A COPY OF THIS PRELIMINARY SHORT FORM PROSPECTUS HAS BEEN FILED WITH THE SECURITIES REGULATORY AUTHORITIES IN THE PROVINCES OF ALBERTA, BRITISH COLUMBIA 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.

*This preliminary 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. No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise. The securities offered under this short form prospectus have not been and will not be registered under the United States Securities Act of 1933 (the "**US Securities Act**"), as amended, or any state securities laws. Accordingly, the securities offered hereby may not be offered or sold directly, or indirectly, in the United States or to U.S. Persons (as defined in Regulation S of the U.S. Securities Act). This preliminary short from prospectus is not being sent, delivered, provided or otherwise circulated to or in the United States or to, or for the account or benefit of, any U.S. Person or person in the United States. Each holder of the rights and securities, by virtue or receiving, purchasing, exercising or otherwise obtaining such rights or securities, agrees, for the benefit of the Corporation, that such holder is not in the United States, is not a U.S. Person, is not receiving, purchasing, exercising or otherwise obtaining such rights or securities for the account or benefit of a U.S. Person or a person in the United States, and that the Rights (as such term is hereinafter defined) may not be transferred or exercised in the United States or for the account or benefit of any U.S. Person. This short form prospectus does not constitute an offer to sell or a solicitation of an offer to buy any of the securities offered hereby within the United States or any other jurisdiction in which securities may not lawfully be offered for sale. See "Plan of Distribution".*

Information has been incorporated by reference in this short form 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 the Corporation at c/o Gardiner Roberts LLP, Suite 3100, 40 King Street West, Toronto, Ontario M5H 2Y2, telephone 416-865-6605 and are also available electronically at www.sedar.com.*

PRELIMINARY SHORT FORM PROSPECTUS

Rights Offering — February 9, 2010

HOMELAND ENERGY GROUP LTD.

$8,750,000
OFFERING OF 302,115,756 RIGHTS TO SUBSCRIBE FOR ● COMMON SHARES AT A SUBSCRIPTION PRICE OF $● PER COMMON SHARE

This short form prospectus (the "**Prospectus**") qualifies the distribution (the "**Offering**") by Homeland Energy Group Ltd. ("**Homeland**" or the "**Corporation**") to the holders of the outstanding common shares (the "**Common Shares**") of record (the "**Holders**") at the close of business (Toronto time) on ●, 2010 (the "**Record Date**") of one transferrable right (a "**Right**") for each Common Share held, which, based on the 302,115,756 Common Shares outstanding on ●, 2010, would entitle the Holders to subscribe for an aggregate of approximately ● Common Shares for gross proceeds to the Corporation of $●.

The Rights are evidenced by fully transferable certificates in registered form (the "**Rights Certificates**"). Each Holder is entitled to one Right for each Common Share held on the Record Date. Each Right entitles the holder (provided that such holder is in an Eligible Jurisdiction, as defined herein, or is an Accepted Eligible Holder, as defined herein) thereof to purchase ● of a Common Share (the "**Basic Subscription Privilege")** of the Corporation at a price of $● per Common Share (the "**Subscription Price**") prior to 5:00 p.m. (Toronto time)(the "**Expiry Time**") on ●, 2010 (the "**Expiry Date**"). No fractional Common Shares will be issued on the exercise of Rights. An entitlement to a fractional Common Share will be rounded down to the next whole Common Share. **RIGHTS NOT EXERCISED BEFORE THE EXPIRY TIME WILL BE VOID AND OF NO VALUE**. Holders who exercise their Rights in full are entitled to subscribe for additional Common Shares (the "**Additional Common Shares**"), if available, pursuant to an additional subscription privilege (the "**Additional Subscription Privilege**"). See "Description of Offered Securities – Additional Subscription Privilege".

Offering		**Offering Price**	**Proceeds to the Corporation**(1)
Per Common Share		$●	$●
Total		$8,750,000	$8,700,000

Notes:

(1) Before deducting the expenses of the Offering, estimated to be approximately $50,000 which will be paid from the proceeds of the Offering.
(2) Assumes exercise of all Rights.

The offer and distribution of the Rights as well as the Common Shares issuable upon the exercise of the Rights and the Standby Commitment (as defined below) is qualified in the Eligible Jurisdictions (as defined herein) by this Prospectus. The Company will apply to list the Rights and the Common Shares issuable on the exercise of the Rights on the Toronto Stock Exchange (the "**Exchange**"). The approval of such listing will be subject to the Corporation fulfilling all of the listing requirements of the Exchange. The current outstanding Common Shares are listed and posted for trading on the Exchange under the symbol "HEG". On February 8, 2010, the last trading day before the date of this Prospectus, the closing price of the Common Shares on the Exchange was $0.095. The Subscription Price is equal to the volume weighted average of the closing price of the Corporation's Common Shares on the Exchange for each of the trading days on which there was a closing price during the five (5) trading days immediately preceding ●, 2010, less a discount of 25%.

Equity Transfer & Trust Company (the "**Subscription Agent**"), at its office in the City of Toronto (the "**Subscription Office**"), is the subscription agent for this Offering. See "Description of the Offered Securities – Subscription Agent".

For Common Shares held through a securities broker or dealer, bank or trust company or other participant (a "**CDS Participant**") in the book based system administered by CDS Clearing and Depository Services Inc. ("**CDS**"), a subscriber may subscribe for Common Shares by instructing the CDS Participant holding the subscriber's Rights to exercise all or a specified number of such Rights and forwarding the Subscription Price for each Common Share subscribed for to such CDS Participant in accordance with the terms of this Offering. A subscriber wishing to subscribe for Additional Common Shares pursuant to the Additional Subscription Privilege must forward its request to the CDS Participant that holds the subscriber's Rights prior to the Expiry Time on the Expiry Date, along with the payment for the number of Additional Common Shares requested. Any excess funds will be returned by mail or credited to the subscriber's account with its CDS Participant without interest or deduction. Subscriptions for Common Shares made through a CDS Participant will be irrevocable and subscribers will be unable to withdraw their subscriptions for Common Shares once submitted. See "Description of Securities Offered – Rights Certificate - Common Shares Held Through CDS".

For Common Shares held in registered form, a Rights Certificate evidencing the number of Rights to which a holder is entitled will be mailed with a copy of this Prospectus to each registered Holder as of the close of business on the Record Date. In order to exercise the Rights represented by the Rights Certificate, the holder of the Rights must complete and deliver the Rights Certificate to the Subscription Agent in the manner and upon the terms set out in this Prospectus. All exercises of Rights are irrevocable once submitted. See "Description of Securities Offered – Rights Certificate – Common Shares Held in Registered Form".

This Prospectus qualifies the distribution of the Rights as well as the Common Shares issuable upon exercise of the Rights in each province of Alberta, British Columbia and Ontario (the "**Eligible Jurisdictions**"). The Prospectus also qualifies the distribution of the Standby Shares (as defined below) to the Standby Purchaser (as defined below). The Rights as well as the Common Shares issuable upon the exercise of the Rights are not being distributed or offered to Holders in the United States or in any jurisdiction where the exercise of rights would not be in compliance with the applicable securities laws of that jurisdiction (collectively, the "**Ineligible Jurisdictions**") and, except under the circumstances described herein, Rights may not be exercised by or on behalf of a Holder of Rights resident in an Ineligible Jurisdiction (an "**Ineligible Holder**"). This Prospectus is not, and under no circumstances is to be construed as, an offering of any Rights or Common Shares for sale in any Ineligible Jurisdiction or a solicitation herein of an offer to buy any securities. Rights Certificates will not be sent to Holders with addresses of record in any Ineligible Jurisdiction. See "Description of Offered Securities – Ineligible Holders".

Under a standby purchase agreement dated February 9, 2010 (the "**Standby Purchase Agreement**") GMR Energy Ltd. (the "**Standby Purchaser**") has agreed, subject to certain terms, conditions and limitations, to (i) exercise all of its Basic Subscription Rights (the "**Basic Subscription**") and (ii) purchase all Common Shares not otherwise acquired under the offering (the "**Standby Shares**") up to an aggregate maximum subscription equal to the number of Common Shares which together with the Common Shares subscribed for under the Basic Subscription would result in an aggregate Subscription Price for the Standby Purchaser being equal to $7,993,140 (the "Standby Limit"). The Standby Purchase Agreement may be terminated by the Standby Purchaser prior to the Expiry Time in certain circumstances. See "Standby Commitment" and "Risk Factors – Risks Related to the Offering".

If a Holder does not exercise its Rights, then such Holder's current percentage of ownership in the Corporation will be diluted as a result of the exercise of Rights by other Holders and the Standby Purchaser. See "Details of the Rights Offering – Dilution to Shareholders" and "Risk Factors – Risks Related to the Offering".

Prospective subscribers should be aware that the acquisition or disposition of the securities described in this Prospectus and the expiry of an unexercised Right may have tax consequences in Canada or elsewhere, depending on the particular subscriber's specific circumstances. Prospective subscribers should consult their own tax advisors with respect to such tax consequences.

The Standby Purchaser is not engaged as an underwriter in connection with the Offering and has not been involved in the preparation of, or performed any review of, this Prospectus in the capacity of underwriter.

There is no managing or soliciting dealer for the Offering and the Corporation will pay no fee of any kind for the solicitation of the exercise of Rights. No underwriter has been involved in the preparation of this Prospectus or performed any review of the contents of this Prospectus.

An investment in the securities offered hereunder is speculative and involves a high degree of risk. The risk factors are identified under the heading "Risk Factors" in this short form prospectus and should be carefully reviewed and evaluated by prospective subscribers before purchasing the securities being offered hereunder.

Certain legal matters relating to the Offering, the Rights and the Common Shares offered hereby will be passed upon on behalf of the Corporation by Gardiner Roberts LLP.

The Corporation's head and registered offices are located at 144 Front Street West, Suite 780, Toronto, Ontario, M5J 2L7.

