



GRANDE CACHE COAL CORPORATION

NEWS RELEASE

GRANDE CACHE COAL CORPORATION PROVIDES OPERATIONAL UPDATE AND ANNOUNCES FOURTH QUARTER FISCAL 2007 FINANCIAL AND OPERATING RESULTS

Calgary, Alberta, May 22, 2007 – Grande Cache Coal Corporation (GCE-TSX) ("Grande Cache Coal" or the "Corporation") today provided an update on operations and announced its financial and operating results for the three and twelve months ended March 31, 2007.

- Grande Cache Coal has sold 0.2 million tonnes of hard coking coal in the first 45 days of the first quarter of fiscal 2008, more than twice the amount sold in the fourth quarter of fiscal 2007. Metallurgical coal sales in the fourth quarter of 2007, including Pulverized Coal Injection (PCI), totaled 0.1 million tonnes.
- During the fourth quarter, severe weather conditions, a labour dispute and track disruptions restricted the amount of coal that could be moved to the port by the Corporation's rail service provider limiting metallurgical coal sales volumes to 0.1 million tonnes. Total sales volumes in the fourth quarter were 0.2 million tonnes.
- Since April 1, 2007, rail service has improved and expectations are that total metallurgical coal sales volumes for the first quarter of fiscal 2008 will be approximately 0.4 million tonnes.

"During the fourth quarter, our rail service provider experienced a combination of severe winter weather conditions and labour unrest that led to dramatically reduced rail service" said Robert Stan, President and Chief Executive Officer. "We were very disappointed by these developments as were other shippers of bulk commodities. Not being able to rail our product to the loading terminal resulted in unexpectedly low customer shipments and rapid inventory build-up at the mine. This forced the temporary suspension of mining and processing activities which led to increased unit costs during the quarter. Since the beginning of April we have seen improved rail service. Further improvement is anticipated and will be required for us to meet all of our customers' shipping requirements and load the vessels that are currently scheduled. We are working closely with the railway to maximize our rail shipments to the load port."

- Coal sales volumes for fiscal 2008 are expected to be in the range of 1.4 to 1.6 million tonnes, contingent upon adequate rail service and a timely startup of the surface mine. Currently committed sales are 1.4 million tonnes. It is projected that coking coal will account for 90% of the total sales volumes and achieve an average price of approximately U.S.\$85 per tonne. It is anticipated that PCI sales will account for 10% of the total sales volumes and realize an average price of approximately U.S.\$68 per tonne.
- Production costs and the cost of sales are projected to decrease as the Corporation transitions into a lower strip ratio phase of the surface mine and continues to make productivity improvements throughout the operations.

Fourth Quarter Results

- In the fourth quarter of fiscal 2007, hard coking coal sales accounted for 42% of the total sales volume, and carried an average price of \$103 per tonne. The average fourth quarter sales price was \$78 per tonne generating revenue of \$13.8 million. The quarterly sales volumes included a high proportion of PCI and thermal coal which significantly reduced the average realized sales price.

- The cost of coal produced in the period was \$68 per tonne, a 36% decline from \$98 per tonne last year. Due to high inventory levels and a lack of rail service, the mining and processing operations were suspended for approximately one month. This resulted in low coal production volumes and a higher than expected unit cost.
- The cost of sales in the fourth quarter declined 29% to \$86 per tonne, compared to \$121 per tonne in the same quarter last year.
- The Corporation's net loss for the quarter was \$4.7 million, or \$0.10 per share, and was a direct result of the high proportion of PCI and thermal coal sales volumes combined with the low volume of coal produced.
- For the year, the Corporation's revenue increased 12% to \$101.3 million while the cost of sales decreased 17% to \$93.2 million. The loss from operations was \$2.4 million compared to a loss from operations of \$31.2 million last year. The net loss for the year was \$7.0 million, or \$0.14 per share, versus a net loss last year of \$32.1 million, or \$0.79 per share.
- EBITDA for 2007 was \$2.0 million compared to (\$27.5 million) in fiscal 2006.
- Grande Cache Coal is finalizing the acquisition of a fleet of mining equipment with which to operate the surface mine. Financing for the equipment is currently being negotiated and is expected to result in a combination of lease and debt financing. The Corporation has placed deposits on a mining shovel, a mining drill and a fleet of haul trucks. It is anticipated that operations in the surface mine will resume in September 2007, conditional upon timely delivery of the mining equipment and the availability of skilled labour for commissioning the equipment.

"Productivity increases have continued in our underground mine and new daily and monthly production records were established in April" Mr. Stan continued. "Also during April, Grande Cache Coal shipped its two millionth tonne of coal to a steel company customer."

