A copy of this preliminary short form prospectus has been filed with the securities regulatory authorities in each of the provinces of British Columbia, Alberta, Saskatchewan, Manitoba and Ontario, but has not yet become final for the purpose of the sale of securities. Information contained in this preliminary short form prospectus may not be complete and may have to be amended. The securities may not be sold until a receipt for the short form prospectus is obtained from the securities regulatory authorities.

No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise.

*This short form prospectus constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such securities. These securities have not been and will not be registered under the United States Securities Act of 1933, as amended (the "**1933 Act**"), or any state securities laws. Accordingly, except as permitted by the Underwriting Agreement (as defined herein) and pursuant to an exemption from the registration requirements of the 1933 Act and applicable state securities laws, these securities may not be offered or sold within the United States or to, or for the account or benefit of, U.S. Persons (as defined in Regulation S under the 1933 Act) and this short form prospectus does not constitute an offer to sell or a solicitation of an offer to buy any of these securities within the United States. See "Plan of Distribution".*

***Information has been incorporated by reference in this prospectus from documents filed with securities commissions or similar authorities in Canada.** Copies of the documents incorporated herein by reference may be obtained on request without charge from the secretary of Grande Cache Coal Corporation, at Suite 1610, 800 – 5th Avenue S.W., Calgary, Alberta T2P 3T6, Telephone (403) 543-7070, and are also available electronically at www.sedar.com.*

New Issue **July 23, 2007**

PRELIMINARY SHORT FORM PROSPECTUS

GRANDE CACHE COAL CORPORATION

$26,650,000

20,500,000 Units

(Each Unit consisting of one common share and one-half of one common share purchase warrant)

This short form prospectus qualifies the distribution of 20,500,000 units ("**Units**") of Grande Cache Coal Corporation ("**Grande Cache Coal**" or the "**Corporation**") at a price of $1.30 per Unit (the "**Offering**"). Each Unit consists of one common share (each, a "**Common Share**") of the Corporation and one-half of one common share purchase warrant (each whole warrant, a "**Warrant**") of the Corporation. Each whole Warrant will entitle the holder thereof to purchase one Common Share at an exercise price of $1.60 per Common Share at any time up to 3:00 p.m. (Calgary time) on the first anniversary of the Closing Date (as defined herein). The price for the Units offered under this short form prospectus was determined by negotiation between the Corporation and the Underwriters (as defined herein).

The issued and outstanding Common Shares are listed on the Toronto Stock Exchange (the "**TSX**") under the trading symbol "GCE". On July 18, 2007, the last trading day before the public announcement of the Offering, the closing price of the Common Shares on the TSX was $1.44 and on July 20, 2007, the last trading day before the filing of this short form prospectus, the closing price of the Common Shares on the TSX was $1.31. There is currently no market through which the Warrants may be sold and purchasers may not be able to resell the Warrants purchased under this short form prospectus. The Corporation has applied to list the Common Shares and the Warrants distributed under this short form prospectus and the Common Shares issuable on exercise of the Warrants on the TSX. Listing will be subject to the Corporation fulfilling all of the listing requirements of the TSX.

Price: $1.30 per Unit

	Price to the Public	Underwriters' Fee (1)	Net Proceeds to the Corporation (2)
Per Unit	$1.30	$0.078	$1.222
Total Offering (3)	$26,650,000	$1,599,000	25,051,000

Notes:

(1) In addition, the Corporation will issue to the Underwriters warrants (the "**Broker Warrants**") to purchase that number of Common Shares equal in number to 5% of the total number of Units sold hereunder, including any Units issuable on exercise of the Over-Allotment Option (as defined herein), at an exercise price of $1.60 per Common Share for a period of one year from the closing of the Offering. This short form prospectus also qualifies the issuance of the Broker Warrants to the Underwriters.

(2) Before deducting expenses of the Offering estimated to be $500,000, which will be paid from the proceeds of the Offering.

(3) The Corporation has granted to the Underwriters an option (the "**Over-Allotment Option**") to purchase up to an additional 3,075,000 Units at a price of $1.30 per Unit, exercisable from time to time, in whole or in part, for a period up to 30 days following the closing of the Offering, to cover over-allotments, if any, and for market stabilization purposes. If the Over-Allotment Option is exercised in full, the "Price to the Public", "Underwriters' Fee" and "Net Proceeds to the Corporation" (before deducting estimated expenses of the Offering) will be $30,647,500, $1,838,850 and $28,808,650, respectively. This short form prospectus also qualifies the grant of the Over-Allotment Option and the issuance of the Common Shares and Warrants comprising the Units issuable on the exercise of the Over-Allotment Option.

