



## GRANDE CACHE COAL CORPORATION

### NEWS RELEASE

#### GRANDE CACHE COAL CORPORATION ANNOUNCES FIRST QUARTER FISCAL 2010 FINANCIAL AND OPERATING RESULTS

**Calgary, Alberta, August 13, 2009** – 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, 2009. The Corporation's unaudited consolidated financial statements and related management's discussion and analysis for its quarter ended June 30, 2009 are available at [www.sedar.com](http://www.sedar.com) and the Corporation's website at [www.gccoal.com](http://www.gccoal.com).

- Grande Cache Coal earned net income of \$5.1 million, or \$0.05 per basic and diluted share during the first quarter of fiscal 2010, compared to net income of \$3.4 million, or \$0.04 per basic and diluted share, in the same period last fiscal year. Income from operations was \$10.7 million, up from \$4.0 million in the first quarter of last year.
- The Corporation's cash position increased \$30.3 million during the first quarter bringing its cash balance to \$98.3 million at June 30, 2009.
- Grande Cache Coal sold 0.51 million tonnes of metallurgical coal during the three months ended June 30, 2009, representing the largest quarterly sales volumes in the Corporation's history, driven by a significant increase in spot sales primarily into the Chinese market. The higher volumes contributed to an 80% increase in revenues to \$74.6 million during the first quarter of the fiscal year compared to the same period in the previous year. The average sales price during the current period was \$147 (US\$129) per tonne, compared to \$166 (US\$165) per tonne, in the same period of last year.
- The Corporation continues to anticipate annual sales volumes of 1.3 - 1.5 million tonnes at an average price between US\$115 - US\$125 for fiscal 2010. This year's expected pricing includes spot sales and carryover shipments from the prior coal year as well as contract sales negotiated for the current coal year that commenced April 1, 2009.
- Grande Cache Coal is increasing its production levels to meet demand anticipated during the current fiscal year with further increases expected in the following year. The increased production levels will be supported by additional mining equipment and the expected regulatory approval to commence mining at the Corporation's new No. 8 surface mine this fall. The additional mining equipment includes a new Hitachi EX5500 hydraulic excavator and a fleet of eight Komatsu AC 830E haul trucks. The Corporation intends to fund the acquisition of this equipment through equipment leases denominated in US dollars.
- During the first fiscal quarter Grande Cache Coal entered into an agreement with HSBC Bank Canada to provide the Corporation with an operating credit facility of up to \$25 million. The Corporation also entered into a series of monthly agreements to hedge US dollar revenues totaling US\$45 million to April 2010, at an average rate of Canadian dollars 1.157 to the US dollar.

"We are pleased with our first quarter sales volumes and the continued demand we are seeing for our product" said Robert Stan, President and Chief Executive Officer. "We are progressing with the steps necessary to increase our current

production levels in order to maximize potential sales volumes this fiscal year and in future years and we are continuing to focus on cost reduction measures and productivity improvements throughout all areas of our operations."

## Financial Overview

<i>(millions of dollars)</i>	<b>As at June 30 2009</b>	<b>As at March 31 2009</b>
<b>Balance Sheet</b>		
Cash and cash equivalents	<b>98.3</b>	68.0
Total assets	<b>270.4</b>	259.2
Long-term liabilities	<b>19.3</b>	16.7
Shareholders' equity	<b>233.8</b>	228.4
	<b>Three months ended June 30</b>	
<i>(millions of dollars, except per share amounts)</i>	<b>2009</b>	<b>2008</b>
<b>Statement of Net Income and Comprehensive Income</b>		
Revenue	<b>74.6</b>	41.3
Cost of sales	<b>56.6</b>	33.5
Income from operations	<b>10.7</b>	4.0
Net income and comprehensive income	<b>5.1</b>	3.4
Basic and diluted net income per share	<b>0.05</b>	0.04
	<b>Three months ended June 30</b>	
<i>(millions of tonnes, except per tonne amounts)</i>	<b>2009</b>	<b>2008</b>
<b>Statistics</b>		
Clean coal production (tonnes)	<b>0.34</b>	0.27
Coal sales (tonnes)	<b>0.51</b>	0.25
Average sales price (US\$/tonne)	<b>129</b>	165
Average sales price (CDN\$/tonne)	<b>147</b>	166
Cost of product sold (\$/tonne)	<b>84</b>	97
Distribution costs (\$/tonne)	<b>27</b>	38
Cost of sales (\$/tonne)	<b>111</b>	135