"The new fiscal year has started on a promising note from both a production and sales perspective. Our marketing initiatives have yielded positive results and we are forecasting a substantial increase in sales volume for the year. It is expected that the resumption of surface mining operations with company owned and operated equipment coupled with lower strip ratios and productivity improvements will result in production costs significantly below previous levels. Further cost improvements will result from the company's continuing focus on reducing dependence on contractors."

"Demand for coking coal remains strong as steel production world wide continues at a very high rate" Mr. Stan stated. "We are committed to our market diversification strategy and increasing our customer base. Improved rail service, a return to surface mining and increased customer demand will be key components to realizing improved operating results."

Grande Cache Coal is an Alberta based metallurgical coal mining company whose experienced team of coal professionals are operating a mining operation 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 March 31, 2007, 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, 2006. 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 May 18, 2007.

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 2006 Annual Information Form, Grande Cache Coal's 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 2006 Management's Discussion and Analysis and 2006 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>			March 31 2007	March 31 2006
Balance Sheet				
Total assets			107.5	90.7
Long-term liabilities			13.9	13.5
Shareholders' equity			69.8	50.1

<i>(millions of dollars, except per share amounts)</i>	Three months ended March 31		Twelve months ended March 31	
	2007	2006	2007	2006
Income Statement				
Revenue	13.8	27.0	101.3	90.1
Cost of sales	15.3	26.7	93.2	112.3
Loss from operations	(4.2)	(2.1)	(2.4)	(31.2)
Net loss	(4.7)	(2.6)	(7.0)	(32.1)
Basic and diluted net loss per share	(0.10)	(0.06)	(0.14)	(0.79)

<i>(millions, except per tonne amounts)</i>	Three months ended March 31		Twelve months ended March 31	
	2007	2006	2007	2006
Statistics				
Clean coal production	0.2	0.3	1.0	1.0
Coal sales	0.2	0.2	1.0	0.9
Average sales price (\$/tonne)	78	122	101	100
Average cost of sales (\$/tonne)	86	121	93	124
Average cost of production (\$/tonne)	68	86	63	98

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Revenue

Sales volumes in the fourth quarter were 0.2 million tonnes generating revenue of \$13.8 million, compared to sales volumes of 0.2 million tonnes and revenue of \$27.0 million in the same period last year.

During the quarter, the average price achieved on U.S. dollar denominated sales decreased to U.S.\$77 per tonne, down from U.S.\$107 per tonne in the comparable quarter. The current period sales volumes included hard coking coal sales (42%) at an average price of U.S.\$87 per tonne and Pulverized Coal Injection (PCI) sales (35%) at an average price of U.S.\$65 per tonne. The average Canadian dollar equivalent on U.S. dollar denominated sales was \$91 per tonne, down from \$123 per tonne in last year's fourth quarter. Thermal coal sales to the neighboring power plant facility were at an average price of \$34 per tonne (23% of volume), resulting in an average Canadian dollar sales price of \$78 per tonne, compared to \$122 per tonne in the same period last year.

Grande Cache Coal's sales volumes for the year were 1.0 million tonnes generating revenue of \$101.3 million, an increase from last year's sales volumes of 0.9 million tonnes and revenue of \$90.1 million.

The average U.S. dollar sales price in fiscal 2007 increased to U.S.\$93 per tonne, up from U.S.\$91 per tonne last year. The annual sales volumes included hard coking coal sales (76%) at an average price of U.S.\$100 per tonne and PCI sales (17%) at an average price of U.S.\$65 per tonne. The average Canadian dollar equivalent on U.S. dollar denominated sales was \$106 per tonne in comparison to \$108 per tonne in the prior year, reflecting a stronger Canadian dollar. Thermal coal sales to the neighboring power plant facility accounted for 7% of the total sales volumes and carried an average Canadian price of \$34 per tonne. Overall, the average realized Canadian dollar sales price for the year was \$101 per tonne, a slight increase from \$100 per tonne in fiscal 2006.

Production Costs and Cost of Sales

The Corporation's fourth quarter clean coal production cost decreased 21% to \$68 per tonne, from \$86 per tonne in the same period last year. Ceasing to operate the surface mine with a contractor, combined with improved productivities in the underground mine and process plant, contributed to the decrease in costs from the comparable quarter.

As a result of poor rail service, in early January the Corporation temporarily suspended operations in the processing plant and underground mine to control coal inventory levels at the mine site. The suspension of mining and processing activities had a negative impact on the unit cost during the quarter because of the low coal production volume.

The cost of coal produced for the year was \$63 per tonne, a 36% decline from \$98 per tonne last year. There were significant productivity gains and cost reduction achievements during the year which led to the cost improvement. The Corporation also ended its relationship with its surface mine contractor during the third quarter, as such there was no surface mining activity during the last four months of the year. As part of this transition, the Corporation capitalized certain stripping costs totaling \$4.3 million.