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SPECIAL NOTE REGARDING FORWARD LOOKING FINANCIAL STATEMENTS

This Prospectus and the documents incorporated by reference herein contain “forward-looking information” that are prospective and reflect management’s expectations regarding the Corporation’s future growth, results of operations, performance and business prospects and opportunities. Forward-looking statements are not based on historical facts, but rather on current expectations and projections about future events, and are therefore subject to risks and uncertainties which could cause actual results to differ materially from the future results expressed or implied by the forward-looking statements. Forward-looking information can often be identified by forward-looking words such as “anticipate”, “believe”, “expect”, “goal”, “plan”, “intend”, “estimate”, “may”, “could”, “should” and “will” or the negatives thereof, or similar variations suggesting future outcomes, or other expectations, beliefs, plans, objectives, assumptions, intentions or statements about future events or performance. All statements, other than statements of historical fact, included in these documents, including without limitation statements regarding potential mineralization, the quantity and quality of resources and reserves, estimates of future production, unit costs, costs of capital projects, the timing of commencement of operations, exploration results and future plans and objectives of Homeland are forward-looking statements that involve various risks and uncertainties. Such statements are qualified in their entirety by the inherent risks and uncertainties surrounding future expectations. There can be no assurance that such statements will prove to be accurate, and actual results and future events could differ materially from those anticipated in such statements. Important factors that could cause actual results to differ materially from Homeland’s expectations include, but are not limited to, failure to establish estimated resources and reserves, the quality and recovery of ore to be mined varying from estimates, capital and operating costs varying significantly from estimates, delays in obtaining or the failure to obtain required governmental, environmental or other project approvals, title disputes or claims, unanticipated reclamation expenses, inflation, changes in exchange rates, fluctuations in commodity prices, delays in the development of projects, limitations on insurance coverage, general business and economic conditions, industry risks and other factors.

Forward-looking statements and forward-looking information are based on the opinions and estimates of management as of the date such statements are made, and they are subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of Homeland to be materially different from those expressed or implied by such forward-looking statements or forward-looking information, including but not limited to risks related to: unexpected events during construction, expansion and start-up; variations in ore quality, tonnes mined, crushed or washed; delay or failure to receive board or government approvals; timing and availability of external financing on acceptable terms; risks related to international operations; actual results of current exploration activities; conclusions of economic evaluations; changes in project parameters as plans continue to be refined; future prices of coal; possible variations in ore reserves, quality or recovery rates; failure of plant, equipment or processes to operate as anticipated; accidents, labour disputes and other risks of the mining industry; delays in the completion of development or construction activities as well as the risks discussed under the heading “Risk Factors” on pages 18 to 23 of the AIF as hereinafter defined. Although management of Homeland has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking statements or forward-looking information, there may be other factors that cause results not to be as anticipated, estimated or intended. **Subscribers are cautioned not to put undue reliance on such forward-looking statements, which are not a guarantee of performance and are subject to a number of uncertainties and known and unknown risks, many of which are outside the control of the Corporation, which could cause actual results to differ materially from those expressed or implied by such forward-looking statements.**

Forward-looking statements contained in this Prospectus or the documents incorporated by reference herein are made as of the date hereof and the Corporation disclaims any obligation to update any forward-looking statements, whether as a result of new information, future events, results or otherwise, except as required by applicable securities laws.

All subsequent written and oral forward looking statements attributable to the Corporation or persons acting on its behalf are expressly qualified in their entirety by this notice.

GENERAL MATTERS

All references in this Prospectus to "dollars" or "$" are to Canadian dollars unless otherwise noted. All references to "ZAR" or "rand" are to South African Rand.

On February 8, 2010, the Bank of Canada noon rate of exchange was $1.00 = ZAR 7.2359.

The Corporation's financial statements incorporated herein by reference have been prepared in accordance with Canadian generally accepted accounting principles.

A prospective subscriber should rely only on the information contained in this Prospectus or any document incorporated by reference herein. The Corporation has not authorized anyone to provide subscribers with information different from that contained in this Prospectus. The Corporation is distributing the Rights only in jurisdictions where, and to persons to whom, distributions are lawfully permitted. The information contained in this Prospectus is accurate only as of the date of this Prospectus, regardless of the time of delivery of this Prospectus or any sale of the Rights.

DOCUMENTS INCORPORATED HEREIN BY REFERENCE

Information has been incorporated by reference in this Prospectus from documents filed with securities commissions or similar authorities in each of the provinces of Canada. Copies of the documents incorporated herein by reference may be obtained on request without charge from the corporate secretary of the issuer at c/o Gardiner Roberts LLP, Suite 3100, 40 King Street West, Toronto, Ontario M5H 2Y2 and are also available electronically at www.sedar.com.

The following documents of the Corporation, filed with the securities commissions in each of the provinces of Canada, are specifically incorporated by reference into, and form an integral part of this Prospectus:

(a) the annual information form of the Corporation dated March 31, 2009 for the fiscal year ended December 31, 2008 (the "**AIF**");

(b) the audited consolidated financial statements for the Corporation for the fiscal year ended December 31, 2008 together with the notes thereto and the auditors' report thereon;

(c) the management discussion and analysis of financial conditions and results of operations of the Corporation for the fiscal year ended December 31, 2008;

(d) the audited interim consolidated financial statements of the Corporation for the nine months ended September 30, 2009;

(e) the management's discussion and analysis of financial conditions and results of operations of the Corporation for the nine months ended September 30, 2009;

(f) the management information circular of the Corporation dated June 3, 2009, prepared in connection with the annual and special meeting of shareholders of the Corporation held on July 14, 2009;

(g) the material change report of the Corporation dated January 19, 2009 with respect to the extension of the agreement to acquire the assets of Appolo Fuels and Diversified Energy;

(h) the material change report of the Corporation dated January 28, 2009 with respect to the extension of the time by which the Corporation had to repurchase the shares of its South African subsidiary from GMR Energy Limited and the arrangement of a loan from Homeland Uranium Inc. for $2,500,000;

(i) the material change report of the Corporation dated February 10, 2009 with respect to a further extension of the time by which the Corporation had to repurchase the shares of its South African subsidiary from GMR Energy Limited;

(j) the material change report of the Corporation dated February 25, 2009 with respect to the issuance of 75,792,027 common shares of the Corporation priced at $0.455115 per share to GMR Energy Limited to repurchase the shares in the Corporation's South African subsidiary;

(k) the material change report of the Corporation dated March 6, 2009 with respect to the settlement of the Corporation's obligations with Appolo Fuels and Diversified Energy on the issuance of 31, 561,671 common shares priced at $0.16 per share and the issuance of 15,576,512 common shares priced at $0.20 per share to an affiliate of GMR Energy Limited on completion of a private placement;

(l) the material change report of the Corporation dated April 9, 2009 with respect to the appointment of the Corporation's new Chief Financial Officer;

(m) the material change report of the Corporation dated June 3, 2009 with respect to the receipt of the mining right at the Eloff Project and changes to the board of directors of the Corporation;

(n) the material change report of the Corporation dated June 8, 2009 with respect to the settlement agreement with GMR Energy Limited for a combined slate of directors, changes to the board of directors and the decision to initiate a search for a new president and chief executive officer;

(o) the material change report of the Corporation dated June 9, 2009 with respect to the settlement of the Corporation's loan from Homeland Uranium Inc.;

(p) the material change report of the Corporation dated July 7, 2009 with respect to the postponement of its annual meeting from June 30, 2009 to July 14, 2009;

(q) the material change report of the Corporation dated July 16, 2009 with respect to the results of its annual meeting held on July 14, 2009;

(r) the material change report of the Corporation dated September 30, 2009 with respect to the resignation of the Corporation's Chief Executive Officer and Chief Financial Officer and the appointment of Jeff Lowe as the Corporation's new Chief Financial Officer;

(s) the material change report of the Corporation dated November 20, 2009 with respect to an operation's update and proposed transactions with GMR Energy Limited;

(t) the material change report of the Corporation dated December 14, 2009 with respect to the completion of a private placement with GMR Energy Limited; and

(u) the material change report of the Corporation dated January 13, 2010 with respect to the completion of the Loan with GMR Energy (Mauritius) Limited and the appointment of Henry Charles Hoffman as Chief Operating Officer, the appointment of Ashis Basu as Interim Chief Executive Officer and the resignation of Mike Nell as Chief Operating Officer.

Any documents of the type required by National Instrument 44-101 – *Short Form Prospectus Distributions* of the Canadian Securities Administrators to be incorporated by reference in a short form prospectus, including any annual information form, comparative annual financial statements and the auditors' report thereon, comparative interim financial statements, management's discussion and analysis of financial condition and results of operations, material change reports (except confidential material change reports), business acquisition reports and information circulars, if filed by the Corporation with the securities commissions or similar authorities in all the provinces of Canada after the date of this Prospectus and before the termination of the Offering, shall be deemed to be incorporated by reference in this Prospectus.

Any statements contained in this Prospectus or in a document incorporated or deemed to be incorporated by reference herein are not incorporated by reference to the extent their contents are modified or superseded by a statement contained in this Prospectus or in any other subsequently filed document which is also incorporated or deemed to be incorporated by reference into this Prospectus. 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 part of this Prospectus.

SUMMARY

The following is a summary of the principal features of the Offering and should be read in conjunction with, and is qualified in its entirety by, the more detailed information and financial data and statements contained elsewhere or incorporated by reference in this Prospectus. Certain terms used in this summary and in the Prospectus are defined elsewhere herein.

