

HOMELAND ENERGY GROUP LTD.



ANNUAL INFORMATION FORM DECEMBER 31, 2010

March 31, 2011

144 Front Street West, Suite 780
Toronto, ON M5J 2L7
Tel: 416-506 1979
Fax: 416-362 6830

www.homelandenergygroup.com
E-mail: information@homelandenergygroup.com

TABLE OF CONTENTS

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS	i
CURRENCY PRESENTATION AND EXCHANGE RATE INFORMATION	ii
THERMAL COAL PRICES	ii
COAL RESOURCES and COAL RESERVES	iii
INCORPORATED BY REFERENCE	iv
ITEM 1: CORPORATE STRUCTURE	1
1.1 Name and Incorporation	1
1.2 Intercorporate Relationships	1
ITEM 2: GENERAL DEVELOPMENT OF THE BUSINESS	2
ITEM 2: GENERAL DEVELOPMENT OF THE BUSINESS	3
2.1 Three-Year History	3
ITEM 3: NARRATIVE DESCRIPTION OF THE BUSINESS	13
3.1 General	13
3.2 Marketing	16
3.3 Risk Factors	17
ITEM 4: THE KENDAL COLLIERY	22
ITEM 5: THE ELOFF PROPERTY	27
ITEM 6: THE SOUTH AFRICAN LEGISLATIVE AND REGULATORY FRAMEWORK	31
6.1 Custodianship of Minerals	31
6.2 The Nature and Duration of Prospecting, Mining and Ancillary Rights	31
6.3 Transferability and Encumbrance of Prospecting and Mining Rights	32
6.4 Mining Charter	33
6.5 Suspension or Cancellation of Prospecting and/or Mining Rights	33
6.6 Compensation Payable to Surface Owner	34
6.7 Environmental Management Program	34
6.8 Royalties	34
ITEM 7: DIVIDENDS AND DISTRIBUTIONS	34
ITEM 8: CAPITAL STRUCTURE	34
ITEM 9: MARKET FOR SECURITIES	35
ITEM 10: DIRECTORS AND OFFICERS	35
10.1 Name, Address, Occupation and Security Holding	35
10.2 Cease Trade Orders, Bankruptcies, Penalties or Sanctions	38
10.3 Conflicts Of Interest	39
ITEM 11: LEGAL PROCEEDINGS	39
ITEM 12: INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS	39
ITEM 13: TRANSFER AGENT AND REGISTRAR	39
ITEM 14: MATERIAL CONTRACTS	39

ITEM 15: INTEREST OF EXPERTS	40
ITEM 16: AUDIT COMMITTEE.....	40
16.1 Audit Committee Charter.....	40
16.2 Composition of the Audit Committee	40
16.3 Relevant Education and Experience of Audit Committee Members	40
16.4 Reliance on the Exemption in Subsection 3.3(2).....	41
16.5 Pre-Approval Policies and Procedures.....	41
16.6 External Auditor Service Fees	41
ITEM 17: ADDITIONAL INFORMATION.....	41

SCHEDULE A – Audit Committee Charter

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This annual information form contains certain “Forward-Looking Statements” that are prospective and reflect management’s expectations regarding Homeland Energy Group Ltd.’s (“Homeland” or the “Company” or “HEG”) 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 those factors discussed in or referred to in the current annual Management’s Discussion and Analyses of Homeland and Homeland Energy Corp. filed with the securities regulatory authorities in Canada and available at www.sedar.com. 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. There can be no assurance that such statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements and forward-looking information. Homeland does not undertake to update any forward-looking statements or forward-looking information that is incorporated by reference herein, except in accordance with applicable securities laws.

Readers are advised that National Instrument 43-101 of the Canadian Securities Administrators requires that each category of mineral reserves and mineral resources be reported separately. Readers should refer to the other continuous disclosure documents filed by Homeland and Homeland Energy Corp. since January 1, 2007, available at www.sedar.com, for this detailed information, which is subject to the qualifications and notes set forth therein. Mineral resources that are not mineral reserves do not have demonstrated economic viability.

CURRENCY PRESENTATION AND EXCHANGE RATE INFORMATION

This annual information form (the “AIF”) contains references to Canadian dollars, United States dollars and South African Rand. All dollar amounts referenced, unless otherwise indicated, are expressed in Canadian dollars. United States dollars are referred to as “United States dollars” or “US\$” and South African rands are referred to as “Rand” or “ZAR”. There are also certain references to British pounds which are denoted as “£” and Australian dollars which are denoted as “AUD”. No conversion rates are given for these two currencies as they represent fairly minor transactions.

The closing, high, low and average exchange rates for the United States dollar in terms of Canadian dollars for the twelve month periods ended December 31, 2010, December 31, 2009 and December 31, 2008 as reported by the Bank of Canada, were as follows.

	Year ended		
	<u>2010</u>	<u>2009</u>	<u>2008</u>
Closing.....	Canadian \$0.99	Canadian \$1.05	Canadian \$1.21
High.....	1.08	1.30	1.29
Low.....	0.99	1.03	0.98
Average ⁽¹⁾	1.03	1.14	1.07

(1) Calculated as an average of the daily noon rates for each period.

On March 30, 2011, the Bank of Canada noon rate of exchange was US\$1.00 = \$0.9714

The closing, high, low and average exchange rates for the Canadian dollar in terms of South African rand for the twelve month periods ended December 31, 2010, December 31, 2009 and December 31, 2008 as reported by the Bank of Canada, were as follows.

	Year ended		
	<u>2010</u>	<u>2009</u>	<u>2008</u>
Closing.....	ZAR6.62	ZAR 7.05	ZAR 7.63
High.....	7.50	6.66	9.03
Low.....	6.62	8.37	6.61
Average ⁽¹⁾	7.10	7.34	7.70

(1) Calculated as an average of the daily noon rates for each period.

On March 30, 2011, the Bank of Canada noon rate of exchange was \$1.00 = ZAR7.0126.

THERMAL COAL PRICES

The outlook for the coal industry has revived materially from the weakness experienced in 2008 and 2009. The Energy Information Administration (EIA) estimates that world coal consumption will rebound, returning to its pre-recession level (2008 level) by 2013. Generally, most coal companies have been profitable in 2010, given the recovery in the global and domestic coal demand. This uptrend in profits is largely driven by soaring demand from the Asian countries. The scarcity of coal in relation to the growing needs of the Pacific markets, specifically from China and India, has led to improvement in coal exports from around the world. Despite some recent pressures, the overall trend in thermal coal prices has been favourable, driven by improvements in demand from the domestic and international markets and reduced stockpiles.

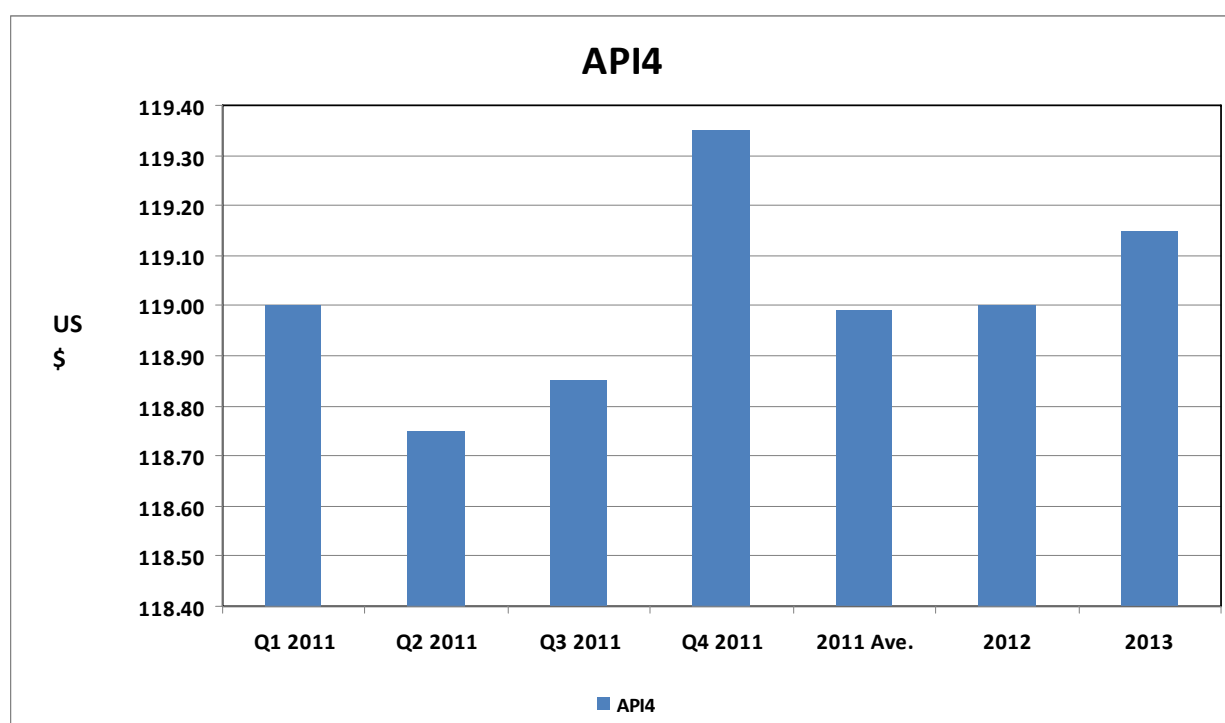
Throughout most of 2010 Richards Bay Coal Index (“API4”) coal prices increased to between \$85 and \$95 due to the rising demand for coal in China, India and shortfalls of coal supply due to flooding in Australia

Going forward, the API4 is expected to gradually increase to around \$120.

With the emergence of greater certainty in the global economic recovery, the increase in international demand for coal has propelled South Africa back into its key role in the export market. Recently, this has seen increasing volumes of South Africa coal being sold on long-term contracts to power utilities and industrial concerns, particularly into the Far East, led by the growing appetite for South Africa coal from India and China. Thirty Two percent of the 61 million tonnes of steam coal exported through the Richards Bay Coal Terminal (RBCT) in 2010 went into the Indian market.

One of the key factors limiting the volume of exports through RBCT and Maputo is the lack of rolling stock in the Transnet railway system, which is having a serious impact on both the export volumes and filling the additional throughput in the RBCT Phase V expansion project from the current capacity of 82 million tonnes to 91 million tonnes.

This continuing logistics problem within South Africa, coupled with the tight supply of Russian and Australian export coal and the diversion of large volumes of South Africa coal into Asia from the European markets, are some of the key factors expected to keep driving prices higher.



All the figures in the above chart are from Argus/McCloskey's Coal Price Index Report", which is published weekly every Friday and is the most widely used coal index by international coal buyers, sellers and traders.

The API4 (fob Richards Bay) is an average of the Argus fob Richards Bay assessment as published in both "Argus Coal Daily International" and "Argus Coal Daily" on Fridays and McCloskey's fob Richards Bay marker as published in both "McCloskey's Fax" (dated each Friday) and "McCloskey's Coal Report" (dated every other Friday) and the SACR Europe Spot Price Indicator as published in the monthly "South African Coal Report" and weekly in "From The Coal Face" (dated each Monday).

COAL RESOURCES and COAL RESERVES

All estimates of coal resources and reserves referred to in this AIF have been prepared in accordance with the South African Code for Reporting of Mineral Resources and Mineral Reserves (the SAMREC Code, 2007) in conjunction with the South African guide to the systematic evaluation of coal resources and coal reserves (SANS 10320:2004) as a basis., which is an acceptable method of estimating Coal Resources under National Instrument 43-101. There can

be no assurances that the coal resources will ultimately be converted into mineral reserves. Coal resources which are not coal reserves do not have demonstrated economic viability.

INCORPORATED BY REFERENCE

The following documents are specifically incorporated by reference in the AIF:

1. The consolidated financial statements of the Company for the twelve months ended December 31, 2010 and the auditors' report thereon, (the "HEG Consolidated Financial Statements").
2. The Management's Discussion and Analysis of the financial results of the Company for the twelve months ended December 31, 2010.
3. Technical report dated March 31, 2011 entitled "Independent Geological Report on The Eloff Project Coal Development, Exploration and Resources" (the "2011 Eloff Report") prepared by Dr P.J Hancox, Pr.Sci.Nat of Caracle Creek International Consulting Coal (Pty) Limited.
4. Technical report dated March 30, 2009 entitled "Internal Geological Report on the Eloff Project Mineral Development, Exploration and Resources" (the "2009 Eloff Report") prepared by Graham Gemmell, Pr.Sci.Nat. except as superseded and replaced by the 2011 Eloff Report.
5. Technical Report dated April 23, 2010 entitled "Internal Geological Report on the Kendal Coal Project Mineral development, Exploration and Resources" (the "Kendal Report") prepared by Graham Gemmell Pr.Sci.Nat. and A N Birtles Principal Mining Engineer SRK Consulting (SA) (Pty) Ltd (Pr. Eng.) as updated by Dr P.J Hancox, Pr.Sci.Nat. of Caracle Creek International Consulting Coal (Pty) Limited as reviewed by A. Dougall, Pr.Eng, of SRK Consulting (South Africa) (Pty) Ltd,

The above documents are available for review on the System for Electronic Data Analysis and Retrieval ("SEDAR"), which may be accessed on the internet at www.sedar.com.

ITEM 1: CORPORATE STRUCTURE

1.1 Name and Incorporation

Homeland Energy Group Ltd. (“Homeland” or the “Company” or “HEG”) 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 shares 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 Company filed articles of amendment to create a new class of preferred shares issuable in series that had been approved by the shareholders of the Company 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 set out below.

Homeland Energy Corp. (“HEC”) was incorporated as Homeland Uranium Inc. under the laws of Ontario on December 7, 2004 and on September 5., 2006 received authorization from the Ontario Ministry of Consumer and Business Services to apply for continuance into another jurisdiction. On October 12, 2006, the company was continued into the British Virgin Islands as Homeland Energy Corp., a company incorporated under the provisions of the BVI Business Companies Act, 2004. On February 28, 2008, HEC completed a share split on the basis of four (4) post-split shares for each one (1) pre split share. On February 29, 2008, HEC completed a reverse takeover of Chrysalis by way of a merger of HEC with a wholly-owned subsidiary of Chrysalis (the “Merger”). The Merger constituted Chrysalis’s qualifying transaction pursuant to the policies of the TSX Venture Exchange. On March 5, 2008, Homeland’s common shares were posted for trading on the Toronto Stock Exchange (the “TSX”) under the symbol “**HEG**”. Following the completion of the Merger, HEC continued under the laws of Mauritius on April 4, 2008. HEC was the operating entity prior to the Merger. For a summary of the corporate structure, including the Company’s other principal operating subsidiaries, please see the heading “1.2 Corporate Structure – Intercorporate Relationships”.