Underwriters' Position	Maximum Size	Exercise Period	Exercise Price
Over-Allotment Option	3,075,000 Units	Up to 30 days following the closing of the Offering	$1.30 per Unit
Broker Warrants	1,178,750 Broker Warrants (1)	Up to one year from the closing of the Offering	$1.60 per Common Share
Total securities under option	3,075,000 Units and 1,178,750 Broker Warrants	N/A	$1.30 per Unit or $1.60 per Common Share

Note:
(1) Assumes exercise of the Over-Allotment Option in full.

Investing in securities of the Corporation is speculative and involves risks that should be considered carefully by prospective investors before purchasing these securities. See "Risk Factors".

Canaccord Capital Corporation, Bolder Investment Partners, Ltd. and Salman Partners Inc. (collectively, the "**Underwriters**"), as principals, conditionally offer the Units, subject to prior sale, if, as and when issued by the Corporation and accepted by the Underwriters in accordance with the conditions contained in the Underwriting Agreement referred to under "Plan of Distribution" and subject to approval of certain legal matters relating to the Offering on behalf of the Corporation by Burnet, Duckworth & Palmer LLP and on behalf of the Underwriters by Stikeman Elliott LLP.

Grande Cache Coal's head office is located at Suite 1610, 800 – 5th Avenue S.W., Calgary, Alberta, T2P 3T6, and its registered office is located at Suite 1400, 350 – 7th Avenue S.W., Calgary, Alberta, T2P 3N9.

Subscriptions for Units will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice. It is expected that closing will occur on or about August 9, 2007 or such other date not later than August 31, 2007 (the "**Closing Date**") as the Corporation and the Underwriters may agree. Definitive certificates representing the Common Shares and Warrants comprising the Units will be available for delivery at closing. Subject to applicable laws, the Underwriters may, in connection with the Offering, effect transactions which stabilize or maintain the market price of the Common Shares or Warrants at levels other than those which might otherwise prevail on the open market. See "Plan of Distribution".

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In this short form prospectus and the documents incorporated by reference herein, dollar amounts are stated in Canadian dollars unless otherwise noted.

ELIGIBILITY FOR INVESTMENT

In the opinion of Burnet, Duckworth & Palmer LLP, counsel to the Corporation, and Stikeman Elliott LLP, counsel to the Underwriters, based on the provisions of the *Income Tax Act* (Canada) (the "**Tax Act**"), the regulations thereunder and the proposals to amend the Tax Act and the regulations thereunder publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof, and provided, in the case of the Warrants, that either the Corporation deals at arm's length with each person who is an annuitant, a beneficiary, an employer or a subscriber under a Deferred Income Plan (as defined herein) or the Warrants are listed on a prescribed stock exchange (which includes the TSX), the Common Shares and the Warrants comprising the Units, if issued on the date hereof, would be qualified investments under the Tax Act and the regulations thereunder for trusts governed by registered retirement savings plans, registered retirement income funds, deferred profit sharing plans and registered education savings plans (collectively, "**Deferred Income Plans**"), subject to the provisions of any particular plan.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This short form prospectus and the documents incorporated by reference herein contain forward-looking statements. These statements relate to future events or the Corporation's future performance. All statements other than statements of historical fact are forward-looking statements. Forward-looking statements are often, but not always, identified by the use of words such as "may", "will", "should", "expect", "plan", "anticipate", "believe", "estimate", "predict", "potential", "targeting", "intend", "could", "might", "continue", or the negative of these terms or other comparable terminology. These statements are only predictions. In addition, this short form prospectus and the documents incorporated by reference herein may contain forward-looking statements attributed to third party industry sources. Undue reliance should not be placed on these forward-looking statements, as there can be no assurance that the plans, intentions or expectations upon which they are based will occur. By its nature, forward-looking information involves numerous assumptions, known and unknown risks and uncertainties, both general and specific, that contribute to the possibility that the predictions, forecasts, projections and other forward-looking statements will not occur and may cause actual results or events to differ materially from those anticipated in such forward-looking statements. Forward-looking statements in this short form prospectus speak only as of the date of this short form prospectus or as of the date specified in the documents incorporated by reference herein and include, but are not limited to, statements with respect to:

- the estimates of the Corporation's coal reserves and resources;
- operating costs and coal production levels;

- capital expenditure programs, estimated production costs, exploration expenditures and reclamation costs;
- the recoverable quantity of coal reserves;
- projections of commodity prices and costs;
- supply and demand for coal;
- expectations regarding the Corporation's ability to raise capital and to continually add to coal reserves through acquisitions, exploration and development;
- expectations regarding the Corporation's ability to obtain required equipment, personnel, mine licenses, mine permits and regulatory approvals required to proceed with mining and coal processing operations; and
- treatment under governmental regulatory regimes and tax laws.