Cost of sales in the fourth quarter were \$15.3 million, or \$86 per tonne, compared to \$26.7 million, or \$121 per tonne in the same period last year. The cost of sales consisted of cost of product sold of \$11.5 million (\$65 per tonne) and distribution costs of \$3.8 million (\$21 per tonne). The cost of product sold and distribution costs for the fourth quarter of fiscal 2006 were \$20.8 million (\$94 per tonne) and \$5.9 million (\$27 per tonne), respectively.

The decrease in the unit cost of product sold is mainly a result of not operating the surface mine in the fourth quarter. The decrease in the distribution unit cost can be attributed to a high proportion of thermal coal sales to the neighboring power plant facility, which carried a low transportation cost because the coal was not transported by rail.

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The cost of sales for the year was \$93.2 million or \$93 per tonne compared to \$112.3 million or \$124 per tonne in fiscal 2006. Included in the cost of sales are cost of product sold of \$64.4 million (\$64 per tonne) and distribution costs of \$28.8 million (\$29 per tonne). The cost of product sold and distribution costs in fiscal 2006 were \$91.4 million (\$101 per tonne) and \$20.9 million (\$23 per tonne), respectively.

The decrease in the unit cost of product sold compared to the prior period is a result of improved productivities across all areas of the operation, a lower strip ratio in the surface mine and a higher plant yield. The Corporation has also made a concerted effort to eliminate the services of contractors and replace the essential services with Grande Cache Coal employees and equipment.

The increase in distribution costs during the year is primarily a result of a higher proportion of shipments to eastern North America which carry higher rail rates than shipments to port in western Canada, and the impact of fuel surcharges on rail costs.

Other Operating Expenses

General and administrative expenses during the period increased to \$1.6 million from \$1.3 million in the prior year. Included in these costs were head office administrative and marketing charges of \$1.1 million (\$1.1 million – 2006), non-cash charges for stock-based compensation of \$0.4 million (\$0.2 million – 2006) and a foreign exchange loss of \$0.1 million (nil – 2006).

For the year, general and administrative expenses were \$6.0 million, compared to \$5.3 million in fiscal 2006. These costs included head office administrative and marketing charges of \$4.0 million (\$4.3 million – 2006), non-cash charges for stock-based compensation of \$1.4 million (\$0.8 million – 2006) and a foreign exchange loss of \$0.6 million (\$0.2 million – 2006).

Fourth quarter depreciation, depletion and accretion charges were \$1.1 million in both the current and comparable period. Depreciation, depletion and accretion expenses for the year were \$4.4 million, up from \$3.7 million in the prior period. The increase is mainly due to the addition and productive use of more capital assets.

Other Income (Expenses)

The Corporation's interest and other income was \$0.1 million in the fourth quarters of both the current and prior year, while interest and other income was \$0.4 million in fiscal 2007 compared to \$0.6 million 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 belonging to the Corporation.

Interest and other expenses were \$0.5 million in the fourth quarter compared to \$0.4 million in the same period last year and \$1.7 million for the year compared to \$0.7 million in fiscal 2006. Interest and other expenses consist primarily of interest paid on the revolving and term debt.

Non-recurring charges were \$2.5 million during the year. These expenses consist of \$0.3 million as a fee for the cancellation of a planned equipment purchase in the second quarter and \$2.2 million in demobilization costs paid to the surface mining contractor in connection with the termination of the contract in the third quarter.

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Liquidity and Capital Resources

At March 31, 2007, Grande Cache Coal had cash and cash equivalents of \$4.6 million, an increase of \$0.9 million during the quarter and \$3.6 million over the year. This compares to a cash decrease of \$1.5 million in last year's fourth quarter and a decrease of \$34.5 million during fiscal 2006.

Operating activities in the fourth quarter generated cash of \$1.6 million in contrast to a cash decrease of \$1.2 million in the comparable quarter. Year to date operating activities resulted in a cash decrease of \$16.8 million, compared to a cash decrease of \$38.7 million in fiscal 2006.

Financing activities during the fourth quarter resulted in a cash decrease of \$39 thousand compared to a cash increase of \$1.4 million in the same quarter last year. During the twelve months of fiscal 2007, financing activities generated cash of \$28.7 million. The Corporation closed a bought deal equity financing for net proceeds of \$25.3 million in the first quarter. A total of 10.0 million units of the Corporation were issued at a price of \$2.70 per unit for gross proceeds of \$27.0 million. Share issuance costs related to the bought deal equity financing were \$1.7 million.