Issuer:	Homeland Energy Group Ltd.
The Offering	Rights to subscribe for up to approximately ● Common Shares. Each Holder on the Record Date will receive one Right for each Common Share held. Each Right entitles the holder (provided that such holder is in an Eligible Jurisdiction or is an Approved Eligible Holder, as defined below) thereof to subscribe for ● of a Common Share.
Record Date	●, 2010
Expiry Date	●, 2010
Expiry Time	5:00 p.m. (Toronto time) on the Expiry Date. Rights not exercised at or before the Expiry Time on the Expiry Date will be void and have no value.
Subscription Price	The subscription price per Common Share will be $● (the "**Subscription Price**"). The Subscription Price for each Common Share is fixed at 75% of the volume weighted average closing price of the Common Shares on the Exchange for the 5 day period ending ●, 2010.
Net Proceeds	Approximately $8,700,000, after deduction of estimated expenses of approximately $50,000 and assuming exercise in full of the Rights or purchase of the Standby Shares to the extent the Rights are unexercised**.**
Basic Subscription Privilege	Each Right entitles the holder thereof to subscribe for ● of a Common Share upon payment of the Subscription Price. No fractional Common Shares will be issued. If a subscriber would appear to be entitled to a fractional Common Share, the subscriber's entitlement will be rounded down to the nearest whole number of Common Shares. See "Description of Offered Securities – Basic Subscription Privilege" .
Additional Subscription Privilege	Holders of Rights who exercise in full the Basic Subscription Privilege for their Rights are also entitled to subscribe pro rata for Additional Common Shares, if any, not otherwise purchased pursuant to the Basic Subscription Privilege. See "Description of the Offered Securities – Additional Subscription Privilege".
Exercise of Rights	For all Holders whose Common Shares are held in registered form with an address of record in an Eligible Jurisdiction, a Rights Certificate representing the total number of Rights to which the Holder is entitled as at the Record Date will be mailed with a copy of this Prospectus to each such Holder. In order to exercise the Rights represented by the Rights Certificate, such holder of Rights must complete and deliver the Rights Certificate in accordance with the instructions set out under "Description of Offered Securities – How to Complete the Rights Certificate". For Holders whose Common Shares are held through a CDS Participant, a subscriber may exercise its Rights and subscribe for Common Shares by instructing the CDS Participant holding the subscriber's Rights to exercise all or a specified number of such Rights and forwarding the Subscription Price for each Common Share subscribed for in accordance with the terms of this Offering to such CDS Participant.

Holders in Ineligible Jurisdictions	No subscription under the Basic Subscription Privilege nor under the Additional Subscription Privilege will be accepted from any person, or such person's agent, who appears to be, or who the Corporation has reason to believe is, an Ineligible Holder, except that the Corporation may accept subscriptions in certain circumstances from persons in such jurisdictions if the Corporation determines that such offering to and subscription by such person or agent is lawful and in compliance with all securities and other laws applicable in the jurisdiction where such person or agent is resident (each, an "**Approved Eligible Holder**"). No Rights Certificate will be mailed to Ineligible Holders and Ineligible Holders will not be permitted to exercise their Rights. Holders of Common Shares who have not received Rights Certificates but are resident in an Eligible Jurisdiction or wish to be recognized as an Approved Eligible Holder should contact the Subscription Agent at the earliest possible time. Rights of Ineligible Holders will be held by the Subscription Agent until 5:00 p.m. (Toronto time) on ●, 2010 in order to provide the beneficial holders outside the Eligible Jurisdictions the opportunity to claim their Rights Certificate by satisfying the Corporation that the exercise of their Rights will not be in violation of the laws of the applicable jurisdiction. After such time, the Subscription Agent will attempt to sell the Rights of such registered Ineligible Holders on such date or dates and at such price or prices as the Subscription Agent will determine in its sole discretion. Ineligible Holders whose shares are held through a CDS Participant who wish to be recognized as Approved Eligible Holders should contact their CDS Participant. See "Description of Offered Securities – Ineligible Holders". No Rights will be issued to a U.S. Person or persons in the United States or persons who are acting for the account or benefit of U.S. Persons or persons in the United States. The Rights may not be exercised by U.S. Persons or persons in the United States or for the account or benefit of U.S. Persons or persons in the United States.
Standby Commitment	**Under the Standby Purchase Agreement, the Standby Purchaser will (i) exercise all of its Basic Subscription Rights (the "Basic Subscription") and (ii) purchase all Common Shares not otherwise acquired under the offering (the "Standby Shares") up to an aggregate maximum subscription equal to the number of Common Shares which together with the Common Shares subscribed for under the Basic Subscription, would result in an aggregate Subscription Price for the Standby Purchaser being equal to $7,993,140 (the "Standby Limit"). The Standby Purchaser is not engaged as an underwriter in connection with the Offering and has not been involved in the preparation of, or performed any review of, this Prospectus in the capacity of an underwriter. The Standby Purchase Agreement may be terminated by the Standby Purchaser prior to the Expiry Time in certain circumstances. An affiliate of the Standby Purchaser ("the Affiliated Lender") has lent the Corporation the sum of $4,996,928. The Affiliated Lender advanced the further sum of $2,996,212 on January 15, 2010 to satisfy the Funding Obligation (as hereinafter defined). The Standby Limit is equal to the amount of the advances made by the Affiliated Lender. The obligation of the Standby Purchaser pursuant to the Standby Agreement will be offset against the Corporation's obligation to repay the Loan and the Further Advance on the Closing of the Offering. The Corporation anticipates using a daylight loan facility to facilitate these transactions. See "Standby Commitment".**
Use of Proceeds	The Corporation intends to use the net proceeds of the Offering to repay the advances made by the Affiliated Lender that were used by the Corporation to fulfill its obligation to NedBank (as hereinafter defined) to inject a total of ZAR70,000,000 into its operations at the Kendall Colliery and for working capital purposes. See "Use of Proceeds".

Listing and Trading	The Corporation will apply to list the Rights and the Common Shares issuable on the exercise of the Rights on the Exchange. The approval of such listing is subject to the Corporation fulfilling all of the listing requirements of the Exchange.
Risk Factors	An investment in Common Shares is subject to a number of risk factors. See "Risk Factors".

THE CORPORATION

NAME AND INCORPORATION

Homeland Energy Group Ltd. ("**Homeland**" or the "**Corporation**") was incorporated under the *Canada Business Corporations Act* on October 12, 2006 under the name Chrysalis Capital IV Corporation ("**Chrysalis**"). Chrysalis filed articles of amendment on January 25, 2007 to remove its private company restrictions. On February 28, 2008, Chrysalis filed articles of amendment to effect a consolidation of its common shares on the basis of one (1) post-consolidated common share for every two (2) pre-consolidated common shares. On February 29, 2008 Chrysalis filed articles of amendment to change its name to Homeland Energy Group Ltd. On February 4, 2009 the Corporation filed articles of amendment to create a new class of preferred shares issuable in series that had been approved by the shareholders of the Corporation at the special meeting of shareholders held on December 30, 2008. Chrysalis was originally set up as a capital pool company under the policies of the TSX Venture Exchange (the "**TSXV**") and was listed on the TSXV on February 12, 2007. In February of 2008 it completed a transaction with Homeland Energy Corp. as more particularly described on page 5 of the AIF. The Corporation's registered and head office is located at 144 Front Street West, Suite 780, Toronto, Ontario, Canada.

The Corporation has numerous subsidiaries. Please see the organization chart on page 6 of the AIF for a summary of the Corporation's active subsidiaries.

SUMMARY DESCRIPTION OF THE BUSINESS

Homeland is a Canadian company engaged in the acquisition, exploration and development of mineral resource properties. The Corporation owns a portfolio of mineral property assets or rights in South Africa and Botswana, either directly or through one of its subsidiaries. The Company's focus has been on the development of the Kendal Colliery (the "**Kendal Colliery**"), which is currently in the pre-production operating phase, of which it owns a 74% interest. The business of the Corporation is the mining of coal and the production of thermal quality coal products in South Africa for domestic use in the power generation industry, domestic use in industrial product industries (such as cement and brick end products) and for export to foreign markets for energy production.

Since the date of the Corporation's AIF, there have been significant changes to the board of directors and management of the Corporation. Please see the Corporation's management information circular dated June 3, 2009 and subsequent material change reports for details of current management.

LOAN FROM NEDBANK LIMITED

To facilitate the final phases of the development of the Kendal Colliery, Ferret Coal (Kendal) (Pty) Ltd. ("**Kendal**"), the subsidiary which holds the Kendal Colliery, secured a ZAR 150 million five and a half-year Term Loan Facility (the "**Facility**") on September 29, 2008 from Nedbank Limited ("**NedBank**"), with the first drawdown of ZAR 25 million taking place on September 30, 2008. As of the date hereof, the Corporation had drawn ZAR 125 million and together with capitalized interest owed ZAR 145,744,342 million ($20,141,840). The undrawn amount of the facility of ZAR 25,000,000 (approximately $3,455,000) is not currently available due to recent difficulties which are described below. The Facility is secured by guarantees from, and pledges of shares by, certain subsidiaries of the Corporation and was originally repayable from September 2009 through December 2013. Amounts drawn down under the Facility currently bear interest at the Johannesburg Interbank Agreed Rate of the Johannesburg Interbank Agreed Rate ("**JIBAR**") plus 4.75% per annum prior to the Corporation and at the rate of JIBAR plus 4.10% per annum following completion (as defined in the Facility). Undrawn amounts are subject to a commitment fee of 0.50% per annum.

As at September 30, 2009, Kendal was not in compliance with the capital requirements of the Facility and as a result was in default. The Corporation entered into discussions with Nedbank to amend the terms of the Facility.

On November 3, 2009, the Kendal entered into a Third Amendment (the "**Amendment**") to the Facility agreement with Nedbank wherein Nedbank agreed to waive certain defaults and extend the repayment terms with the first payment being due on June 30, 2010 and the last payment being due March 31, 2014.

The principal condition of the Amendment is that the Corporation was required to increase its equity investment in the Kendal Colliery by ZAR70,000,000 ($9,674,000) by January 15, 2010 (the "Funding Obligation"). Failure to meet the Funding Obligation would have caused the first payment of the loan to have been due on December 31, 2009 rather than June 30, 2010 as provided for in the Amendment. To date, the Corporation has advanced the sum of ZAR70,255,463 in satisfaction of the Funding Obligation. ZAR13,515,324 ($1,867,815) was forwarded on the completion of the private placement transaction with the Standby Purchaser described below and ZAR35,130,387 ($4,855,013) was forwarded on the completion of the Loan (as defined below) transaction with the Affiliated Lender described below. On January 15, 2010 the Affiliated Lender advanced the further sum of $2,996,212 which was converted into ZAR21,609,752 pursuant to the Further Advance (as defined below).

The proceeds of the Offering will be used to repay the Loan and the Further Advance with the balance being used for working capital.

MEETING THE FUNDING OBLIGATION

On December 4, 2009 the Corporation completed a private placement with the Standby Purchaser, GMR Energy Limited. The Corporation issued a total of 27,465,068 Common Shares priced at $0.07 per share to the Standby Purchaser for gross proceeds of $1,922,554.76 which was converted into ZAR13,515,324. Following the completion of this transaction, the Standby Purchaser owned, directly or indirectly, 133,353,107 Common Shares representing 44.14% of outstanding capital of the Corporation.