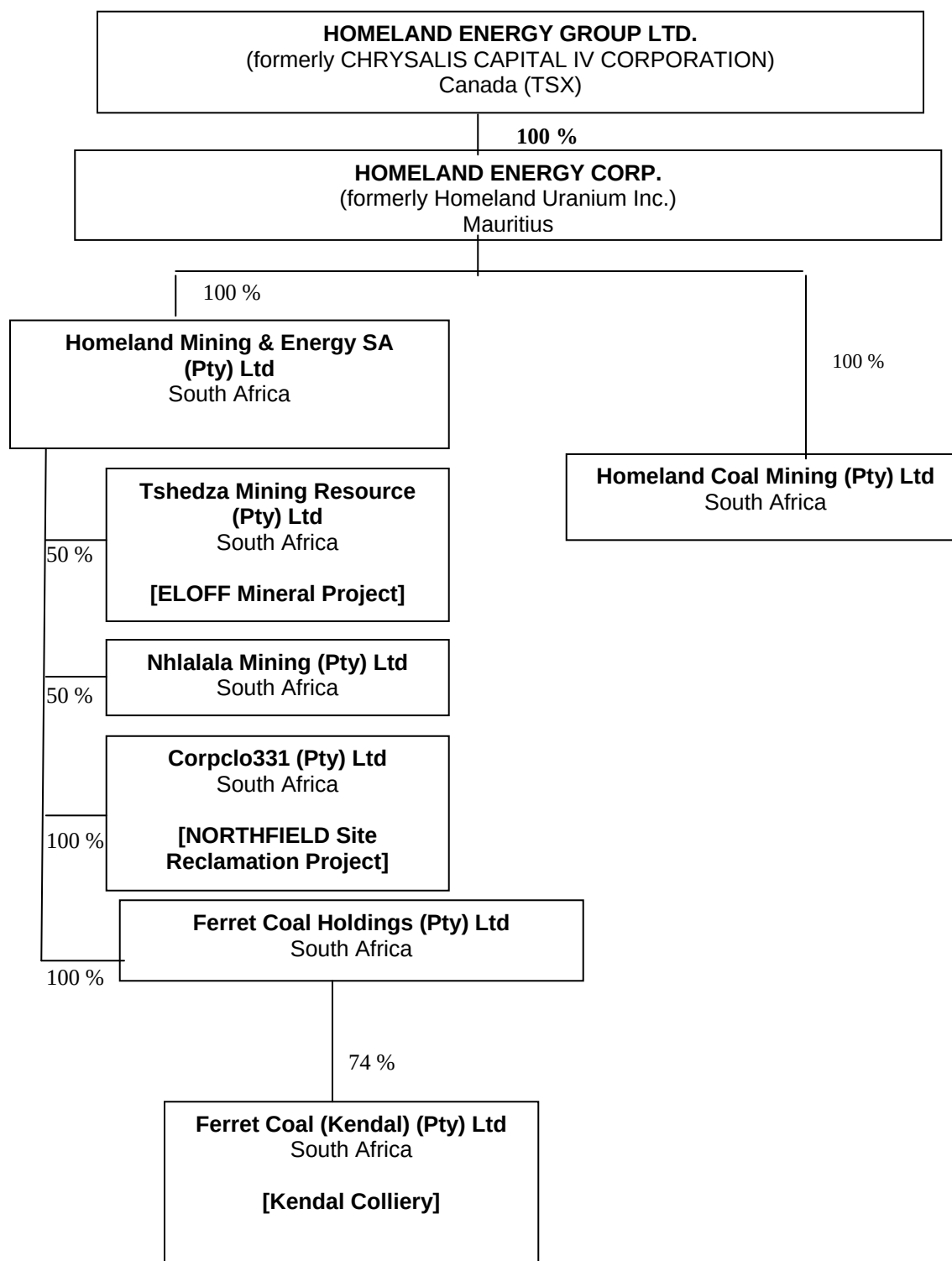
Prior to the Merger, Chrysalis had no operating business. Following the Merger, the Company has continued to carry on the business of HEC, being the acquisition, exploration and development of energy related resource properties, initially in Southern Africa. Homeland currently has interests in the Kendal Colliery near Witbank, South Africa, the Northfield Site Reclamation Project near Dundee, South Africa, an advanced coal development project in South Africa - the Eloff Mineral Property, and a number of earlier-stage exploration properties in the South African province of Mpumalanga. The Company complies fully with the Black Economic Empowerment requirements of the South African Minerals and Petroleum Resources Development Act through shareholdings by a number of companies owned by historically disadvantaged South Africans in each of the project companies. For additional details of the business of the Company and the Merger, please see the heading “Item 2.1 General Development of the Business – Three-Year History”.

The Homeland group has offices at:

- 144 Front Street West, Suite 780, Toronto, Ontario, Canada; and
- Office 118/119, First Floor, Smokey Mountain Office Park, c/o Nelson Mandela Avenue & Paul Sauer Street, Ben Fleur, Ext 11, Witbank, Mpumalanga, 1044, South Africa

1.2 Intercorporate Relationships

The following chart sets forth the names of the material subsidiaries of the Company, their respective jurisdictions of existence and the Company’s current voting and equity interests therein. As used in the AIF, except as otherwise required by the context, reference to the “Company” means Homeland Energy Group Ltd. and its subsidiaries. The chart only includes entities in which the Company takes an active role in operations or variable interest entities in which the Company has a stake. Several inactive subsidiaries have been omitted. For entities where the Company owns less than 100%, the balance is held by the Company’s various black empowerment partners.



ITEM 2: GENERAL DEVELOPMENT OF THE BUSINESS

2.1 Three-Year History

The following is a summary of the general development of the business of the Company, deemed to be that of HEC, over the most recently completed three fiscal years.

Fiscal 2008

1. Activities in South Africa

Kendal Colliery, Mpumalanga Province, South Africa

During fiscal 2008, the Company proceeded with the development of the Kendal Colliery. In December of 2007, the mining contract had been put out for tender. The original tender was awarded to Moolman Mining, an operating group of Aveng Limited, in April 2008. Under the terms of the tender, the scope of work was defined as the mining of a minimum of 150,000 run-of-mine tonnes of coal per month up to the point of delivery to the crushing and screening plants. The tender included the removal of all material above the coal seams, intermediate coal partings between significant seams and subsequent rehabilitation of the mined out area, subject to the standards set by Homeland. The original term of the contract was three years, at which time the contract would be re-negotiated or re-tendered.

By January of 2008, the Company had completed all required civil work for the plant infrastructure. Specifically, the Company commissioned the weighbridges; completed the water reticulation system; connected to Eskom, which provided power; erected perimeter fences and high masts for lighting; performed additional landscaping; installed a slurry pipe line; upgraded the main entrance roads; and, constructed an office complex.

On March 18, 2008, the Company was granted the mining right for the Kendal Colliery which permitted the commencement of mining activities.

Eloff Mineral Property, Mpumalanga Province, South Africa

During fiscal 2008, Homeland submitted an application for a mining license, which it received in May 2009.

Northfield Site Reclamation Project, Kwa-Zulu Natal Province, South Africa

In December of 2008 the remaining ZAR 6 million due to the vendors of Corpclo was paid which resulted in Homeland having a 100% interest in the Northfield Project.

During fiscal 2008, a weighbridge was purchased and installed; a site office was erected; the mining lease area was fenced; and mining and security contractors were appointed. All environmental work required by the Department of Environmental Affairs was completed and the Company obtained approval for the integrated water management system from the Department of Water Affairs.

2. Completion of the Merger and Graduation to the TSX

On February 29, 2008, HEC completed its reverse takeover of Chrysalis by way of a merger of HEC with a wholly-owned BVI subsidiary of Chrysalis (the "Merger"). The Merger constituted Chrysalis's qualifying transaction pursuant to the policies of the TSXV. Chrysalis also filed articles of amendment to change its name to Homeland Energy Group Ltd. A Filing Statement in connection with the qualifying transaction, dated February 20, 2008, is publicly available at www.sedar.com. At the time of the Merger, the Chrysalis had approximately \$646,205 in cash.

Prior to the Merger, Chrysalis consolidated its common shares on a one for two basis and HEC split its common shares on a four for one basis. Upon the Merger, Chrysalis issued one common share for each common share of HEC issued and outstanding immediately prior to the merger. The outstanding options, warrants and other convertible securities of HEC are exercisable for common shares of the Company based on the same exchange ratios.

The Merger has been accounted for as a reverse takeover transaction in accordance with guidance provided in Emerging Issues Committee (“EIC”) Abstract No. 10. Chrysalis did not qualify as a business for accounting purposes, and accordingly the transaction has been accounted for as an issuance of shares and warrants by HEC for the net monetary assets of Chrysalis, accompanied by a recapitalization of Chrysalis.

Following the completion of the Merger, the common shares of Homeland commenced trading on Wednesday, March 5, 2008 on the TSX under its new trading symbol “**HEG**”.

3. Nedbank Limited Loan Facility

To facilitate the final phases of the development of the Kendal Colliery, the Company secured a ZAR 150 million (\$20,265,000) five and a half-year Term Loan Facility (the “Facility”) from Nedbank Limited (“Nedbank”), one of South Africa's largest banks, with the first drawdown of ZAR 25 million (\$3,377,500) taking place on September 30, 2008. As of December 31, 2008, the Company had drawn ZAR 75 million and together with capitalized interest owed ZAR 77 million (\$10,402,700).

4. Proposed Sale of Homeland Mining & Energy SA (Pty) Ltd. to GMR Energy Limited

During 2007 the Company began a process of seeking potential joint venture partners for its South African assets to expedite the development of the Company's business. On December 15, 2007, Homeland signed a memorandum of understanding (the “MOU”) with the GMR Group (“GMR”), setting out the basic terms and conditions upon which the Company would sell up to a 50% voting and participating equity interest in Homeland Mining & Energy SA (Pty) Ltd. (“HMESA”). Upon signing the MOU, Homeland received a payment of US\$3,000,000.

During early 2008 the Company and GMR negotiated the terms of a share purchase agreement (the “SPA”), which was executed on April 9, 2008. Under the terms of the MOU and the SPA, GMR exercised its rights to increase its interest in HMESA to 10% for the payment of an additional US\$27,000,000. In total, GMR advanced to the Company US\$30,000,000, which the Company utilized to develop its South African assets and make further strategic investments.

Under the terms of the SPA, GMR had a further right to acquire 40% of the shares of HMESA (which would have increased GMR's position to 50%) for an additional payment which was dependent on the timing of the exercise of the option (the “Third Option”). However, under the terms of the SPA, GMR had the right to require the Company to repurchase the 10% stake in HMESA acquired by GMR. The repurchase price was set at US\$30,000,000. The Company had the right to pay this amount in either cash or shares of the Company. Homeland had an equivalent call right on the shares of HMESA held by GMR if the Third Option was not exercised.

While the transaction was implemented by way of a series of options, the purpose of the transaction was for GMR and Homeland to become equal partners in the South African assets. The option structure effectively provided the Company with an interest free loan to develop the Kendal Colliery and make other strategic investments during the assessment period. However, it was never intended that GMR should only be a 10% shareholder by either party. The rationale for the establishment of the put and call options on the 10% stake was to allow GMR to avoid a situation where they had only a 10% minority stake and no way to liquidate, and to allow the Company to avoid having a minority partner.

On November 4, 2008, GMR gave notice to the Company that it would not be exercising the Third Option and also advised the Company that it would exercise its right to have the Company repurchase its 10% interest in HMESA. The Company then elected to exercise its right to satisfy its obligation by delivering shares of the Company. The share price was calculated under the SPA as the 20-day average closing price ended November 3, 2008 plus a 5% premium which worked out to approximately \$0.455175 per share. Taking into account exchange rates at the time, the Company was required to issue approximately 75.6 million shares to GMR to satisfy its obligations under the SPA. Although this represented significant dilution to shareholders, the Company was of the opinion that it would be preferable to reduce the Company's liabilities by US\$30 million at a share price that was significantly higher than the market price of the Company's common shares at the time. Shareholder approval for this transaction was obtained on December 30, 2008.

Following the December 30, 2008 shareholder meeting approving the issuance of shares to GMR, the Company continued to explore alternative transactions with GMR to avoid the dilution that would result from the repurchase of the shares of HMESA. However, the parties were unable to agree to terms and the repurchase transaction was

completed on February 23, 2009 which resulted in GMR holding approximately one-third of the Company's outstanding shares with the Company holding 100% of HMESA and the South African assets.

5. Proposed Acquisition of US Coal Property

In August of 2008, following the completion of extensive due diligence, the Company entered into an asset purchase agreement (the "APA") to acquire all of the assets of Appollo Fuels Inc. and Diversified Energy Inc. (the "Appollo Assets") in consideration for the payment of US\$105 million.

At the time the APA was executed, the Company was confident that it would be able to obtain financing for the acquisition of the Appollo Assets through equity, debt or some combination thereof due to the high quality of the Appollo Assets and due to the very strong financial market for coal and coal companies at the time. The vendors of the Appollo Assets were not prepared to execute the APA if the transaction was conditional upon financing, and no break fee was provided for in the original agreement. The Company assessed the risk potential and determined it was in the best interests of shareholders to proceed with the acquisition of the Appollo Assets on the terms set out in the APA. However, during the fall of 2008 economic conditions changed significantly. The collapse of the capital markets and the uncertainty surrounding commodity prices made it increasingly difficult to obtain financing on terms that were acceptable to the Company. Considerable management time was invested in securing satisfactory financing. As the original closing deadline of November 27, 2008 approached, it became evident that it would be difficult to complete the transaction on time. The Company was also aware that if it failed to complete the acquisition of the Appollo Assets, it could be exposed to considerable liability under the terms of the APA. In January of 2009, the Company negotiated a break fee for the transaction of US\$6 million dollars. The first US\$1 million had been paid in the form of non-refundable deposits when the APA had been executed. The second US\$1 million was immediately payable. The balance of US\$4 million was due at the end of February 2009. If the Company was unable to pay the balance when it became due, the vendors had the right to elect to settle the payment for shares of the Company priced at \$0.16 per share, which was the market price of the common shares at the time the amendment agreement was executed. Taking into account exchange rates, this represented approximately 31.6 million shares of the Company.

The Company was unable to obtain the required financing to complete the acquisition of the Appollo Assets and therefore elected to terminate the APA with Appollo on the payment of the final US\$4 million. The Company sought avenues to obtain the required cash to pay the balance of the break fee without additional dilution but was unable to do so on acceptable terms. The share price of the Company had risen by the end of February to approximately \$0.25. The TSX had granted approval to issue the 31.6 million shares to the vendors of the Appollo Assets but that approval was due to expire on February 27, 2009 and, given market prices at the time, an extension was not available. The Company did receive an offer from a then shareholder of alternative financing on the day immediately preceding the date on which the payment had to be made to the vendors of the Appollo Assets but the price was only \$0.176 per share, which would have contravened the prescribed discount rules of the TSX. Further, the funds represented by the \$0.176 per share offer were not immediately available and the vendors of the Appollo Assets were not prepared to grant an extension on the due date for the payment of the balance of the break fee, as it would have resulted in the loss of their ability to obtain shares of the Company at the negotiated price. Given the lack of certainty of the alternative financing that would actually have been available and the lack of time to execute a rights offering to shareholders, the Company chose to honour its contractual obligation to the Appollo Asset vendors and issue the 31.6 million shares as requested by the Vendors.

6. Other Investments

In February 2008, the Company issued 737,500 (pre-split) common shares from third parties in consideration for the purchase a strategic interest of 44,250,000 common shares of Altona Resources Plc, a public company listed on AIM which holds a 100% interest in three coal exploration licenses covering 2,500 square kilometers in Australia. The transaction was valued at \$4,183,992 based on a price of 4.75 pence per Altona common share. These shares were sold in Q3 2009 for total cash proceeds of \$3,062,628.55.

In June of 2008, Homeland acquired 4,000,000 common shares of Aviva Corporation Ltd., ("Aviva"), a public company listed on both the Australian and Botswanan stock exchanges, from existing shareholders at a price of AUD 0.90 per share for a total investment of AUD 3,609,000 (including a commission of AUD 9,000). In 2010, Aviva signed a joint venture agreement pursuant to which it has the right to acquire up to a 75% interest in the Ndori Greenstone Belt project in Western Kenya. Aviva also continues to develop its Coolimba Power project in Western Australia and the Mmamantse project in Botswana.

The Company acquired a 70% stake in Wizard Investment which has a coal concession in Botswana. An initial program of 12 boreholes was completed in early 2009, and the results indicated that the coal is an average of 150 metres deep and of power station coal quality. This investment was to be the first of several planned and potential greenfield exploration opportunities to be conducted. However, given the downturn in commodity markets and in the current economic climate, the Company has terminated discussion with other parties at this time.

The Company acquired a 45% interest in Madic Operations (Pty) Ltd. (“Madic”) at nominal value. Madic is a private company developing a continuous conveyor system for the mining industry. The Company has granted a call option to the other owner of Madic shares to acquire a 10% interest (reducing the Company to 35%) at market value. If this right is exercised, the Company can choose to satisfy it in cash. The Company has made a shareholder loan of ZAR 10 million (\$1,380,000) to Madic to develop its technology. The loan bears interest at the rate of 5% per annum for the first two years and subsequently at South Africa’s prime rate. The Company has the right to purchase from Madic up to four continuous conveyor systems at cost.

In addition, Homeland has entered into a loan agreement and share purchase option agreement with Numin Close Corporation (“Numin”), a company associated with Madic that is implementing the Madic system and has received a loan of \$543,500 (ZAR 4,022,933). This loan bears interest at the prime lending rate less 1% and is repayable within one year. Homeland has been granted an option for a period of three years to purchase 20% of the issued share capital in Numin for a nominal value of ZAR 1 per share.

Subsequent to December 31, 2009, it was determined that because the Company is the largest stakeholder of both Numin and Madic it therefore has the greatest risk profile in these transactions. As a result, it was determined that Numin and Madic should be accounted for as variable interest entities, requiring the Company to consolidate the financial statements of Numin and Madic into its own.

7. Other Transactions

The Company had originally entered into an agreement whereby it would finance the construction of the crushing, screening and washing plants at the Kendal Colliery. Under the terms of this arrangement, the plants would be owned by the entity that constructed them but the Company would have a security interest in the plants until the loan was repaid. The initial loan was for ZAR 34.4 million (\$4.6 million). Over the course of 2008 it was determined that it would be in the best interest of the Company to own the plant, in order to improve operational relationships and efficiencies. In December 2008, the Company completed the acquisition of the plants in settlement of the loan and the payment of ZAR 5 million (\$675,500). This transaction had no effect on operations at Kendal.

The Company loaned the sum of ZAR 55,124,000 (\$7,447,252) to aid a new Black Economic Empowerment (BEE) partner to acquire the minority interest in the Kendal Colliery. The loan bears interest at the South African prime overdraft rate. Under the terms of this loan, interest accrues but is not required to be paid until such time as funding allows, and the equity interest in the company owning the Kendal Colliery is pledged as security. All dividends or other distributions will be paid to the Company to reduce the outstanding principal and interest due on the loan, the balance of which is due in 20 years. Homeland also has the right to require this BEE partner to sell a portion of its interest in Kendal Colliery to a third party on the terms specified in the agreement.