The Corporation has a \$15.0 million revolving credit facility used to fund working capital requirements. The net proceeds from the revolving facility during fiscal 2007 were \$3.5 million bringing the balance at March 31, 2007 to \$15.0 million.

Investing activities in the fourth quarter led to a cash decrease of \$0.6 million compared to \$1.6 million last year. In both periods the main source of the cash use was for investment in capital projects.

Cash used in investing activities since March 31, 2006 was \$8.3 million compared to \$14.9 million in fiscal 2006. The current year's spending for capital projects was \$3.6 million, which was net of a deposit refund of \$1.0 million. Also included in investing activities was \$4.3 million for prestripping activities in the surface mine.

Grande Cache Coal believes the current revolving facility is sufficient to fund its ongoing working capital requirements. The Corporation expects to maintain sufficient inventory levels at the port to meet customer requirements, provided adequate rail service is available. At March 31, 2007, the Corporation had \$30.3 million in coal inventory, compared to \$30.9 million at the end of the previous quarter.

The Corporation did not have any off-balance sheet financing structures in place at March 31, 2007. The only long term liabilities of the Corporation are asset retirement obligations with a present value of \$3.8 million, capital lease obligations of \$0.1 million and long term debt of \$10.0 million. Grande Cache Coal's asset retirement obligations are covered by a cash deposit of \$0.1 million and letters of credit totaling \$5.5 million provided to the Alberta Government, which are presently secured by restricted cash.

Grande Cache Coal is finalizing the acquisition of a fleet of mining equipment with which to operate the surface mine. Financing for the equipment is currently being negotiated and is expected to result in a combination of lease and debt financing. As of March 31, 2007, the Corporation has placed U.S.\$0.8 million in deposits on surface mining equipment which is projected to be onsite in the second quarter of fiscal 2008. It is anticipated that operations in the surface mine will resume in September 2007, conditional upon timely delivery of the mining equipment and the availability of skilled labour for commissioning the equipment. Capital expenditures for the surface mine are expected to total approximately \$32 million during fiscal 2008, with approximately \$3.0 million to be incurred in the first quarter and the balance in the second and third quarters.

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Summary of Quarterly Results

<i>(millions, except per unit amounts)</i>	2007				2006				2005
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Clean coal production	0.2	0.3	0.2	0.3	0.3	0.2	0.3	0.2	0.2
Coal sales	0.2	0.3	0.3	0.2	0.2	0.2	0.4	0.1	0.2
Average sales price (\$/tonne)	78	95	103	125	122	106	90	81	65
Average cost of sales (\$/tonne)	86	88	97	101	121	130	109	172	111
Average cost of production (\$/tonne)	68	63	63	60	86	99	104	110	94
Revenue	13.8	28.7	29.8	29.0	27.0	19.2	34.5	9.4	11.9
(Loss) income from operations	(4.2)	0.6	(0.9)	2.1	(2.1)	(6.5)	(10.2)	(12.4)	(10.3)
Net (loss) income	(4.7)	(2.2)	(1.8)	1.7	(2.6)	(6.9)	(10.5)	(12.2)	(10.2)
Basic and diluted net (loss) income per share	(0.10)	(0.04)	(0.03)	0.03	(0.06)	(0.17)	(0.26)	(0.30)	(0.27)

Outlook

Metallurgical Coal Markets

Coal sales volumes for fiscal 2008 are expected to be in the range of 1.4 to 1.6 million tonnes, contingent upon adequate rail service and a timely startup of the surface mine. It is projected that coking coal will account for 90% of the total sales volumes and achieve an average price of approximately U.S.\$85 per tonne. It is anticipated that PCI sales will account for 10% of the total sales volumes and realize an average price of approximately U.S.\$68 per tonne.

Grande Cache Coal 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 supply and demand remains balanced.

Operations

It is projected that operations in the surface mine will resume in September 2007, contingent upon timely delivery of the mining equipment and the availability of skilled labour for commissioning the equipment. Once full surface mine operations resume the combination of a lower strip ratio and the anticipated productivity improvements are expected to reduce production costs from 2007 levels.

The Corporation is continuing to focus on cost control and productivity improvements in the underground mine and the process plant. These areas are not affected by the change in the surface mining activities and with continued underground mine production the Corporation expects it will produce sufficient coal volumes to meet its sales commitments for the first half of the fiscal year, following which the surface mine operations are expected to resume.

Production levels for fiscal 2008 will continue to be managed according to scheduled sales volumes and the maintenance of adequate inventory levels.