## **Revenue**

First quarter revenue was \$74.6 million on sales of 0.51 million tonnes, representing the largest quarterly sales volumes in the Corporation's history. The higher sales volumes were mainly driven by an increase in spot sales, primarily into the Chinese market. In the same period of fiscal 2009, revenue was \$41.3 million on sales of 0.25 million tonnes. Sales volumes were low in the comparable quarter due to low coal production.

The average price achieved during the first quarter was \$147 per tonne (US\$129 per tonne) compared to \$166 per tonne (US\$165 per tonne) in the same period last year. The reduced price reflects lower contract price settlements and spot sales in the current coal year partially offset by a more favourable exchange rate and carryover tonnage sold at last years prices.

## **Cost of Sales**

First quarter cost of sales was \$56.6 million, or \$111 per tonne, compared to \$33.5 million, or \$135 per tonne in the same period last year. The cost of sales in the current quarter consisted of cost of product sold of \$42.7 million (\$84 per tonne) and distribution costs of \$13.9 million (\$27 per tonne). In the comparable quarter of fiscal 2009, the cost of product sold was \$24.1 million (\$97 per tonne) and the distribution costs were \$9.4 million (\$38 per tonne).

The decrease in the unit cost of product sold during the first quarter is partially a result of higher sales volumes. In addition, there was a significant reduction in the cost of contractor services, operating supplies and diesel fuel. During the first quarter, clean coal production was 25% higher than the same period last year even though the Corporation curtailed production for a two week period in May. The process plant achieved productivity improvements and realized a higher yield while a higher strip ratio in the surface mine was offset by improved mining productivity.

The decrease in distribution costs in the current quarter relates to a lower proportion of shipments going to eastern North America, which carry higher rail rates than shipments to western Canada, as well as a reduction of fuel surcharges included in the rail rates. In addition, during the comparable quarter the Corporation incurred demurrage charges for vessels that had arrived at the port but could not be loaded due to a shortage of available coal.

## **Other Operating Expenses**

General and administrative expenses were \$2.1 million during the quarter, up slightly from \$1.8 million in the comparable period. Included in the general and administrative expenses were head office administrative and marketing charges of \$1.8 million (fiscal 2009 - \$1.6 million) and non-cash charges for stock-based compensation of \$0.3 million (fiscal 2009 - \$0.2 million).

Depreciation, depletion and accretion charges were \$5.2 million compared to \$2.0 million in the comparable period of last year. The increase is due to higher coal production, the addition of capital assets and the change in value of depreciation and depletion included in coal inventory.

## **Other Income (Expenses)**

The Corporation incurred a foreign exchange loss of \$3.2 million (fiscal 2009 - \$0.1 million) during the current period, \$2.5 million of which was unrealized, due to a significant strengthening of the Canadian dollar against the US dollar. The Corporation recorded an unrealized foreign exchange loss of \$0.2 million relating to foreign exchange forward contracts.

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

Interest and other expenses were nil in the current quarter versus \$0.4 million in the comparable period. Interest and other expenses in the first quarter of fiscal 2009 consisted primarily of interest paid on the revolving and long term debt.

## Taxes

The Corporation incurred tax expenses of \$2.3 million during the first quarter, which was comprised of a current tax expense of \$0.6 million for provincial Crown royalties and a future income tax expense of \$1.7 million. In the first quarter of fiscal 2009, the Corporation incurred a tax expense \$0.3 million for provincial Crown royalties.

## Liquidity and Capital Resources

At June 30, 2009, Grande Cache Coal had cash and cash equivalents of \$98.3 million. The Corporation's cash position increased by \$30.3 million during the first quarter compared to a \$4.0 million increase in the same period last fiscal year.

Operating activities during the first quarter provided \$43.6 million in cash compared to \$13.1 million in the same period last year. The primary difference was a net change in non-cash working capital relating to operating activities of \$28.6 million, the majority of which related to a significant reduction in coal inventory.

