



## **GRANDE CACHE COAL CORPORATION**

### **NEWS RELEASE**

#### **GRANDE CACHE COAL CORPORATION PROVIDES OPERATIONAL UPDATE AND UPDATED GUIDANCE FOR FISCAL 2011**

**Calgary, Alberta, January 11, 2011** – Grande Cache Coal Corporation (GCE-TSX) ("Grande Cache Coal" or the "Corporation") today provided the following operational update and updated guidance for fiscal 2011.

#### **Operational Update**

- Grande Cache Coal sold 0.29 million tonnes of coal during the three months ended December 31, 2010, for a total of 1.18 million tonnes for the first nine months of the current fiscal year, compared to 0.47 million tonnes and 1.34 million tonnes respectively in the previous fiscal year.
- Late in the third quarter of fiscal 2011, Grande Cache Coal began producing coal from the second phase of development in the new No. 8 surface pit. The first phase of development in No. 8 surface pit began producing coal during the second quarter of fiscal 2011. Both phases are in the early stages of production and as a result, production volumes are increasing gradually. As expected, a relatively higher percentage of the production has been partially oxidized coal, which is sold as a thermal coal product. Lower production levels during the current quarter and year to date have impacted the sales volumes for these periods. Production levels are expected to increase in the fourth quarter of fiscal 2011 as development activities decrease, operations progress and the stripping ratios improve.
- The average selling price of metallurgical coal for the third quarter of fiscal 2011 was approximately US\$189 per tonne, which included approximately 86,000 tonnes of carryover tonnage at lower prices. Sales of thermal coal accounted for approximately 13% of the total sales volume for the third quarter. Industry benchmark pricing for the quarter beginning January 1, 2011 has been settled at US\$225 per tonne for the highest quality product. Grande Cache Coal is in negotiations with its customers and anticipates fourth quarter contract settlements will follow industry trends.
- Grande Cache Coal took delivery of four additional Komatsu 830E haul trucks during the third quarter, bringing the fleet of Komatsu 830E's to eighteen trucks. The P&H 2800 electric shovel was also delivered in the third quarter and is expected to be commissioned and put into service during the fourth quarter of fiscal 2011.
- Development of the third phase of production in the No. 8 surface pit will continue throughout the fourth quarter of fiscal 2011 with production expected to commence in the first quarter of fiscal 2012. Coal production from this phase of development has been delayed due to slower than anticipated progress in the construction of access roads, which has resulted in lower than expected volumes of waste removal.

### **Fiscal 2011 Guidance Update**

- The Corporation is revising its fiscal 2011 sales volume guidance to a range of 1.5 to 1.6 million tonnes, down from the previous range of 1.7 to 1.9 million tonnes. The decrease is primarily due to lower than expected production from the first and second phases of No. 8 pit and delays in commencing production from the third phase of operations in No. 8 pit. The timing of shipments in the fourth quarter could be impacted by possible shipping delays at Westshore Terminals in Vancouver, B.C., where the majority of the Corporation's shipping takes place.
- The average cost of sales for fiscal 2011 is now anticipated to be approximately \$125 to \$130 per tonne, up from previous guidance of \$110 to 115 per tonne, primarily due to increased mining costs in the initial stages of production in No. 8 pit and a reduction in expected sales volumes. Operating costs are also being impacted by a lack of available skilled labour as the demand for manpower increases in the mining and resource sector.
- The Corporation continues to anticipate capital expenditures of approximately \$165 million in fiscal 2011, which is consistent with previous guidance.

### **Fiscal 2012 Guidance**

- The demand for metallurgical coal from Canada is expected to remain strong for fiscal 2012 driven by increased demand for steel production and supply constraints resulting from recent adverse weather conditions in Queensland, Australia. Grande Cache Coal expects sales volumes in the range of 2.4 to 2.6 million tonnes for fiscal 2012.

"The market for metallurgical coal continues to be very robust. As noted, the flood situation in Australia has resulted in decreased coal availability from Australia, further tightening the seaborne supply of hard coking coal. While the bulk of our production from now until the end of our fiscal year (March 31, 2011) is committed to existing customers, we look forward to increasing our market penetration with our increasing production volumes next year" said Robert Stan, President and Chief Executive Officer. "The startup phases of the new No. 8 pit operations have been challenging and have impacted our operating results this year. Once we have completed these initial developmental stages we will be well positioned to increase production significantly. We continue to work to achieve our goal of a 3.5 million tonne annual run rate by the end of fiscal 2013. With a strong balance sheet, a new fleet of equipment and a favorable market outlook, we believe that we have the resources necessary to deliver on our company's growth plans."

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 containing an estimated 235 million tonnes of coal resources 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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### ***Forward-Looking Statement Advisory***

*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 2011 and fiscal 2012; anticipated sales prices of metallurgical coal in fiscal 2011; anticipated cost of sales in fiscal 2011; anticipated capital expenditures in fiscal 2011; anticipated development activities in No. 8 pit and anticipated timing of such activities; and anticipated increases in production volumes from No. 8 pit and the anticipated timing thereof.*

*These forward-looking statements are based on certain key assumptions regarding, among other things: no material change in the geological and operating conditions in No. 8 pit; no material disruption in production from the No. 8 pit or the No 7 underground operation; 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 other than as anticipated; 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 practices of customers; coal sales contracts will be entered into with new customers; parties will 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: uncertainties associated geological and operating conditions in the new No. 8 pit; uncertainties associated with production levels during development of the new No. 8 pit, 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, 2010, 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 laws.*

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