Capital Expenditures

The Corporation anticipates spending approximately \$40 million on capital additions and a drilling program in fiscal 2008. Grande Cache Coal is finalizing the acquisition of a fleet of mining equipment with which to operate the

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surface mine. Financing for the equipment is currently being negotiated and is expected to result in a combination of lease and debt financing. Expenditures on equipment for the Corporation's surface mining fleet are expected to approximate \$32 million and will occur primarily during the second and third quarters of the year. The Corporation has placed deposits on a mining shovel, a mining drill and a fleet of haul trucks. It is anticipated that operations in the surface mine will resume in September 2007, conditional upon timely delivery of the mining equipment and the availability of skilled labour for commissioning the equipment.

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 May 18, 2007, there were 50,768,688 common shares issued and outstanding, and the following share options were also outstanding:

<u>Share Options Outstanding</u>	<u>Number Granted</u>	<u>Number Vested</u>	<u>Exercise Price</u>	<u>Expiry Date</u>
	1,058,334	1,058,334	\$1.00	March 21, 2009
	162,500	162,500	\$3.70	July 21, 2009
	37,500	37,500	\$3.70	August 8, 2009
	125,000	125,000	\$11.56	March 15, 2010
	10,000	10,000	\$9.08	June 9, 2010
	75,000	37,500	\$4.50	October 18, 2010
	655,000	218,333	\$2.44	April 11, 2011
	525,000	-	\$1.05	October 11, 2011
	175,000	-	\$1.05	November 16, 2011
	125,000	-	\$0.79	December 14, 2011
Total	<u>2,948,334</u>	<u>1,649,167</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, 2006, 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)	March 31 2007	March 31 2006
Assets		
Current assets		
Cash and cash equivalents	\$ 4,614	\$ 973
Restricted cash (note 2)	6,528	6,138
Accounts receivable	5,129	2,836
Inventory (note 3)	34,677	26,509
Prepaid prestrip charges (note 4)	4,193	-
Prepaid expenses	1,769	1,490
	<u>56,910</u>	<u>37,946</u>
Deposit for future reclamation expenditures	82	82
Capital assets (note 5)	<u>50,473</u>	<u>52,720</u>
	<u>\$ 107,465</u>	<u>\$ 90,748</u>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	\$ 8,788	\$ 15,653
Revolving debt (note 6)	15,000	11,500
	<u>23,788</u>	<u>27,153</u>
Long term debt (note 6)	10,000	10,000
Asset retirement obligations (note 7)	3,783	3,470
Capital lease obligations	104	-
	<u>37,675</u>	<u>40,623</u>
Shareholders' Equity		
Share capital (note 8)	126,979	101,715
Contributed surplus	3,036	1,621
Deficit	(60,225)	(53,211)
	<u>69,790</u>	<u>50,125</u>
	<u>\$ 107,465</u>	<u>\$ 90,748</u>
Commitments and Contingencies (note 13)		

See accompanying notes to the consolidated financial statements.

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

(unaudited)	Three months ended March 31		Twelve months ended March 31	
	2007	2006	2007	2006
Revenue	\$ 13,788	\$ 26,971	\$ 101,251	\$ 90,106
Expenses				
Cost of product sold	11,552	20,753	64,398	91,385
Distribution	3,780	5,964	28,841	20,888
General and administrative	1,571	1,288	6,000	5,335
Depreciation, depletion and accretion	1,113	1,098	4,409	3,686
	<u>18,016</u>	<u>29,103</u>	<u>103,648</u>	<u>121,294</u>
Loss from operations	(4,228)	(2,132)	(2,397)	(31,188)
Other income (expenses)				
Interest and other income	89	147	399	578
Interest and other expenses	(508)	(355)	(1,751)	(747)
Non-recurring charges (note 9)	-	-	(2,541)	-
	<u>(4,647)</u>	<u>(2,340)</u>	<u>(6,290)</u>	<u>(31,357)</u>
Loss before taxes	(4,647)	(2,340)	(6,290)	(31,357)
Taxes	(100)	(280)	(724)	(761)
Net loss	(4,747)	(2,620)	(7,014)	(32,118)
Deficit, beginning of period	<u>(55,478)</u>	<u>(50,591)</u>	<u>(53,211)</u>	<u>(21,093)</u>
Deficit, end of period	\$ (60,225)	\$ (53,211)	\$ (60,225)	\$ (53,211)
Net loss per share (note 10)				
Basic and diluted	<u>\$ (0.10)</u>	<u>(0.06)</u>	<u>\$ (0.14)</u>	<u>(0.79)</u>