Some of the risks and other factors, which could cause results to differ materially from those expressed in the forward-looking statements contained in this short form prospectus and the documents incorporated by reference herein include, but are not limited to:

- general economic, market and business conditions, including, without limitation, the supply and demand for coal in Canada, the United States and globally;
- volatility in market prices for coal;
- liabilities inherent in coal mine development and production;
- uncertainties associated with estimating coal reserves and resources;
- competition for, among other things, capital, acquisitions of mineral reserves, undeveloped lands, equipment, machinery and skilled personnel;
- incorrect assessments of the value of acquisitions;
- geological, mining and processing technical problems;
- the Corporation's inability to obtain required equipment, personnel, mine licenses, mine permits and regulatory approvals required to proceed with mining and coal processing operations;
- dependence on third party coal transportation systems;
- changes in steel making methods and other technological changes;
- the strength of various economies and difficulties inherent in selling in foreign countries;
- fluctuations in foreign exchange or interest rates and stock market volatility;
- various events which could disrupt operations and/or the transportation of coal products, including labour stoppages and severe weather conditions; and
- the other factors discussed under "Risk Factors" in this short form prospectus.

These factors are not, and should not be construed as being, exhaustive. Information relating to the magnitude or quality of the Corporation's coal deposits is deemed to be forward-looking information. The reliability of such information is affected by, among other things: uncertainty involving geology of coal deposits; uncertainty of estimates of their size or composition; uncertainty of projections relating to costs of production, transportation or estimates of market prices for coal; the possibility of delays in mining activities; changes in plans with respect to exploration, development projects or capital expenditures; and various other risks including those relating to health, safety and environmental matters. **Readers are cautioned that the foregoing list of factors is not exhaustive. The forward-looking statements contained in this short form prospectus and the documents incorporated by reference herein are expressly qualified by this cautionary statement. Neither the Corporation nor the Underwriters are under any duty to update any of the forward-looking statements after the date of this short form prospectus to conform such statements to actual results or to changes in the Corporation's expectations except as expressly required by applicable legislation.**

DOCUMENTS INCORPORATED BY REFERENCE

The following documents of the Corporation, filed with the various securities commissions or similar authorities in the provinces of Canada, are specifically incorporated by reference into and form an integral part of this short form prospectus:

(a) the Corporation's annual information form dated June 29, 2007 for the fiscal year ended March 31, 2007 (the "**AIF**");

(b) the audited consolidated financial statements of Grande Cache Coal as at and for the years ended March 31, 2007 and 2006, together with the notes thereto and the auditors' report thereon;

(c) the management's discussion and analysis of the financial condition and results of operations of Grande Cache Coal for the year ended March 31, 2007; and

(d) the information circular – proxy statement of Grande Cache Coal dated July 4, 2007 relating to an annual and special meeting of the shareholders of Grande Cache Coal to be held on August 23, 2007.

Any documents of the type required by National Instrument 44-101 to be incorporated by reference in a short form prospectus including any material change reports (excluding confidential reports), comparative interim financial statements, comparative annual financial statements and the auditors' report thereon, management's discussion and analysis of financial condition, information circulars, annual information forms and business acquisition reports filed by the Corporation with the securities commissions or similar authorities in the provinces of Canada subsequent to the date of this short form prospectus and prior to the termination of this distribution, shall be deemed to be incorporated by reference in this short form prospectus.

Any statement contained in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded for the purposes of this short form prospectus to the extent that a statement contained herein or in any other subsequently filed document which also is, or is deemed to be, incorporated by reference herein modifies or supersedes such statement. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document that it modifies or supersedes. The making of a modifying or superseding statement shall not be deemed an admission for any purposes that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this short form prospectus.

GRANDE CACHE COAL CORPORATION

General

The Corporation was incorporated under the name Grande Cache Coal Company Inc. pursuant to the *Business Corporations Act* (Alberta) (the "**ABCA**") on July 24, 2000. On November 3, 2000, Grande Cache Coal filed Articles of Amendment to reorganize its share capital. On October 1, 2001, Grande Cache Coal filed Articles of Amendment to reorganize its share capital and revise certain "private company" provisions in its Articles. On January 4, 2002 and April 15, 2002, Grande Cache Coal filed Articles of Amendment to reorganize its share capital. On November 18, 2002, the Corporation filed Articles of Amendment to change its name to Grande Cache Coal Corporation, remove "private company" provisions from its Articles and reorganize its share capital. On March 22, 2004, the Corporation filed Articles of Amendment to effect the split of its then outstanding class "A" common voting shares on a 25.937208-for-one basis and to reorganize its share capital to consist of an unlimited number of Common Shares without nominal or par value and an unlimited of preferred shares, issuable in series. In addition, the Articles of Amendment authorized the creation of exchangeable redeemable preferred shares in the capital of Grande Cache Coal.

Grande Cache Coal has one inactive wholly-owned subsidiary, Smoky River International Inc., which is incorporated under the ABCA.

