance of the convertible debenture to \$9.85 million at June 30, 2008. The Corporation also repaid \$5.0 million on the revolving facility during the first quarter bringing the balance to nil at June 30, 2008. During the first quarter of fiscal 2008, the Corporation made net repayments on the revolving facility of \$3.0 million.

Investing activities during the first quarter of fiscal 2009 resulted in a cash use of \$11.1 million compared to \$1.1 million in the same period last year. Capital additions of \$9.2 million (\$1.1 million – 2008) accounted for the main source of cash use during the quarter. The Corporation also had a net increase in restricted cash of \$1.9 million as it provided an additional \$2.7 million to the Alberta Government for security to cover anticipated costs of reclamation and received \$0.8 million in cash that had been used as security for a letter of credit that was made available to a service provider.

The Corporation believes that the \$20.0 million revolving facility will be sufficient to fund ongoing working capital requirements. Grande Cache Coal expects that coal production will be sufficient to meet customer requirements during 2009. At June 30, 2008, the Corporation had \$10.7 million in coal inventory, compared to \$5.5 million at the end of the previous quarter.

The Corporation did not have any off-balance sheet financing structures in place at June 30, 2008. The only long term liabilities of the Corporation are long term debt of \$9.8 million, asset retirement obligations with a present value of \$6.0 million, and capital lease obligations of \$33 thousand. Grande Cache Coal's asset retirement

Grande Cache Coal Corporation

Management's Discussion & Analysis

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.

Recent and Upcoming Changes in Accounting Policies

The CICA Handbook sections 1535 – Capital Disclosures, 3031 – Inventories, 3862 – Financial Instruments - Disclosures and 3863 – Financial Instruments – Presentations, 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 financial statements.

Section 3031 prescribes new accounting treatment for inventories. The adoption of section 3031 did not have a material impact on the financial statements of the Corporation.

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 financial statements however it resulted in additional disclosure which is provided in the Corporation's notes to the 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 in the process of assessing the differences between IFRS and Canadian GAAP and the impact the transition will have on the financial statements.

Summary of Quarterly Results

<i>(millions, except per unit amounts)</i>	2009	2008			2007			
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Clean coal production (tonnes)	0.27	0.37	0.35	0.37	0.33	0.23	0.27	0.22
Coal sales (tonnes)	0.25	0.42	0.44	0.36	0.43	0.18	0.30	0.29
Average sales price (\$/tonne)	166	95	85	85	89	78	95	103
Average cost of sales (\$/tonne)	135	86	85	91	81	86	88	97
Average cost of production (\$/tonne)	100	63	50	62	55	68	63	63
Revenue	41.3	39.9	37.7	30.8	38.2	13.8	28.7	29.8
Income (loss) from operations	4.0	(0.7)	(3.0)	(8.5)	(1.7)	(4.2)	0.6	(0.9)
Net income (loss)	3.4	(1.2)	(3.4)	(8.8)	(2.0)	(4.7)	(2.2)	(1.8)
Basic and diluted net income (loss) per share	0.04	(0.02)	(0.05)	(0.14)	(0.04)	(0.09)	(0.04)	(0.03)

Grande Cache Coal Corporation

Management's Discussion & Analysis

Outlook

Metallurgical Coal Markets

The Company continues to estimate that its coal sales volumes for fiscal 2009 will be in the range of 1.8 to 2.0 million tonnes contingent upon adequate rail service and shipping. The average sales price for fiscal 2009 is anticipated to be in the range of U.S.\$245 to U.S.\$255 per tonne and includes carryover shipments from the prior coal year, contract sales negotiated on a calendar year basis and hard coking coal and PCI contract sales for the new coal year commencing on April 1, 2008.

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

Operations

The Corporation is continuing to focus on productivity improvements and cost control measures in the surface mine, underground mine and process plant. While it is expected that the average cost of sales will vary from quarter to quarter, the average cost of sales for fiscal 2009 is still anticipated to be in the range of \$85 to \$88 per tonne. There has been a significant rise in industry wide mining input costs recently, most notably diesel fuel and natural gas. A continued escalation of these costs would have a negative impact on the anticipated cost of sales.

Capital Expenditures

The Corporation continues to anticipate capital expenditures will total approximately \$50 million in fiscal 2009. Expenditures related to surface mining are expected to total \$30 million in the year, including \$11 million on equipment to increase mine productivity and \$19 million of mine development projects. The development expenditures are to include an extension of the current surface mining area as well as development on future surface mining areas. Capital expenditures related to underground mining and the coal processing plant are projected to total approximately \$5 million each, including both sustaining capital expenditures and projects designed to increase efficiency. Safety, environmental, engineering and other projects are expected to total \$8 million. Ongoing drilling and exploration programs are anticipated to total approximately \$2 million.