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 March 31		Twelve months ended March 31	
	2007	2006	2007	2006
Cash provided by (used for)				
Operating activities				
Net loss	\$ (4,747)	\$ (2,620)	\$ (7,014)	\$ (32,118)
Items not affecting cash				
Stock-based compensation (note 11)	392	185	1,415	767
Unrealized foreign exchange loss	108	2	25	277
Depreciation, depletion and accretion	1,113	1,098	4,409	3,686
	(3,134)	(1,335)	(1,165)	(27,388)
Net change in non-cash working capital relating to operating activities	4,714	111	(15,650)	(11,345)
	1,580	(1,224)	(16,815)	(38,733)
Financing activities				
Proceeds on revolving and term debt (note 6)	-	1,500	3,500	21,500
Proceeds on issuance of share capital (note 8)	-	-	27,000	1,545
Share issuance costs (note 8)	-	-	(1,736)	(1)
Payment on capital lease obligations	(39)	-	(39)	-
Repayment of notes payable (note 12)	-	-	-	(3,752)
Net change in non-cash working capital relating to financing activities	-	(145)	-	-
	(39)	1,355	28,725	19,292
Investing activities				
Additions to mineral properties and development	(44)	(254)	(2,219)	(4,456)
Additions to buildings and equipment	(549)	(1,173)	(1,376)	(12,350)
Restricted cash (note 2)	-	(107)	(390)	3,501
Net change in non-cash working capital relating to investing activities	6	(69)	(4,333)	(1,592)
	(587)	(1,603)	(8,318)	(14,897)
Effect of foreign exchange on cash and cash equivalents				
	(34)	(2)	49	(144)
Increase (decrease) in cash and cash equivalents	920	(1,474)	3,641	(34,482)
Cash and cash equivalents, beginning of period	3,694	2,447	973	35,455
Cash and cash equivalents, end of period	\$ 4,614	\$ 973	\$ 4,614	\$ 973

See accompanying notes to the consolidated financial statements.

Grande Cache Coal Corporation
Notes to Consolidated Financial Statements
March 31, 2007

(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, 2006.

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, 2006.

Certain prior year's figures have been reclassified to conform to the presentation adopted in the current year.

2. Restricted Cash

Cash secured letters of credit in the amount of \$5,528 have been provided to the Alberta Minister of Finance for security to cover anticipated costs of reclamation for the Corporation's mining areas, processing facilities and surrounding infrastructure, including \$90 provided in the second quarter of this year. In addition, cash secured letters of credit of \$1,000 have been made available to service providers, including \$300 provided in the first quarter of this year.

3. Inventory

	March 31 2007	March 31 2006
Coal inventory	\$ 30,251	\$ 25,041
Materials inventory	<u>4,426</u>	<u>1,468</u>
Total	<u>\$ 34,677</u>	<u>\$ 26,509</u>

4. Prepaid Prestrip Charges

In accordance with EIC-160: Stripping Costs Incurred in the Production Phase of a Mining Operation, the Corporation has capitalized certain stripping costs in fiscal 2007, including \$3.3 million during the second quarter and \$1.0 million during the third quarter, due to mining conditions in which the surface mine contractor was winding down its activities for the Corporation. During the transition period, the contractor's efforts were focused on removing waste to maximize the coal readily available to the Corporation, which had the affect of temporarily increasing the strip ratio in the mine for the benefit of future periods. These deferred charges will be amortized over the future production generated by the stripping activity which occurred during the second and third quarters.

Fourth quarter amortization charges were \$132.

5. Capital assets

	March 31 2007	March 31 2006
Mineral properties and development	\$ 19,788	\$ 21,074
Buildings and equipment	30,456	31,646
Capital leases	<u>229</u>	<u>-</u>
	<u>\$ 50,473</u>	<u>\$ 52,720</u>

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6. Revolving and term debt

During the third quarter of fiscal 2006, the Corporation entered into a \$20 million secured credit facility consisting of a \$10 million term facility and a \$10 million revolving facility. Interest was payable monthly at a rate of prime plus 2% per annum.

The Corporation amended and extended its secured credit facility on March 28, 2006. The restated credit facility consisted of a \$10 million term facility and a \$15 million revolving facility with interest payable monthly at a rate of prime plus 2% per annum. The amended facilities had a maturity date of April 8, 2007, subject to a one year extension option.

In the fourth quarter, the Corporation exercised its option to extend its \$10 million term facility and \$15 million revolving facility for an additional year. The credit facilities are secured by a general security agreement with interest payable monthly at a rate of prime plus 2% per annum and have a maturity date of April 8, 2008.

The credit facilities are being used to finance the Corporation's working capital and also allowed for the retirement of a \$5 million loan the Corporation received from a member of the Board of Directors in the third quarter of fiscal 2006. The loan was secured by coal inventory at port, was interest bearing at 8% per annum and repayable 2 months from the date of receipt.

