



## GRANDE CACHE COAL CORPORATION

### NEWS RELEASE

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

**Calgary, Alberta, November 10, 2009** – Grande Cache Coal Corporation (GCE-TSX) ("Grande Cache Coal" or the "Corporation") today announced its financial and operating results for the three and six months ended September 30, 2009. The Corporation's unaudited consolidated financial statements and related management's discussion and analysis for its quarter ended September 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).

- Net income earned during the second quarter was \$9.3 million, or \$0.10 per basic share and \$0.09 per diluted share, compared to net income of \$47.1 million, or \$0.52 per basic share and \$0.51 per diluted share, in the same period last fiscal year. For the first six months of the fiscal year, net income was \$14.4 million (\$0.15 per basic and diluted share) compared to \$50.4 million (\$0.61 per basic share and \$0.59 per diluted share) over the same period last year.
- The Corporation held cash and cash equivalents of \$80.1 million at September 30, 2009.
- Coal sales during the second quarter were 0.36 million tonnes, up slightly from 0.34 million tonnes in the comparable period of the previous year. Sales volumes for the first half of fiscal 2010 were 0.87 million tonnes, representing a 47% increase over 0.59 million tonnes sold during the first six months of last fiscal year.
- Second quarter revenue was \$44.8 million versus \$76.6 million in the same period last year, primarily due to lower prices in the current fiscal year. The average sales price achieved during the second quarter was \$124 per tonne, down from \$223 per tonne in the second quarter of fiscal 2009. Revenue for the first six months of the year was \$119.4 million compared to \$118.0 million during the same period last year, as a significant increase in sales volumes offset a lower sales price.
- Cost of sales during the quarter was \$84 per tonne, down from \$104 per tonne in last year's second quarter. The 19% reduction was largely due to a decrease in costs relating to contractor services, maintenance and diesel fuel. In addition, rail costs were lower than last year because of a reduction in fuel surcharges and a lower proportion of eastbound trains. The year to date cost of sales was \$100 per tonne, versus \$117 per tonne in the first half of last year.
- The Corporation has taken delivery of a fleet of eight new Komatsu AC 830E haul trucks. The first four trucks went into service during the second quarter and all eight trucks are to be financed through capital leases denominated in US dollars. During the second quarter Grande Cache Coal also took delivery of a new Hitachi EX5500 hydraulic excavator, which was subsequently financed through a sale leaseback transaction denominated in US dollars.
- Aided by the new haul trucks, Grande Cache Coal was able to increase its second quarter production to 0.43 million tonnes, up from 0.34 million tonnes during the first quarter of the current year. The Corporation will continue to increase production levels to meet demand with the support of the new mining equipment and the expected regulatory approval of the new No. 8 surface mine before the end of the calendar year.

- The Corporation anticipates that sales volumes for fiscal 2010 will be in the range of 1.5 to 1.7 million tonnes, up from the previous forecast of 1.3 to 1.5 million tonnes. The increase is due to a continuing recovery in demand from traditional customers and sales to new customers in China. The average US dollar denominated sales price for fiscal 2010 is projected to be in the range US\$115 to US\$125 per tonne and will include carryover shipments from the prior coal year, spot sales and contract sales for the coal year that commenced April 1, 2009.
- The Corporation commenced negotiations on its first collective agreement with the United Mine Workers of America, which now represents the majority of the employees at the mine site.

"We are pleased with the sales performance and production increases we were able to achieve in the second quarter while at the same time reducing our overall unit costs," said Robert Stan, President and Chief Executive Officer. "With our new fleet of equipment and the anticipated approval of No. 8 surface mine, we are well positioned to take advantage of the market rebound and growth opportunities we are experiencing in China."