8. Financings

The references to shares in the following 2 paragraphs are to shares of HEC prior to the share split completed in February of 2008.

In January 2008, the Company closed a \$2,400,000 unit offering, priced at \$4.80 per unit with each unit consisting of one common share and one-half of one common share purchase warrant, each whole warrant entitling the holder to purchase one additional common share at a price of \$6.00 per common share (pre-share split) before May 21, 2009. The Company paid a cash commission on gross proceeds equal to \$40,000.

In February of 2008, GC Global exercised their right to convert their convertible debenture into common shares of HEC prior to the completion of the Merger at a conversion price of £1.25 per common share; this resulted in the issue of 810,250 HEC common shares (pre-share split).

Fiscal 2009

1. Activities in South Africa

Kendal Colliery, Mpumalanga Province, South Africa

The area known as Block B, consisting of No. 2 seam coal, was mined out. A quantity of 361,057 run-of-mine (“RoM”) tonnes was produced. Total overburden removed was 2,306,975m³ at a stripping ratio of 6.3. This number was high due to the fact that certain areas had no coal and washouts.

A box cut in Block F measuring 50m x 35.0m x 600m to the No.2 seam was developed during the end of 2008 and completed in 2009, at a cost of ZAR 8,200,000. A box cut in Block D measuring 650m x 50m, through three coal seams, at average depths of 11m to the No.4Upper seam, 18m to the 4Lower seam, and 35m to the No.2 seam. The cost of this box cut was ZAR 33,000,000 and commenced in March 2009.

Additional exploration boreholes were drilled in Block D at a cost of ZAR 100,000. During August 2009, six large-diameter holes were drilled to test the washability of coal in Block D, extended “drop and shatter” tests were also conducted to determine the make of fines. Exploration boreholes were drilled in Block E at a cost of ZAR 456,000. Eight infill exploration holes were drilled adjacent to the mine offices to determine the extent of the underground workings in the E block. Additionally, 21 holes were drilled to determine the limit of underground workings at the boundary of F block, and 5 holes in E block. Five holes were drilled to test the quality of water in the D block.

During July 2009, four dewatering boreholes were drilled in Block E at a Cost of ZAR 169,000. An external audit was conducted on the geological database by Northwest during January and February.

Kendal Colliery relocated 25 families from the Block E mining area. During July 2009, houses were built for these families at a cost of ZAR 5,000,000 on land which was not earmarked for future mining.

An amendment to the existing approved Environmental Management Program (“EMP”) was initiated during the end of 2009.

Kendal Colliery entered into a working arrangement with Gijima for the Arbor rail siding at an operational cost of ZAR 31.90 per ton railed.

A design of a new access road to the mine was initiated. This road would be off the property where BHP intends to mine in the near future.

In April, the Company performed certain upgrades to the RoM and product sections of the plant in order to improve efficiency. In the RoM section the permanent RoM tip was commissioned, which allowed for rear-tipper dump trucks from the mine to feed directly into the plant. The secondary crusher, which was a major bottle neck in terms of sizing and capacity, was replaced with a MMD 500 Series Mineral Sizer, and the raw coal sizing screen was replaced with a Vipro screen that could more effectively split RoM plant feed between the drum plant, which was designed for -50mm/+15mm coal, and the cyclone plant, which was designed to treat the -15mm coal. In the product section, the cyclone product screen was replaced with a vibrating screen to effectively separate the grains, which is a -15mm/+6mm product, from the duff, which is a -6mm product. The screen was designed to be later converted to a wet screen.

The Company planned to commence mining of the Block D reserve in 2009, and subsequently the design and construction of the Phase Two infrastructure for transporting coal from Block D and the future Block E to the Process Plant was approved. The Phase Two infrastructure includes a RoM Tip in Block D that will feed onto a 1.1 km overland conveyor, which passes underneath a rail and national road, feeding onto a 100 meter long stockpile conveyor, which discharges onto a 5000 ton live RoM Stockpile. A feeder below this stockpile feeds a 200 meter plant feed conveyor into the existing plant. The project commenced in April 2009 and was 67% completed by the end of December 2009. The Company also obtained temporary leave from the South African authorities for a right of way to haul coal via the haul road from Block D to the processing plant, which crossed the rail and national road.

A total of approximately 546,600 tonnes was sold in 2009. These tonnages comprised approximately 420,000 tonnes of sized product, approximately 92,500 tonnes of discard and approximately 34,000 tonnes of raw coal. The

majority of the sized product was collected by traders on a spot basis. No supply contracts were concluded during the year. Only 'once-off' deals were conducted by CPSA, who railed approximately 17,000 tonnes of large nuts and small nuts to Durban. LaFarge collected approximately 35,000 tonnes of -6mm duff.

Eloff Mineral Property, Mpumalanga Province, South Africa

During fiscal 2008, Homeland submitted an application for a mining right, which was subsequently granted in 2009. The surface rights have not been acquired yet.

No activities were undertaken at Eloff during 2009.

Northfield Site Reclamation Project, Kwa-Zulu Natal Province, South Africa

The mining license was renewed in 2009. The lease of the surface area lapsed during this period, and the Company negotiated a temporary 3 month lease extension for the surface rights.

Other Exploration Properties

The exploration licenses Onbekend and Vlakvarkfontein expired in 2009.

2. Nedbank Limited Loan Facility

As of December 31, 2009, the Company had drawn ZAR 125 million (\$17,725,000) on the Nedbank Limited Loan Facility and together with capitalized interest owed ZAR 144,766,356 (\$20,527,869).

The facility was secured by guarantees from, and pledges of the shares of, certain subsidiaries, as well as by all assets of Ferret Coal (Kendal) (Pty) Ltd. and would have been repayable from June 2010 through 2014. The interest rate on the facility had been set at the Johannesburg Interbank Agreed Rate ("JIBAR") plus 4.75% per annum prior to completion, and at the rate of JIBAR plus 4.10% per annum following completion (as defined in the facility). Undrawn amounts were subject to a commitment fee of 0.50% per annum. The facility also imposed restrictions on the ability of the Company to utilize cash generated from its operations at Kendal in South Africa until completion.

Ferret Coal (Kendal) (Pty) Ltd was in default of certain clauses of the facility from April 30, 2009 and, as a result, was not permitted to draw the remaining ZAR 25,000,000 of that facility. On November 4, 2009, Ferret Coal (Kendal) (Pty) Ltd entered into the Waiver and Third Amending Agreement with Nedbank whereby Nedbank agreed to waive these defaults and extend the repayment terms of the facility, subject to the following conditions:

- ZAR 70,000,000 being injected into Ferret Coal (Kendal) (Pty) Ltd by way of equity or subordinated loan by January 2010;
- An increase in interest rate margins on the facility to JIBAR plus 4.75% from July 1, 2009 until completion and JIBAR plus 4.10% thereafter;
- Additional reporting requirements being applied to Ferret Coal (Kendal) (Pty) Ltd; and
- Ferret Coal (Kendal) (Pty) Ltd paying Nedbank a waiver fee of ZAR2,416,531 (\$343,630), such waiver fee being capitalized to the facility.

The first step in meeting these conditions was to complete a private placement to the Company's largest shareholder, GMR Energy Limited, in December 2009. A total of 27,465,068 common shares of Homeland were issued at CDN\$0.07 per common share to an affiliate of GMR Energy Limited. On January 8, 2010, Homeland announced that GMR Energy (Mauritius) Limited, another affiliate of GMR Energy Limited, had advanced CDN\$4,996,928 to the Company. The loan was originally due May 31, 2010 but was extended to permit the completion of the rights offering described below and bore interest at LIBOR plus 600 basis points. On January 15, 2010, GMR Energy (Mauritius) Limited advanced a further sum of approximately CDN\$3,000,000 to Homeland, as an addition to the loan announced on January 8, 2010, bringing the total advanced to the company to just under CDN\$8,000,000. The proceeds of these loans were on-lent to Ferret Coal (Kendal) (Pty) Ltd by means of subordinated shareholders loans, thereby satisfying the requirements of the infusion of ZAR 70,000,000 by January 2010.

3. GMR Energy Limited

Following the December 30, 2008 shareholder meeting approving the issuance of shares to GMR, the Company continued to explore alternative transactions with GMR to avoid the dilution that would result from the repurchase of the shares of HMESA. However, the parties were unable to agree to terms and the repurchase transaction was completed on February 23, 2009, which resulted in GMR holding approximately one-third of the Company's outstanding shares with the Company holding 100% of HMESA and the South African assets.

On March 9, 2009, the Company arranged a private placement with Crossridge Investments Limited, a controlled affiliate of GMR Holdings and issued 15,776,512 common shares at a price of C\$0.20/share.

At the Annual General Meeting on July 14, 2009 three GMR representatives were elected to the board of directors of the Company: Ashis Basu, Raaj Kumar, and B.V.N. Rao.

July 17, 2009 Crossridge Investments Limited, a subsidiary of GMR Holdings Pvt. Limited and an affiliate of GMR Energy Limited acquired ownership and control, pursuant to a share purchase agreement, of 14,319,500 common shares of the Company. Following this transaction, Crossridge and GMR Energy now own and control 105,888,039 common shares of the Company, representing approximately 38.5% of the issued and outstanding common shares of Homeland.

On December 7, 2009 the Company completed a private placement with GMR Energy Limited and issued a total of 27,465,068 common shares of Homeland at \$0.07 per Common Share. This was to satisfy the first step in meeting the Companies obligation to Nedbank to raise ZAR 70,000,000 referred to above and increased GMR's ownership to 44.14% of outstanding capital.

See section 2 above for details of GMR loan to the Company in 2009 and 2010.

4. Management Changes

A proxy solicitation was made in February 2009 by a minority shareholder. As a result of this action and recognition of the position of GMR as the largest shareholder in the Company, an agreement was entered into to provide a slate of directors acceptable to both management at the time and GMR. This slate was elected at the annual meeting of the Company held on July 14, 2009. The slate of 7 directors was elected which included 3 representatives from GMR. Mr. B.V.N. Rao of GMR was subsequently elected Chair of the Board.

To facilitate the above arrangement, in June 2009 Tom Griffis, Stephen Coates, Robert Munro and Neil McLoughlin stepped down as directors. They were replaced by Jeff Lowe, Raaj Kumar, B.V.N. Rao, and Ashis Basu. At the Annual General Meeting on July 14, 2009 a seventh independent director, Edwin Lee, was appointed.

On April 15, 2009, the Chief Financial Officer, Stephen Woodhead, resigned and was replaced by Andrew Gottwald. Mr Gottwald resigned on September 30, 2009 and was replaced on an interim basis until June 30, 2010 by Mr. Jeff Lowe, who was also a director of the Company.

On October 15, 2009, Stephen Coates stepped down as Chief Executive Officer.

5. Financings

In January of 2009, the Company entered into an agreement with Homeland Uranium Inc. ("HUI") pursuant to which HUI has loaned the Company \$2,500,000 bearing interest at the rate of 10% per annum for a period of one year. This loan is secured by a pledge of the shares of HUI owned by the Company. The Company issued HUI 250,000 common shares priced at \$0.20 as a lending fee with respect to this transaction. This was retired on June 2, 2009 when Homeland Energy Corp. agreed to sell to HUI 10,350,000 shares and directed that the proceeds be used to retire the loan of its parent company. This reduced the Company's ownership in HUI to 25.8% of outstanding capital

On March 2, 2009 Homeland issued 15,776,512 common shares to Crossridge Investments Limited, a controlled affiliate of GMR Holdings, ("GMR") at a price of C\$0.20/share.

On December 7, 2009 the Company completed a private placement with GMR Energy Limited and issued a total of 27,465,068 common shares of Homeland at \$0.07 per Common Share.

Fiscal 2010

1. Activities in South Africa

Kendal Colliery, Mpumalanga Province, South Africa

A total of approximately 1,316,835 tonnes was sold in 2010 from the Kendal Colliery. These tonnages comprised approximately 444,165 tonnes of sized product, approximately 668,227 tonnes of discard and approximately 204,443 tonnes of raw coal. The majority of the sized product was collected by traders on a spot basis. No supply contracts were concluded during the year. Only 'once-off' deals were conducted by CPSA, who railed approximately 48,500 tonnes of large nuts and small nuts to Durban.

During 2010 an additional 15 exploration boreholes were drilled in Block D and Block E to assist with life of mine planning. The Company also prepared an amendment to the existing approved EMP and an Integrated Water Use License Application ("IWULA") was completed and submitted during 2010 and is expected to be approved in 2011.

A health and safety department was established to address security, environmental monitoring and social and labor issues. This department is administered by a manager with the assistance of two safety interns. A comprehensive contractor management system was also introduced to ensure that Kendal, where in excess of 95% of employees are contractors, all conform to mine standards and operate within prescribed legislation. This department addresses all legal compliance requirements in their entirety, including systems audits and investigations.

The security contractor was replaced in August 2010 by a reputable, professional service provider with extensive knowledge of securing mine facilities. The new contractor has introduced advanced technology such as CCTV systems with recording capabilities at strategic, high-risk areas of the operation. The number of security related incidents have reduced with zero incidents recorded over November and December, historically high risk months in South Africa.

Kendal Colliery was audited in July by the Department of Mineral Resources with respect to the compliance to the approved Social and Labor Plan. Subsequent to this audit the Company engaged a professional consultant to submit the annual report.

Both community project commitments were completed in 2010, namely the farming project and the supply of hawker stands to the neighboring township.

To ensure sustainability of the farming project the mine has appointed a consultant to assist with education in respect of farming and how to access markets.

For additional details, please see the heading "3.1 – Description of the Business – Operations".

Eloff Mineral Property, Mpumalanga Province, South Africa

During 2010, the Company decided to focus on an area in the northwest quadrant of the property that had previously been identified as a target for potential open pit mining. To test this area of interest and to add geological confidence to other parts of the Eloff Project, an additional 40 boreholes were drilled during 2010.

Caracle Creek International Consulting Coal (Pty) Limited ("CCIC Coal") was commissioned in 2010 to evaluate the quality of the geological data for the Eloff property. The drill program covered both areas of low aerial coverage and some to twin with old boreholes with the objective of validating the data. The process of creating a finalized geological model for the area of interest in the northwest quadrant was concluded in December.

A technical evaluation ensued utilizing the geological model information to make a decision to proceed to the feasibility stage for a defined target area of some 450 hectares. This area offers the lowest strip ratio for initiating an opencast pit. The tender for the feasibility study was awarded to Mindset Consulting, a South African based entity associated with Marsden in the USA.

The mining right for the Eloff property was notarially executed. The Chief Operating Officer (“COO”) has already begun to engage land owners in respect of the purchasing of land.

Northfield Site Reclamation Project, Kwa-Zulu Natal Province, South Africa

A 5-year lease agreement has been signed with Corobrik who is the land owner. It is expected that the dump will have completely been completely depleted within two years. This will leave the Company with sufficient time to rehabilitate the land.

Two of the three mining licenses for the Northfield dump were renewed in October 2010 (the third license is still valid). The existing lease agreement with Corobrik was renegotiated and extended for a further 5 years in December 2010.

In August 2010, the Company secured a trial off-take agreement of 5,000 tonnes for this slurry material which later evolved to a further off-take of 50,000 tonnes. The Company that entered into these short off-take agreements and has indicated its willingness to enter into a long-term off-take agreement for the entire dump volume at a monthly rate of approximately 40,000 tonnes. At this rate the dump will be depleted by end 2012.

A professional mining company was appointed in July to mine and stockpile the material ready for dispatch.

Other Exploration Properties

An investigation was undertaken in 2010 to evaluate the status of numerous prospecting rights for HEMSA.

Two licenses for exploration at Onbekend and Vlakvarkfontein had expired and the applications for mining rights were not successful. Other licenses were found not worth pursuing further.

In addition the Botswana office was closed with the focus being to develop the Kendal and Eloff properties whilst continuing to seek other opportunities in 2011.

2. Rights Offering

By January of 2010, GMR had advanced a total of \$8,000,000 to the Company to address the deficiencies with the Nedbank Facility. The board of directors of the Company determined that it would be appropriate in the circumstances to conduct a rights offering. GMR agreed to provide a back-stop of the offering to the maximum of the \$7,993,140 already advanced. The rights offering would allow all shareholders to participate at current market prices given the significant decline in the Company's share price since going public in 2008. A preliminary prospectus was filed in February of 2010 to raise \$8,750,000. However, due to the subsequent determination that the Company's financial statements would need to be restated as a result of the determination that the investments in Numin and Madic were required to be treated as variable interest entities delayed the process. An amended and restated preliminary prospectus was filed in May of 2010 immediately followed by the final prospectus dated May 31, 2010. Under the terms of the prospectus, the Company issued 302,115,756 rights to acquire 175,000,000 common shares at a price of \$0.05 per share for gross proceeds of \$8,750,000. The offering was scheduled to close on June 30, 2010. The failure of the Company to make its required payment to Nedbank on June 30, 2010, however, required the Corporation to file an amended prospectus and provide a period of rescission to investors who had subscribed for common shares. The rights offering closed on July 9, 2010. GMR subscribed for a total of 159,862,800 common shares increasing its total position together with its affiliates to 293,215,907 representing 66.22% of outstanding capital. Other shareholders subscribed for a total of 9,225,593 common shares for gross proceeds of \$461,279.65 which was used to fund overhead expenses in the Toronto office.