The net repayment on the revolving facility during the first quarter was \$670 bringing the balance at June 30, 2006, to \$10,830. The net repayment on the revolving facility during the second quarter was \$3,330 bringing the balance at September 30, 2006, to \$7,500. The net borrowing on the revolving facility during the third quarter was \$7,500 bringing the balance at December 31, 2006, to \$15,000. The revolving facility had a balance of \$15,000 at March 31, 2007.

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 \$3,783 as at March 31, 2007, based on a total future liability of \$7,225. 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, 2005	\$	2,338
Increase in liability		935
Accretion expense		197
		<hr/>
Balance – March 31, 2006	\$	3,470
Increase in liability		72
Accretion expense		241
		<hr/>
Balance – March 31, 2007	\$	<u>3,783</u>

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8. Share Capital

Authorized

Unlimited common shares

Unlimited preferred shares, issuable in series

Issued

<i>(thousands)</i>	Number	Stated Value
Common shares		
Balance – March 31, 2006	40,769	\$ 101,715
Shares issued on bought deal equity financing	<u>10,000</u>	<u>27,000</u>
Balance – March 31, 2007	<u>50,769</u>	<u>128,715</u>
Less: Share issuance costs		<u>1,736</u>
		<u>\$ 126,979</u>

On April 5, 2006, the Corporation closed a bought deal equity financing. At closing, a total of 10.0 million units (“Units”) of the Corporation were issued at a price of \$2.70 per Unit for gross proceeds of \$27.0 million. 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 \$3.40 per share until April 5, 2007.

Share issuance costs related to the bought deal equity financing were \$1,736 in the first quarter of 2007. Warrants to purchase an aggregate of 500,000 Common Shares at an exercise price of \$3.40 per share until April 5, 2007, were also issued to the agents.

9. Non-recurring Charges

In the second quarter of 2007, Grande Cache Coal incurred a charge of \$335 for cancelling a commitment to purchase mining equipment from a major equipment manufacturer.

During the third quarter of 2007, demobilization charges of \$2,206 were paid by the Corporation to North American Energy Partners as part of ending a contractual relationship.

These expenses are not expected to occur again in the future and have been classified as non-recurring costs. The non-recurring costs have been classified as Other Expenses as they are not part of the continuing day to day operations of the mine.

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10. Net Loss per Share

The following table reconciles the denominators for basic and diluted net 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 as they were not in-the-money during the quarter, and the effect of all option and warrant exercises would be anti-dilutive to the loss per share in the prior year.

	Three months ended		Twelve months ended	
	March 31		March 31	
	2007	2006	2007	2006
Weighted average shares outstanding – basic and diluted	<u>50,769</u>	<u>40,769</u>	<u>50,632</u>	<u>40,658</u>
Net loss	\$ <u>(4,747)</u>	\$ <u>(2,620)</u>	\$ <u>(7,014)</u>	\$ <u>(32,118)</u>
Net loss per share:				
Basic and diluted	<u>\$ (0.10)</u>	<u>\$ (0.06)</u>	<u>\$ (0.14)</u>	<u>\$ (0.79)</u>

11. 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 fourth quarter was \$392, compared to \$185 in the same quarter last year and was a result of options granted pursuant to the Corporation's share option plan. The year to date stock based compensation was \$1,415, compared to \$767 in the prior year.

As part of the Corporation's share option plan, on April 12, 2006, 900 thousand options to purchase common shares were granted to employees and directors of the Corporation at an exercise price of \$2.44 per share, on October 12, 2006, 525 thousand options to purchase common shares were granted to employees and directors of the Corporation at an exercise price of \$1.05, on November 17, 2006, 175 thousand options to purchase common shares were granted to employees of the Corporation at an exercise price of \$1.05 and on December 15, 2006, 125 thousand options to purchase common shares were granted to employees of the Corporation at an exercise price of \$0.79. The options have a five year term and are subject to an 18 month vesting period.

On July 28, 2006, 35 thousand options to purchase common shares were cancelled, on September 26, 2006 188 thousand options to purchase common shares were cancelled, on October 26, 2006, 5 thousand options to purchase common shares were cancelled, on November 10, 2006, 23 thousand options to purchase common shares were cancelled, on November 30, 2006, 23 thousand options to purchase common shares were cancelled, on December 25, 2006, 13 thousand options to purchase common shares were cancelled, on February 10, 2007, 12 thousand options to purchase common shares were cancelled, on March 2, 2007, 12 thousand options to purchase common shares were cancelled and on March 30, 2007, 20 thousand options to purchase common shares were cancelled.

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 86%, risk-free interest rates of 3% to 4% and expected lives of five years.