Grande Cache Coal's Business

Grande Cache Coal is an Alberta-based metallurgical coal mining company whose experienced team of coal professionals has developed a long-term mining operation producing metallurgical coal for the export market from its coal leases covering approximately 22,000 hectares in the Smoky River Coalfield located in west central Alberta. The coal project ("**Project**") includes the production of metallurgical coal from the development of the following mines:

- No. 12 South B2 Mine, a surface mine which commenced production in August 2004. This mine is expected to produce approximately 3.3 million tonnes of run-of-mine ("**ROM**") coal (2.3 million tonnes of saleable coal) during the remaining life of the mine.

- No. 7 Mine, an underground mine which commenced production in November 2004. This mine is expected to produce approximately 4.0 million tonnes of ROM coal (3.0 million tonnes of saleable coal) during the remaining life of the mine.

- No. 8 Mine, a surface mine expected to commence production in fiscal 2009. This mine is expected to produce approximately 15.8 million tonnes of ROM coal (11.4 million tonnes of saleable coal) during the life of the mine.

- No. 16 Mine, a surface mine expected to produce approximately 13.9 million tonnes of ROM coal (10.4 million tonnes of saleable coal) during the life of the mine.

The Corporation owns four coal leases covering the foregoing mines and owns ten additional coal leases which have exploration and development potential. The Corporation plans to conduct extensive exploration and evaluation of the coal potential of all of the coal leases which it holds in the Smoky River Coalfield with a view to identifying additional development and production options.

Grande Cache Coal is closely monitoring other opportunities for coal development both in western Canada and other geographic areas. While the primary focus of Grande Cache Coal will remain the development of a sustainable, long-term mining project based on the coal resources the Corporation has in the Grande Cache area, management believes there are other attractive opportunities that warrant consideration. These potential opportunities will continue to be monitored by management to assess the growth potential for Grande Cache Coal. Where appropriate, Grande Cache Coal is also committed to studying mining ventures involving other industrial minerals to take advantage of any strategic opportunities for growth that may arise.

See "Description of the Business" at page 10 of Grande Cache Coal's AIF.

RECENT DEVELOPMENTS

Grande Cache Coal sold 0.4 million tonnes of metallurgical coal during its first quarter of fiscal 2008. A steady improvement in rail service resulted in substantially increased volumes of coal being moved to the port by the Corporation's rail service provider during the first fiscal quarter.

Grande Cache Coal is continuing to experience strong demand for its coal products and anticipates selling 0.3 to 0.4 million tonnes of metallurgical coal during its second fiscal quarter. The Corporation continues to estimate that its coal sales volumes for fiscal 2008 will be in the range of 1.4 to 1.6 million tonnes, contingent upon adequate rail service and the timely commissioning of equipment for full-scale surface mine operations at the Corporation's No. 12 South B2 Mine.

Initial components of the mining shovel and trucks purchased by Grande Cache Coal to resume full-scale surface mine operations at the No. 12 South B2 Mine have arrived on site. The Corporation has placed deposits on a majority of the additional pieces of mining equipment required to increase production from the surface mine and anticipates that this equipment will be delivered during its second fiscal quarter.

Grande Cache Coal anticipates submitting supplementary information to the regulatory bodies during its second fiscal quarter in support of an application to commence surface mining at its No. 8 Mine.

CAPITALIZATION

The following table sets forth the consolidated capitalization of the Corporation as at March 31, 2007 and as at July 15, 2007, both before and after giving effect to the Offering.

	Authorized	Outstanding as at March 31, 2007 (1)	Outstanding as at July 15, 2007	Outstanding as at July 15, 2007 after giving effect to the Offering (2)(3)
			(unaudited)	(unaudited)
Debt				
Revolving and term debt (4)		$25,000,000	$24,000,000	$24,000,000
Share Capital: (5)				
Common Shares (6)	Unlimited	$126,978,861 (50,768,688 shares)	$127,239,688 (51,057,988 shares)	$151,529,861 (71,557,988 shares)
Warrants		$nil (nil warrants)	$nil (nil warrants)	$nil (10,250,000 Warrants)

Notes:

(1) Derived from audited financial statements.

(2) Based on the issuance of 20,500,000 Units for aggregate gross proceeds of $26,650,000 less the Underwriters' fee of $1,599,000 and expenses of the Offering estimated to be $500,000, the net proceeds to the Corporation from the Offering are estimated to be $24,551,000. If the Over-Allotment Option is exercised in full, the Common Share capitalization will be $155,287,511 (74,632,988 Common Shares) and the Warrant capitalization will be $nil (11,787,500 Warrants).

(3) Of the issue price of $1.30 per Unit, $1.30 is attributed to the Common Shares and $nil is attributed to the half Warrant.

(4) Grande Cache Coal has a $25 million secured credit facility (the "**Credit Facility**") with Brookfield Bridge Lending Fund, consisting of a $10 million term facility and a $15 million revolving facility. Interest is payable monthly at a rate of prime plus 2% per annum. The Credit Facility is secured by a general security agreement and has a maturity date of April 8, 2008.