In addition, the Affiliated Lender loaned to the Corporation the sum of a total of a further $4,996,928 (the "**Loan**"). This transaction was completed on January 6, 2010. The Loan bears interest at the rate of LIBOR plus 600 basis points and is due on March 31, 2010. The Loan is secured against certain assets of the Corporation including its investments in Homeland Uranium Inc. and Aviva Corporation, certain loans owed to the Corporation by third parties as well as a second charge against the shares of Kendal and Ferret Coal Holdings (Pty) Ltd. behind NedBank. The principal amount of the Loan was converted into ZAR35,130,687. If the Offering is completed, the Loan will become due immediately prior to Closing of the Offering.

On January 15, 2010 the Affiliated Lender advanced the sum of $2,996,212 which was converted into ZAR21,609,752 (the "**Further Advance**"). The Further Advance will be added to the Loan and will be secured against the same assets of the Loan.

The transactions with the Standby Purchaser have been done in compliance with the valuation and minority shareholder approval exemptions of *Multilateral Instrument 61-101 – Special Transactions*.

It is anticipated that the Corporation will use a daylight loan facility to facilitate the repayment of the Loan and the Further Advance immediately prior to the Closing of the Offering which funds will then be used to fulfill the Standby Purchaser's Obligations under the Standby Purchase Agreement.

CONSOLIDATED CAPITALIZATION AND DILUTION

The following table outlines the consolidated capitalization of the Corporation as at September 30, 2009. This table is presented on an actual basis and adjusted for the Offering as disclosed below in the notes to the table. The capitalization table should be read in conjunction with the Corporation's audited financial statements for the nine months ended September 30, 2009 as well as the Corporation's Management Discussion and Analysis for the nine months ended September 30, 2009, all incorporated herein by reference.

	As at September 30, 2009 (Audited)	As at September 30, 2009 after giving effect to the Offering (1)
Cash and Cash Equivalents	$5,024,510	$13,724,510
Long Term Debt	$19,817,367	$19,817,367
Shareholders' Equity		
Common Shares	$85,118,057	$93,818,057
Contributed Surplus	$7,652,142	$7,652,142
Deficit	($59,578,498)	($59,578,498)
Accumulated other comprehensive income	($1,488,936)	($1,488,936)
Total Shareholders' Equity	$31,702,765	$40,402,765
Total Capitalization	$56,544,642	$65,244,000
Total Common Shares Outstanding (authorized: unlimited)	274,650,688	●

(1) Adjusted to give effect to the net proceeds of the Offering and the application of the proceeds as described under "Use of Proceeds".
(2) Assumes exercise of all the Rights.

LIQUIDITY

The Corporation's cash balance at September 30, 2009 was $5,042,510 excluding restricted cash of $541,922. The Corporation had a working capital deficit of $18,371,868 as at September 30, 2009. This is primarily a result of the Facility being in default and therefore the entire amount due to NedBank being classified as a current liability. The Corporation agreed with NedBank to increase its equity investment in the Kendal Colliery by ZAR 70,000,000 ($9,674,000) by January 15, 2010. Failure to meet this requirement would have caused the first payment of the loan to have been due on December 31, 2009 rather than June 30, 2010 as provided for in the Amendment and the Corporation would have been in default under the Facility. To date, the Corporation has advanced the sum of ZAR70,255,463 in satisfaction of this requirement.

USE OF PROCEEDS

The estimated net proceeds to be received by the Corporation from the completion of the Offering after deducting the expenses of the Offering, estimated to be $50,000, are expected to be $8,700,000. This assumes that all Rights are exercised.

The Corporation intends to expend the net proceeds of the Offering to repay the Loan and the Further Advance ($7,993,140) and for working capital ($701,860).

DESCRIPTION OF SECURITIES OFFERED

ISSUE OF RIGHTS AND RECORD DATE

Holders of record at the close of business (Toronto time) on the Record Date will receive Rights on the basis of one Right for each Common Share held at that time. The Rights permit Holders (provided that such holders are in an Eligible Jurisdiction or are Approved Eligible Holders) to subscribe for and purchase from the Corporation an aggregate of approximately ● Common Shares, assuming exercise in full of the Rights issued hereunder, on the basis of ● of a Common Share for each Right held. The Rights are transferable in Canada by the holders thereof. See "Sale or Transfer of Rights".

The Rights will be represented by the Rights Certificates that will be issued in registered form. For Holders who hold their Common Shares in registered form, a Rights Certificate evidencing the number of Rights to which a holder is entitled as at the Record Date and the number of Common Shares which may be obtained on exercise of those Rights will be mailed with a copy of this Prospectus to each Holder as of the close of business on the Record Date. See "Rights Certificate – Common Shares Held in Registered Form".

Holders that hold their Common Shares through a CDS Participant will not receive physical certificates evidencing their ownership of Rights. On the Record Date, a global certificate representing such Rights will be issued in registered form to, and in the name of, CDS or its nominee. See "- Rights Certificate – Common Shares Held Through CDS".

Except as otherwise described herein, only Holders who hold their Common Shares in registered form and who are resident in the Eligible Jurisdictions are entitled to receive Rights Certificates. The Rights and the Common Shares issuable on the exercise of the Rights are not qualified under the securities laws of any jurisdiction other than the Eligible Jurisdictions and, except as permitted herein, Rights may not be exercised by or on behalf of a Holder resident in an Ineligible Jurisdiction. Instead, such Ineligible Holders will be sent a copy of this Prospectus with a letter advising them that their Rights Certificates will be issued to and held on their behalf by the Subscription Agent as agent for their benefit and sold for their account be the Subscription Agent. See "Ineligible Holders"

SUBSCRIPTION BASIS

For each Right held, the holder thereof is entitled to subscribe for ● of a Common Share at the Subscription Price of $● per Common Share. Any subscription for Common Shares will be irrevocable once submitted.

Fractional Common Shares will not be issued on the exercise of Rights. An entitlement to a fractional Common Share will be rounded down to the next whole Common Share. CDS Participants that hold Rights for more than one beneficial holder may upon providing evidence satisfactory to the Corporation, exercise Rights on behalf of its accounts on the same basis as if the beneficial owners of Common Shares were Holders or record on the Record Date.

COMMENCEMENT DATE AND EXPIRATION DATE

The Rights will be eligible for exercise following ●, 2010 (the "**Commencement Date**"). The Rights will expire at the Expiry Time on the Expiry Date. Holders who exercise their Rights will become holders of Common Shares issued through the exercise of the Rights on the completion of the Offering, which is expected to occur on or before the second business day following the Expiry Date. **RIGHTS NOT EXERCISED PRIOR TO THE EXPIRY TIME ON THE EXPIRY DATE WILL BE VOID AND OF NO VALUE.**

BASIC SUBSCRIPTION PRIVILEGE

Each Holder at the close of business on the Record Date is entitled to receive one Right for each Common Share held. For each Right held, the holder (other than an Ineligible Holder) is entitled to acquire ● of a Common Share under the Basic Subscription Privilege at the Subscription Price per Unit by subscribing and making payment in the manner described herein on or before the Expiry Time on the Expiry Date. A holder of Rights that subscribed for some, but not all, of the Common Shares pursuant to the Basic Subscription Privilege will be deemed to have elected to waive the unexercised balance of such Rights and such unexercised balance of Rights will be void and of no value unless the Subscription Agent is otherwise specifically advised by such holder at the time the Rights Certificate is surrendered that the Rights are to be transferred to a third party or are to be retained by the holder. Holders of Rights who exercise in full the Basic Subscription Privilege for their Rights are also entitled to subscribe for Additional Shares, if any, that are not otherwise subscribed for under the Offering on a pro rata basis, prior to the Expiry Time on the Expiry Date pursuant to the Additional Subscription Privilege. See "Additional Subscription Privilege". Fractional Common Shares will not be issued upon the exercise of Rights. An entitlement to a fractional Common Share will be rounded down to the next whole Common Share. CDS Participants that hold Rights for more than one beneficial holder may upon providing evidence satisfactory to the Corporation, exercise

Rights on behalf of its accounts on the same basis as if the beneficial owners of Common Shares were holders of record on the Record Date.

For Common Shares held in registered form, in order to exercise the Rights represented by a Rights Certificate, the holder of Rights must complete and deliver the Rights Certificate to the Subscription Agent in accordance with the terms of this Offering in the manner and upon the terms set out in this Prospectus and pay the aggregate Subscription Price. All exercises of Rights are irrevocable once submitted.

For Common Shares held through a CDS Participant, a holder may subscribe for Common Shares by instructing the CDS Participant holding the subscriber's Rights to exercise all or a specified number of such rights and forwarding the Subscription Price for each Common Share subscribed for in accordance with the terms of the Offering to such CDS Participant. Subscriptions for Common Shares made in connection with the Offering through a CDS Participant will be irrevocable and subscribers will be unable to withdraw their subscriptions for Common Shares once submitted.

The Subscription Price is payable in Canadian funds by certified cheque, bank draft or money order drawn to the order of the Subscription Agent. In the case of subscription through a CDS Participant, the Subscription Price is payable by certified cheque, bank draft or money order drawn to the order of such CDS Participant, by direct debit from the subscriber's brokerage account or by electronic funds transfer or other similar payment mechanism. The entire Subscription Price for Common Shares subscribed for must be paid at the time of subscription and must be received by the Subscription Agent at the Subscription Office prior to the Expiry Time on the Expiry Date. Accordingly, a subscriber subscribing through a CDS Participant must deliver its payment and instructions sufficiently in advance of the Expiry Date to allow the CDS Participant to properly exercise the Rights on its behalf.

Payment of the Subscription Price will constitute a representation to the Corporation and, if applicable, to the CDS Participant, by the subscriber (including by its agents) that: (a) either the subscriber is not a citizen or resident of an Ineligible Jurisdiction or the subscriber is an Approved Eligible Holder; and (b) the subscriber is not purchasing the Common Shares for resale to any person who is a citizen or resident of an Ineligible Jurisdiction.

A Holder who exercises some, but not all, of the Rights evidenced by a Rights Certificate will be deemed to have elected to waive the unexercised balance of such Rights and such unexercised balance of Rights will be void and of no value on Closing.