Financing activities during the current quarter included the repayment of a capital lease of \$19 thousand. Financing activities during the first quarter of the prior fiscal year resulted in a cash increase of \$2.4 million and included the exercise of warrants for cash proceeds of \$4.8 million, the exercise of share options for cash proceeds of \$2.6 million and a \$5.0 million repayment on a revolving debt facility.

Investing activities led to a cash decrease of \$10.7 million in the first quarter, compared to a decrease of \$11.1 million in the comparable period. Capital additions were \$9.0 million (fiscal 2009 - \$9.2 million) and consisted of the addition of buildings and equipment totaling \$8.5 million (fiscal 2009 - \$8.8 million) and the development of mineral properties of \$0.5 million (fiscal 2009 - \$0.4 million). The Corporation also had a net increase in restricted cash of \$1.9 million during the first quarter of fiscal 2009.

In June 2009, the Corporation entered into an agreement with HSBC Bank Canada to provide the Corporation with a credit facility up to \$25 million and the ability to enter into foreign exchange hedging arrangements. During the current quarter, the Corporation entered into a series of foreign exchange forward contracts to sell a total of US\$45 million at an average rate of Canadian dollars 1.157 to the US dollar. At June 30, 2009, all of the foreign exchange forward contracts were outstanding and all will mature by April 2010.

In order to ensure the continued availability of, and access to, facilities and services to meet operational requirements, the Corporation has entered into multi-year agreements for the lease of coal properties, light vehicles, equipment, buildings and office space.

The Corporation has purchase commitments for eight new Komatsu AC 830E Haul Trucks and a new Hitachi EX5500 Hydraulic Excavator. At June 30, 2009, remaining commitments owing on this mining equipment totalled approximately \$39.4 million, which included USD commitments of US\$21.6 million.

Under contracts existing at June 30, 2009, future minimum undiscounted amounts payable under these agreements were:

<i>(millions of Canadian dollars)</i>	<b>Payments Due by Period</b>				
	<b>Total</b>	<b>Less than 1 year</b>	<b>2-3 years</b>	<b>4-5 years</b>	<b>After 5 years</b>
<b>Contractual Obligations</b>					
Leases	2.2	0.7	0.8	0.3	0.4
Purchase Obligations	39.4	39.4	-	-	-
<b>Total Contractual Obligations</b>	<b>41.6</b>	<b>40.1</b>	<b>0.8</b>	<b>0.3</b>	<b>0.4</b>

## Summary of Quarterly Results

<i>(millions, except per unit amounts)</i>	<b>Fiscal 2010</b>	<b>Fiscal 2009</b>				<b>Fiscal 2008</b>		
	<b>Q1</b>	<b>Q4</b>	<b>Q3</b>	<b>Q2</b>	<b>Q1</b>	<b>Q4</b>	<b>Q3</b>	<b>Q2</b>
Clean coal production (tonnes)	0.34	0.26	0.35	0.43	0.27	0.37	0.35	0.37
Coal sales (tonnes)	0.51	0.11	0.36	0.34	0.25	0.42	0.44	0.36
Average sales price (US\$/tonne)	129	292	213	214	165	94	87	81
Average sales price (CDN\$/tonne)	147	364	254	223	166	95	85	85
Cost of product sold (\$/tonne)	84	72	96	69	97	59	56	64
Distribution costs (\$/tonne)	27	24	32	35	38	27	29	27
Cost of sales (\$/tonne)	111	96	128	104	135	86	85	91
Revenue	74.6	38.7	91.9	76.6	41.3	39.9	37.7	30.8
Income (loss) from operations	10.7	24.5	41.3	36.4	4.0	(0.8)	(3.0)	(7.3)
Net income (loss)	5.1	18.9	36.8	47.1	3.4	(1.2)	(3.4)	(8.8)
Basic net income (loss) per share	0.05	0.20	0.38	0.52	0.04	(0.02)	(0.05)	(0.14)
Diluted net income (loss) per share	0.05	0.20	0.38	0.51	0.04	(0.02)	(0.05)	(0.14)