3. Nedbank Loan Facility

Ferret Coal (Kendal) (Pty) Ltd was required to make a payment into the debt service reserve account by March 31, 2010. Subject to the Company agreeing to additional conditions stated above, Nedbank agreed to defer this requirement until June 30, 2010. However, on June 29, 2010, the Company announced that it was unable to make the required payment of approximately ZAR 12,000,000 (\$1,650,000) as result of cashflow generated during the second quarter having been adversely affected by a three-week railway strike. The Company sells a major part of its coal on a FOR (free on rail) basis. An affiliate of the Company advanced the necessary funds to make the payment on the same terms as other advances made by GMR.

The continuing issues with the Nedbank Facility resulted in the Company seeking alternative sources of financing. Conditions at the time were not conducive to finding an arm's length lender and GMR agreed to provide interim financing described below. The Nedbank Facility was paid in full on September 30, 2010.

4. GMR Credit Facility

On September 27, 2010 the Company announced that it had entered into an agreement with GMR pursuant to which GMR would provide a US\$29,000,000 credit facility that would allow for the full repayment of the Nedbank Facility. Proceeds would also be used for working capital purposes. The initial term of the loan is for one year and may be extended for a further two years on the consent of GMR and on obtained required regulatory and shareholder approvals. The facility bears interest at the rate of LIBOR plus 4.5% and is secured by the assets of the Company in South Africa. The Company can repay the facility at any time without penalty. Subsequent to year end, GMR advanced a further sum of US\$5,000,000 on the same terms but which is due on the earlier of the completion of a refinancing of the GMR debt and September 27, 2010.

5. Management Changes

Following the resignations of the Chief Executive Officer ("CEO") and COO in late 2009, the Company appointed Mr. Ashis Basu Interim Chief Executive Officer and Mr. Henry Hoffmann as the new Chief Operating Officer. During the challenges faced by the Company in 2010 it was determined to seek a new CEO during the year. The Company is currently considering its strategy for locating a full-time CEO in 2011.

In June of 2010, the Company retained Mr. Ajay Gupta. Following a brief transition period, Mr. Gupta was appointed Chief Financial Officer in July of 2010.

At the annual meeting of shareholders held on June 29, 2010, Mr. Mike Garvey and Ms. Neena Gupta were added to the board of directors. Mr. Laurie Curtis elected not to stand for election as a director in 2010 and Mr. Jeff Lowe resigned as a director effective September 30, 2010. Avrom Howard resigned as a director in January of 2011.

At Kendal, key management personnel were replaced in 2010, geared at providing quality supervision and management in the workplace utilizing the skills of experienced functional specialists. Noncore positions were made redundant and separations effected.

To ensure the operation is staffed correctly there was the introduction of a Health and Safety Manager, Field Geologist, Logistics Manager, Stock Controllers and Plant/Logistics Foreman and receivables clerk. In this period the Engineering Manager was replaced. Mine offices were upgraded to accommodate mine management executives to ensure focused supervision at all times.

The marketing function, which was hitherto managed by a London-based manager and external trading firm, is presently managed and controlled by a full-time executive located in South Africa.

Specialist fields that do not warrant full-time resources or are scarce skills that have been outsourced include:

- Legal issues
- Environmental consultants
- Geological support
- Medical examinations
- Induction training
- Total survey function

It is planned to appoint a South African based financial director to support the South African operations.

6. Other Investments

During the year the Company received ZAR 2.18 million from Madic and from ZAR 1.418 million from Numin to reduce the outstanding loans. Numin and Madic had a significant contract cancelled during 2010 which may result in litigation to recover amounts due. The Company is considering revising the terms of its relationship with these two entities.

On December 6, 2010, Homeland Uranium Inc. announced that it was distributing its shares in Southern Andes Energy Inc. to its shareholders on the basis of 0.3957 of a Southern Andes share for each common share of HUI held. The Company holds 11,888,348 common shares of HUI and therefore received 4,704,219 common shares of Southern Andes on the completion of the distribution. Southern Andes is a public company listed on the TSX Venture Exchange whose focus is on developing its uranium properties in Peru.

7. Management Cease Trade Order

As a result of the determination that its investments in Numin and Madic were required to be treated as variable interest entities (“**VI**Es”) and that the Company was the primary beneficiary it became necessary to restate the 2009 financial statements to consolidate Numin and Madic into the Corporation’s financial statements. Due to the timing of this determination, the Company was unable to file its annual financial statements by the March 31, 2010 deadline. The Company applied for and obtained a management cease trade order to allow its common shares to continue to trade while it resolved this issue. The Company restated its financial results for the year ended December 31, 2008 as part of this process. Numin and Madic are not part of the core business of the Company. While the impact of the revised accounting treatment to the financial results of the Company is not material, the Company has been putting the necessary procedures in place to ensure there are no further delays in meeting its continuous disclosure obligations as a result of these investments. The cease trade order lapsed on May 25, 2010.

ITEM 3: NARRATIVE DESCRIPTION OF THE BUSINESS

3.1 General

Homeland Energy Group Ltd. is now a coal company with mining operations, traded on the TSX under the symbol “**HEG**”, with a focus on energy exploration and development in Southern Africa. Homeland has a 74% interest in the Kendal Colliery near Witbank, South Africa where mining activity commenced in 2008, a 50% interest in an advanced coal exploration project in South Africa, the Eloff Mineral Property, and a number of earlier-stage exploration properties in the South African provinces of Mpumalanga and Kwa-Zulu Natal.

The Company complies fully with the Black Economic Empowerment requirements of the South African Minerals and Petroleum Resources Development Act through shareholdings by a number of companies owned by historically disadvantaged South Africans in each of the project companies.

Principal Products

The Company’s principal product is coal. While there is a worldwide market for coal, the Company expects to benefit from a strong and growing market for coal domestically in South Africa. The Company intends to execute long-term contracts with end users for 70 to 75 % of production with the balance being sold on the spot market. The marketing team is currently engaged in advanced negotiations with several end users, including steel, cement and paper companies, to enter into 12-month contracts.

Currently, the Kendal Colliery produces 5 products: nl; 0x6mm Duff, 6x15mm Grains, 15x25mm Peas, 25x45mm Small Nuts, 45x85mm Large Nuts. 70 to 75% of the products are sold into the domestic markets and the balance is sold to domestic traders who in turn sell to the export market.

The following table sets out the Company’s revenues for the years ended December 31, 2010 and 2009

Category	December 31, 2010	December 31, 2009
Coal Sales	\$31,132,490	\$6,278,516
Mining Related Services	\$1,883,862	\$792,757

Competitive Conditions

Both the exploration and production operations carried on by the Company are highly speculative. The Company competes with numerous other companies and entities in the acquisition of suitable properties. The coal industry is highly competitive and the ability of the Company to acquire additional properties will depend on its ability to operate and develop its existing properties and its ability to evaluate potential new properties.

Coal Resources and Reserves

For details on the Company's coal resources and reserves at the Kendal Colliery and the Eloff Property please see the headings "Item 4 – The Kendal Colliery" and "Item 5 – The Eloff Property".

Operations

Operations commenced at the Kendal Colliery in 2008 and commercial production was determined to have been reached in October of 2009. In 2010, operations focused on mining the D Block and the F Block. The Company also commenced the box cut necessary to start mining the E Block in 2011. Due to poor yields, the Company has ceased mining the D Block.

Processing Plant

The plant was in a poor state of repair for the most part of the year, primarily as a result of a poor performance by the contractor for the operation and maintenance of the wash plant. A tender was issued in March and a new contractor appointed in May. There were significant repairs undertaken between May and December, whilst still washing coal for the market. The total amount of funds spent in the repair phase was in the order of ZAR 5.5m. The introduction of the new contractor saw immediate benefits with improvements noted in plant efficiency and the consistent quality of products produced.

The overland conveyor project, which would transport coal from the future mining areas, had been mothballed due to capital constraints and was revived in August and was completed and commissioned in the first quarter of 2011.

With the amount of different sized coal products being made at Kendal, the logistics costs are disproportionately high. To curb such costs the mine redesigned the stockpile layout to minimize the handling and re-handling of products and also renegotiated the terms of the logistics contract. Further projects to reduce logistics even more are planned and will be executed in 2011.

With the envisaged long-term off-take agreement with Eskom, the Company is in advanced stages of investigating the possibility of constructing a rewash plant facility to wash low grade coal for consumption by the power utility.

The remotely located laboratory responsible for analysis of coal at Kendal's contract was terminated and the mine established an onsite laboratory following a thorough tender process. This laboratory is fully equipped to perform all analysis required to ensure the optimal utilization of coal and monitoring of the wash plant performance and efficiency. Sample analysis turnaround time has reduced significantly and with more accuracy through dedicated management to allow adjustments to be made in the plant to optimize the process.

Mining Operations

A comprehensive evaluation was performed by CCIC Coal to assess and validate the geological model for Kendal Colliery. With additional drilling of 15 strategically positioned exploration holes, a new geological model was created that effectively and accurately states the coal resources. Although the mine employs a field geologist to manage the routine geological work in the field and wash plant, there is an ongoing need for evaluation of the model in relation to the Life of Mine Plan ("LOMP") and CCIC Coal has been contracted for this support.

With the foundation of a new geological model a new Life of Mine Plan was developed using SRK Consultants ("SRK"). The Life of Mine modeling was done using XPAC software and caters in detail for the short- and long-term planning needs of the operation. SRK will continue to be involved with updating the LOMP on an ad hoc basis as and when operational requirements dictate such need.

In September the excavation of the Block E box cut was initiated. Block E is the main coal winning source for Kendal Colliery for the next nine years. The box cut was positioned in the center of the reserve with a highwall on the southern boundary. The box cut position not only provides for the highest-yield coal being mined first but also provides the flexibility of having three production faces exposed at any given time, a key requirement when engaging a previously mined area. This layout allows for a consistent feed of material to the wash plant. Work in this area was slowed as it was started in the summer rainy season and ultimately put on hold and will be started in March 2011 as per the new LOMP.

Due to the deceleration of the box cut development in Block E, it was decided to exploit the southern boundary of the Block F reserve where a boundary pillar of some 150m was left intact. The mining of this boundary would allow for the extraction of 450kt of coal previously excluded from the reserves.

Due to the underperformance of the existing mining contractor, a tender was issued in August. The current mining contract will expire in March 2011. A new contractor was appointed in September to mine in Block E and Block F. It is intended to suspend production from Block D due to low quality coal. This area may in future be mined for the low-grade market.

Kendal Colliery, by mutual agreement with a neighboring mine, mined the barrier pillar between the operations and the coal split equally. This pillar coal resulted in some 40kt of high-yield coal being sent to Kendal Colliery by December 2010. The remaining 60kt would be forthcoming in the early stages of 2011.

	Total 2009	Q1 2010	Q2 2010	Q3 2010	Q4 2010	Total 2010
Run-of-Mine ("ROM" tonnes)	1,286,642	291,856	238,409	286,408	275,866	1,092,539
Feed to plant (tonnes)	1,045,724	239,965	224,558	299,683	253,582	1,017,788
Yield (%)	43.71	47.2	41.7	35.7	39.6	40.7
Product (tonnes saleable)	457,049	113,263	93,571	106,841	100,423	414,098
Sales (tonnes)	546,611	116,778	359,134	571,939	268,984	1,316,835
ROM Stock (tonnes)	207,271	244,370	168,121	82,910	106,526	106,526
Product Stock (tonnes)	57,963	45,836	38,861	6,962	7,248	7,248

Environmental Protection

The current and future operations of the Company, including development activities on its properties or areas in which it has an interest, are subject to extensive state, provincial and local laws and regulations governing environmental protection, employee health and safety, exploration, development, tenure, production, taxes, labour standards, occupational health, waste disposal, greenhouse gas emissions, protection and remediation of environment, reclamation, mine safety, toxic substances and other matters. Compliance with such laws and regulations increases the costs of and delays planning, designing, drilling and developing the Company's properties. Homeland is also subject to various reclamation-related conditions imposed by law and contained in its mining licenses and permits.

The Company has planned and budgeted to apply technically-proven and economically-feasible measures to advance protection of the environment throughout the exploration and development process. Current costs associated with compliance are considered to be normal.

A specialist environmental consultant company was contracted to assist with the drafting and submission of an amended Environmental Management Program (“EMP”) and the application for an Integrated Water Use License submitted in 2010 that reflects accurately the activities of Kendal Colliery.

An EMP compliance audit was conducted by this company and an action plan drafted to address issues.

A closure cost assessment for Kendal mines will be revised during 2011 and a mechanism to provide funding of such activity will be set in.

Employees

The Company now has 26 full-time staff based at its office in Witbank and Kendal Colliery (South Africa), and 2 based in Toronto (Canada). As required, the Company also retains geologists, engineers, geophysicists and other consultants on a per diem basis. To date, the Company has been able to attract and retain the necessary qualified personnel.

Foreign Operation

The Company’s activities in foreign jurisdictions may be affected by possible political or economic instability and government regulations relating to the mining industry and foreign investors therein. The risks created by this political and economic instability include, but are not limited to: military repression, extreme fluctuations in currency exchange rates and high rates of inflation. Changes in exploration or investment policies or shifts in political attitude in such jurisdictions may adversely affect the Company’s business. Mineral exploration and mining activities may be affected in varying degrees by government regulations with respect to restrictions on production, price controls, export controls, controls on the movement of currency, income taxes, expropriation of property, maintenance of property, environmental legislation, land use, land claims of local people, water use and property safety. The effect of these factors on the Company cannot be accurately predicted.

3.2 Marketing

There is ongoing and increasing demand from international buyers for Homeland’s Kendal 0 x 50mm export quality steam coal, particularly from power generators in India. As the lower Kendal qualities fit most Indian power stations there are future opportunities to export the lower calorific product into the Far Eastern markets, particularly in view of the rising international price levels. Given the high projected demand of coal from India etc., Eloff mine can also potentially be developed with a part of the production to address the needs of this market.

Meanwhile, Kendal-sized coal is being exported through Third Parties through the port of Durban and the balance of all saleable product of some 35,000mt per month is sold into the domestic industrial market at prices between 70% and 80% of current export levels.

In mid 2010 Kendal had significant clean coal stocks that did not meet market specifications, caused by the poor performance of the previous plant contractor. This situation necessitated the selling of these stocks at a discounted rate.

The Company’s credibility had to be re-established in the market place to attract dissatisfied customers as the plant was brought back to a proper operating standard and where consistent qualities could be assured. The mine had to stagger pricing increases to get on par with the market prices since a significant price increase based on the historical performance would not be acceptable in the marketplace.

The second half of the year saw contracts being secured for the off take of peas, the highest margin product produced at the mine. Prices will be market related in Q1 2011.

A short-term supply agreement was secured with BHPBilliton for the supply of raw poor-quality RoM coal for use in the local power plants. A total of 198,603 tonnes was dispatched under this contract by September. The

Company has since engaged directly with Eskom, the power utility for the securing of a long-term supply contract for the duration of the life of the mine.

A contract was honoured where the entire discard generated by primary washing of coal was sold. The total volume amounted to 800,000 tonnes, albeit at a low price. This customer also uplifted the 22,000 tonnes of raw low-volatile coal on stock that could not be washed for any specification requirements of the inland market.

3.3 Risk Factors

Homeland's business of exploring for and developing coal deposits involves a variety of operational, financial and regulatory risks that are typical in the natural resource industry. The Company attempts to mitigate these risks and minimize their effect on its financial performance, but there is no guarantee that the Company will be profitable in the future.

Going Concern Risk

The audited financial statements for the year ended December 31, 2010 have been prepared in accordance with Canadian generally accepted accounting principles on a going concern basis, which assumes that the Company 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 December 31, 2010 the Company had a working capital deficit of \$29,307,560 as a result of the GMR Credit Facility being a short-term obligation and the extension of payment terms to suppliers. The Company had been unable to meet its obligations under the previous Nedbank Facility without the support of GMR.

The ability of the Company to continue as a going concern for the foreseeable future is dependent on raising sufficient funds to meet these ongoing obligations. While the Company 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 Company is unable to meet these obligations from cash flow from operations and additional financings, it will be in default of its obligation to GMR and may not be able to continue as a going concern.