## Financial Overview

| <i>(millions of dollars)</i> | <b>As at<br/>September 30<br/>2009</b> | <b>As at<br/>March 31<br/>2009</b> |
|------------------------------|--|------------------------------------|
| <b>Balance Sheet</b>         |  |                                    |
| Cash and cash equivalents    | <b>80.1</b>                            | 68.0                               |
| Total assets                 | <b>298.3</b>                           | 259.2                              |
| Long-term liabilities        | <b>33.7</b>                            | 16.7                               |
| Shareholders' equity         | <b>243.8</b>                           | 228.4                              |

| <i>(millions of dollars, except per share amounts)</i>  | <b>Three months ended<br/>September 30</b> |             | <b>Six months ended<br/>September 30</b> |             |
|---|--|-------------|--|-------------|
|   | <b>2009</b>                                | <b>2008</b> | <b>2009</b>                              | <b>2008</b> |
| <b>Statement of Net Income and Comprehensive Income</b> |  |             |  |             |
| Revenue   | <b>44.8</b>                                | 76.6        | <b>119.4</b>                             | 118.0       |
| Cost of sales   | <b>30.2</b>                                | 35.9        | <b>86.8</b>                              | 69.4        |
| Income from operations                                  | <b>9.5</b>                                 | 36.4        | <b>20.2</b>                              | 40.5        |
| Net income and comprehensive income                     | <b>9.3</b>                                 | 47.1        | <b>14.4</b>                              | 50.4        |
| Basic net income per share                              | <b>0.10</b>                                | 0.52        | <b>0.15</b>                              | 0.61        |
| Diluted net income per share                            | <b>0.09</b>                                | 0.51        | <b>0.15</b>                              | 0.59        |

| <i>(millions of tonnes, except per tonne amounts)</i> | <b>Three months ended</b> |             | <b>Six months ended</b> |             |
|---|---------------------------|-------------|-------------------------|-------------|
|   | <b>September 30</b>       |             | <b>September 30</b>     |             |
|   | <b>2009</b>               | <b>2008</b> | <b>2009</b>             | <b>2008</b> |
| <b>Statistics</b>                                     |                           |             |                         |             |
| Clean coal production (tonnes)                        | <b>0.43</b>               | 0.43        | <b>0.77</b>             | 0.70        |
| Coal sales (tonnes)                                   | <b>0.36</b>               | 0.34        | <b>0.87</b>             | 0.59        |
| Average sales price (US\$/tonne)                      | <b>120</b>                | 214         | <b>126</b>              | 193         |
| Average sales price (CDN\$/tonne)                     | <b>124</b>                | 223         | <b>138</b>              | 199         |
| Cost of product sold (\$/tonne)                       | <b>57</b>                 | 69          | <b>73</b>               | 81          |
| Distribution costs (\$/tonne)                         | <b>27</b>                 | 35          | <b>27</b>               | 36          |
| Cost of sales (\$/tonne)                              | <b>84</b>                 | 104         | <b>100</b>              | 117         |

## **Revenue**

Revenue earned during the second quarter was \$44.8 million on sales of 0.36 million tonnes compared to revenue of \$76.6 million on sales of 0.34 million tonnes in the same period last year. Revenue decreased primarily because contracts for the current coal year, which commenced April 1, 2009, have been settled at lower prices. For the fiscal year to date, revenue was \$119.4 million (fiscal 2009 - \$118.0 million) on sales of 0.87 million tonnes (fiscal 2009 - 0.59 million tonnes). A 47% increase in sales volumes offset the decrease in sales price keeping revenue for the first half of the year comparable to last year. Higher sales volumes were mainly driven by sales into the Chinese market.

The average price achieved during the second quarter was \$124 per tonne compared to \$223 per tonne in the same period last year. The average sales price of hard coking coal during the quarter, which accounted for 90% of the sales volume, was \$132 per tonne (US\$120 per tonne). The remaining sales volumes related to thermal coal sales. For the first six months of fiscal 2010, the average sales price was \$138 per tonne, down from \$199 per tonne in the comparable period. The decrease was primarily due to lower hard coking coal contract price settlements in the current coal year.

