

GMR Energy Limited

June 3, 2009

Homeland Energy Group Ltd.
144 Front Street West, Suite 780
Toronto, Ontario
M5J 2L7

Attention: Mr. Stephen Coates

Dear Sir:

RE: Homeland Energy Group Ltd.

Reference is made to the discussions that have occurred between Homeland Energy Group Ltd. (“**HEG**”) and GMR Energy Limited (“**GMR**”) over the past several weeks, particularly in relation to transitional matters that are to occur both in advance of the annual and special meeting of the shareholders of HEG (the “**Meeting**”) to be held on Tuesday, June 30, 2009 and at the Meeting.

The purpose of this letter agreement (the “**Agreement**”) is to record our mutual understanding and agreement regarding the terms of the transition for management and the board of directors of HEG (the “**Board**”), including matters to be specifically addressed in the management information circular prepared by HEG in preparation for the Meeting (the “**Information Circular**”) and at the Meeting.

Steps to be Taken Immediately

1. *Resignation of members of the Board* – Messrs. Stephen Coates, Robert Munro and Neil McLoughlin (the “**Resigning Directors**”) have been asked to resign from the Board following the execution of this Agreement and the issuance of a joint press release by GMR and HEG with respect to the contents of this Agreement. HEG agrees and acknowledges that such resignations are necessary to effect the transition of the Board as contemplated in the discussions between HEG and GMR, and covenants to ensure that such resignations and the subsequent appointment of replacement of directors occurs in accordance with all applicable law. HEG confirms that the Resigning Directors and Mr. Tom Griffis have each provided their respective resignations from the Board and the board of directors of each of HEG’s subsidiaries and affiliates (other than Homeland Uranium Inc.), and in the case of the Resigning Directors, shall be effective no later than the end of the Transition Meeting (as defined below), such resignations which are being

held in trust by counsel to HEG.

2. *Appointment of GMR nominees to Board* – HEG agrees that as soon as possible following the execution of this Agreement and the issuance of the press release referred to in paragraph 1 above, and in any event, within one (1) day of the execution of this Agreement, it will reconvene the current meeting of the Board, which is a valid meeting of the Board in accordance with applicable laws and the by-laws of HEG (the “**Transition Meeting**”). The agenda for the Transition Meeting will include, among other things, the acceptance of the resignations of the Resigning Directors and the appointment of the following individuals to the Board as replacement directors in accordance with applicable law: Messrs. B.V.N. Rao, Raaj Kumar and Ashis Basu (the “**GMR Nominee Directors**”). HEG agrees that any covenants, agreements or commitments of GMR in this Agreement are conditional upon the appointment of the GMR Nominee Directors to the Board at the Transition Meeting. HEG hereby confirms that the following individuals will be directors of HEG at the conclusion of the Transition Meeting: Messrs. Avrom E. Howard, Laurence Curtis, Jeff Lowe, B.V.N. Rao, Raaj Kumar and Ashis Basu (the “**HEG Slate**”). If the HEG Slate has not been duly appointed within two (2) days of the execution of this Agreement, this Agreement shall terminate and no party to this Agreement will have any further rights or obligations under this Agreement.
3. *Fixing number of directors of the Board*– HEG will fix the number of directors of the Board at seven (7) for the ensuing year.
4. *HEG nomination of directors* – HEG will nominate: (i) the HEG Slate; and (ii) Mr. Valli Moosa, being a seventh, independent (as such term is defined in sections 1.4 and 1.5 of National Instrument 52-110) nominee selected by GMR and acceptable to HEG for election as directors of HEG by shareholders at the Meeting in the Information Circular and the accompanying form of proxy and other materials, in accordance with applicable law (collectively, the “**Nominated Slate**”). GMR will use its best efforts to facilitate a meeting or video/teleconference between representatives of HEG and Mr. Moosa prior to the Meeting.
5. *Voting for the Nominated Slate* - HEG also confirms that the Information Circular and form of proxy will provide that, in the absence of a direction otherwise from a shareholder of HEG, the persons named in the form of proxy accompanying the Information Circular will vote for the Nominated Slate. GMR agrees to vote all common shares of HEG owned by it on May 15, 2009 and to use its best efforts to ensure that all common shares of HEG owned by any associate or affiliate of GMR on May 15, 2009, including Crossridge Investments Ltd. will be voted in favour of the Nominated Slate. Provided that the terms and conditions of this Agreement are strictly adhered to by HEG, if such shares are not voted in favour of the Nominated Slate, GMR agrees that the Chairman of the Meeting must exclude such shares in tabulating the results of voting on the election of directors.

6. *Form of Proxy and Information Circular* – HEG has provided GMR with a draft of the Information Circular and the accompanying form of proxy and all other materials to be sent to shareholders of HEG (collectively, the “**Meeting Materials**”) for its review and comment, which initial comments of GMR on the Information Circular have been received. HEG also agrees to incorporate comments and other information suggested by GMR and/or its advisors, including Ogilvy Renault LLP with respect to the GMR Nominee Directors and Mr. Moosa and to give reasonable consideration to all other comments provided until 11:00 a.m. (Eastern) on Wednesday, June 3, 2009. HEG further agrees that no substantive amendments to the Meeting Materials either before or after printing and mailing same to the shareholders of HEG shall be made without prior review and approval of GMR.
7. *Format of the Meeting* – HEG confirms that, at least seven (7) days prior to the Meeting, GMR will be provided with a final agenda and script for the Meeting and an outline of the proposed activities with respect to ballots and voting procedures, as well as a copy of the ballot(s) to be used at the Meeting.