Financing Risks

The Company 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 Company 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 Company. The Company'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 Company's business, financial condition or results of operations.

Nature of Coal Exploration and Development Projects

The exploration for and development of coal deposits involves significant risks, which even a combination of careful evaluation, experience and knowledge may not eliminate. Few properties which are explored are ultimately developed into producing mines. There can be no guarantee that the estimates of quantities and qualities of coal disclosed will be economically recoverable. With all mining operations there is uncertainty and, therefore, risk associated with operating parameters and costs resulting from the scaling up of extraction methods tested in pilot conditions. Coal exploration is speculative in nature and there can be no assurance that any coal discovered will result in an increase in the Company's resource base.

Homeland's operations will be subject to all of the hazards and risks normally encountered in the exploration, development and production of coal. These include unusual and unexpected geological formations, formation pressures, fires, power failures, flooding, explosions, cave-ins, landslides, the inability to obtain suitable or adequate equipment or machinery, labour disputes, or adverse weather conditions, and other conditions involved in the extraction of material, any of which could result in damage to, or destruction of, mines and other producing facilities, damage to life or property, environmental damage and possible legal liability. Although precautions to minimize risk will be taken, operations are subject to hazards that may result in environmental pollution and consequent liability that could have a material adverse impact on the business, operations and financial performance of the Company.

Certain of Homeland's properties are in the exploration stage and at present do not have a known commercial coal deposit. Proposed prospecting programs are in some cases an exploratory search to define such a deposit and in other cases designed to increase the confidence in or expand the current coal resource estimates. The long-term profitability of Homeland's operations will be in part directly related to the cost and success of its exploration programs, which may be affected by a number of factors that are beyond the control of Homeland.

Although Homeland believes it will be able to define a coal deposit, the economics of commercial production depend on many factors, including the cost of operations, the size of the deposit and quality of the coal, proximity to infrastructure, financing costs and Government regulations, including regulations relating to prices, taxes, royalties, land tenure, land use, importing and exporting of coal and environmental protection. The effects of these factors cannot be accurately predicted, but any combination of these factors could adversely affect the economics of commencement or continuation of commercial production.

Success in establishing reserves is a result of a number of factors, including the quality of management, Homeland's level of geological and technical expertise, the quality of land available for exploration and development, the availability of suitable contractors, and other factors. Substantial expenditures are required to establish reserves through drilling, to determine the optimal metallurgical process and to construct mining and processing facilities. Because of these uncertainties, no assurance can be given that exploration programs will result in the establishment or expansion of resources or reserves.

Volatility of Coal Prices

The market price of coal is volatile and is affected by numerous factors that are beyond the Company's control. These include international supply and demand, the level of consumer product demand, international economic trends, fluctuations in oil prices, the buying and selling of coal swaps in the coal derivatives market which is often led by sentiment, currency exchange rate fluctuations, the level of interest rates, the rate of inflation, global or regional political events as well as a range of other market forces.

Domestic prices in South Africa have strengthened steadily throughout 2010. Prices are expected to increase in 2011 on the back of a shortfall of export coal as a result of the flooding in Australia in 2010. Major mining houses in South Africa will supplement losses in Australia with coal, which would have been destined for the inland market, being exported.

With international prices expected to continue to increase, particularly in the Far East, this is also expected to have an upward impact on domestic price levels as more coal makes its way into the export market, reducing quantities available domestically. This is expected to secure both the domestic and international demand for Kendal coal in the foreseeable future.

Substantial Capital Requirements

Substantial additional funds for the establishment of Homeland's current and planned mining operations will be required. No assurances can be given that the Company will be able to raise the additional funding that may be required for such activities, should such funding not be fully generated from operations. Coal prices, environmental rehabilitation or restitution, revenues, taxes, transportation costs, capital expenditures and operating expenses and geological results are all factors that will have an impact on the amount of additional capital that may be required. To meet such funding requirements, Homeland may be required to undertake additional equity financing, which would be dilutive to shareholders. Debt financing, if available, may also involve restrictions on financing and operating activities. There is no assurance that additional financing will be available on terms acceptable to the Company or at all. If Homeland is unable to obtain additional financing as needed, it may be required to reduce the scope of its operations or anticipated expansion, and pursue only those development plans that can be funded through cash flows generated from its existing operations.

Governmental Regulations, Licences and Permits

The activities of Homeland, and its subsidiary and affiliated companies, are subject to government approvals, and various laws and regulations governing Black Economic Empowerment and the repatriation of funds in South Africa, prospecting, development, land resumptions, production taxes, labour standards and occupational health, mine safety, toxic substances and other matters, including issues affecting local previously disadvantaged populations. Although the Company believes that its activities are currently carried out in accordance with all

applicable rules and regulations, no assurance can be given that new rules and regulations will not be enacted or that existing rules and regulations will not be applied in a manner that could limit or curtail development or production. Amendments to current laws and regulations governing operations and activities of exploration and mining, or more stringent implementation thereof, could have a material adverse impact on the business, operations and financial performance of the Company. Further, the mining licenses and permits issued in respect of its projects may be subject to conditions which, if not satisfied, may lead to the revocation of such licenses. In the event of revocation, the value of Homeland's investments in such projects may decline.

Homeland's exploration and development activities require permits from various government authorities, and are subject to extensive state, provincial and local laws and regulations governing prospecting, development, production, exports, taxes, currency movements, labour standards, occupational health and safety, mine safety and other matters. The governing laws and regulations are subject to change, can become more stringent and compliance can therefore become more costly.

Homeland draws on the expertise and commitment of its management team, their advisors, its employees and contractors to ensure compliance with current laws and fosters a climate of open communication and co-operation with regulatory bodies. To the extent such approvals are required and not obtained, Homeland's planned exploration and development activities may be delayed, curtailed, or cancelled entirely.

Homeland believes that it holds, has applied for, or has the capability of applying for when appropriate all necessary licences, rights and permits under applicable laws and regulations, and believes it is presently complying in all material respects with the terms of such licenses and permits. There is no assurance that future changes in such regulation, if any, will not adversely affect Homeland's operations.

In the ordinary course of business, Homeland is required to obtain or renew governmental permits for the operation and expansion of existing mining operations or for the development, construction and commencement of new mining operations. Obtaining or renewing the necessary governmental permits is a complex and time-consuming process involving numerous jurisdictions, which often involves public hearings and costly undertakings. The duration and success of Homeland's efforts to obtain or renew permits are contingent upon many variables not within the Company's control, including the interpretation of applicable requirements implemented by the permitting authority. Homeland may not be able to obtain or renew permits that are necessary to its operations, or the cost to obtain or renew permits may exceed what Homeland believes it can recover from the property once in production. Any unexpected delays or costs associated with the permitting process could delay the development or impede the operation of a mine, which could have a material adverse effect on Homeland's operations and profitability.

Title to Assets

The validity of mining or exploration titles or claims, which constitute most of Homeland's property holdings, can be uncertain and may be contested. Homeland has used reasonable commercial efforts to investigate its title or claims to its various properties and, to the best of its knowledge, except where Homeland has otherwise identified those titles or claims are in good standing. However, no assurance can be given that applicable governments will not revoke or significantly alter the conditions of the applicable exploration and mining titles or claims and that such exploration and mining titles or claims will not be challenged or impugned by third parties.

Homeland has not conducted surveys of all the claims in which it holds direct or indirect interests and therefore, the precise area and location of such claims may be in doubt. Homeland's properties may be subject to prior unregistered liens, agreements or transfers, native land claims or undetected title defects.

Access to Land

Several of the Homeland tenements are exploration licences and access to land within the tenement area is dependent upon reaching an equitable access agreement with landholders and, in the case of coal production, the acquisition or lease of freehold land or similarly reaching an equitable access agreement with landholders. Homeland may be unable to reach agreement with landowners to enter property for intended exploration, such as drilling programs, or for mining activities on terms favourable to Homeland or at all. At the Ferret Coal Kendal Colliery, all surface land required for mining operations has been acquired.

Competition for New Properties and Personnel

Mines have limited lives and as a result, Homeland may, in the future, seek to replace and expand its reserves through the acquisition of new properties. There is a limited supply of desirable mineral lands available in areas where Homeland would consider conducting exploration and/or production activities. Homeland faces strong competition for new properties from other mining companies, some of which have greater financial resources than it does. Homeland competes with other mining companies, many of which have greater financial resources than the Company, for the acquisition of coal claims, leases and other coal interests as well as for the recruitment and retention of qualified employees and other personnel. As a result, Homeland may be unable to acquire attractive new mining properties on terms that it considers acceptable.

Competition in the mining business for limited sources of capital could adversely affect Homeland's ability to acquire and develop suitable coal mines, coal developmental projects, coal producing companies or properties having significant exploration potential. As a result, there can be no assurance that Homeland's acquisition and exploration plans will yield new mineral reserves to replace or expand current mineral reserves.

Homeland's success will depend on its ability to attract and retain qualified and experienced personnel. The loss of any key executive or manager of the Company may have an adverse effect on the future of its business. While the Company has entered into contracts and adopted a stock option plan with the aim of securing the services of the existing management, the retention of their services cannot be guaranteed. The number of persons skilled in acquisition, exploration and development of mining properties is limited and competition for such persons is intense. As Homeland's business activity grows, Homeland will require additional key executive, financial, operational, administrative and mining personnel. Although Homeland believes that it will be successful in attracting, training and retaining qualified personnel, there can be no assurance of such success. If Homeland is not successful in attracting and training qualified personnel, the efficiency of its operations could be affected, which could have a material adverse effect on Homeland's results of operations and profitability.

Homeland could experience labour disputes, work stoppages or other disruptions in production that could adversely affect its operations.

Environmental Risks

Mining operations are subject to various environmental laws and regulations including, for example, those relating to waste treatment, emissions and disposal, and companies must generally comply with permits or standards governing, among other things, tailing dams and waste disposal areas, water consumption, air emissions and water discharges. Existing and possible future environmental legislation, regulations and actions could cause significant expense, capital expenditures, restrictions and delays in Homeland's activities, the extent of which cannot be predicted and which may well be beyond the capacity of Homeland to fund. Homeland's right to exploit any minerals it discovers is subject to various reporting requirements and to acquiring certain government approvals, and there is no assurance that such approvals, including environmental approvals, will be granted without inordinate delays, or at all.

Additionally, all phases of the mining business present environmental risks and hazards and are subject to environmental regulation pursuant to a variety of international conventions and state and municipal laws and regulations. Environmental legislation provides for, among other things, restrictions and prohibitions on spills, releases or emissions of various substances produced in association with mining operations. The legislation also requires that facility sites be operated, maintained, abandoned and reclaimed to the satisfaction of applicable regulatory authorities. Compliance with such legislation can require significant expenditures and a breach may result in the imposition of fines and penalties, some of which may be material. Environmental legislation is evolving in a manner expected to result in stricter standards and enforcement, larger fines and liability and potentially increased capital expenditures and operating costs.

The Kyoto Protocol to the United Nations Framework Convention on Climate Change was negotiated in December 1997 and aims to reduce emissions of greenhouse gases. While these restrictions have not yet been ratified by the member nations, their possible future ratification and implementation could adversely impact on the price and demand for coal or may result in the imposition of additional taxes or levies or other increased costs. Homeland is committed to a future of "clean coal".

Foreign Exchange Rate Fluctuations

The Company's revenues are denominated in South African Rand. Expenses are predominantly in South African Rand and Canadian Dollars giving rise to an exposure to a gain or loss upon the translation of Rand expenses to Canadian Dollars at each financial reporting period end. Financings, debt and/or equity, may be raised in various markets subject to market conditions, with proceeds generally used to fund Canadian Dollar Corporate Office costs, as well as funding requirements in South Africa. The Company generally does not take steps to help mitigate foreign currency fluctuations. The translation of long term foreign denominated assets and any loss or gain thereof is recorded in the company's income statement, under Foreign exchange (gain) loss. In 2010, there is a net foreign exchange gain due to the strengthening of the rand relative to the Canadian Dollar, and it is anticipated that any immediate transactions will also be positively impacted.

Uninsured Risks

Although Homeland maintains insurance to cover normal business risks, the availability of insurance for many of the hazards and risks is extremely limited or uneconomical at this time.

As a participant in mining and exploration activities, the Company may become subject to liability for hazards that cannot be insured against or against which it may elect not to be so insured because of high premium costs. Furthermore, Homeland may incur a liability to third parties (in excess of any insurance coverage) arising from negative environmental impacts or any other damage or injury.

Conflicts of Interest

Certain of Homeland's shareholders, directors, officers and technical consultants are or may become shareholders, directors, officers or employees of, or technical consultants to, other natural resource companies, and, to the extent that such other companies may participate in ventures with the Company, these individuals may have a conflict of interest in negotiating and concluding terms respecting the extent of such participation. In the event that such a conflict of interest arises at a meeting of the directors, a director who has such a conflict will abstain from voting for or against the approval of such participation or of its terms. In appropriate cases Homeland will establish a special committee of independent directors to review a matter in which one or more directors or officers may have a conflict.

From time to time, Homeland, together with several other companies, may be involved in a joint-venture opportunity where several companies participate in the acquisition, exploration and development of natural resource properties, thereby permitting Homeland to be involved in a greater number of larger projects with an associated reduction of financial exposure in any given project. Homeland may also assign all or a portion of its interest in a particular project to any of these companies due to the financial position of the other company or companies. Directors are required to act honestly and in good faith with a view to furthering the best interests of Homeland. In determining whether or not Homeland will participate in a particular program and the interest therein to be acquired by it, the directors will primarily consider the potential benefits to Homeland, the degree of risk to which Homeland may be exposed and its financial position at that time.

Joint Ventures

Homeland holds, and expects to hold in the future, interests in joint ventures. Joint ventures may involve special risks associated with the possibility that the joint-venture partners may:

- have economic or business interests or targets that are inconsistent with those of Homeland;
- be unwilling or unable to fulfill their obligations under the joint venture or other agreements;
- take action contrary to Homeland's policies or objectives; or
- experience financial or other difficulties.

Any of the foregoing may have a material adverse effect on the results of operations or financial condition of the Company.

ITEM 4: THE KENDAL COLLIERY

The following information concerning the Kendal Property is extracted from, and is qualified entirely by, the more detailed disclosure contained in Technical Report dated April 23, 2010 entitled “Internal Geological Report on the Kendal Coal Project Mineral development, Exploration and Resources” (the “Kendal Report”). The Company has now completed the conversion of the resource at Kendal into proven reserves. A press release has been issued with respect to the new report. The reserve table has been included in this disclosure to ensure full true and complete disclosure. An updated technical report is being prepared in this regard by Dr P.J Hancox, Pr.Sci.Nat., Managing Director, CCIC Coal and A. Dougall, Principal Mining Engineer, SRK Consulting (SA) (Pty) Ltd (Pr. Eng.) (the “Updated Report”). The summary below is taken from the Kendal Report which is incorporated herein in its entirety except to the extent that is updated by the Updated Report. Upon issuance, the Updated Report will also be incorporated by reference herein in its entirety.

Introduction

The Updated Report is an update of the SRK- independent technical report (“ITR”) prepared to support a disclosure made by Homeland Energy Corporation in August 2007, of revised coal resource estimates for the Kendal Coal Project. The Updated Report is being prepared by Dr P.J Hancox, Pr.Sci.Nat., for and on behalf of the Company and by A. Dougall, Pr.Eng, of SRK Consulting (South Africa) (Pty) Ltd, at the request of the management of the Company, and additional information, presented to SRK by the Company, where warranted and deemed necessary, will be included in the Updated Report. The Updated Report converts the measured resource at Kendal into proven reserves.

Property Description

The Kendal Coal Project is a moderate-sized coal resource, largely open castable, partly underlying predominantly farming (maize and livestock) land, and elsewhere has historically supported mining operations supplying coal to the local industry. The project area lies in the west-central region of the Witbank Coalfield, and the surrounding areas have supported a number of mining operations, both historically and currently.

Property Location

The Kendal Coal Project is located at approximately Latitude 26° 04’ South, Longitude 28° 59’ East, some 6km west of the town of Ogies in the Mpumalanga Province of South Africa. The elevation of the project area is some 1,570 metres above mean sea level (See Figure 1.1 below).