(5) Grande Cache Coal is authorized to issue an unlimited number of Common Shares and an unlimited number of preferred shares, issuable in series. At the dates referred to in this table, there were no preferred shares outstanding. See "Description of Share Capital".

(6) As at July 15, 2007, options to purchase an aggregate of 3,435,834 Common Shares were granted pursuant to Grande Cache Coal's share option plan at exercise prices ranging from $0.79 to $11.56. At closing, Grande Cache Coal will issue Broker Warrants to the Underwriters to purchase that number of Common Shares equal to 5% of the total number of Units sold hereunder (including any Units issuable on exercise of the Over-Allotment Option) at an exercise price of $1.60 per Common Share for a period of one year from the closing of the Offering. See "Plan of Distribution".

(7) As at March 31, 2007, Grande Cache Coal's deficit was approximately $60,225,000, provision for asset retirement obligations was approximately $3,783,000 and provision for future income tax was $nil.

DESCRIPTION OF SHARE CAPITAL

The following is a summary of the rights, privileges, restrictions and conditions attaching to the Common Shares and the preferred shares of Grande Cache Coal. As at July 20, 2007, there were 51,057,988 Common Shares issued and outstanding. No preferred shares are currently issued and outstanding.

Common Shares

Grande Cache Coal is authorized to issue an unlimited number of Common Shares without nominal or par value. Holders of Common Shares are entitled to one vote per share at meetings of shareholders of Grande Cache Coal. Subject to the rights of the holders of preferred shares and any other shares having priority over the Common Shares, holders of Common Shares are entitled to dividends if, as and when declared by the board of directors and upon liquidation, dissolution or winding-up to receive the remaining property of Grande Cache Coal.

Preferred Shares

Grande Cache Coal is authorized to issue an unlimited number of preferred shares issuable in series, each series consisting of such number of shares and having such rights, privileges, restrictions and conditions as may be determined by the board of directors of Grande Cache Coal prior to the issuance thereof. With respect to the payment of dividends and the distribution of assets in the event of liquidation, dissolution or winding up of Grande Cache Coal, whether voluntary or involuntary, the preferred shares are entitled to preference over the Common Shares and any other shares ranking junior to the preferred shares from time to time and may also be given such other preferences over the Common Shares and any other shares ranking junior to the preferred shares as may be determined at the time of creation of such series.

DESCRIPTION OF THE WARRANTS TO BE ISSUED

The Warrants will be issued in registered form pursuant to, and will be governed by, the terms of a warrant indenture (the "**Warrant Indenture**") entered into between the Corporation and Computershare Trust Company of Canada, as warrant agent (the "**Warrant Agent**") to be dated as of the date of closing of the Offering. Each whole Warrant will entitle the holder thereof to purchase one Common Share, subject to adjustment in certain circumstances, at a price of $1.60 per Common Share, subject to adjustment in certain circumstances, at any time up to 3:00 p.m. (Calgary time) on the first anniversary of the Closing Date, at which time the Warrants will become null and void.

The Corporation will appoint the principal transfer offices of the Warrant Agent in Calgary, Alberta and Toronto, Ontario as the locations at which the Warrants may be surrendered for exercise, transfer or exchange. The exercise price and the number of the Common Shares issuable upon exercise of the Warrants will be subject to adjustment in certain circumstances as more fully described herein. Pursuant to the terms of the Warrant Indenture, the Corporation will be entitled to purchase in the market, by private contract or otherwise, any or all of the Warrants then outstanding, and any Warrants so purchased will be cancelled.

The exercise price for the Warrants will be payable in Canadian dollars.

The Warrant Indenture will provide for adjustment in the number of the Common Shares issuable upon the exercise of the Warrants and/or the exercise price per Common Share upon the occurrence of certain events, including:

- the issuance of Common Shares or securities exchangeable for or convertible into Common Shares to all or substantially all of the holders of Common Shares as a stock dividend or other distribution (other than a "dividend paid in the ordinary course", as defined in the Warrant Indenture, or a distribution of Common Shares upon the exercise of the Warrants);

- the subdivision, redivision or change of Common Shares into a greater number of shares;

- reduction, combination or consolidation of Common Shares into a lesser number of shares;

- issuance to all or substantially all of the holders of Common Shares of rights, options or warrants under which such holders are entitled, during a period expiring not more than 45 days after the record date for such issuance, to subscribe for or purchase Common Shares, or securities exchangeable for or convertible into Common Shares, at a price per share to the holder (or at an exchange or conversion price per share) of less than 95% of the "current market price", as defined in the Warrant Indenture, for Common Shares on such record date; and

- issuance or distribution to all or substantially all of the holders of Common Shares, of shares of any class other than Common Shares, rights, options or warrants to acquire Common Shares or securities exchangeable or convertible into Common Shares, of evidences of indebtedness or cash, securities or any property or other assets.