During the Meeting

8. *Independent Chair* – Given the nature of the matters to be considered, HEG agrees that Paul M. Stein of Cassels Brock & Blackwell LLP will be appointed by the Board to chair the Meeting. The independent chair will be entitled to retain independent counsel, whose fees will be paid by HEG.
9. *Conduct of Voting at the Meeting* – GMR will have the right to review the tabulation of the results of each ballot taken at the Meeting at the time that such ballot is taken. Representatives of Ogilvy Renault LLP will be present at the Meeting for this purpose.
10. *Attendance at the Meeting* – GMR, its director nominees and its advisors (including Ogilvy Renault LLP) will be admitted to the Meeting, and that designated seating will be set aside for such individuals. GMR expects that there will be approximately 10 such individuals in attendance. As it is intended to have a meeting of the Nominated Slate following the Meeting, GMR will use reasonable efforts to have Mr. Moosa attend the Meeting in person.

Proxy Issues

11. *Proxy Inspection* – GMR and/or its advisors will be provided with a reasonable opportunity to inspect all proxies (and related materials) received at or before the deadline for the deposit of proxies.
12. *Waiver of proxy deadline* – HEG agrees that the deadline for the acceptance of proxies by HEG shall not be waived except with the consent of GMR.
13. *List of shareholders of HEG* – No later than the next business day following the execution of the Agreement, HEG will deliver a list of HEG's registered shareholders as of May 15, 2009 for inspection with all proxy reviews, tabulation and ballot activities as well as a similar list of the Company's beneficial shareholders as of May 15, 2009 for any omnibus proxies that Equity Transfer & Trust Company receives or may have received.

Post-Meeting Issues

14. *Appointment of Board committees and directors to HEG subsidiaries* – HEG agrees that following the Meeting, or earlier if so required, the Board will be empowered to, among other things: (i) appoint the members of HEG's audit committee, corporate governance committee and compensation committee; and (ii) appoint nominees to the boards of directors of all subsidiary companies of HEG. HEG agrees to use its best efforts to ensure that the existing members of the committees of the Board and the directors on the boards of directors of the subsidiary companies of HEG will cooperate and respect the decisions of the Board in this regard.
15. *Public Announcements by HEG* – HEG and GMR agree that in connection with the matters set out in this agreement neither shall issue any public announcement (including but not limited to press releases) without the review and consent of the other party.

General Matters

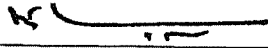
16. *CEO appointment* - Mr. Stephen Coates and HEG acknowledge that a process is underway to find a replacement candidate for the position of President and Chief Executive Officer of HEG. HEG agrees that once such replacement candidate is identified, Mr. Coates' employment with HEG will be terminated in accordance with the terms of his employment agreement.
17. *Previous Agreements* - The parties hereto agree that their respective nominees to the Board will act in good faith in connection with their assessment of and adherence to existing agreements of HEG.
18. *Board Approval* – HEG hereby confirms that the acceptance of this Agreement and the terms and conditions contained as stated herein have been approved by the Board.

19. *Business in the normal course* - HEG hereby confirms that prior to the Meeting, HEG and its subsidiary companies will not take any actions outside the normal course of business without the approval of a majority of the members of the Board.
20. *Filing of Agreement* – HEG hereby confirms that this Agreement will be filed in its entirety on SEDAR within five (5) days of the date of the execution of this Agreement.

We trust that you will find the foregoing acceptable and upon your acceptance below, this Agreement will become a legal, valid and binding agreement between HEG and GMR governed in accordance with the laws of the Province of Ontario.

[Signature Page Follows]

GMR ENERGY LIMITED

Per: 
Name: Raaj Kumar
Title: CEO & Director

By signing below we hereby acknowledge the terms of this Agreement and agree to comply with all such terms and conditions as stated herein.

Agreed to this _____ *day of* _____, 2009.

HOMELAND ENERGY GROUP LTD.

Per: _____
Name:
Title:

Witness

Name: Stephen Coates
Title: Chief Executive Officer

GMR ENERGY LIMITED

Per: _____
Name:
Title:

By signing below we hereby acknowledge the terms of this Agreement and agree to comply with all such terms and conditions as stated herein.

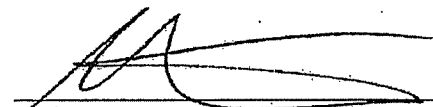
Agreed to this 5th day of June, 2009.

HOMELAND ENERGY GROUP LTD.

Per: _____
Name:
Title:



Witness



Name: Stephen Coates
Title: Chief Executive Officer

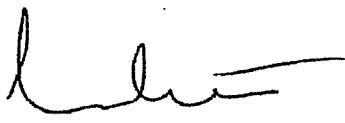
GMR ENERGY LIMITED

Per: _____
Name:
Title:

By signing below we hereby acknowledge the terms of this Agreement and agree to comply with all such terms and conditions as stated herein.

Agreed to this 5th day of June, 2009.

HOMELAND ENERGY GROUP LTD.

Per: 
Name: Laurence Curtis
Title: Non-Executive Director

Witness

Name: Stephen Coates
Title: Chief Executive Officer