Income Tax

Since the Corporation has been operating it has not incurred income tax. The Corporation expects to be taxable in fiscal 2009 due to a significant increase in the average coal sales price and improved operating results.

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.

Grande Cache Coal Corporation

Management's Discussion & Analysis

As at August 13, 2008, there were 92,611,327 common shares issued and outstanding, and the following share options were also outstanding:

Share Options Outstanding	Number Granted	Number Vested	Exercise Price	Expiry Date
	375,000	375,000	\$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
	345,000	345,000	\$2.44	April 11, 2011
	175,000	175,000	\$1.05	October 11, 2011
	50,000	50,000	\$1.05	November 16, 2011
	373,407	200,000	\$0.88	May 23, 2012
	<u>1,566,736</u>	<u>266,667</u>	<u>\$1.04</u>	<u>January 8, 2013</u>
Total	<u>3,197,643</u>	<u>1,724,167</u>		

Additional Information

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

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

(unaudited)	As at June 30 2008	As at March 31 2008
Assets		
Current assets		
Cash and cash equivalents	\$ 8,271	\$ 4,238
Restricted cash (note 3)	8,440	6,528
Accounts receivable	8,627	20,171
Inventory (note 4)	15,356	10,477
Prepaid expenses	600	1,084
	<u>41,294</u>	<u>42,498</u>
Deposit for future reclamation expenditures	82	82
Capital assets (note 5)	<u>89,853</u>	<u>80,937</u>
	<u>\$ 131,229</u>	<u>\$ 123,517</u>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	\$ 13,285	\$ 13,484
Revolving debt (note 6)	-	5,000
	<u>13,285</u>	<u>18,484</u>
Long term debt (note 6)	9,784	17,382
Asset retirement obligations (note 7)	5,988	4,020
Capital lease obligations	33	52
	<u>29,090</u>	<u>39,938</u>
Shareholders' Equity		
Share capital (note 8)	171,523	154,676
Equity portion of convertible debenture (note 6)	66	118
Contributed surplus	2,880	4,468
Deficit	<u>(72,330)</u>	<u>(75,683)</u>
	<u>102,139</u>	<u>83,579</u>
	<u>\$ 131,229</u>	<u>\$ 123,517</u>
Commitments (note 11)		

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 June 30	
	2008	2007
Revenue	\$ 41,346	\$ 38,160
Expenses		
Cost of product sold	24,122	22,954
Distribution	9,380	11,669
General and administrative	1,922	2,211
Depreciation, depletion and accretion	1,970	2,995
	<u>37,394</u>	<u>39,829</u>
Income (loss) from operations	3,952	(1,669)
Other income (expenses)		
Interest and other income	130	423
Interest and other expenses	(383)	(519)
Income (loss) before taxes	3,699	(1,765)
Taxes	(346)	(265)
Net income (loss) and comprehensive income (loss)	3,353	(2,030)
Deficit, beginning of period	(75,683)	(60,225)
Deficit, end of period	\$ <u>(72,330)</u>	\$ <u>(62,255)</u>
Net income (loss) per share (note 12)		
Basic and diluted	\$ 0.04	\$ (0.04)

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 June 30	
	2008	2007
Cash provided by (used for)		
Operating activities		
Net income (loss) and comprehensive income (loss)	\$ 3,353	\$ (2,030)
Items not affecting cash		
Stock-based compensation (note 13)	216	342
Unrealized foreign exchange loss	310	369
Depreciation, depletion and accretion	1,970	2,995
	<u>5,849</u>	<u>1,676</u>
Net change in non-cash working capital relating to operating activities	7,229	1,595
	<u>13,078</u>	<u>3,271</u>
Financing activities		
Repayment on revolving debt (note 6)	(5,000)	(3,000)
Proceeds on exercise of warrants (note 8)	4,792	-
Proceeds on exercise of options (note 8)	2,601	-
Share issuance costs (note 8)	(1)	-
Payment on capital lease obligations	(17)	(14)
Net change in non-cash working capital relating to financing activities	-	2
	<u>2,375</u>	<u>(3,012)</u>
Investing activities		
Additions to mineral properties and development	(409)	(37)
Additions to buildings and equipment	(8,781)	(1,023)
Restricted cash (note 3)	(1,912)	-
Net change in non-cash working capital relating to investing activities	(8)	-
	<u>(11,110)</u>	<u>(1,060)</u>
Effect of foreign exchange on cash and cash equivalents	<u>(310)</u>	<u>(369)</u>
Increase (decrease) in cash and cash equivalents	4,033	(1,170)
Cash and cash equivalents, beginning of period	<u>4,238</u>	<u>4,614</u>
Cash and cash equivalents, end of period	\$ <u>8,271</u>	\$ <u>3,444</u>

See accompanying notes to the consolidated financial statements.