## **Cost of Sales**

Cost of sales in the second quarter was \$30.2 million, or \$84 per tonne, compared to \$35.9 million, or \$104 per tonne in the same period last year. The cost of sales in the current quarter consisted of cost of product sold of \$20.4 million (\$57 per tonne) and distribution costs of \$9.8 million (\$27 per tonne). In the comparable quarter of fiscal 2009, the cost of product sold was \$23.9 million (\$69 per tonne) and distribution costs were \$12.0 million (\$35 per tonne).

The decrease in the unit cost of product sold was largely a result of reduced use of contractor services, lower maintenance costs and a decrease in the price of diesel fuel. The lower unit distribution cost was mainly caused by lower rail costs due to a reduction of fuel surcharges included in the rail rates, as well as a lower proportion of shipments going to eastern Canada, which carry higher rail rates than shipments to western Canada.

For the fiscal year to date, cost of sales was \$86.8 million, or \$100 per tonne, compared to \$69.4 million, or \$117 per tonne in the first six months of last year. Included in the current year was cost of product sold of \$63.2 million (\$73 per tonne) and distribution costs of \$23.6 million (\$27 per tonne). In the comparable period of fiscal 2009, the cost of product sold was \$48.0 million (\$81 per tonne) and distribution costs were \$21.4 million (\$36 per tonne).

The unit cost of product sold was lower over the first half of the fiscal year versus the comparable period due primarily to a reduction of costs incurred on external contractor services, equipment maintenance, and diesel fuel. In addition, the process plant achieved productivity improvements and a higher plant yield. The decrease in the unit distribution cost in the first six months of the fiscal year relates to a lower proportion of shipments going to eastern Canada, 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, demurrage charges were lower in the first half of the fiscal year, compared to the same period last year.

### **Other Operating Expenses**

Second quarter general and administrative expenses were \$2.2 million, compared to \$1.8 million in the same period last year. Included in general and administrative expenses were head office administrative and marketing charges of \$1.9 million (fiscal 2009 - \$1.6 million) and non-cash charges for stock-based compensation of \$0.3 million (fiscal 2009 - \$0.2 million). For the fiscal year to date, general and administrative expenses were \$4.3 million in comparison to \$3.6 million in the first six months of last fiscal year.

Depreciation, depletion and accretion charges were \$2.9 million during the second quarter (fiscal 2009 – \$2.5 million) and \$8.1 million during the first six months of the year (fiscal 2009 - \$4.5 million). The increase was caused by higher coal production, the addition of capital assets and the change in value of depreciation and depletion included in coal inventory.

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

During the second quarter the Corporation incurred a foreign exchange loss of \$1.4 million in contrast to a gain of \$1.0 million during the comparable period. For the fiscal year to date, the Corporation's foreign exchange loss was \$4.6 million versus a \$0.9 million gain in the first six months of the prior fiscal year. The current period's losses were the result of a significant strengthening of the Canadian dollar against the US dollar.

The Corporation recorded an unrealized foreign exchange gain of \$3.2 million during the second quarter relating to foreign exchange forward contracts. The gain on these contracts for the fiscal year to date was \$3.0 million.

Interest and other income were \$0.1 million in the second quarter (fiscal 2009 - \$0.2 million) and \$0.2 million for the fiscal year to date (fiscal 2009 - \$0.4 million). 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 and for the current year to date. In fiscal 2009 interest and other expenses were \$0.1 million during the second quarter and \$0.5 million for the fiscal year to date, and consisted primarily of interest paid on the revolving and long term debt.

### **Taxes**

The Corporation's second quarter tax expense was \$2.1 million, which included a current tax expense of \$0.3 million for provincial Crown royalties and a future income tax expense of \$1.8 million. In the second quarter of fiscal 2009, the Corporation incurred a tax expense \$0.6 million for provincial Crown royalties and recorded a future income tax benefit of \$10.2 million, which related to losses incurred in previous periods and the projection that it would be more likely than not that going forward taxable income would be available to utilize the corresponding future income tax asset.