In the current quarter, the Corporation achieved its highest quarterly sales tonnage of the past eight quarters, mainly because of an increase in spot sales. The average US dollar sales price was lower in the current period, primarily due to a decrease in current coal year contract price settlements; however it was aided by a portion of carryover sales from fiscal 2009, which were settled at record high prices. Contract price settlements for the current coal year, though lower than fiscal 2009, remain higher than price settlements from fiscal 2008. The average cost of sales increased in fiscal 2009, compared to fiscal 2008, because of a decrease in sales volumes, lower productivity from the underground mine, a higher surface mine strip ratio and a lower plant yield. In addition, mining input costs were higher in the early part of fiscal 2009 due to a strong economy. Certain mining input costs decreased during the two most recent quarters and the Corporation realized the benefits of some cost reduction initiatives.

## Outlook

### Metallurgical Coal Markets

For fiscal 2010, the Corporation continues to anticipate that sales volumes will be in the range of 1.3 to 1.5 million tonnes, contingent upon adequate clean coal production, rail service and vessel arrivals. The average sales price is projected to be in the range of US\$115 to US\$125 per tonne, which includes carryover shipments from the prior coal year, spot sales and contract sales for the coal year that commenced April 1, 2009.

### Operations

The Corporation is maintaining a focus on cost reduction initiatives and productivity improvements 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 2010 is still anticipated to be in the range of \$110 to \$115 per tonne.

### Capital Expenditures

Capital expenditures are expected to total approximately \$85 million during fiscal 2010. Approximately \$46 million of the capital expenditures is for the acquisition of new surface mining equipment and approximately \$20 million is for the development of the No. 8 surface mine and the No. 12 South B2 underground mine, pending receipt of regulatory approvals. Fiscal 2010 capital expenditures are expected to be funded by existing cash, cash flow from operations and equipment leases.

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

(unaudited)	As at June 30 2009	As at March 31 2009
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 98,326	\$ 68,035
Restricted cash	8,440	8,440
Accounts receivable	17,998	15,153
Inventory	22,130	49,800
Prepaid expenses	831	965
	<u>147,725</u>	<u>142,393</u>
Deposit for future reclamation expenditures	82	82
Capital assets	<u>122,571</u>	<u>116,707</u>
	<u>\$ 270,378</u>	<u>\$ 259,182</u>
<b>Liabilities</b>		
Current liabilities		
Accounts payable and accrued liabilities	\$ 16,802	\$ 13,130
Future income taxes	395	886
	<u>17,197</u>	<u>14,016</u>
Asset retirement obligations	6,825	6,429
Future income taxes	12,524	10,298
	<u>36,546</u>	<u>30,743</u>
<b>Shareholders' Equity</b>		
Share capital	194,541	194,541
Contributed surplus	3,674	3,362
Retained earnings	35,617	30,536
	<u>233,832</u>	<u>228,439</u>
	<u>\$ 270,378</u>	<u>\$ 259,182</u>

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

(unaudited)	Three months ended June 30	
	2009	2008
<b>Revenue</b>	\$ 74,585	\$ 41,346
<b>Expenses</b>		
Cost of product sold	42,665	24,122
Distribution	13,900	9,380
General and administrative	2,063	1,827
Depreciation, depletion and accretion	5,234	1,970
	<u>63,862</u>	<u>37,299</u>
<b>Income from operations</b>	<b>10,723</b>	4,047
<b>Other income (expenses)</b>		
Foreign exchange losses	(3,202)	(95)
Unrealized losses on foreign exchange forward contracts	(212)	-
Interest and other income	126	130
Interest and other expenses	(7)	(383)
	<u>7,428</u>	<u>3,699</u>
<b>Income before taxes</b>	<b>7,428</b>	3,699
<b>Taxes</b>		
Current tax expense	(612)	(346)
Future income taxes expense	(1,735)	-
	<u>5,081</u>	<u>3,353</u>
<b>Net income and comprehensive income</b>	<b>5,081</b>	3,353
Retained earnings (deficit), beginning of period	<u>30,536</u>	<u>(75,683)</u>
<b>Retained earnings (deficit), end of period</b>	<b>\$ 35,617</b>	<b>\$ (72,330)</b>
<b>Net income per share</b>		
Basic and diluted	\$ 0.05	\$ 0.04