The Warrant Indenture will also provide for adjustment in the class and/or number of securities issuable upon the exercise of the Warrants and/or exercise price per security if the following additional events occur: (i) reclassifications of the Common Shares; (ii) consolidations, amalgamations, plans of arrangement or mergers of the Corporation with or into another entity (other than consolidations, amalgamations, plans of arrangement or mergers which do not result in any reclassification of the Common Shares or a change of Common Shares into other shares); or (iii) the transfer of any of the Corporation's undertaking or assets as an entirety or substantially as an entirety to another corporation or other entity.

No adjustment in the exercise price or the number of Common Shares purchasable upon the exercise of the Warrants will be required to be made unless the cumulative effect of such adjustment or adjustments would change the exercise price by at least 1% or the number of Common Shares purchasable upon exercise by at least one one-hundredth of a Common Share.

The Corporation will also covenant in the Warrant Indenture that, during the period in which the Warrants are exercisable, the Corporation will give notice to holders of Warrants of certain stated events, including events that would result in an adjustment to the exercise price for the Warrants or the number of Common Shares issuable upon exercise of the Warrants, at least 10 days prior to the record date or effective date, as the case may be, of such event.

No fractional Common Shares will be issuable upon the exercise of any Warrants, and no cash or other consideration will be paid in lieu of fractional shares. Any subscription for fractional Common Shares will be deemed to be a subscription for the next smallest whole number of Common Shares. Holders of Warrants will not have any voting or pre-emptive rights or any other rights which a holder of Common Shares or, if any are ever issued, the Corporation's preferred shares, would have.

From time to time, the Corporation and the Warrant Agent, without the consent of the holders of Warrants, may amend or supplement the Warrant Indenture for certain purposes, including curing defects or inconsistencies or making any change that does not adversely affect the rights of any holder of Warrants. Any amendment or supplement to the Warrant Indenture that adversely affects the interests of the holders of the Warrants may only be made by "extraordinary resolution", which is defined in the Warrant Indenture as a resolution either:

- passed at a meeting of the holders of Warrants at which there are holders of Warrants present in person or represented by proxy representing at least 20% of the aggregate number of the then outstanding Warrants and passed by the affirmative vote of holders of Warrants representing not less than 66⅔% of the aggregate number of all the then outstanding Warrants represented at the meeting and voted on the poll upon such resolution; or

- adopted by an instrument in writing signed by the holders of Warrants representing not less than 66⅔% of the aggregate number of all the then outstanding Warrants.

The Warrants may not be exercised in the United States or by, or for the account or benefit of, a U.S. person (as such term is defined in Rule 902 of Regulation S under the 1933 Act), except pursuant to an exemption from the registration requirements of the 1933 Act. Furthermore, Common Shares issuable upon exercise of the Warrants by a person in the United States or by, or for the account or benefit of, a U.S. person, will be "restricted securities" within the meaning of Rule 144 under the 1933 Act, certificates representing such Common Shares will bear a legend to that effect, and such Common Shares may be offered and sold only pursuant to an exemption from the registration requirements of the 1933 Act and state securities laws.

The foregoing is a summary only of the terms of the Warrants and is qualified by the more detailed provisions of the Warrant Indenture.

USE OF PROCEEDS

The estimated net proceeds to the Corporation from the sale of the Units hereunder are estimated to be $24,551,000 after deducting the Underwriters' fee of $1,599,000 and the estimated expenses of the Offering of $500,000. If the Over-Allotment Option is exercised in full, the estimated net proceeds will be $28,308,650. See "Plan of Distribution".

The estimated net proceeds of the Offering will be used by the Corporation to fund the Corporation's ongoing exploration and development activities, capital projects and for general working capital purposes as follows:

Use of Proceeds	$
Drilling, environmental studies and regulatory approvals	5,000,000
Acquisition of equipment and continuing upgrades to the Corporation's process plant	12,000,000
Working capital (1)	7,551,000

Note:

(1) The additional net proceeds to the Corporation, if any, to be received from the exercise of the Over-Allotment Option will be added to working capital.

PLAN OF DISTRIBUTION

Pursuant to an underwriting agreement (the "**Underwriting Agreement**") dated as of July 23, 2007, between the Corporation and the Underwriters, the Corporation has agreed to issue and sell an aggregate of 20,500,000 Units to the Underwriters, and the Underwriters have severally agreed to purchase such Units on August 9, 2007, or such other date not later than August 31, 2007 as may be agreed by the Corporation and the Underwriters. Delivery of the Common Shares and Warrants comprising the Units is conditional upon payment on closing of $1.30 per Unit by the Underwriters to the Corporation. The Underwriting Agreement provides that the Corporation will pay the Underwriters' a fee of $0.078 per Unit for Units issued and sold by the Corporation, for an aggregate fee payable by the Corporation of $1,599,000 ($1,838,850 if the Over-Allotment Option is exercised in full), in consideration for their services in connection with the Offering. In addition, pursuant to the Underwriting Agreement, the Corporation will issue Broker Warrants equal in number to 5% of the Units sold hereunder, including any Units issuable on exercise of the Over-Allotment Option. This short form prospectus also qualifies the issuance of the Broker Warrants to the Underwriters. The terms of the Offering were determined by negotiation between the Corporation and the Underwriters.