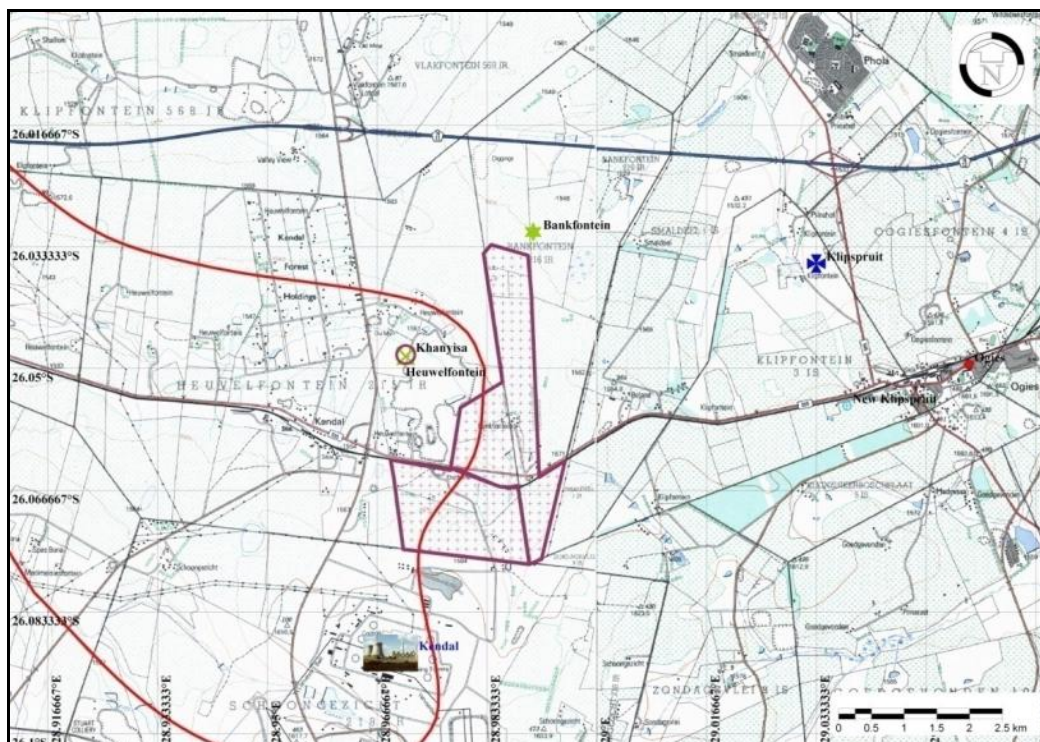


Figure 1.1 General location of the Kendal Coal Project

Ownership

In October of 1987, certain portions of the farms Heuvelfontein 215 IR and Bankfontein 216 IR were consolidated into new titles. All documentation thus far received and reviewed by the Company refers to the pre-1987 farm names and portion numbers. Further details are available in Item 5 of the Kendal Report. A Mining right was granted to Ferret Coal (Kendal) (Pty) Ltd (formerly Zamori 272 (Pty) Ltd) on the 18th March 2008. It was executed on the 22nd May 2008, the date on which it became effective, and remains effective for a period of ten years. It was registered with Mining Titles Registration Office on 15th October 2008.

The extent of the Mining Right granted to the Company is some 552ha, on the farms Bankfontein 216 IR and Heuvelfontein 215 IR, in the Magisterial District of Emalahleni (Witbank) in Mpumalanga Province. See Figure 1.2 below for further detail.

The Company complies fully with the Black Economic Empowerment (“BEE”) requirements of the MPRDA via a number of shareholdings with companies owned by historically disadvantaged South Africans including a 26% interest in the Kendal Coal Project which is held by one of the Company’s BEE partners.

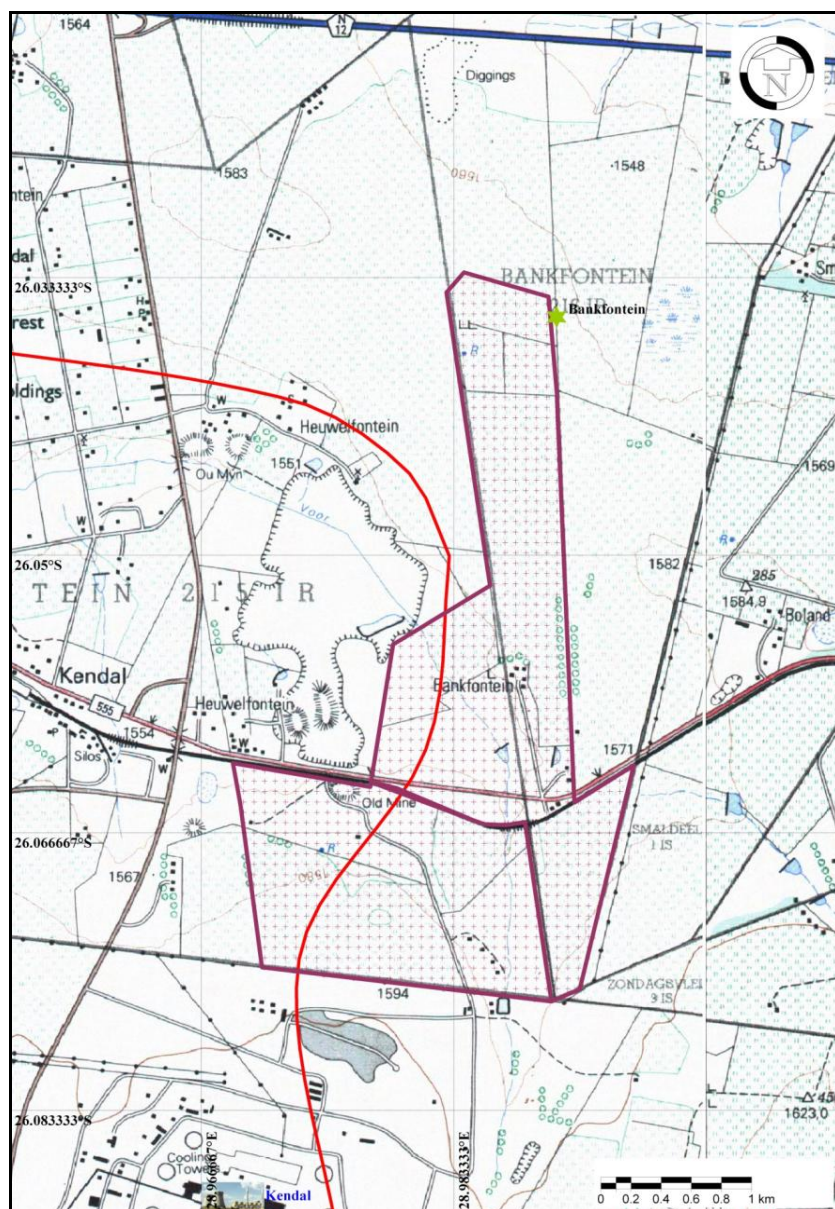


Figure 1.2 Detail of the Kendal Coal Project

Geology and Coal Resources

The original Coal Resource has been estimated as a result of an extensive drilling programme undertaken during 2008. Since the completion and disclosure of the Kendal Report and additional 15 diamond cored holes have been drilled. Council for Geosciences (“CGS”) boreholes were excluded from the model due to inconsistencies with the CGS data. Table 1.1 and Table 1.2 below indicate the Coal Resources associated with the Kendal Coal Project as at 31st December 2009.

Table 1.1 Total In Situ Coal Resources as at 31 December 2009

Block Name	Seam Name	Measured (Mt)	Indicated (Mt)	Inferred (Mt)	Total (Mt)
D	4 Lower	1.3	-	-	1.3
E	4 Lower	3.5	-	-	3.5
E	4 Upper	5.9	-	-	5.9
D	3 Seam	1.1	-	-	1.1
E	3 Seam	1.9	-	-	1.9
B	2 Seam	0.7	-	-	0.7
D	2 Seam	3.9	-	-	3.9
E	2 Seam	15.7	-	-	15.7
F	2 Seam	3.8	-	-	3.8
Total		37.8	-	-	37.8

Notes 1. Tonnes have been discounted for geological losses, seam height <1.0m and mined out areas.
2. Block cover previously mined No. 4 Seam (assumed 60% volumetric extraction)

Table 1.2 Average In Situ (raw) Coal Qualities as at 31 December 2009

Block Name	Seam Name	Calorific Value (MJ/kg)	Ash Content (%)	Volatile Matter (%)	FC (%)
D	4 Lower	17.3	39.1	18.8	38.9
E	4 Lower	18.8	34.9	19.4	40.5
E	4 Upper	17.5	38.8	18.4	39.5
D	3 Seam	23.1	24.1	23.5	49.3
E	3 Seam	24.1	20.9	22.0	53.4
B	2 Seam	21.6	27.5	20.2	48.9
D	2 Seam	21.8	27.0	19.2	50.4
E	2 Seam	21.8	26.9	18.9	49.9
F	2 Seam	22.6	25.6	20.6	51.3
Total/average		20.6	30.3	19.2	46.6

The tables above indicate the historical coal resource at Kendal. It should be noted that subsequent study has shown that the references to the 3 Seam should be to 4 Lower Seam. The tables also represent in situ amounts. During 2010 the Company mined 1,092,539 run-of-mine tonnes which reduce the coal resource accordingly. The resource described in tables 1.1 and 1.2 has been superseded and replaced by the reserve calculation set out in table 1.3.

Exploration Concept

Exploration is carried out using vertical diamond-drilled fully-cored boreholes of a TNW size (60.5mm core diameter). The cores are logged by suitably qualified and experienced geologists and the coal seams are sampled for appropriate analysis at the laboratory.

Status of Exploration

The Kendal Coal Project has been previously explored since the 1940's to 2003, and more recently in 2007-2010, with the drilling of 440 boreholes (by the Company) completed in August 2010. Coal samples have been analysed by Witlab (Pty) Ltd and the South African Bureau of Standards (SABS), coal and mineral analytical laboratories. During 2010 an additional 15 geological boreholes were drilled to validate information from certain areas in Block D and the proposed Block E pits.

Status of Development

Three box cuts have been opened to date in the B, F and D blocks respectively. Mining of the B Block commenced in October 2008, and is currently mined out with the possibility of barrier pillars between Kendal and Shanduka on the east and Wescoal on the west of Block B being mined, if an agreement is reached between respective parties. Dewatering of the old underground No.4 Lower Seam working in the E Block is set to begin as the pump holes are already in place. Steady state mining in the F and D blocks is in progress. Four potentially economic horizons have been identified at Kendal, namely the No.4 Upper Seam, No.4 Lower Seam, No.3 Seam and No.2 Seam. The No.3 Seam is however too thin for economic extraction and has not been considered in the current resource estimations. Only the No.2 Seam is regionally developed with the upper seams more prominent to the south of the lease area. The Block E box cut was started in September 2010 and its expected completion is in July 2011.

A 200 tonne per hour combined drum and cyclone dense medium modular coal washing plant, built by Derek Parnaby Cyclones International Ltd. in the United Kingdom was assembled and has been operational since April 2008. The drum treats the +15mm fraction to produce three products, namely, large nuts (80x40), small nuts (40x25) and peas (25x15) while the cyclone plant treats -15mm fraction to produce grains (15x6) and duff (-6). Spirals may be added to the plant configuration for the enhancement of the finer material.

Status of Operations

The Kendal Coal Project is classified as an Operating Property. Preliminary mining studies were completed by Exxaro (under the auspices of Bergbau Beratung Mining Consulting) during 2009 and various product options have been proposed to maximize profit. Planning and scheduling is an ongoing dynamic process undertaken in conjunction with the Company's mining contractors at the Kendal Coal Project.

A number of strategic decisions have been recently made, following changes in the executive and operational management of the Company. The Company requested SRK and CCIC Coal to assist with various aspects of the technical issues relating to coal exploration, detailed estimation of Coal Resources, mine planning and conversion of Coal Resources to Coal Reserves from April 2010 onwards.

In 2010 SRK Consulting carried out investigations and studies to derive the Coal Reserves and appropriate estimates of saleable products and Saleable Coal Reserves. Pit optimization exercises were carried out using MICROMINE mining software solution. An XPAC model was developed to assist HMESA with the first year of mining in more detail for budgeting and comparison purposes. Table 1.3 below indicates the Proven Coal Reserve as at December 2010:

Table 1.3 ROM and Saleable Production (Mt) – Proven Reserves

Block	Seam	Geology Model	XPAC ⁴	Previous Mining ⁸	GTIS ¹	Geological Losses	MTIS ²	Mining Losses	RoM ⁶	Theor. Yield	Plant factor ⁷	Product	Saleable
D	No.4 Upper	1.734	1.734	0.287	1.447	10%	1.274	10%	1.146	100%	100%	Raw	1.146
	No.4 Lower	0.948	0.948	0.162	0.786	10%	0.691	10%	0.622	91%	93%	26.5MJ/kg	0.527
	No.2	3.667	3.671		3.667	10%	3.300	10%	2.970	84%	93%	21.0MJ/kg	2.334
		6.349	6.353	0.449	5.900		5.265		4.738				4.007
E	No.4 Upper	8.841	8.870		8.841	10%	7.957	10%	5.110	100%	100%	Raw	5.110
									2.052	38%	93%	26.5MJ/kg	0.716
	No.4 Lower	5.879	2.936	2.940	2.940	0%	2.940	10%	0.094	100%	100%	Raw	0.094
									2.551	61%	93%	26.5MJ/kg	1.437
	No.2	9.247	9.249		9.247	10%	8.322	10%	1.801	100%	100%	Raw	1.801
									5.689	50%	93%	26.5MJ/kg	2.671
		23.967	21.055	2.940	21.028		19.219		17.297				11.829
			23.998⁵										

- Note
- 1 GTIS = Gross Tonnes In Situ = Coal tonnage available for determining MTIS
 - 2 MTIS = Mineable Tonnes *In Situ* = Coal tonnage available for developing a mine plan
 - 3 XPAC tonnages discounted for previous mining
 - 4 XPAC derived schedules to be discounted using geological and mining modifying factors
 - 5 Assuming 5.879Mt of No.4 Lower Seam. The XPAC difference to the Geological Model is less than 0.02%
 - 6 ROM has not included contamination or additional moisture
 - 7 Plant factors based on industry standards, additional and/or more appropriate modifying factors to be determined using current production data
 - 8 Assumed 60% mining of the No.4 Lower Seam by previous underground mining

It should be noted that there are small discrepancies in the tonnages derived from the geological model and those derived from the XPAC model. This is due to the algorithms used in the various computer programs, these differences will have an insignificant effect on the detailed mine planning.

Conclusions

It should be noted that certain modifying factors have been applied to determine RoM and Saleable production. Additional modifying factors such as contamination, moisture, practical yields, because of the contamination and moisture, have not been applied. Additional reconciliation studies should be carried out to determine the appropriate factors to be used in determining RoM and Saleable Coal Reserves in future planning exercises

Recommendations

All exploration and certain preliminary mining studies have been completed and future emphasis will concentrate on profit optimization and adaptation to changing markets. The necessary plant facilities are at hand to do this. Operational costs are also being revised and strategized on an ongoing basis to ensure maximum returns.

ITEM 5: THE ELOFF PROPERTY

The following information concerning the Eloff Mineral Property is extracted from, and is qualified entirely by, the more detailed disclosure contained in the report dated March 31, 2011 titled entitled “Independent Geological Report on The Eloff Project Coal Development, Exploration and Resources” (the “2011 Eloff Report”) prepared by Dr P.J Hancox, Pr.Sci.Nat of Caracle Creek International Consulting Coal (Pty) Limited. The 2011 Eloff Report is incorporated herein by reference in its entirety. A full copy of the Eloff Report is available for viewing on SEDAR at www.sedar.com.

Introduction

The 2011 Eloff Report on the 2010 exploration activities for coal on the Eloff Project area (previously referred to as the Eloff Block) has been compiled by Caracle Creek International Consulting Coal (Pty) Limited (www.cciconline.com) based on information that the Company played a role in acquiring, and the new resources stated herein may be considered to be independent. Previous Independent Technical Reports for Eloff have been compiled by SRK (31/7/2007) and Gemecs (31/04/2008). A previous non-independent report on the Property was completed in March 2009 by Homeland (Gemmell, 2009), a copy of which has previously been filed on SEDAR. The data presented here is based on the results of the exploration prospect drilling undertaken by the Company on their Eloff Project, over the period from September to December 2010.

Property Description

The Eloff Project covers an area of some 5,028 hectares on the farms Weilaagte 271IR and Welgevonden 272IR, in the Magisterial District of Delmas (Mpumalanga Province, South Africa). The current surface land usage is cattle husbandry and maize farming. Previous work on the property has shown the Eloff Project to be a significant (greater than 400 million tonnes) coal resource, most of which occurs at shallow depths amenable to open-cast operations. The coal has historically been considered for supplying a low-grade feedstock to the local power generating industry. The project area lies in the western extremity of the Witbank Coalfield, and the surrounding areas currently support a number of coal mining operations and undeveloped coal resource blocks.

Property Location

The Eloff Project is situated some 10 kilometres to the south of the town of Delmas. The bulk of the project area is centered just to the east of the regional R42 road, which runs between the towns of Delmas and Nigel. The Eloff Project is centered on latitude 26°15'S, and longitude 28°42'E and the elevation of the project area is some 1600 meters above mean sea level. The resource block which forms the focus of the 2011 Eloff Report is situated in the northwest corner of the Eloff Project area and is centred on -30910W – 2902650S (LO29, WGS84): which equates to longitude 28°41'24"35E and latitude S26°13'57"65.