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Details of the share options outstanding are as follows:

<i>(thousands of shares)</i>	Common Shares	
	Number	Weighted Average Exercise Price
Outstanding – March 31, 2006	1,554	\$ 2.73
Granted	900	2.44
Cancelled	-	-
Exercised	-	-
Outstanding – June 30, 2006	2,454	\$ 2.62
Granted	-	-
Cancelled	(223)	3.48
Exercised	-	-
Outstanding – September 30, 2006	2,231	2.54
Granted	825	1.01
Cancelled	(64)	4.44
Exercised	-	-
Outstanding – December 31, 2006	2,992	2.08
Granted	-	-
Cancelled	(44)	2.44
Exercised	-	-
Outstanding – March 31, 2007	2,948	2.07

Of the share options outstanding at March 31, 2007, 1,258 thousand options expire in 2009, 210 thousand options expire in 2010, and 1,480 thousand options expire in 2011.

Details of the share options exercisable at March 31, 2007 are as follows:

<i>(thousands of shares)</i>	Common Shares	
	Number	Weighted Average Exercise Price
	1,058	\$ 1.00
	200	3.70
	125	11.56
	10	9.08
	38	4.50
	218	2.44
	1,649	\$ 2.45

12. Notes Payable

The Corporation entered into a coal sale agreement dated April 13, 2004, with a Japanese trading company (the “Trading Co.”) for the sale of approximately 250,000 tonnes of metallurgical coal to the Trading Co. by September 30, 2005. In conjunction with the coal sale agreement, the parties entered into an advance payment agreement pursuant to which the Trading Co. agreed to advance U.S.\$4,000 to the Corporation. As the advance was denominated in U.S. dollars, changes in the U.S./Canadian dollar exchange rate impacted the carrying value of the note.

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Repayment of the advance occurred through a reduction in the price per tonne otherwise payable by the Trading Co. for coal delivered under the coal sale agreement. During the second quarter of 2006, the remainder of the coal under the agreement was shipped and the balance owing was repaid.

13. Commitments and Contingencies

The Corporation had previously made commitments to purchase a mining shovel and a drill from a major mining equipment manufacturer. The estimated total cost of the equipment was U.S.\$16 million, with progress payments required over the course of the manufacturing process. The Corporation cancelled this commitment on September 8, 2006. To the date of cancellation, progress payments of U.S.\$4.7 million had been paid towards this commitment. Of the U.S.\$4.7 million already paid, U.S.\$3.4 million has been used to purchase underground mining equipment from the same vendor, U.S.\$0.3 million was retained by the vendor as a cancellation fee, and U.S.\$1.0 million was returned to the Corporation.

Grande Cache Coal has commitments to purchase mining equipment from heavy equipment distributors for the purpose of operating the surface mine. Included in these commitments are a mining shovel with an estimated total cost of U.S.\$4.7 million, a mining drill with an estimated total cost of U.S.\$1.9 million, and haul trucks with an estimated total cost of U.S.\$5.5 million. At March 31, 2007, deposits of U.S.\$0.8 million have been placed on this mining equipment.

14. Subsequent Events

On April 5, 2007, 5,000,000 warrants entitling the holder to purchase one Common Share at a price of \$3.40 each expired. On the same day, warrants entitling agents to purchase an aggregate of 500,000 Common Shares at an exercise price of \$3.40 per share also expired.

On April 26, 2007, the Corporation placed a U.S.\$0.25 million deposit on a mining drill for the surface mine operations. To date, the total deposit placed on the mining drill is U.S.\$0.5 million.

On May 9, 2007, the Corporation placed a U.S.\$1.2 million deposit on the haul trucks for the surface mine operations. To date, the total deposit placed on the haul trucks is U.S.\$1.45 million.

READER ADVISORY

Non-GAAP Financial Measure

This news release contains the term "EBITDA" which is not a recognized measure under Canadian generally accepted accounting principles ("GAAP"). It is therefore unlikely to be comparable to similar measures presented by other companies. Management defines EBITDA as income from operations before depreciation, depletion and accretion expense. EBITDA is presented on a consistent basis from period to period. Management uses EBITDA to assess the operating performance of Grande Cache Coal's ongoing business without the effects of depreciation, depletion and accretion expenses, interest, tax and non-recurring items. Management excludes depreciation, depletion and accretion expense because it largely depends on the accounting methods and assumptions used, as well as non-operating factors such as the historical cost of capital assets. Management excludes non-recurring items because they are transitional in nature. Management believes that in addition to income from operations, EBITDA is a useful supplemental measure as it allows management to compare Grande Cache Coal's operating performance on a consistent basis. Management believes that certain investors and analysts use EBITDA to measure a company's ability to service debt and to meet other payment obligations, or as a common valuation measurement in the mining industry. The most comparable GAAP financial measure is income from operations.

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 2006 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.*