### **Liquidity and Capital Resources**

The Corporation had cash and cash equivalents of \$80.1 million at September 30, 2009. During the second quarter Grande Cache Coal's cash position decreased \$18.2 million in comparison to a cash increase of \$13.2 million over the same period last fiscal year. In the first six months of fiscal 2010 the Corporation's cash position increased \$12.1 million.

Second quarter operating activities provided \$4.1 million in cash compared to \$6.8 million in the same period last year. Cash generated prior to changes in non-cash working capital was \$12.3 million in the current quarter and \$38.2 million during the comparable period. The primary difference for the variance was due to a net income of \$9.3 million during the second quarter of fiscal 2010 versus \$47.1 million during the same period of fiscal 2009. For the fiscal year to date, cash

generated by operating activities before changes in non-cash working capital was \$27.3 million compared to \$44.1 million last year. The change was mainly related to the lower net income earned in the first half of the current year, primarily due to lower coal prices.

Financing activities during the second quarter resulted in a cash decrease of \$2.0 million in contrast to a cash increase of \$12.9 million in the same period last year. During the second quarter the Corporation entered into capital lease agreements for mining equipment totaling US\$17.1 million. Repayments on capital lease obligations were \$2.4 million during the current quarter. Also included in the second quarter were cash proceeds of \$0.3 million as a result of share option exercises. During the same period last year, financing activities included cash proceeds of \$12.6 million from the exercise of warrants and \$0.3 million related to the exercise of share options.

Second quarter investing activities led to a cash decrease of \$18.6 million compared to a decrease of \$7.1 million in the comparable period. Capital additions were \$18.7 million (fiscal 2009 - \$7.8 million) and consisted of the addition of buildings and equipment totaling \$17.6 million (fiscal 2009 - \$6.2 million) and the development of mineral properties totaling \$1.1 million (fiscal 2009 - \$1.6 million). Included in the additions to buildings and equipment was the purchase of a new Hitachi EX5500 hydraulic excavator at a cost of \$11.0 million.

For the first six months of the year, investing activities led to a cash decrease of \$29.3 million in fiscal 2010 compared to \$18.2 million in fiscal 2009. Capital additions accounted for \$27.7 million in the first six months of the fiscal year and \$17.0 million in the same period of the previous year.

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 first 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 September 30, 2009, US\$35 million of the foreign exchange forward contracts were outstanding, all of which 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.

At September 30, 2009, the Corporation had a commitment to purchase four new Komatsu AC 830E haul trucks. Remaining commitments owing on this mining equipment totalled approximately \$13.6 million, which included US dollar commitments of US\$10.2 million.

Under contracts existing at September 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                                | 20.5                          | 4.8                     | 9.0              | 6.3              | 0.4                  |
| Purchase Obligations                  | 13.6                          | 13.6                    | -                | -                | -                    |
| <b>Total Contractual Obligations</b>  | <b>34.1</b>                   | <b>18.4</b>             | <b>9.0</b>       | <b>6.3</b>       | <b>0.4</b>           |