ADDITIONAL SUBSCRIPTION PRIVILEGE

Each holder of Rights who has exercised in full the Basic Subscription Privilege for its Rights may subscribe for Additional Shares, if available, at a price equal to the Subscription Price for each Additional Share. The number of Additional Shares will be the difference, if any, between the total number of Common Shares issuable upon the exercise of Rights and the total number of Common Shares subscribed and paid for pursuant to the Basic Subscription Privilege at the Expiry Time on the Expiry Date. Subscriptions for Additional Shares will be received subject to allotment only and the number of Common Shares, if any, that may be allotted to each subscriber will be equal to the lesser of: (a) the number of Additional Shares that such subscriber has subscribed for; and (b) the product (disregarding fractions) obtained by multiplying the number of Additional Shares available to be issued by a fraction, the numerator of which is the number of Common Shares acquired by the subscriber pursuant to the Basic Subscription Privilege and the denominator of which is the aggregate number of Common Shares acquired under the Basic Subscription Privilege by all holders of Rights that have subscribed for Additional Shares. If any holder of Rights has subscribed for fewer Additional Shares than such holder's pro rata allotment of Additional Shares, the excess Additional Shares will be allocated in a similar manner among the holders who were allocated fewer Additional Shares than they subscribed for.

To apply for Additional Shares under the Additional Subscription Privilege, each holder of Rights must forward their request to the Subscription Agent at the Subscription Office or their CDS Participant, as applicable, prior to the Expiry Time on the Expiry Date. Payment for Additional Shares, in the same manner as required upon the exercise of the Basic Subscription Privilege, must accompany the request when it is delivered to the Subscription Agent or a CDS Participant, as applicable. Any excess funds will be returned by mail by the Subscription Agent or credited to the Subscriber's account with its CDS Participant, as applicable, without interest or deduction. Payment of such price must be received by the Subscription Agent prior to the Expiry Time on the Expiry Date, failing which the subscriber's entitlement to such Additional Shares will terminate. Accordingly, a subscriber subscribing through a CDS Participant must deliver its payment and instructions sufficiently in advance of the Expiry Date to allow the CDS Participant to properly exercise the Additional Subscription Privilege on its behalf.

SUBSCRIPTION AND TRANSFER AGENT

The Subscription Agent has been appointed as agent of the Corporation to receive subscriptions and payments from the holders of Rights Certificates, to act as registrar and transfer agent for the Common Shares and to perform certain services relating to the exercise and transfer of Rights. The Corporation will pay for the services of the Subscription Agent. Subscriptions and payments under the Offering should be sent to the Subscription Agent at:

By Hand, Courier, Mail or Registered Mail
Equity Transfer & Trust Company 200 University Avenue Suite 400 Toronto, Ontario M5M 4H1 Attention: Corporate Actions **Inquiries:** North American Toll Free: 1-800-393-4891 Telephone: 416-361-0152 Facsimile: 416-361-0470 E-Mail: investor@equitytransfer.com

RIGHTS CERTIFICATES – COMMON SHARES HELD IN REGISTERED FORM

For all holders with an address of record in an Eligible Jurisdiction whose Common Shares are held in registered form, a Rights Certificate representing the total number of Rights to which each such Holder is entitled as at the Record Date and the number of Common Shares which may be obtained on the exercise of those Rights will be mailed with a copy of this Prospectus to each such Holder. In order to exercise the Rights represented by the Rights Certificate, such holder of Rights must complete and deliver the Rights Certificate in accordance with the instructions set out under " – How to Complete the Rights Certificate". Rights not exercised by the Expiry Time on the Expiry Date will be void and of no value.

RIGHTS CERTIFICATES – COMMON SHARES HELD THROUGH CDS

For all Holders who hold their Common Shares through a securities broker or dealer, bank or trust company or other CDS Participant with an address of record in an Eligible Jurisdiction in the book based system administered by CDS, a global certificate representing the total number of Rights to which all such Holders as at the Record Date are entitled will be issued in registered from to CDS and will be deposited with CDS on the Commencement Date. The Corporation expects that each beneficial Holder will receive a confirmation of the number of Rights issued to it from its CDS Participant in accordance with the practices and procedures of that CDS Participant. CDS will be responsible for establishing and maintaining the book-entry accounts for CDS Participants holding Rights.

Neither the Corporation nor the Subscription Agent will have any liability for: (a) the records maintained by CDS or CDS Participants relating to the Rights or the book-entry accounts maintained by them; (b) maintaining, supervising or reviewing any records relating to such Rights; or (c) any advice or representations made or given by CDS or CDS Participants with respect to the rules and regulations of CDS or any action to be taken by CDS or CDS Participants.

The ability of a person having an interest in Rights held through a CDS Participant to pledge such interest or otherwise take action with respect to such interest (other than through a CDS Participant) may be limited due to the lack of a physical certificate.

Holders who hold their Common Shares through a CDS Participant must arrange purchases or transfers of Rights through their CDS Participant. It is anticipated by the Corporation that each such purchaser of a Common Share or Right will receive a customer confirmation of issuance or purchase, as applicable, from the CDS Participant through which such Right is issued or such Common Share is purchased in accordance with the practices and policies of such CDS Participant.

HOW TO COMPLETE THE RIGHTS CERTIFICATE

1.	Form 1 – Basic Subscription Privilege. The maximum number of Rights that may be exercised pursuant to the Basic Subscription Privilege is shown in the box on the upper right hand corner on the face of the Rights Certificate. Form 1 must be completed and signed to exercise all or some of the Rights represented by the Rights Certificate pursuant to the Basic Subscription Privilege. If Form 1 is completed so as to exercise some but not all of the Rights represented by the Rights Certificate, the holder of the Rights Certificate will be deemed to have waived the unexercised balance of such Rights, unless the Subscription Agent is otherwise specifically advised by such holder at the time the Rights Certificate is surrendered that the unexercised Rights are to be transferred to a third party or are to be retained by the holder.
2	Form 2 – Additional Subscription Privilege. Complete and sign Form 2 on the Rights Certificate only if you also wish to participate in the Additional Subscription Privilege. See “Additional Subscription Privilege”.
3.	Form 3 – Transfer of Rights. Complete and sign Form 3 on the Rights Certificate only if you wish to transfer the Rights. Your signature must be guaranteed by a Canadian Schedule I bank, or a member of the acceptable Medallion Signature Guarantee Program, including STAMP, SEMP, and MSP. Members of STAMP are usually members of a recognized stock exchange in Canada or members of the Investment Industry Regulatory Organization of Canada. It is not necessary for a transferee to obtain a new Rights Certificate to exercise the Rights, but the signature of the transferee on Forms 1 and 2 must correspond in every particular with the name of the transferee (or the bearer if no transferee is specified) as the absolute owner of the Rights Certificate for all purposes. If Form 3 is completed, the Subscription Agent will treat the transferee as the absolute owner of the Rights Certificate for all purposes and will not be affected by notice to the contrary.
4.	Form 4 – Dividing and Combining. Complete and sign Form 4 on the Rights Certificate only if you wish to divide or combine the Rights Certificate, and surrender it to the Subscription Agent at the Subscription Office. Rights Certificates need not be endorsed if the new Rights Certificates are issued in the same name. The Subscription Agent will then issue a new Rights Certificate in such denominations (totalling the same number of Rights as represented by the Rights Certificates being divided or combined) as are required by the Rights Certificate holder. Rights Certificates must be surrendered for division or combination in sufficient time prior to the Expiry Time to permit the new Rights Certificates to be issued to and used by the Rights Certificate holder.
5.	Payment. Enclose payment in Canadian funds by certified cheque, bank draft or money order payable to the order of Equity Transfer & Trust Company. The amount of payment will be $● per Common Share. Payment must also be included for any Additional Shares subscribed for under the Additional Subscription Privilege.
6.	Deposit. Deliver or mail the completed Rights Certificate and payment in the enclosed return envelope addressed to the Subscription Agent so that it is received by the Toronto Office of the Subscription Agent listed above before the Expiry Time on the Expiry Date. If mailing, registered mail is recommended. Please allow sufficient time to avoid late delivery. The

	signature on the Rights Certificate must correspond, in every particular, with the name that appears on the face of the Rights Certificate.

Signatures by a trustee, executor, administrator, guardian, attorney, officer of a corporation or any person acting in a fiduciary or representative capacity should be accompanied by evidence of authority satisfactory to the Subscription Agent. All questions as to the validity, form, eligibility (including time of receipt) and acceptance of any subscription will be determined by the Corporation in its sole discretion, and any determination by the Corporation will be final and binding on the Corporation and its security holders. Upon delivery or mailing of a completed Rights Certificate to the Subscription Agent, the exercise of the Rights and the subscription for Common Shares is irrevocable. The Corporation reserves the right to reject any subscription if it is not in proper form or if the acceptance thereof or the issuance of Common Shares pursuant thereto could be unlawful. The Corporation also reserves the right to waive any defect in respect of any particular subscription. Neither the Corporation nor the Subscription Agent is under any duty to give any notice of any defect or irregularity in any subscription, nor will they be liable for the failure to give any such notice. **Any holder of Rights that fails to complete their subscription in accordance with the foregoing instructions prior to the Expiry Time on the Expiry Date will forfeit their Rights under the Basic Subscription Privilege and the Additional Subscription Privilege attaching to those Rights.**

UNDELIVERABLE RIGHTS

Rights Certificates returned to the Subscription Agent as undeliverable will not be sold by the Subscription Agent and no proceeds of sale will be credited to such holders.

SALE OR TRANSFER OF RIGHTS

Holders of Rights in registered form in Eligible Jurisdictions within Canada may, instead of exercising their Rights to subscribe for Common Shares, sell or transfer their Rights to any person that is not an Ineligible Holder by completing Form 3 on the Rights Certificate and delivering the Rights Certificate to the transferee. See "- How to Complete the Rights Certificate – 3 – Form 3 – Transfer of Rights". A permitted transferee of the Rights of a registered holder of a Rights Certificate may exercise the Rights transferred to such permitted transferee without obtaining a new Rights Certificate. If a Rights Certificate is transferred in blank, the Corporation and the Subscription Agent may thereafter treat the bearer as the absolute owner of the Rights Certificate for all purposes and neither the Corporation nor the Subscription Agent will be affected by any notice to the contrary.