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

(unaudited)	Three months ended June 30	
	2009	2008
<b>Cash provided by (used for)</b>		
<b>Operating activities</b>		
Net income and comprehensive income	\$ 5,081	\$ 3,353
Items not affecting cash		
Stock-based compensation	312	216
Unrealized foreign exchange losses	2,475	310
Unrealized losses on foreign exchange forward contracts	212	-
Future income taxes	1,735	-
Depreciation, depletion and accretion	5,234	1,970
	<u>15,049</u>	<u>5,849</u>
Net change in non-cash working capital relating to operating activities	<u>28,586</u>	<u>7,229</u>
	<u>43,635</u>	<u>13,078</u>
<b>Financing activities</b>		
Repayment on revolving debt	-	(5,000)
Proceeds on exercise of warrants	-	4,792
Proceeds on exercise of options	-	2,601
Share issuance costs	-	(1)
Payment on capital lease obligations	(19)	(17)
Net change in non-cash working capital relating to financing activities	<u>-</u>	<u>-</u>
	<u>(19)</u>	<u>2,375</u>
<b>Investing activities</b>		
Additions to mineral properties and development	(540)	(409)
Additions to buildings and equipment	(8,454)	(8,781)
Restricted cash	-	(1,912)
Net change in non-cash working capital relating to investing activities	<u>(1,668)</u>	<u>(8)</u>
	<u>(10,662)</u>	<u>(11,110)</u>
<b>Effect of foreign exchange on cash and cash equivalents</b>	<u>(2,663)</u>	<u>(310)</u>
<b>Increase in cash and cash equivalents</b>	<u>30,291</u>	<u>4,033</u>
Cash and cash equivalents, beginning of period	<u>68,035</u>	<u>4,238</u>
<b>Cash and cash equivalents, end of period</b>	<u>\$ 98,326</u>	<u>\$ 8,271</u>

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".

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#### **ADVISORY REGARDING FORWARD-LOOKING STATEMENTS**

*In the interest of providing Grande Cache Coal's shareholders and potential investors with information regarding Grande Cache Coal, including management's assessment of Grande Cache Coal's future plans and operations, certain statements in this news release are "forward-looking statements" within the meaning of applicable Canadian securities legislation. In some cases, forward-looking statements can be identified by terminology such as "anticipate", "believe", "continue", "could", "estimate", "expect", "forecast", "intend", "may", "objective", "ongoing", "outlook", "potential", "project", "plan", "should", "target", "would", "will" or similar words suggesting future outcomes, events or performance. The forward-looking statements contained in this news release speak only as of the date of this document and are expressly qualified by this cautionary statement.*

*Specifically, this news release contains forward-looking statements relating to: anticipated sales volumes of metallurgical coal in fiscal 2010; management of coal production in fiscal 2010; future development activities and related capital expenditures; our capital expenditure program for fiscal 2010; and funding sources for our capital program.*

*These forward-looking statements are based on certain key assumptions regarding, among other things: no material disruption in production; no material variation in anticipated coal sales volumes; no material variations in markets and pricing of metallurgical coal other than anticipated variations; continued availability of and no material disruption in rail service and port facilities; no material delays in the current timing for completion of ongoing projects; financing will be available on terms favourable to the Corporation; no material variation in historical coal purchasing practises of customers; coal sales contracts will be entered into with new customers; parties execute and deliver contracts currently under negotiation; and no material variations in the current regulatory environment. The reader is cautioned that such assumptions, although considered reasonable by Grande Cache Coal at the time of preparation, may prove to be incorrect.*

*Actual results achieved during the forecast period will vary from the information provided herein as a result of numerous known and unknown risks and uncertainties and other factors. Such factors include, but are not limited to: 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; and other factors, many of which are beyond the control of Grande Cache Coal. These risk factors are discussed in Grande Cache Coal's Annual Information Form for the fiscal year ended March 31, 2009, as filed with Canadian securities regulatory authorities.*

*There is no representation by Grande Cache Coal that actual results achieved during the forecast period will be the same in whole or in part as those forecast and Grande Cache Coal does not undertake any obligation to update publicly or to revise any of the included forward-looking statements, whether as a result of new information, future events or otherwise, except as may be required by applicable securities law.*

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