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

(thousands of Canadian dollars, except per share amounts)

1. Basis of Presentation

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

The interim consolidated financial statements should be read in conjunction with the Corporation's audited consolidated financial statements and notes thereto for the 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 – Presentations, 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 9 of the Corporation's notes to the financial statements.

Section 3031 prescribes new accounting treatment for inventories. The adoption of section 3031 did not have a material impact on the financial statements of the Corporation.

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 financial statements however it resulted in additional disclosure which is provided in note 10 of the Corporation's notes to the 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 in the process of assessing the differences between IFRS and Canadian GAAP and the impact the transition will have on the 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 current quarter, the Corporation received \$800 in cash due to the return of restricted cash that had been used as security for a letter of credit that was made available to a service provider.

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

(thousands of Canadian dollars, except per share amounts)

4. Inventory

	As at June 30 2008	As at March 31 2008
Coal inventory	\$ 10,661	\$ 5,500
Materials inventory	4,695	4,977
	<u>\$ 15,356</u>	<u>\$ 10,477</u>

5. Capital Assets

	As at June 30 2008	As at March 31 2008
Mineral properties and development	\$ 17,649	\$ 16,080
Buildings and equipment	71,989	64,639
Capital leases	215	218
	<u>\$ 89,853</u>	<u>\$ 80,937</u>

6. 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.

Pursuant to the terms of the convertible debenture, Brookfield converted \$7,650 of the convertible debenture into 4.2 million common shares during the first quarter of fiscal 2009, bringing the balance of the convertible debenture at June 30, 2008, to \$9,850. The Corporation determined that \$9,784 of the convertible debenture should be classified as long term debt based on the market interest rate of a similar liability that does not have an associated equity component. The residual value of \$66 has been allocated to equity.

Net repayments on the revolving facility in the current quarter were \$5.0 million bringing the balance to nil at June 30, 2008.

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

(thousands of Canadian dollars, except per share amounts)

	As at June 30 2008	As at March 31 2008
Revolving debt	\$ -	\$ 5,000
Convertible debenture	9,850	17,500
Less: Equity portion of convertible debenture	<u>(66)</u>	<u>(118)</u>
Long term debt	9,784	17,382
	<u>\$ 9,784</u>	<u>\$ 22,382</u>

7. 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 \$5,988 as at June 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.

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	-
Accretion expense	<u>96</u>
Balance – June 30, 2008	<u>\$ 5,988</u>

8. Share Capital

Authorized

Unlimited common shares

Unlimited preferred shares, issuable in series

Grande Cache Coal Corporation
Notes to Consolidated Financial Statements
June 30, 2008

(Unaudited)

(thousands of Canadian dollars, except per share amounts)

Issued

<i>(thousands)</i>	Number	Stated Value
Common shares		
Balance – March 31, 2007	50,769	\$ 126,979
Shares issued on private placement	289	277
Shares issued on bought deal equity financing	20,500	26,650
Shares issued on over-allotment option	791	1,029
Shares issued on exercise of warrants	861	1,377
Shares issued on exercise of options	151	343
Share issuance costs	-	(1,979)
Balance – March 31, 2008	73,361	\$ 154,676
Shares issued on exercise of warrants	2,995	4,792
Shares issued on exercise of options	2,020	4,406
Shares issued on conversion of convertible debenture	4,192	7,650
Share issuance costs	-	(1)
Balance – June 30, 2008	<u>82,568</u>	<u>\$ 171,523</u>

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 entitling 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 entitling 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.

During the current quarter, 3.0 million warrants were exercised for cash proceeds of \$4.8 million. At June 30, 2008, there were 7.9 million purchase warrants outstanding. No value was attributed to the warrants issued during the second quarter of fiscal 2008.

During the current quarter, 2.0 million common share options were exercised for cash proceeds of \$2.6 million. On exercise of these common share options, \$1.8 million was credited to share capital from contributed surplus.

Grande Cache Coal Corporation
Notes to Consolidated Financial Statements
June 30, 2008

(Unaudited)

(thousands of Canadian dollars, except per share amounts)

During the first quarter of fiscal 2009, Brookfield converted \$7.65 million of the convertible debenture into 4.2 million common shares.

9. 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, revolving debt and a convertible debenture.

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.