Rights may be transferred only in transactions outside the United States in accordance with Regulation S under the United Securities Act of 1933 **(the "1933 Act")**. Regulation S does permit the resale of Rights by persons through the facilities of the Exchange, provided that the offer is not made to a person in the United States, neither the seller nor any person acting on its behalf knows that the transaction has been prearranged with a buyer in the United States, and no "directed selling efforts", as that term is defined in Regulation S, are conducted in the United States in connection with the resale. Certain additional conditions are applicable to the Corporation's affiliates, as that term is defined in the 1933 Act.

Holders of Rights through CDS Participants in Canada who wish to sell or transfer their Rights must do so in the same manner in which they sell or transfer Common Shares. See "-Rights Certificate – Common Shares Held Through CDS".

DIVIDING OR COMBINING RIGHTS CERTIFICATES.

A Rights Certificate may be divided, exchanged or combined. See "How to Complete the Rights Certificate – 4. Form 4 – Dividing or Combining.

RESERVATION OF SHARES

The Corporation will, at all times, reserve sufficient unissued Common Shares as will permit the exchange of all the outstanding Rights for Common Shares during the period beginning on the Commencement Date and ending on the Expiry Date at the Expiry Time.

DILUTION TO EXISTING HOLDERS

If a Holder does not exercise all of its Rights pursuant to the Basic Subscription Privilege, the Holder's current percentage ownership in the Corporation will be diluted by the issuance of Common Shares upon the exercise of Rights by other Holders as well as the purchase of Standby Shares by the Standby Purchaser. Holders should be aware that the Standby Purchaser has agreed to exercise its Rights under the Basic Subscription in full and purchase all Common Shares not otherwise acquired under the Offering pursuant to the Standby Commitment up to the Standby Limit. See "Standby Commitment"

INTENTION OF INSIDERS TO EXERCISE RIGHTS

GMR Energy Limited, the Corporation's largest shareholder is the Standby Purchaser. See "Standby Commitment" for details of its intentions. Mr. Avrom Howard, a director of the Corporation is the only other insider who currently owns Common Shares of the Corporation. Mr. Howard anticipates exercising a portion of his Basic Subscription Privilege.

INELIGIBLE HOLDERS

This Offering is made only in the Eligible Jurisdictions. Accordingly, neither a subscription under the Basic Subscription Privilege nor under the Additional Subscription Privilege will be accepted from any person, or such person's agent, who appears to be, or who the Corporation has reason to believe is, an Ineligible Holder, except that the Corporation may accept subscriptions in certain circumstances from Approved Eligible Holders.

Rights Certificates will not be issued and forwarded by the Corporation to Ineligible Holders who are not Approved Eligible Holders. Ineligible Holders will be presumed to be resident in the place of their registered address unless the contrary is shown to the satisfaction of the Corporation. Ineligible Holders (except for such Ineligible Holders with an address of record in the United States) will be sent this Prospectus together with a letter advising them that their Rights Certificates will be issued to and held on their behalf by the Subscription Agent. The letter will also set out the conditions required to be met, and procedures that must be followed, by Ineligible Holders wishing to participate in the Offering. Rights Certificates in respect of Rights issued to Ineligible Holders will be issued to and held by the Subscription Agent as agent for the benefit of the Ineligible Holders. The Subscription Agent will hold these Rights until 5:00 p.m. (Toronto time) on ●, 2010 in order to provide Ineligible Holders an opportunity to claim their Rights by satisfying the Corporation that the issue of Common Shares pursuant to the exercise of Rights will not be in violation of the laws of the applicable jurisdiction. Following such date, the Subscription Agent, for the account of the registered Ineligible Holders (including Ineligible Holders with an address of record in the United States), will, prior to the Expiry time on the Expiry Date, attempt to sell the Rights of such registered Ineligible Holders represented by Rights Certificates in possession of the Subscription Agent on such date or dates and at such price or prices as the Subscription Agent determines in its sole discretion.

Beneficial owners of Common Shares registered in the name of a resident of an Ineligible Jurisdiction, who are not themselves resident in an Ineligible Jurisdiction, who wish to be recognized as an Approved Eligible Holder and who believe that their Rights Certificates may have been delivered to the Subscription Agent, should contact the Subscription Agent at the earliest opportunity and in any case in advance of 5:00 p.m. (Toronto time) on ●, 2010 to request to have their Rights Certificates mailed to them.

The Rights and the Common Shares issuable on the exercise of the Rights and the Standby Shares have not been qualified for distribution in any Ineligible Jurisdiction and, accordingly, may only be offered, sold, acquired, exercised or transferred in transactions not prohibited by applicable laws in Ineligible Jurisdictions. Notwithstanding the foregoing, persons located in such Ineligible Jurisdictions may be able to exercise the Rights and purchase Common Shares provided that they furnish an investor letter satisfactory to the Corporation on or before ●, 2010. The form of investor letter will be included in the letter sent to certain Ineligible Holders or will otherwise be available from the Corporation or the Subscription Agent upon request. A holder of Rights in an Ineligible Jurisdiction holding on behalf of a person resident in an Eligible Jurisdiction may be able to exercise the Rights provided that the holder certifies in an investor letter that the beneficial purchaser is resident in an Eligible Jurisdiction and satisfies the Corporation that such subscription is lawful and in compliance with all securities and other applicable laws.

No charge will be made for the sale of Rights by the Subscription Agent except for a proportionate share of any brokerage commissions incurred by the Subscription Agent and the costs of or incurred by the Subscription Agent in connection with the sale of the Rights. Registered Ineligible Holders will not be entitled to instruct the Subscription Agent in connection with the sale of the Rights. Registered Ineligible Holders will not be entitled to instruct the Subscription Agent in respect of the price or the time at which the Rights are to be sold. The Subscription Agent will endeavour to effect sales of Rights on the open market and any proceeds received by the Subscription Agent with respect to the sale of Rights net of brokerage fees and costs incurred and, if applicable, the Canadian tax required to be withheld, will be divided on a pro rata basis among such registered Ineligible Holders and delivered by mailing cheques (in Canadian funds) of the Subscription Agent therefore as soon as practicable to such registered Ineligible Holders at their addresses recorded on the books of the Corporation. Amounts of less than $10.00 will not be remitted. The Subscription Agent will act in its capacity as agent of the registered Ineligible Holders on a reasonable efforts basis only and the Corporation and the Subscription Agent do not accept responsibility for the price obtained on the sale of, or the inability to sell, the Rights on behalf of any registered Ineligible Holder. Neither the Corporation nor the Subscription Agent will be subject to any liability for the failure to sell any Rights of registered Ineligible Holders or as a result of the sale of any Rights at a particular price or on a particular date. **There is a risk that the proceeds received from the sale of Rights will not exceed the costs of or incurred by the Subscription Agent in connection with the sale of such Rights and, if applicable, the Canadian tax required to be withheld. In such event, no proceeds will be remitted.**

Similar provisions will apply to Rights held by a CDS Participant on behalf of a beneficial Ineligible Holder.

Holders of Rights who are not resident in Canada should be aware that the acquisition and disposition of Rights or Common Shares may have tax consequences in the jurisdiction where they reside and in Canada, which are not described herein. Accordingly, such holders should consult their own tax advisors about the specific tax consequences in the jurisdiction where they reside and in Canada of acquiring, holding and disposing of Rights and Common Shares.

DESCRIPTION OF SHARE CAPITAL

COMMON SHARES

The Corporation is authorized to issue an unlimited number of Common Shares of which, as of the date hereof, 302,115,757 Common Shares are issued and outstanding as fully paid and non-assessable Common Shares.

The holders of the Common Shares are entitled to dividends, if, as and when declared by the board of directors, to receive notice of meetings of shareholders of the Corporation, to one vote per share at meetings of the shareholders of the Corporation and, upon liquidation, to receive such assets of the Corporation as are distributable to the holders of the Common Shares. Holders of Common Shares do not have cumulative voting rights with respect to the election of directors and, accordingly, holders of a majority of the votes eligible to vote at a meeting of shareholders may elect all the directors of the Corporation standing for election. Dividends, if any, will be paid on a *pro rata* basis only from funds legally available therefore. The rights set out herein are subject to the rights, privileges, restrictions and conditions attaching to any other series or class of shares ranking senior in priority to or on a *pro rata* basis with the holders of the Common Shares with respect to dividends or liquidation. The Common Shares do not carry any pre-emptive, subscription, redemption or conversion rights, nor do they contain any sinking or purchase fund provisions.

PREFERRED SHARES

The Corporation is entitled to issue an unlimited number of preferred shares issuable in series. To date, no series of preferred shares have been created or issued.

PRIOR SALES

The following table describes all issuances of Common Shares that have occurred in the 12 months immediately preceding the date of this Prospectus:

Date of Issue	Use of Proceeds	Number of Common Shares	Price per Common Share
January 20, 2009	Issuance of loan fee to Homeland Uranium Inc.	250,000	$0.20
January 20, 2009	Issuance of shares upon the exercise of options	1,000,000	$0.11
February 23, 2009	Repurchase of shares in South African subsidiary from the Standby Purchaser	75,792,027	$0.455
March 2, 2009	Settlement of break fee due to Appolo Fuels and Diversified Energy	31,561,671	$0.16
March 6, 2009	Private placement with an affiliate of the Standby Purchaser	15,776,512	$0.20
December 4, 2009	Private placement with Standby Purchaser	27,465,068	$0.07

TRADING VOLUMES

As of the date hereof, the Common Shares of the Corporation are listed for trading on the Exchange under the stock symbol "HEG". The following are the price ranges (which are not necessarily closing prices) as well as the total monthly volume trades for the Common Shares during the twelve month period immediately preceding the date of this Prospectus:

Month	High	Low	Volume
February 2010(1)	0.11	0.10	2,364,059
January 2010	0.13	0.09	39,008,067
December 2009	0.11	0.06	29,115,895
November 2009	0.09	0.06	4,831,829
October 2009	0.10	0.08	6,133,235
September 2009	0.12	0.09	7,212,067
August 2009	0.13	0.09	11,592,291
July 2009	0.17	0.10	19,116,949
June 2009	0.25	0.15	9,787,324
May 2009	0.25	0.18	25,837,243
April 2009	0.26	0.16	15,511,688
March 2009	0.30	0.16	24,689,136
February 2009	0.32	0.12	41,779,360
January 2009	0.24	0.07	18,313,010
December 2008	0.11	0.06	11,494,406

(1) Up to and including February 8, 2010

PLAN OF DISTRIBUTION

Each Holder on the Record Date will receive one Right for each Common Share held. Each Right will entitle the holder to acquire ● of a Common Share priced at $● per Common Share.