Ownership

The Company originally secured the mineral rights to the Eloff Project by way of a Prospecting Right (Protocol Number 141/2006) granted by the Department of Minerals and Energy in terms of the Minerals and Petroleum Resources Development Act No 28 of 2002 to Tshedza Mining Resources (Pty) Limited. Homeland Mining and Energy (South Africa) (Pty) Limited, a wholly-owned subsidiary of the Company, currently owns 50% of Tshedza, and has an option on a further 1% for ZAR1.00. During 2009 Homeland filed an application for a Mining Right in terms of the Minerals and Petroleum Resources Development Act (Act 28 of 2002) and this right was granted during 2010, being executed on the 24th of February 2011. Unless cancelled or suspended in terms of clause 13 of the

right, or section 47 of the Minerals and Petroleum Resources Development Act (Act 28 of 2002), the right will continue in force for a period of thirty (30) years, ending on the 23rd of February 2041.

The surface rights necessary to start construction of the surface infrastructure and mine access have yet to be acquired or secured. The Company complies fully with the Black Economic Empowerment requirements of the Minerals and Petroleum Resources Development Act (Act 28 of 2002) via a number of shareholdings with companies owned by historically disadvantaged South Africans.

Geology and Coal Potential

Exploration in the Eloff Project area has historically been undertaken by a number of companies. The primary exploration was by Anglo Coal Prospecting Services and Southern Sphere Mining and Development, and these exploration phases resulted in sporadic borehole spacing over the entire Property. Information related to this historical exploration has been sourced from the Council for Geosciences. SRK (2007) produced an initial preliminary resource estimate for the Eloff Project area based on historical information, and limited borehole data acquired by Homeland prior to that point. Homeland (Gemmell, 2009) produced updated coal resource estimates for the entire Eloff Project area in March of 2009, based on a total of three hundred and four (304) exploration boreholes drilled between 2006 and 2008.

The target coal at the Project area is defined as multiple seam type as per the South African Guide to the systematic evaluation of coal resources and coal reserves (South African National Standard 10320:2004). Previous work has shown that all of the known coal seams of the Witbank Coalfield are present in the Eloff Project area, but that only the Number 5, 4 and 2 seams had real economic potential.

Exploration Concept

The 2010 drilling program focused in part on increasing the geological confidence and understanding of the lateral continuity of the various coal seams over the entire Eloff Project area. The bulk of this program, however, focussed on a detailed investigation of a potentially open castable area previously identified in the northwest of the project area. This resource area has previously been referred to as the North-West Open Cast (SRK, 2007) and Block A (Gemmell, 2009), and is referred to herein as the “Eloff One Resource Block project area”.

A total of forty (40) boreholes were drilled during 2010 on the Eloff Project area for a total of 1907.83m. Of these twenty-three (23) were collared in the Eloff One Resource Block project area for a total of 1193.11m drilled. Exploration was carried out using vertical diamond drilled fully cored boreholes of a TNW size (60.5mm core diameter). The drilling contractor was Bio Quadro Exploration Drilling and Mining Services (Company registration No.2008/126676/23), and the standard of drilling was acceptable. All field procedures were carried out by CCIC, by suitably experienced and qualified geological staff. Coal samples were analysed at Midlab (Pty) Limited, a coal and mineral analytical laboratory based in Middelburg, South Africa.

Coal Resource estimates reported below are based only on the modeling of recent exploration boreholes drilled by Homeland during 2010, and form a sub-set of the resources previously reported by Homeland (Gemmell, 2009), however at a higher level of geological confidence. Resources are reported using a 0.5m thickness and 24% dry ash-free volatile matter cut-off for devolatilized coal. Raw coal qualities are presented on an air-dried moisture basis.

Resource Tonnages for the Eloff One Resource Block project area are presented in Table 1.1 below. Abbreviations used in the tables are as follows: Im = Inherent Moisture; AS = ash; VM = Volatile matter; FC = Fixed Carbon; CV = Calorific Value (in MJ/kg); TS = Total Sulphur; DAFVOI = Dry Ash Free Volatiles; GTIS = Gross Tonnes in situ; TTIS = Total Tonnes in situ.

Table 1.1 Volumes, Tonnages and raw qualities for the Eloff One Resource Block – Measured Resource

PROPERTY	AREA	SEAM	CUT-OFF PARAMETER	SURFACE AREA (ha)	AVG. THICKNESS (m)	AVG. RD (g/cm3)	VOLUME (m3)	TONNAGE (GTIS)	IM	AS	VM	FC	CV	TS	DAFVOL
ELOFF	1	S5	NONE	20.91	1.64	1.66	343 260	569 440	4.04	31.70	14.32	49.93	20.87	1.69	21.86
ELOFF	1	S4	NONE	132.39	2.23	1.82	2 954 958	5 392 030	2.36	57.23	16.55	23.86	11.59	1.38	42.99
ELOFF	1	S3	NONE	78.01	0.23	1.53	181 915	278 409	2.95	30.53	22.83	43.69	22.65	4.18	34.33
ELOFF	1	S2	NONE	446.39	13.01	1.73	58 065 550	100 334 521	3.27	40.13	19.86	36.74	15.91	0.75	37.43
ELOFF	1	TOTAL	NONE				61 545 683	106 574 399							

[illegible][illegible]

Status of Exploration

The Eloff Project area was historically explored between the 1950's and the early 1980's, and more recently by The Company between 2006 and 2008 and again in 2010. No further exploration work is planned at present.

Status of Development

The Eloff Project is a drilled exploration play for which the Company has executed a Mining Right in terms of the Minerals and Petroleum Resources Development Act No 28 of 2002. The Eloff One Resource Block project area is currently the focus of a planned Feasibility study.

Status of Operations

The entire Eloff Project is currently undeveloped in terms of mining operations, and no part of the project is yet an operating mine.

Conclusions

The conclusions drawn from the current exploration carried out during 2010 indicate a total Coal Resource of 74.7 million tonnes (Total Tonnes in situ) for the Eloff One Resource Block area. This resource is in the Measured Category and includes a 0.5m thickness cut-off for the open castable area, and a 24% Dry Ash Free Volatile cut-off to exclude devolatilized coal. Areas of environmental sensitivity that have little chance of being able to be mined have also been excluded.

Recommendations

The intended feasibility study will consider various mining (full versus select seam) and product options (raw versus beneficiated) that will allow the Company to optimize the value of the resource. Marketing strategies should continue to be investigated.

In addition, the following additional information concerning the Eloff Mineral Property is extracted from, and is qualified entirely by, the more detailed disclosure contained in the report dated March 30, 2009 titled "Internal Geological Report on the Eloff Project Mineral Development, Exploration and Resources" by Graham Gemmell, Pr.Sci.Nat., Senior Coal Geologist, HMESA (the "2009 Eloff Report"). This report is incorporated herein by reference in its entirety except where superseded and replaced by the 2011 Eloff Report. A full copy of the Eloff Report is available for viewing on SEDAR at www.sedar.com.

The following tables represent the gross in situ result at the Eloff Property. The Measured Resource of 74.7 million tonnes at the Eloff One Resource Block project area described in the 2011 Eloff Report are included within the tables set out below and are not in addition to these calculations.

In Situ Coal Resources Associated With The Eloff Block As At 30 March 2009 (Not Discounted)					
Block Name	Seam Name	Measured (Mt)	Indicated (Mt)	Measured and Indicated (Mt)	Inferred (Mt)
Bound	S5	8.4	4.8	13.2	8.3
Bound	S4U	1.5	0.8	2.3	1.1
Bound	S4L	17.4	11.5	28.9	23.9
Bound	S3	1.6	1.6	3.2	-
Bound	S2U	6.8	4.7	11.5	10.7
Bound	S2L	107.9	71.4	179.3	155.9
Bound	S1	7.5	4.4	11.9	10.6
	TOTAL	151.1	99.2	250.3	210.5

In Situ (raw) Coal Qualities associated with the Eloff Block as at 30 March 2009					
Block Name	Seam Name	Calorific Value (MJ/kg)	Ash Content (%)	Volatile Matter (%)	Fixed Carbon (%)
Bound	S5	20.2	31.7	22.4	42.0

Bound	S4U	16.0	43.5	18.9	34.5
Bound	S4L	17.1	40.3	19.9	36.5
Bound	S3	14.9	45.7	19	32.1
Bound	S2U	16.1	39.7	19.3	37.4
Bound	S2L	16.8	37.9	19.7	38.9
Bound	S1	14.5	44.1	18.7	34.5
	TOTAL	16.8	38.5	19.7	38.3

ITEM 6: THE SOUTH AFRICAN LEGISLATIVE AND REGULATORY FRAMEWORK

6.1 Custodianship of Minerals

The Mineral and Petroleum Resources Development Act, 2002 (the “MPRD Act”) introduced the notion of public trust in relation to South Africa’s mineral resources and has a number of objects which must be fulfilled. The MPRD Act, which became effective on May 1, 2004, now vests all mineral resources in the State alone.

The Government of the Republic of South Africa (“the State”) is now regarded as the custodian of all mineral resources and it has the right to grant, control, administer and manage prospecting rights, mining rights, mining permits, retention permits and permission to remove and dispose of any minerals.

The relevant government departments have been recently restructured. The Minister of Mineral Resources (“Minister”) and the Department of Mineral Resources (“DMR”) are the primary representatives of the State in this area. The Minister, as well as the Department of Environment Affairs and the Department of Water Affairs have jurisdiction in respect of activities that will affect the environment and water resources, which includes certain mining activities. Various other licences and authorizations are, therefore, required before most mining and some prospecting activities can commence.

6.2 The Nature and Duration of Prospecting, Mining and Ancillary Rights

The MPRD Act provides that any prospecting or mining right granted in terms of the provisions of the MPRD Act is a limited real right in respect of the minerals and the land to which such right relates.

By virtue of the classification of these rights as limited real rights, the holder should be able to enforce any prospecting and/or mining right granted under the MPRD Act against third parties. The prospecting or mining right must be registered at the Mining Titles Registration Office.

The MPRD Act sets out the rights of any holder of a prospecting right, a mining right, an exploration right or a production right. These rights are obviously subject to obligations under other laws, including those regarding the environment and the other provisions of the MPRD Act.

A holder may:

1. enter the land to which such right relates together with his or her employees, and may bring onto that land any plant, machinery or equipment and build, construct or lay down any surface, underground or under sea infrastructure which may be required for the purposes of prospecting, mining, exploration or production, as the case may be;
2. prospect, mine, explore or produce, as the case may be, for his or her own account on or under that land for the minerals or petroleum, for which such right has been granted;
3. remove and dispose of any such minerals found during the course of prospecting, mining, exploration or production, as the case may be;
4. subject to the National Water Act No. 36 of 1998, use water from any natural spring, lake, river or stream, situated on, or flowing through, such land or from any excavation previously made and used for prospecting, mining, exploration or production purposes, or sink a well or borehole required for use relating to prospecting, mining, exploration or production on such land; and

5. carry out any other activity incidental to prospecting, mining, exploration or production operations, which activity does not contravene the provisions of the MPRD Act.

Prospecting rights are initially granted for a maximum period of five years, and can be renewed once, upon application, for a further period not exceeding three years.

Mining rights are valid for a maximum period of 30 years and can be renewed upon application for further periods, each of which may not exceed 30 years.

Provision is made for the granting of retention permits in circumstances where prospecting has been completed, but mining is not commercially viable, which will have a maximum term of three years and are not renewable. A wide range of factors and principles, including proposals relating to black economic empowerment, labour and social responsibility and evidence of an applicant's ability to conduct mining optimally, are pre-requisites for any applications under the MPRD Act.

A holder of a prospecting right must amongst other things:

1. commence with prospecting activities within 120 days of the date a prospecting right becomes effective; and
2. continuously and actively conduct prospecting activities.

The holder of a mining right must *inter alia*:

1. lodge the mining right for registration at the Mining Titles Office within 30 days of the date on which the right becomes effective or is renewed;
2. commence with mining activities within one (1) year from the date on which the mining right becomes effective or such an extended period as the Minister may authorize;
3. continuously and actively conduct mining operations in accordance with the mining work program;
4. comply with the terms and conditions of the mining right, relevant provisions of the MPRDA and any other relevant law;
5. comply with the requirements of the approved environmental management program ("EMP");
6. comply with the provisions of the prescribed social and labour plan;
7. pay the state royalties;
8. submit an annual report, detailing the extent of the holders compliance with the provisions of section 2(d) and (f), the charter contemplated in section 100 and the social and labour plan;
9. maintain a financial provision for rehabilitation or management of negative environmental impacts to the satisfaction of the DMR; and
10. conduct annual assessment on the compliance of the EMP, or in accordance with the frequency prescribed by the mining right;

6.3 Transferability and Encumbrance of Prospecting and Mining Rights

Section 11 of the MPRD Act provides that a prospecting or mining right or any interest therein or a controlling interest in a company holding such a right may not be ceded, transferred, let, pledged, assigned, alienated or otherwise disposed of without the written consent of the Minister except in the case of a change of the controlling interest in listed companies. The Minister must grant her/his consent if the person to whom the right will be alienated or disposed of, satisfies the requirements of the MPRD Act for the granting of a prospecting or a mining right, as the case may be.

Such cession must be registered with the Mining Titles Registration Office within 30 days of the relevant action.

The Minister's consent for the encumbrance of the right by mortgage is not required if:

1. the granting of the security is for purposes of a loan or guarantee for the funding or financing of a prospecting or mining project by any bank as defined in the Banks Act No. 94 of 1990, or any other financial institution approved for that purpose by the Registrar of Banks; and
2. the bank or financial institution undertakes in writing that any sale in execution or any other disposal pursuant to the foreclosure of the mortgage will be subject to obtaining Ministerial consent.

An amendment to section 11, which has been enacted but has not yet commenced will also require Ministerial consent for a change of control in a listed company. The date of commencement of this amendment is not known at present.

6.4 Mining Charter

South Africa has enacted legislation that promotes the ownership and control of mining companies by historically disadvantaged South Africans ("HDSAs"). The MPRD Act required the Minister to develop a charter for the mining industry. The State entered into a consultative process and the Broad-Based Socio-Economic Empowerment Charter for the South African Mining Industry was signed on 11 October 2002 by the Minister, representatives of the mining industry and the National Union of Mineworkers.

The Mining Charter made provision for the review of the progress and to determine the further steps, if any, which need to be taken to achieve the objectives of the Mining Charter. The DMR undertook a review assessment to ascertain the progress of transformation of the mining industry against the objectives in the Mining Charter and published an amended Charter in September 2010.

The amended Charter states that "non-compliance" with the amended charter will amount to the breach of the MPRD Act resulting in suspension or cancellation of licences granted under the MPRD Act.

A new Scorecard is attached to the amended Charter which prevails over the earlier Scorecard.

The amended Charter addresses 9 elements being: reporting, ownership, housing and living conditions, procurement and enterprise development, employment equity, human resource development, mine and community development, sustainable growth and development and beneficiation. The amended Scorecard introduces points system for most of the elements of the scorecard.

On the issue of ownership, the amended Charter requires that mining companies achieve a minimum of 26% ownership to enable meaningful economic participation of HDSAs by 2014. The Mining Charter is broadly applied by the State in licensing. The affiliates of Homeland that hold prospecting or mining rights already comply with the target of 26% ownership by HDSAs.

6.5 Suspension or Cancellation of Prospecting and/or Mining Rights

The MPRD Act permits the Minister to cancel or suspend any prospecting or mining right, if the holder of such a right is in contravention of any provision of the MPRD Act, breaches any material term or condition of a prospecting or mining right, or has submitted inaccurate, incorrect or misleading information in connection with any matter required to be submitted under the MPRD Act.

The Minister must give written notice of his/her intention to suspend or cancel a right setting out the reasons for such a suspension or cancellation and granting the holder a reasonable opportunity to show why such cancellation or suspension should not occur.

The Minister may direct the holder to take specified measures to remedy any contravention, breach or failure and if the holder fails to comply with the direction, then the Minister may suspend or cancel a prospecting or mining right.

6.6 Compensation Payable to Surface Owner

The holder of a prospecting or mining right, if prevented from commencing or conducting any prospecting or mining operations because of the owner of the surface refusing to allow entrance to the land or placing unreasonable demands in return for access to the land or cannot be found, may notify the Regional Manager of the DME who, if after having considered the issues raised by the holder and any written representations by the owner of the surface of the land, concludes that the owner has suffered or is likely to suffer loss or damage as a result of the prospecting or mining operations, may request that the parties endeavour to reach an agreement for the payment of compensation for such loss or damage.

Failure by the parties to reach an agreement would result in compensation being determined by arbitration in accordance with the Arbitration Act No. 42 of 1965, or by a competent court. The MPRD Act also provides under certain circumstances that the Minister may expropriate property if necessary to further the objects of the MPRD Act.