10. Financial Instruments

Grande Cache Coal's financial instruments include cash and cash equivalents, restricted cash, accounts receivable, accounts payable and accrued liabilities, revolving debt, and a convertible debenture. 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. The Corporation measures the convertible debenture at amortized cost and determined that a portion of the convertible debenture should be classified as long term debt based on the market interest rate of a similar liability that does not have an associated equity component. The residual amount of the convertible debenture has been classified as equity.

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

Financial instrument	Classification
Cash and cash equivalents	Held-for-trading
Restricted cash	Held-to-maturity
Accounts receivable	Loans and receivables
Accounts payable and accrued liabilities	Other financial liabilities
Revolving debt	Other financial liabilities
Convertible debenture	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 June 30, 2008 is \$8.6 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.

Grande Cache Coal Corporation
Notes to Consolidated Financial Statements
June 30, 2008

(Unaudited)

(thousands of Canadian dollars, except per share amounts)

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 June 30, 2008, the balance on the revolving debt facility was nil. At June 30, 2008, the Corporation had undiscounted financial liabilities of \$13,285 for accounts payable and accrued liabilities that are due within 3 months, and \$9,850 for the convertible debenture that is due within 3 years.

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 June 30, 2008, each decrease of U.S.\$0.01 relative to the Canadian dollar would have resulted in a decrease of \$25, 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 \$41 for the three months ending June 30, 2008.

11. Commitments

Grande Cache Coal has a commitment to purchase six haul trucks that will primarily be used to supplement the transportation of coal from the surface mine to the process plant. The haul trucks have an estimated cost of U.S.\$4.1 million. At June 30, 2008, U.S.\$3.5 million had been paid towards the purchase of the haul trucks.

12. 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 and the warrants and the if-converted method is used to determine the dilutive effect of the convertible debenture. 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.

Grande Cache Coal Corporation
Notes to Consolidated Financial Statements
June 30, 2008

(Unaudited)

(thousands of Canadian dollars, except per share amounts)

<i>(thousands, except per share amounts)</i>	Three months ended	
	June 30	
	2008	2007
Weighted average shares outstanding – basic	76,444	50,769
Dilutive effect of:		-
Options	2,512	-
Warrants	6,166	-
Convertible debenture	5,397	-
Weighted average shares outstanding – diluted	90,519	50,769
Net income (loss)	\$ 3,353	\$ (2,030)
Net income (loss) per share - basic	\$ 0.04	\$ (0.04)
Net income (loss) per share - diluted	\$ 0.04	\$ (0.04)

13. 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 first quarter was \$216, compared to \$342 in the same quarter last year and was a result of options granted pursuant to the Corporation's share option plan

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.

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.

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.

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.

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.

Grande Cache Coal Corporation
Notes to Consolidated Financial Statements
June 30, 2008

(Unaudited)

(thousands of Canadian dollars, except per share amounts)

Details of the share options outstanding are as follows:

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

Of the share options outstanding at June 30, 2008, 488 thousand options expire in 2009, 200 thousand options expire in 2010, 570 thousand options expire in 2011, 373 thousand options expire in 2012, and 1,567 expire in 2013.

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

<i>(thousands of shares)</i>	Common Shares	
	Number	Weighted Average Exercise Price
	375	\$ 1.00
	112	3.70
	115	11.56
	10	9.08
	75	4.50
	345	2.44
	225	1.05
	200	0.88
	267	1.04
	<u>1,724</u>	<u>\$ 2.37</u>

14. Subsequent Events

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

The Corporation made payments of U.S.\$0.6 million towards the purchase commitment on the haul trucks.

7.85 million warrants were exercised into common shares at an exercise price of \$1.60 per share for gross proceeds of \$12.6 million. Three thousand warrants expired on August 11, 2008.

Pursuant to the terms of the convertible debenture, Brookfield converted \$4.0 million of the convertible debenture into 2.2 million common shares.

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, capital expenditures and debt service requirements; dependence on a single rail system; changes to legislation; liabilities inherent in coal mine development and production; competition for, among other things, capital, acquisitions of reserves, undeveloped lands and skilled personnel; geological, mining and processing technical problems; ability to obtain required mine licenses, mine permits and regulatory approvals required to proceed with mining and coal processing operations; ability to comply with current and future environmental and other laws; actions by governmental or regulatory authorities including increasing taxes and changes in other regulations; and the occurrence of unexpected events involved in coal mine development and production. Many of these risks and uncertainties are described in Grande Cache Coal's 2008 Annual Information Form, Grande Cache Coal's Management's Discussion and Analysis and other documents Grande Cache Coal files with the Canadian securities authorities. Copies of these documents are available without charge from Grande Cache Coal or may be accessed on Grande Cache Coal's website (www.gccoal.com) or on the website maintained by the Canadian securities regulatory authorities (www.sedar.com).

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