The Corporation will apply to list the Rights and the Common Shares issuable on the exercise of the Rights, and the Standby Shares. The approval of such listing will be subject to the Corporation fulfilling all of the listing requirements of the Exchange.

The offer and distribution of the Right and the Common Shares issuable on the exercise of the Rights and the Standby Shares is qualified in the Eligible Jurisdictions by this Prospectus. The Rights as well as the Common Shares and the Standby Shares are not qualified under the securities laws of, or being distributed or offered in, any Ineligible Jurisdiction and, except under the circumstances described herein, Rights may not be exercised by or on behalf of an Ineligible Holder. This Prospectus is not, and under no circumstances is to be construed as, an offering of any Rights or Common Share for sale in any Ineligible Jurisdiction or a solicitation therein of an offer to buy any securities. Rights Certificates will not be sent to Holders with an address of record in any Ineligible Jurisdiction. Instead, such Ineligible Holders will be sent a letter advising them that their Rights Certificates will be held by the Subscription Agent, who will hold such Rights as agent for the benefit of all such Ineligible Holders. See "Description of Offered Securities – Ineligible Holders".

The securities offered herein have not been and will not be registered under the 1933 Act, as amended, and subject to certain exceptions, may not be offered or sold in the United States.

The exercise price of the Rights was determined based on 75% of the volume weighted average closing price of the Common Shares on the Exchange for the 5 day period ending on ●, 2010.

STANDBY COMMITMENT

The Standby Purchaser has agreed, subject to certain terms and conditions, to (i) exercise all of its Basic Subscription Rights (the "**Basic Subscription**") and (ii) purchase all Common Shares not otherwise acquired under the Offering (the "**Standby Shares**") up to an aggregate maximum subscription equal to the number of Common Shares which together with the Common Shares subscribed for under the Basic Subscription and the Common Shares subscribed for under its Additional Subscription Privilege, would result in an aggregate Subscription Price for the Standby Purchaser being equal to $7,993,140 (the "**Standby Limit**").

The Standby Purchaser will be obligated to tender its subscription funds for the exercise of the Basic Subscription before the Expiry Time. The remaining portion of the subscription funds required to be tendered by the Standby Purchaser for the Standby Shares, if any, will be tendered as soon as practicable after the Subscription Agent has specified the number of Rights that were exercised under the Offering. An affiliate of the Standby Purchaser (the "**Affiliated Lender**") advanced to the Corporation the sum of $4,996,928 pursuant to the Loan. The proceeds of the Loan were advanced to Kendal against the Funding Obligation. The Affiliated Lender has advanced the Further Advance of $2,996,212 on January 15, 2010. The Further Advance was used to fulfill the balance of the Funding Obligation. Immediately prior to the completion of the Offering, this Loan and the Funding Advance will be repaid on the Expiry Date and the Standby Purchaser will use those funds to fulfill its obligations pursuant under the Standby Purchase Agreement. It is anticipated that a daylight loan facility will be used to facilitate these transactions. The Standby Limit is equal to the sum of the Loan and the Further Advance.

As of the date hereof the Standby Purchaser and its affiliates, hold 133,353,107 Common Shares representing 44.14% of the outstanding capital of the Corporation.

The obligations of the Standby Purchaser under the Standby Purchase Agreement may be terminated at the discretion of the Standby Purchaser in certain circumstances, including (but not limited to) if: (a) an inquiry, investigation (whether formal or informal) or other proceeding is commenced by a governmental entity in relation to the Corporation or any of its subsidiaries, or in relation to any of the directors or officers of the Corporation, any of which suspends or ceases trading in any of the Rights or Common Shares or operates to prevent or restrict the lawful distribution of the Rights or Common Shares; (b) any order is issued by a governmental entity, or if there is any change of law (to be defined in the Standby Purchase Agreement), either of which suspends or ceases trading in any of the Rights or Common Shares or operates to prevent the lawful distribution of any of the Rights or Common Shares; (c) if the Corporation becomes insolvent; (d) the Corporation fails to obtain any requisite listing approval from the Exchange; (e) the Rights or Common Shares are de-listed or suspended from trading for a period greater than one business day for any reason by the Exchange at any time following their initial listing but prior to the Closing; (f) the preliminary or final prospectus or any amendment thereto is not in a form approved by the Standby Purchaser; or (g) if the Offering is otherwise terminated or cancelled or the Closing has not occurred by March 31, 2010.

The Standby Purchaser is not engaged as an underwriter in connection with the Offering and has not been involved in the preparation of, or performed any review of, this Prospectus in the capacity of an underwriter.

CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

In the opinion of Gardiner Roberts LLP, counsel to the Corporation, the following is, at the date hereof, a general summary of the principal Canadian federal income tax considerations applicable in respect of the receipt and exercise of Rights under the Offering by a subscriber who, for the purposes of the *Income Tax Act* (Canada) (the “**Tax Act**”) and at all relevant times, is a resident of Canada or is deemed to be a resident of Canada, deals at arm’s length with and is not affiliated with the Corporation, and will acquire and hold the Rights and Common Shares (the “**Securities**”) as capital property. Generally, the Securities will be considered to be capital property to a holder provided the holder does not hold the Securities in the course of carrying on a business of trading or dealing in securities and has not acquired them in one or more transactions considered to be an adventure in the nature of trade. This summary is not applicable to a subscriber: (i) that is a “financial institution” or a “specified financial institution”, as defined in the Tax Act; or (ii) an interest in which would be a “tax shelter investment”, as defined in the Tax Act.

This summary is based upon the provisions of the Tax Act and the regulations thereunder (the “**Regulations**”) in force as of the date hereof, all specific proposals to amend the Tax Act and the Regulations that have been publicly announced prior to the date hereof (the "**Proposed Amendments**") and counsels’ understanding of the current published administrative practices of the Canada Revenue Agency (“**CRA**”). This summary assumes that the Proposed Amendments will be enacted in the form proposed. No assurance can be given that the Proposed Amendments will be enacted in the form proposed or at all.

This summary is not exhaustive of all possible Canadian federal income tax considerations and, except for the Proposed Amendments, does not take into account any changes in the law, whether by legislative, governmental or judicial action, nor does it take into account provincial, territorial or foreign tax considerations, which may differ significantly from those discussed herein.

This summary is of a general nature only and is not intended to be, nor should it be construed to be, legal or tax advice to any subscriber who purchases Securities pursuant to this Offering, and no representations with respect to the income tax consequences to such subscribers are made. Consequently, subscribers purchasing Securities pursuant to the Offering should consult their own tax advisors for advice with respect to the tax consequences to them of acquiring the Securities pursuant to this Offering, having regard to their particular circumstances.

Receipt of Rights

Generally, no amount will be required to be included in computing the income of a holder of Rights (the “**Rights Holder**”) as a consequence of acquiring Rights under the Offering. The cost to a Rights Holder of Rights received under the Offering will be nil. Where a Rights Holder acquires Rights otherwise than pursuant to the Offering, for the purpose of determining the adjusted cost base of each Right held by the Rights Holder, the cost of Rights so acquired must be averaged with the adjusted cost base to the Rights

Holder of all other identical Rights held by the Rights Holder as capital property immediately prior to the acquisition.

Exercise of Rights

The exercise of Rights will not constitute a disposition of property for purposes of the Tax Act and, consequently, no gain or loss will be realized by a Rights Holder upon the exercise of Rights. Common Shares acquired by a Rights Holder upon exercise of Rights will have an aggregate cost to the Rights Holder equal to the aggregate of the Subscription Price paid for such Common Shares and the adjusted cost base to the Rights Holder of the Rights exercised (if any). For the purpose of determining the adjusted cost base of each Common Share held by the Rights Holder, the cost of Common Shares acquired by a Rights Holder upon exercise of the Rights must be averaged with the adjusted cost base to the Rights Holder of all other Common Shares held by the Rights Holder as capital property immediately prior to the acquisition.

Expiry of Rights

Upon the expiry of an unexercised Right, a Rights Holder will realize a capital loss equal to the adjusted cost base of the Right to the Rights Holder.

Disposition of Rights

An actual or deemed disposition of Rights (other than pursuant to the expiry or exercise thereof) will give rise to a capital gain (or capital loss) equal to the amount by which the proceeds of disposition are greater than (or less than) the adjusted cost base to the subscriber of such Rights Holder plus reasonable costs associated with the disposition. One half of a capital gain (a "**taxable capital gain**") will be included in the Rights Holder's income and one-half of a capital loss may be deducted against taxable capital gains in accordance with the detailed rules in the Tax Act

ELIGIBILITY FOR INVESTMENT

In the opinion of Gardiner Roberts LLP, counsel to the Corporation, based on the provisions of the Tax Act and the Proposed Amendments, provided the Rights and Common Shares are listed on a designated stock exchange (which includes the Exchange), the Common Shares and the Rights, if issued and sold on the date hereof would be qualified investments under the Tax Act for trusts governed by registered retirement savings plans, registered retirement income funds, deferred profit sharing plans, registered disability savings plans, registered education savings plans (collectively, the "**Plans**") and tax free savings accounts ("**TFSA**"). Notwithstanding the foregoing, if the Common Shares and Rights are a "prohibited investment" within the meaning of the Tax Act for a particular TFSA, the holder of the TFSA will be subject to a penalty tax as set out in the Tax Act. Common Shares and Rights will not be a "prohibited investment" for a particular trust governed by a TFSA provided the holder deals at arm's length with the Corporation or does not have a "significant interest" (within the meaning of the Tax Act) in the Corporation or a person or partnership with which the Corporation does not deal at arm's length for the purposes of the Tax Act. Purchasers are advised to consult their own tax advisors in this regard.

INTERESTS OF EXPERTS

The matters referred to under "Federal Income Tax Considerations" and "Eligibility for Investment" will be passed upon by Gardiner Roberts LLP, on behalf of the Corporation. Certain other legal matters relating to the securities offered hereby will also be passed upon by Gardiner Roberts LLP, on behalf of the Corporation.