The Corporation has granted to the Underwriters the Over-Allotment Option to purchase up to an additional 3,075,000 Units at a price of $1.30 per Unit, exercisable in whole or in part, for a period of up to 30 days following closing of the Offering, to cover over-allotments, if any, and for market stabilization purposes. If the Over-Allotment Option is exercised in full, the Price to the Public, Underwriter's Fee and Net Proceeds to the Corporation will be $30,647,500, $1,838,850 and $28,808,650, respectively, before deducting estimated expenses of the Offering. This short form prospectus also qualifies the grant of the Over-Allotment Option and the issuance of the Common Shares and Warrants comprising Units issuable on the exercise of the Over-Allotment Option.

The obligations of the Underwriters under the Underwriting Agreement are several and not joint, and may be terminated at their discretion upon the occurrence of certain stated events. If an Underwriter fails to purchase the Units which it has agreed to purchase, the other Underwriter may, but is not obligated to, purchase such Units. The Underwriters are, however, obligated to take up and pay for all Units if any are purchased under the Underwriting Agreement. The Underwriting Agreement also provides that the Corporation will indemnify the Underwriters and their directors, officers, agents, shareholders and employees against certain liabilities and expenses.

It is expected that closing will occur on or about August 9, 2007, or such other date as the Corporation and the Underwriters may agree but not later than August 31, 2007. Definitive certificates representing the Common Shares and Warrants comprising the Units will be available for delivery at closing.

Pursuant to rules and policy statements of certain securities regulators, the Underwriters may not, at any time during the period ending on the date the selling process for the Units ends and all stabilization arrangements relating to the Common Shares are terminated, bid for or purchase Common Shares. The foregoing restrictions are subject to certain exceptions including (a) a bid for or purchase of Common Shares if the bid or purchase is made through the facilities of the TSX in accordance with the Universal Market Integrity Rules of Market Regulation Services Inc., (b) a bid or purchase on behalf of a client, other than certain prescribed clients, provided that the client's order was not solicited by the Underwriter, or if the client's order was solicited, the solicitation occurred before the period of distribution as prescribed by the rules, and (c) a bid or purchase to cover a short position entered into prior to the period of distribution as prescribed by the rules. The Underwriters may engage in market stabilization or market balancing activities on the TSX where the bid for or purchase of the Common Shares is for the purpose of maintaining a fair and orderly market in the Common Shares, subject to price limitations applicable to such bids or purchases. Such transactions, if commenced, may be discontinued at any time.

The Corporation has agreed that, subject to certain exceptions, it will not offer or issue, or enter into an agreement to offer or issue, Common Shares or any securities convertible or exchangeable into Common Shares for a period of 90 days following the Closing Date without the consent of Canaccord Capital Corporation on behalf of the Underwriters, which consent may not be unreasonably withheld.

The Corporation has applied to list the Common Shares and Warrants distributed under this short form prospectus, as well as the Common Shares issuable on exercise of the Warrants, on the TSX. Listing will be subject to the Corporation fulfilling all of the listing requirements of the TSX.

The Common Shares and Warrants offered hereby have not been and will not be registered under the 1933 Act, or any state securities laws, and accordingly may not be offered or sold within the United States or to, or for the account or benefit of, U.S.

Persons (as such term is defined in Regulation S under the 1933 Act) except in transactions exempt from the registration requirements of the 1933 Act and applicable state securities laws. The Underwriting Agreement permits the Underwriters to offer and resell the Common Shares and Warrants that they have acquired pursuant to the Underwriting Agreement to certain qualified institutional buyers in the United States, provided such offers and sales are made in accordance with Rule 144A under the 1933 Act. The Underwriting Agreement also permits the Underwriters to offer and resell the Common Shares and Warrants to certain institutional accredited investors pursuant to exemptions from registration under the 1933 Act. Moreover, the Underwriting Agreement provides that the Underwriters will offer and sell the Common Shares and Warrants outside the United States only in accordance with Regulation S under the 1933 Act.

In addition, until 40 days after the commencement of the Offering, an offer or sale of Common Shares or Warrants offered under this short form prospectus within the United States by any dealer (whether or not participating in the Offering) may violate the registration requirements of the 1933 Act if such offer or sale is made otherwise than in accordance with an exemption from the registration requirements of the 1933 Act.