## Summary of Quarterly Results

| <i>(millions, except per unit amounts)</i> | Fiscal 2010 |      | Fiscal 2009 |      |      |      | Fiscal 2008 |        |
|--|-------------|------|-------------|------|------|------|-------------|--------|
|  | Q2          | Q1   | Q4          | Q3   | Q2   | Q1   | Q4          | Q3     |
| Clean coal production (tonnes)             | 0.43        | 0.34 | 0.26        | 0.35 | 0.43 | 0.27 | 0.37        | 0.35   |
| Coal sales (tonnes)                        | 0.36        | 0.51 | 0.11        | 0.36 | 0.34 | 0.25 | 0.42        | 0.44   |
| Average sales price (US\$/tonne)           | 120         | 129  | 292         | 213  | 214  | 165  | 94          | 87     |
| Average sales price (CDN\$/tonne)          | 124         | 147  | 364         | 254  | 223  | 166  | 95          | 85     |
| Cost of product sold (\$/tonne)            | 57          | 84   | 72          | 96   | 69   | 97   | 59          | 56     |
| Distribution costs (\$/tonne)              | 27          | 27   | 24          | 32   | 35   | 38   | 27          | 29     |
| Cost of sales (\$/tonne)                   | 84          | 111  | 96          | 128  | 104  | 135  | 86          | 85     |
| Revenue                                    | 44.8        | 74.6 | 38.7        | 91.9 | 76.6 | 41.3 | 39.9        | 37.7   |
| Income (loss) from operations              | 9.5         | 10.7 | 24.5        | 41.3 | 36.4 | 4.0  | (0.8)       | (3.0)  |
| Net income (loss)                          | 9.3         | 5.1  | 18.9        | 36.8 | 47.1 | 3.4  | (1.2)       | (3.4)  |
| Basic net income (loss) per share          | 0.10        | 0.05 | 0.20        | 0.38 | 0.52 | 0.04 | (0.02)      | (0.05) |
| Diluted net income (loss) per share        | 0.09        | 0.05 | 0.20        | 0.38 | 0.51 | 0.04 | (0.02)      | (0.05) |

During the current quarter the Corporation's average sales price trended downward as coal prices for fiscal 2010 were settled at lower levels than record high prices negotiated during fiscal 2009. However, the current coal year prices remain higher than those realized in fiscal 2008. The cost of product sold was reduced from previous quarters as the Corporation achieved reductions in contractor and maintenance costs and also benefited from lower diesel prices. Distribution costs remained stable compared to the previous quarter, and lower than much of fiscal 2009 during which costs were higher than normal largely because of the inclusion of fuel surcharges in rail rates.

## Outlook

### Metallurgical Coal Markets

For fiscal 2010, the Corporation anticipates that sales volumes will be in the range of 1.5 to 1.7 million tonnes, up from the previous expectation of 1.3 to 1.5 million tonnes. The increase is due to a continuing recovery in demand from traditional customers and sales to new customers in China. The projected increase is contingent upon continuing demand from China as well as adequate clean coal production, rail service and vessel arrivals. The average US dollar denominated sales price for fiscal 2010 is projected to be in the range of US\$115 to US\$125 per tonne, which will include carryover shipments from the prior coal year, spot sales and contract sales for the coal year that commenced April 1, 2009.