As of the date hereof, the partners and associates of Gardiner Roberts LLP own Common Shares representing less than 1% of all of the issued and outstanding Common Shares.

RISK FACTORS

Before making an investment decision, prospective purchasers of Common Shares should consider carefully the risk factors set out below, the other information contained in and incorporated by reference in this Prospectus and, in particular, the risk factors set out at pages 18 to 23 of the AIF and other filings available at www.sedar.com. Readers are cautioned that such risk factors are not exhaustive. The business of the Corporation should be considered speculative due to the nature of the Corporation's business. Investment in the Corporation involves a high degree of risk and should only be considered by those persons who can afford a total loss of their investment.

Going Concern Risk

The audited financial statements for the nine months ended September 30, 2009 have been prepared in accordance with Canadian generally accepted accounting principles on a going concern basis, which assumes that the Corporation will continue its operations for the foreseeable future and be able to realize its assets and discharge its liabilities in the normal course of business. As of September 30, 2009 the Corporation had a working capital deficit of $18,371,868. The majority of this is due to the Facility being classified as a short term obligation and the extension of payment terms to suppliers. In addition, the Corporation was required to raise a further ZAR 70,000,000 ($9,674,000) to satisfy its obligation under the Amendment to inject additional funds into the Kendal Colliery. The ability of the Corporation to continue as a going concern for the foreseeable future is dependent on raising sufficient funds to meet ongoing obligations beyond the ZAR 70,000,000 ($9,674,000). While the Corporation has been successful in raising financing to date, there can be no assurance that it will be able to do so in the future. If the Corporation is unable to meet these obligations from cash flow from operations and additional financings, it will be in default of its obligation to NedBank and may not be able to continue as a going concern.

Increase in Size of Controlling Shareholder

The Standby Purchaser and its affiliates currently own 133,353,107 Common Shares representing 44.14% of outstanding capital of the Corporation. If no other shareholders exercise their rights hereunder, the Standby Purchaser could hold ● Common Shares representing ●% of the outstanding capital of the Corporation. As a result, the Standby Purchaser may continue to have the ability to control substantially all matters requiring shareholder approval, including the election of directors and approval of significant corporate transactions. In addition, this concentration of ownership may delay or prevent a change in control of the Corporation and make some future transactions more difficult or impossible without the support of the Standby Purchaser. The interests of the Standby Purchaser may not coincide with the Corporation's interests or interests of other shareholders. Accordingly, the Standby Purchaser could cause the Corporation to enter into transactions or agreements that other shareholders would not approve or make decisions with which other shareholders may disagree.

Financing Risk

The Corporation has limited financial resources, has limited operating cash flow at the present time and has no assurance that additional funding will be available to it for further expansion of operations. Although the Corporation has been successful in the past in obtaining financing through the sale of equity securities and placement of debt instruments, there can be no assurance that additional funding will be available, or available under terms favourable to the Corporation. The Corporation's ability to raise further equity or debt finance will vary according to a number of factors, including the growth of its business and stock market conditions. Failure to obtain additional financing could adversely affect the Corporation's business, financial condition or results of operations.

Dilution to Shareholders

If a shareholder of the Corporation does not exercise all of its Rights pursuant to the Basic Subscription Right, the shareholder's current percentage of ownership in the Corporation will be diluted by the issuance of Common Shares upon the exercise of Rights by other shareholders as well as the exercise of Rights and purchase of Common Shares by the Standby Purchaser in accordance with the Standby Purchase Agreement. Even if a shareholder elects to sell its unexercised Rights or if its Rights are sold on its behalf, the consideration it receives may not be sufficient to compensate it fully for the dilution of its current percentage ownership in the Corporation that will be caused as a result of the exercise of Rights by other shareholders and the exercise of Rights and the purchase of Common Shares by the Standby Purchaser in accordance with the Standby Purchase Agreement.

In addition, if additional financing is raised by the issuance of shares or other forms of convertible securities in the future, shareholders may suffer further dilution.

Market Price of Common Shares

There can be no assurance that an active market for the Common Shares will be sustained after the Offering. Securities of small and mid cap companies have experienced substantial volatility in the past, often based on factors unrelated to the financial performance or prospects of the companies involved. These factors include global economic developments and market perceptions of the attractiveness of certain industries. The price per Common Share is also likely to be affected the Corporation's financial condition or results of operations as reflected in its quarterly filings. Other factors unrelated to the performance of the Corporation that may have an effect on the price of Common Shares include the following: the extent of analytical coverage available to subscribers concerning the business of the Corporation may be limited if investment banks with research capabilities do not follow the Corporation's securities; lessening in trading volume and general market interest in the Corporation's securities may affect a subscriber's ability to trade significant numbers of Common Shares; the size of the Corporation's public float may limit the ability of some institutions to invest in the Corporation's securities; and a substantial decline in the price of the Common Shares that persists for a significant period of time could cause the Corporation's securities, if listed on an exchange, to be de-listed from such exchange, further reducing market liquidity. If an active market for the Common Shares does not continue, the liquidity of a subscriber's investment may be limited and the price of the Common Shares may decline below the price at which the Common Shares are issued pursuant to the Offering. If such a market does not develop, subscribers may lose their entire investment in the Common Shares.

As a result of any of these factors, the market price of the Common Shares at any given point in time may not accurately reflect the long term value of the Corporation. Securities class-action litigation often has been brought against companies following periods of volatility in the market price of their securities. The Corporation may in the future be the target of similar litigation. Securities litigation could result in substantial costs and damages and divert management's attention and resources.

Trading Market for Rights

Although the Corporation expects that the Rights will be listed on the Exchange, the Corporation cannot provide any assurance that an active or any trading market in the Rights will develop or that the Rights can be sold on the Exchange at any time.

No Dividends

The Corporation has never paid cash dividends on its Common Shares. It currently intends to retain future earnings, if any, to fund the development and growth of its business and does not intend to pay any cash dividends on its Common Shares for the foreseeable future. Furthermore, the Corporation may become subject to contractual restrictions on, or prohibitions against, the payment of dividends. As a result, investors will have to rely on capital appreciation, if any, to earn a return on their investment in Common Shares for the foreseeable future. The payment of future dividends, if any, will be reviewed periodically by the Corporation's board of directors and will depend, among other things, on conditions then existing including earnings, financial condition and capital requirements, restrictions in financing agreements, business opportunities and conditions and other factors.

Use of Proceeds

The Corporation currently intends to allocate the net proceeds received from the Offering as described under "Use of Proceeds". The failure by the Corporation to apply these funds effectively could have a material adverse effect on the Corporation's business.

International Financial Reporting Standards

The Canadian Institute of Chartered Accountants' Accounting Standards Board has announced that Canadian publicly accountable enterprises will adopt IFRS as issued by the International Accounting Standards Board effective for fiscal years beginning on or after January 1, 2011 and therefore will commence in the first quarter of the Corporation's 2011 fiscal year with comparative figures. The Corporation is in the process of developing a plan for the implementation of IFRS, and it is expected that this plan will take into consideration, amongst other things:

- Identification of differences in Canadian GAAP and IFRS accounting policies and choices and their impacts on the Corporation's financial statements.
- Selection of the Corporation's continuing IFRS policies.
- Changes in note disclosures.
- Information technology and data system requirements.
- Disclosure controls and procedures, including investor relations and external communications plans related to the IFRS conversion.
- Identification of impacts of IFRS conversion on Internal Controls over Financial Reporting.
- Financial reporting expertise requirements, including training of personnel.
- Impacts on other business activities that may be influenced by GAAP measures, such as debt covenants.

It is not practically possible at this time to quantify the impact of these differences. The Corporation expects to make changes to processes and systems in time to enable the Corporation to record transactions under IFRS for comparative purposes in the 2011 financial year reporting.

AUDITORS

The auditors of the Corporation are McGovern, Hurley, Cunningham, LLP ("**MHC**"), 2005 Sheppard Avenue East, Suite 300, Toronto, Ontario, M2J 5B4 As of the date hereof, MHC, the auditors of the Corporation, have reported that they are independent in accordance with the rules of professional conduct of the Institute of Chartered Accountants of Ontario.

REGISTRAR AND TRANSFER AGENT

Equity Transfer & Trust Company, 200 University Avenue, Suite 400, Toronto, Ontario M5M 4H1 is the registrar and transfer agent for the Corporation.

PURCHASERS' STATUTORY RIGHTS

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 (2) business days after receipt or deemed receipt of a prospectus and any amendment. In several of the provinces and territories the securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, revisions of the price or damages if the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that such remedies for rescission, revision of the price 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 purchaser's province for the particulars of these rights or consult with a legal advisor.

AUDITORS' CONSENT

We have read the short form prospectus of Homeland Energy Group Ltd. (the "Corporation") dated ●, 2010 relating to the offering of rights to subscribe for common shares of the Corporation. We have complied with Canadian Generally Accepted Auditing Standards for an auditor's involvement with offering documents.

We consent to the incorporation by reference in the above-mentioned short form prospectus of our report to the shareholders of the Corporation on the consolidated balance sheet of the Corporation as at December 31, 2008 and the consolidated statements of operations and deficit, comprehensive loss, accumulated other comprehensive loss and cash flows for the year then ended. Our report is dated March 30, 2009.

We also consent to the incorporation by reference in the above-mentioned short form prospectus of our report to the directors of the Corporation on the consolidated balance sheet of the Corporation as at September 30, 2009 and the consolidated statements of operations and deficit, comprehensive loss, accumulated other comprehensive loss and cash flows for the nine-month period then ended. Our report is dated October 30, 2009, except for Note 20, which is at November 3, 2009.

MCGOVERN, HURLEY, CUNNINGHAM LLP

DRAFT

Chartered Accountants
Licensed Public Accountants

TORONTO, Canada
●, 2010

CERTIFICATE OF THE CORPORATION

Dated: February 9, 2010

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 prospectus as required by the securities legislation of each of the Provinces of Alberta, British Columbia and Ontario.

HOMELAND ENERGY GROUP LTD.

"Ashis Basu"	"Jeff Lowe"
Ashis Basu, C.E.O.	Jeff Lowe, C.F.O.

On behalf of the Board of Directors

"B.V.N. Rao"	"Laurence Curtis"
B.V.N. Rao, Director	Laurence Curtis, Director

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