INTEREST OF EXPERTS

Certain legal matters relating to the Offering will be passed upon by Burnet, Duckworth & Palmer LLP on behalf of the Corporation, and by Stikeman Elliott LLP on behalf of the Underwriters. As at the date hereof, the partners and associates of Burnet, Duckworth & Palmer LLP, as a group, own less than 1% of the Common Shares and the partners and associates of Stikeman Elliott LLP, as a group, own, directly or indirectly, less than 1% of the Common Shares. Mr. Fred Davidson, the Corporate Secretary of Grande Cache Coal, is a partner of Burnet, Duckworth & Palmer LLP.

RISK FACTORS

An investment in the Units is speculative due to the nature of the Corporation's involvement in the exploration for, and the acquisition, development and mining of, coal reserves. Prior to making an investment decision in the Units, an investor should carefully consider the risk factors set forth under the heading "Risk Factors" in the AIF which is incorporated into and forms part of this short form prospectus. In addition, investors should carefully review and consider all other information contained in and incorporated by reference in this short form prospectus.

LEGAL PROCEEDINGS

To the knowledge of management, there are no outstanding legal proceedings material to the Corporation to which the Corporation is a party or in respect of which any of its properties are subject, nor are there any such proceedings known to be contemplated.

AUDITORS, TRANSFER AGENT AND REGISTRAR

The auditors of Grande Cache Coal are PricewaterhouseCoopers LLP, Chartered Accountants, Suite 3100, 111 – 5th Avenue S.W., Calgary, Alberta, T2P 5L3.

The transfer agent and registrar for the Common Shares is Computershare Trust Company of Canada at its principal offices in Calgary, Alberta and Toronto, Ontario. The warrant agent for the Warrants will be Computershare Trust Company of Canada at its principal offices in Calgary, Alberta and Toronto, Ontario.

STATUTORY RIGHTS OF WITHDRAWAL AND RESCISSION

Securities legislation in certain of the provinces of Canada provides purchasers with the right to withdraw from an agreement to purchase securities. This right may be exercised within two business days after receipt or deemed receipt of a prospectus and any amendment. In several of the provinces, securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, damages if the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province. The purchaser should refer to any applicable provisions of the securities legislation of the province in which the purchaser resides for the particulars of these rights or consult with a legal advisor.

CONSENT OF PRICEWATERHOUSECOOPERS LLP

The Board of Directors of Grande Cache Coal Corporation

We have read the preliminary short form prospectus of Grande Cache Coal Corporation (the "**Corporation**") dated July 23, 2007 relating to the qualification for distribution of 20,500,000 units of the Corporation. We have complied with Canadian generally accepted standards for an auditor's involvement with offering documents.

We consent to the incorporation by reference in the above-mentioned preliminary short form prospectus of our report to the shareholders of the Corporation on the consolidated balance sheet of the Corporation as at March 31, 2007 and the consolidated statements of loss and deficit and cash flows for the year then ended. Our report was dated June 27, 2007.

(Signed) PricewaterhouseCoopers LLP
Chartered Accountants
Calgary, Canada
July 23, 2007

CONSENT OF COLLINS BARROW CALGARY LLP

The Board of Directors of Grande Cache Coal Corporation

We have read the preliminary short form prospectus of Grande Cache Coal Corporation (the "**Corporation**") dated July 23, 2007 relating to the qualification for distribution of 20,500,000 units of the Corporation. We have complied with Canadian generally accepted standards for an auditor's involvement with offering documents.

We consent to the incorporation by reference in the above-mentioned preliminary short form prospectus of our report to the shareholders of the Corporation on the consolidated balance sheet of the Corporation as at March 31, 2006 and the consolidated statements of loss and deficit and cash flows for the year then ended. Our report was dated May 15, 2006.

(Signed) Collins Barrow Calgary LLP
Chartered Accountants
Calgary, Canada
July 23, 2007

CERTIFICATE OF THE CORPORATION

Dated: July 23, 2007

This short form prospectus, together with the documents incorporated herein by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this short form prospectus as required by the securities legislation of the provinces of British Columbia, Alberta, Saskatchewan, Manitoba and Ontario.

GRANDE CACHE COAL CORPORATION

(Signed) Robert H. Stan
President and Chief Executive Officer

(Signed) Anita L. Roncin
Vice President, Finance and Chief Financial Officer

ON BEHALF OF THE BOARD OF DIRECTORS

(Signed) Robert G. Brawn
Director

(Signed) Donald J. Douglas
Director

CERTIFICATE OF THE UNDERWRITERS

Dated: July 23, 2007

To the best of our knowledge, information and belief, this short form prospectus, together with the documents incorporated herein by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this short form prospectus as required by the securities legislation of the provinces of British Columbia, Alberta, Saskatchewan, Manitoba and Ontario.

CANACCORD CAPITAL CORPORATION

By: (Signed) Ali Pejman

BOLDER INVESTMENT PARTNERS, LTD.	**SALMAN PARTNERS INC.**
By: (Signed) Paul J.C. Woodward	By: (Signed) Terrance K. Salman