### Operations

The Corporation achieved some productivity improvements and cost reductions during the second quarter. There will be a continuous focus on these initiatives over the remainder of the fiscal year. 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 additions are expected to total approximately \$85 million during fiscal 2010. Approximately \$46 million of the capital additions 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<br>September 30<br>2009 | As at<br>March 31<br>2009 |
|--|-------------------------------|---------------------------|
| <b>Assets</b>                                |                               |                           |
| Current assets                               |                               |                           |
| Cash and cash equivalents                    | \$ 80,118                     | \$ 68,035                 |
| Restricted cash                              | 8,440                         | 8,440                     |
| Accounts receivable                          | 21,913                        | 15,153                    |
| Inventory                                    | 30,818                        | 49,800                    |
| Prepaid expenses                             | 418                           | 965                       |
|  | <u>141,707</u>                | <u>142,393</u>            |
| Deposit for future reclamation expenditures  | 82                            | 82                        |
| Capital assets                               | <u>156,487</u>                | <u>116,707</u>            |
|  | <u>\$ 298,276</u>             | <u>\$ 259,182</u>         |
| <b>Liabilities</b>                           |                               |                           |
| Current liabilities                          |                               |                           |
| Accounts payable and accrued liabilities     | \$ 16,838                     | \$ 13,078                 |
| Future income taxes                          | 611                           | 886                       |
| Current portion of capital lease obligations | 3,342                         | 52                        |
|  | <u>20,791</u>                 | <u>14,016</u>             |
| Asset retirement obligations                 | 6,935                         | 6,429                     |
| Future income taxes                          | 14,071                        | 10,298                    |
| Capital lease obligations                    | 12,691                        | -                         |
|  | <u>54,488</u>                 | <u>30,743</u>             |
| <b>Shareholders' Equity</b>                  |                               |                           |
| Share capital                                | 195,107                       | 194,541                   |
| Contributed surplus                          | 3,773                         | 3,362                     |
| Retained earnings                            | 44,908                        | 30,536                    |
|  | <u>243,788</u>                | <u>228,439</u>            |
|  | <u>\$ 298,276</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<br>September 30 |                    | Six months ended<br>September 30 |                    |
|--|------------------------------------|--------------------|----------------------------------|--------------------|
|  | 2009                               | 2008               | 2009                             | 2008               |
| <b>Revenue</b>   | \$ 44,793                          | \$ 76,634          | \$ 119,378                       | \$ 117,980         |
| <b>Expenses</b>  |                                    |                    |                                  |                    |
| Cost of product sold                                   | 20,487                             | 23,869             | 63,152                           | 47,991             |
| Distribution   | 9,751                              | 12,071             | 23,651                           | 21,451             |
| General and administrative                             | 2,185                              | 1,768              | 4,248                            | 3,595              |
| Depreciation, depletion and accretion                  | 2,883                              | 2,497              | 8,117                            | 4,467              |
|  | <u>35,306</u>                      | <u>40,205</u>      | <u>99,168</u>                    | <u>77,504</u>      |
| <b>Income from operations</b>                          | <b>9,487</b>                       | 36,429             | <b>20,210</b>                    | 40,476             |
| <b>Other income (expenses)</b>                         |                                    |                    |                                  |                    |
| Foreign exchange (losses) gains                        | (1,378)                            | 960                | (4,580)                          | 865                |
| Unrealized gains on foreign exchange forward contracts | 3,217                              | -                  | 3,005                            | -                  |
| Interest and other income                              | 104                                | 238                | 230                              | 368                |
| Interest and other expenses                            | (21)                               | (127)              | (28)                             | (510)              |
|  | <u>11,409</u>                      | <u>37,500</u>      | <u>18,837</u>                    | <u>41,199</u>      |
| <b>Income before taxes</b>                             | <b>11,409</b>                      | 37,500             | <b>18,837</b>                    | 41,199             |
| <b>Taxes</b>   |                                    |                    |                                  |                    |
| Current tax expense                                    | (355)                              | (646)              | (967)                            | (992)              |
| Future income taxes expense                            | (1,763)                            | 10,211             | (3,498)                          | 10,211             |
|  | <u>(2,118)</u>                     | <u>9,565</u>       | <u>(4,465)</u>                   | <u>9,219</u>       |
| <b>Net income and comprehensive income</b>             | <b>9,291</b>                       | 47,065             | <b>14,372</b>                    | 50,418             |
| Retained earnings (deficit), beginning of period       | <u>35,617</u>                      | <u>(72,330)</u>    | <u>30,536</u>                    | <u>(75,683)</u>    |
| <b>Retained earnings (deficit), end of period</b>      | <b>\$ 44,908</b>                   | <b>\$ (25,265)</b> | <b>\$ 44,908</b>                 | <b>\$ (25,265)</b> |
| <b>Net income per share</b>                            |                                    |                    |                                  |                    |
| Basic  | \$ 0.10                            | \$ 0.52            | \$ 0.15                          | \$ 0.61            |
| Diluted  | \$ 0.09                            | \$ 0.51            | \$ 0.15                          | \$ 0.59            |

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

| (unaudited)  | Three months ended<br>September 30 |                  | Six months ended<br>September 30 |                  |
|--|------------------------------------|------------------|----------------------------------|------------------|
|  | 2009                               | 2008             | 2009                             | 2008             |
| <b>Cash provided by (used for)</b>   |                                    |                  |                                  |                  |
| <b>Operating activities</b>  |                                    |                  |                                  |                  |
| Net income and comprehensive income  | \$ 9,291                           | \$ 47,065        | \$ 14,372                        | \$ 50,418        |
| Items not affecting cash   |                                    |                  |                                  |                  |
| Stock-based compensation   | 319                                | 199              | 631                              | 415              |
| Unrealized foreign exchange losses (gains)                                 | 1,257                              | (1,203)          | 3,732                            | (893)            |
| Unrealized gains on foreign exchange forward<br>Contracts                  | (3,217)                            | -                | (3,005)                          | -                |
| Future income taxes  | 1,763                              | (10,211)         | 3,498                            | (10,211)         |
| Depreciation, depletion and accretion                                      | 2,883                              | 2,497            | 8,117                            | 4,467            |
| Settlement of asset retirement obligations                                 | -                                  | (147)            | -                                | (147)            |
|  | <u>12,296</u>                      | <u>38,200</u>    | <u>27,345</u>                    | <u>44,049</u>    |
| Net change in non-cash working capital relating to<br>operating activities | <u>(8,243)</u>                     | <u>(31,375)</u>  | <u>20,343</u>                    | <u>(24,146)</u>  |
|  | <u>4,053</u>                       | <u>6,825</u>     | <u>47,688</u>                    | <u>19,903</u>    |
| <b>Financing activities</b>  |                                    |                  |                                  |                  |
| Proceeds on exercise of options  | 346                                | 347              | 346                              | 2,948            |
| Payments on capital lease obligations                                      | (2,383)                            | (17)             | (2,402)                          | (34)             |
| Repayment on revolving debt  | -                                  | -                | -                                | (5,000)          |
| Proceeds on exercise of warrants   | -                                  | 12,562           | -                                | 17,354           |
| Share issuance costs   | -                                  | (1)              | -                                | (2)              |
|  | <u>(2,037)</u>                     | <u>12,891</u>    | <u>(2,056)</u>                   | <u>15,266</u>    |
| <b>Investing activities</b>  |                                    |                  |                                  |                  |
| Additions to mineral properties and development                            | (1,100)                            | (1,639)          | (1,640)                          | (2,048)          |
| Additions to buildings and equipment                                       | (17,646)                           | (6,190)          | (26,100)                         | (14,971)         |
| Restricted cash  | -                                  | -                | -                                | (1,912)          |
| Net change in non-cash working capital relating to<br>investing activities | <u>139</u>                         | <u>731</u>       | <u>(1,529)</u>                   | <u>723</u>       |
|  | <u>(18,607)</u>                    | <u>(7,098)</u>   | <u>(29,269)</u>                  | <u>(18,208)</u>  |
| <b>Effect of foreign exchange on cash and cash equivalents</b>             | <u>(1,617)</u>                     | <u>1,203</u>     | <u>(4,280)</u>                   | <u>893</u>       |
| <b>Increase in cash and cash equivalents</b>                               | <u>(18,208)</u>                    | <u>13,821</u>    | <u>12,083</u>                    | <u>17,854</u>    |
| Cash and cash equivalents, beginning of period                             | <u>98,326</u>                      | <u>8,271</u>     | <u>68,035</u>                    | <u>4,238</u>     |
| <b>Cash and cash equivalents, end of period</b>                            | <u>\$ 80,118</u>                   | <u>\$ 22,092</u> | <u>\$ 80,118</u>                 | <u>\$ 22,092</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; Grande Cache Coal's capital expenditure program for fiscal 2010; and funding sources for Grande Cache Coal's 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.*