Homeland has reached agreement in principle to purchase the land where Homeland has material resources at the Kendal Colliery, from the surface owners. In one instance, a surface owner has reneged on a binding agreement and Homeland is in the process of enforcing its rights under that agreement.

6.7 Environmental Management Program

A prospecting or mining right becomes effective upon approval of an Environmental Management Plan or Program by the DME.

The Environmental Management Program for the Kendal Colliery was approved by the DME. The Environmental Management Program for Eloff has been accepted by the DME.

6.8 Royalties

As of the 1st March 2010, the Company became subject to a royalty, prescribed by the Mineral and Petroleum Resources Royalty Act, 2008 (Act No.28, 2008). For coal, defined in the Act as Unrefined Condition of Mineral Resources, a formula to determine the percentage by which the gross sales of the mineral resource per year by:

$$\% \text{ multiplier} = 0.5 + (\text{earnings before interest and tax}) / (\text{gross sales in respect of unrefined mineral resources} \times 9) \times 100$$

The percentage determined by the formula must not exceed 7%.

The royalty is calculated and paid bi-annually and is carried out under the administration process of the South African Revenue Services. Total royalties paid by the Company for 2010 was ZAR 963,096.

ITEM 7: DIVIDENDS AND DISTRIBUTIONS

The Company has not paid any dividends since incorporation. The Company does not have a fixed dividend policy. Payment of dividends in the future will depend upon, among other factors, the earnings, capital requirements and financial conditions of the Company. The Company does not anticipate that any dividends will be paid in the foreseeable future.

ITEM 8: CAPITAL STRUCTURE

The Company is authorized to issue an unlimited number of common shares. All common shares have full voting rights. Each common share ranks equally with all common shares with respect to dissolution, liquidation or winding-up of the Company, as well as in respect of the payment of dividends. As of the date hereof, the Company has 471,204,149 common shares outstanding. In addition, on February 4, 2009, the Company filed articles of amendment to create a new class of first preferred shares issuable in series. As of the date hereof, no series of first preferred shares have been created and no first preferred shares have been issued.

The holders of the common shares of the Company are entitled to dividends, if, as and when declared by the Board of Directors, to receive notice of meetings of shareholders of the Company, to one vote per share at meetings of shareholders of the Company and, upon liquidation, to receive such assets of the Company as are distributable to the

holders of the common shares. Holders of common shares of the Company 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 of the directors of the Company standing for election.

The Company also currently has outstanding options to acquire 4,250,000 common shares. These options have exercise prices ranging from \$0.12 to \$1.76 and expire between February 12, 2012 and December 15, 2014. In addition, there are 36,250 charity options with an exercise price of \$0.40 per common share, until the earlier of February 12, 2012 and the 90th day from the date that the charity ceases to be an Eligible Charitable Organization.

ITEM 9: MARKET FOR SECURITIES

The common shares of Homeland were listed and posted for trading on the Toronto Stock Exchange under the symbol “**HEG**” on March 5, 2008. The following table sets forth the price ranges and trading volumes of the Common Shares from January 1, 2010 to December 31, 2010.

Period	High C\$	Low C\$	Volume
December, 2010	0.09	0.07	11,818,700
November, 2010	0.10	0.08	923,200
October, 2010	0.10	0.07	3,730,600
September, 2010	0.08	0.05	2,085,400
August, 2010	0.07	0.05	3,853,000
July, 2010	0.07	0.04	32,116,300
June, 2010	0.07	0.04	30,768,400
May, 2010	0.10	0.06	12,489,300
April, 2010	0.12	0.07	24,474,000
March, 2010	0.09	0.07	11,735,100
February, 2010	0.11	0.07	7,653,700
January, 2010	0.13	0.09	39,008,600

ITEM 10: DIRECTORS AND OFFICERS

10.1 Name, Address, Occupation and Security Holding

The following table sets forth the name, province and country of residence, position held with the Company, principal occupation and the number of common shares beneficially owned by each person who is a director or an executive officer of the Company. Each director holds office from until the next annual meeting of shareholders. The statement as to the number of common shares of the Company beneficially owned, directly or indirectly, or over which control or direction is exercised by the directors and executive officers hereinafter named is in each instance based upon information furnished by the person concerned and is as March 31, 2011

Name, Province and County of Residence	Position(s) Presently Held with Company & Period of Service as a Director/Officer	Principal Occupation	Number of Common Shares Beneficially Owned, Directly or Indirectly or Over which Control or Direction is Exercised
B.V.N. Rao, Bangalore, India	Chairman and Director, since June 2009	Business Chairman (Energy), GMR Energy Limited	Nil ⁽⁵⁾⁽¹¹⁾
Ashis Basu Bangalore, India	Interim Chief Executive Officer since January 2010 and Director, since June 2009	Executive Vice President, GMR Energy Limited	Nil ⁽⁶⁾⁽¹¹⁾

Name, Province and County of Residence	Position(s) Presently Held with Company & Period of Service as a Director/Officer	Principal Occupation	Number of Common Shares Beneficially Owned, Directly or Indirectly or Over which Control or Direction is Exercised
Raaj Kumar ^{(1), (2)} Bangalore, India	Director, since June 2009	Chief Executive Officer and Director of GMR Energy Limited	Nil ⁽⁷⁾⁽¹¹⁾
Edwin Lee ⁽¹⁾⁽²⁾⁽³⁾ Dubai, UAE	Director, since July, 2009	Managing Director, Newhaven Corp.	Nil ⁽⁸⁾
Mike Garvey ^{(1), (3), (4)} , Toronto, Canada	Director since June, 2010	Corporate Director	457,968 ⁽⁹⁾
Neena Gupta ^{(2), (3), (4)} Waterloo, Ontario	Director since June, 2010	Partner with Gowling Lafleur Henderson LLP	Nil
Ajay Gupta Toronto, Ontario	Chief Financial Officer since July, 2010	Chief Financial Officer, Homeland Energy Group Ltd.	500,000
Henry Hoffmann ⁽⁴⁾ Witbank, South Africa	Chief Operating Officer, since Jan 2010	Managing Director, Homeland Mining & Energy SA (Pty) Ltd from Jan 2010 to present,	Nil
Kathleen Skerrett Ontario, Canada	Corporate Secretary since May of 2008	Partner, Gardiner Roberts LLP since 2007.	Nil ⁽¹⁰⁾

Notes:

- (1) Member of the Audit Committee
- (2) Member of the Nomination and Compensation Committee
- (3) Member of the Corporate Governance Committee
- (4) Member of the Health, Safety and Environment Committee
- (5) Mr. Rao also holds options to acquire 525,000 common shares exercisable at \$0.12 per share until December 15, 2014.
- (6) Mr. Basu also holds options to acquire 525,000 common shares exercisable at \$0.12 per share until December 15, 2014.
- (7) Mr. Kumar holds options to acquire 525,000 common shares exercisable at \$0.12 per share until December 15, 2014.
- (8) Mr. Lee also holds options to acquire 525,000 common shares exercisable at \$0.12 per share until December 15, 2014.
- (9) Held by Mr. Garvey's spouse
- (10) Ms. Skerrett holds options to acquire 100,000 common shares exercisable at \$0.20 per share until February 10, 2014 and 150,000 common shares exercisable at \$0.12 per share until December 15, 2014.
- (11) Messrs Rao, Basu and Kumar are all officers of GMR Energy Limited. As of the date hereof, GMR Energy Limited and its affiliates, own 293,213,907 Common Shares representing 66.22% of the voting securities of the Company issued and outstanding on the basis of 471,204,149 common s being outstanding.

Each of the foregoing individuals has held his or her present principal occupation or another office or position with the same firm set opposite his or her name for the past five years, except for:

- Mr. Rao who from March 2004 to October 17, 2007 was Director (Assets) of GMR Energy Ltd.
- Mr. Basu who from July, 2005 to June 2008 was Vice President, GMR Energy Limited
- Mr. Garvey was an audit partner for PricewaterhouseCoopers LLP from 1982 until July of 2006
- Mr. Hoffmann who from 2005 to 2006 was General Manager, Xstrata Coal and from 2007 to 2009 was COO, Shanduka Coal.
- Ms. Skerrett who was an associate for Gardiner Roberts LLP from 2005 to 2007.

The following is a brief biographical paragraph for each director and executive officer of the Company.

B.V.N. Rao

Mr. B.V.N. Rao is the Business Chairman of GMR Energy Limited, a company that is engaged in the business of developing, owning and operating power generation projects and investments in power and energy sector. In addition to his position with GMR, Mr. Rao is on the board of several publicly listed and private companies involved in the

energy sector in India and abroad. He has 13 years of varied banking experience with exposure in industrial finance, foreign exchange and international trade. Mr. Rao is also experienced through his comprehensive exposure to various sectors including corporate and project planning, taxation and cost reduction measures, designing financial control systems and monitoring of same. Mr. Rao is also on the board of directors of several companies of the GMR group, including the publicly listed GMR Infrastructure Ltd.

Ashis Basu

Mr. Basu as the Executive Vice President of GMR Energy Limited heads the Commercial & Contract function for the energy business and also heads the group's coal business, which currently includes development of a major thermal coal mine in Indonesia. Mr. Basu is a commerce graduate and a Chartered Accountant and brings nearly 25 years of rich working experience in the energy sector including power generation, transmission, distribution and coal mine development in the commercial, finance and business development areas. Prior to joining GMR Group in 2001, Mr. Basu was working for RPG Group, a major diversified industrial group in India (last position held was that of Chief Manager – Finance) for nearly 17 years. During his career, Mr. Basu been involved in financial and accounting aspects of running a large private utility, has had key roles in the development and financing of a captive coal mine, negotiation and implementation of high value construction contracts, operation and maintenance of such contracts for power projects with domestic and international suppliers, project financing involving multilateral agencies, export credit agencies, financial institutions, negotiation of large value contracts for mine development and operation, setting up joint ventures and all related commercial areas.

Raaj Kumar

Mr. Kumar is the Chief Executive Officer and Director of GMR Energy Limited, engaged in the business of developing, owning and operating power generation projects and investments in power and energy sector. Mr. Kumar is a qualified Electrical Engineer from BITS, Pilani, India. He has over 30 years of rich experience in reputed organizations like Grasim Industries, AP Rayons, Baroda Rayons, Asian Paints, Jindal Praxair Oxygen Co. Ltd. and JSW Energy Ltd. in various locations across India. Mr. Kumar started his career as a Maintenance Engineer in a large chemical industry and then moved to Grasim Industries where he rose to become Chief Engineer. In 1999, he joined Jindal Praxair Oxygen Company Ltd, first as a director and was subsequently appointed to Managing Director. Before joining GMR, Mr. Kumar was Joint Managing Director and CEO of JSW Energy Ltd. (JSWEL), where he introduced innovations to supply power at very competitive tariffs to the state utilities in various parts of India. Under his leadership, JSWEL has embarked upon very ambitious growth plans which include setting up an imported coal based 1000-1200 MW plant in Ratnagiri, Maharashtra and lignite based 1000 MW capacity in Rajasthan.

Edwin Lee

Mr. Lee is a Managing Director of Newhaven, an international merchant bank with offices in Toronto, Dubai, London and Hong Kong. He is also a Director of several investment vehicles branded Phoenician Family of Funds. He currently serves on the Board of Directors of several publicly traded companies, listed on North American and European exchanges, and is a member of the Canadian Institute of Chartered Accountants.

Mike Garvey

Mr. Garvey is a chartered accountant and was with PricewaterhouseCoopers LLP from 1969 until his retirement in July 2006, including as an audit partner from 1982.

Neena Gupta

Ms. Gupta is partner with Gowling Lafleur Henderson LLP based in their Waterloo region office. Ms. Gupta's practice focuses on employment and human rights litigation. Ms. Gupta received her LL.B. from Queens University and was called to the bar in 1989. She went on to complete her LL.M from the University of Toronto in 1993.

Ajay Gupta

Mr. Gupta is a Canadian citizen and a Canadian Chartered Accountant, as well as a USA designated Certified Internal Auditor (CIA) and Certified Public Accountant (CPA). He is also a fellow member of the Institute of Chartered Accountants of India (FCA).

Mr. Gupta has over twenty years of finance and accounting experience, including over twelve years of international experience in the field of corporate finance, financial reporting, corporate governance and risk management. Mr. Gupta has worked with leading international and Canadian publicly traded companies. Most recently he was CFO of African Aura Resources Ltd. and Scandinavian Minerals Limited which recently merged with First Quantum Minerals Ltd. He has also worked with Deloitte & Touché LLP, DuPont Canada, Samara Group and companies in the Middle East and public companies in India.

Henry Hoffmann

Mr. Hoffmann is a South African citizen and has worked in the South African coal mining industry for twenty three years. He holds a Bachelors degree in Mining Engineering, numerous Coal mining certifications and obtained his MBA in 2005 from the Henley Management College in South Africa. He progressed steadily throughout his career, holding the responsibility of Mine Captain from 1992 to 1996 with BHP Billiton (previously Ingwe). From 1996 to 2006 he worked with the Xstrata organization within their coal business as Mine Manager and eventually General Manager at their Tweefontein Complex. In 2007 Mr. Hoffmann joined the Shanduka Coal Company in South Africa as its Chief Operating Officer. The Shanduka operations are based in the Middelburg and Kendal areas, of which one of their mines is adjacent to our Kendal operation and, consequently, Mr. Hoffmann brings a familiarity to the operating environment in this part of the Witbank coal field which will greatly assist the company. Mr. Hoffmann is a member of the South African Coal Mine Managers association where he has served as both member and council member as well as being a member of the South African Institute of Mining and Metallurgy and is registered with the Engineering Council of South Africa.

Kathleen Skerrett – Corporate Secretary

Ms Skerrett is a partner with Gardiner Roberts LLP. She has been practicing in the fields of corporate and securities law since being called to the bar in the Province of Ontario in 1996.

Directors are elected at the Annual General Meeting of shareholders and hold the term of office for a period of one year.

As of the date hereof, the directors and executive officers of the Company, as a group, beneficially owned, directly or indirectly, or exercised control or direction over 957,968 Common Shares representing 0.02% of the voting securities of the Company issued and outstanding on the basis of 471,204,149 common shares being outstanding. In addition, three members of the board of directors are representatives of GMR which owns or controls 293,215,907 common shares representing 66.22% of outstanding capital.

10.2 Cease Trade Orders, Bankruptcies, Penalties or Sanctions

To the knowledge of the Company, no director or executive officer of the Company is, as at the date of this AIF, or has been in the last 10 years before the date of this AIF, a director, chief executive officer or chief financial officer of any company that, while that person was acting in that capacity,

- (a) was subject to an order that was issued while the director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer; or
- (b) was subject to an order that was issued after the director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer;

other than with respect to the Management Cease Trade Order issued by the Ontario Securities Commission dated April 19, 2010 with respect to the late filing of the audited financial statements, management discussion and analysis and annual information form of the Company for the year ended December 31, 2009. The Management Cease Trade Order was lifted on May 25, 2010. This affects Messrs. Rao, Basu, Kumar, Lee and Hoffman and Ms. Skerrett. Messrs. Garvey and Gupta and Ms. Gupta joined the Company following the lifting of the Management Cease Trade Order.

Also, from June 19, 2007 to December 30, 2008, Mr. Garvey was a Director of MonoGen, Inc. (“MonoGen”), which was incorporated under the *Canada Business Corporations Act*. On December 30, 2008, MonoGen

announced that it would make an assignment in bankruptcy at the end of that day. Effective January 13, 2009, the TSX suspended trading of MonoGen's common shares and the shares were delisted on February 12, 2009.

To the knowledge of the Company, no director or executive officer of the Company or a shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company:

- (a) is, as at the date of this AIF, or has been within the 10 years before the date of this AIF, a director or executive officer of any company that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or
- (b) has, within 10 years before the date of this AIF, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, executive officer or shareholder;

other than Mr. Garvey with respect to MonoGen Inc. noted above.

To the knowledge of the Company, none of the directors or executive officers of the Company have been subject to (a) any penalties or sanctions imposed by a court relating to Canadian securities legislation or by a Canadian securities regulatory authority or have entered into a settlement agreement with a Canadian securities regulatory authority; or (b) any other penalties or sanctions imposed by a court or a regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

10.3 Conflicts Of Interest

To the best of the Company's knowledge and other than as disclosed herein, there are no existing or potential conflicts of interest among the Company and its promoters, directors, officers or other members of management except that certain of the directors, officers, promoters and other members of management serve as directors, officers, promoters and members of management of other public companies and therefore it is possible that a conflict may arise between their duties as a director, officer, promoter or member of companies and their duties as a director, officer, promoter or management of the Company.

ITEM 11: LEGAL PROCEEDINGS

To the best of the knowledge of the Company, there are no current legal proceedings or regulatory actions in which the Company or its subsidiaries are a party which would likely have a material effect on the business or financial position of the Company.

ITEM 12: INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Except as otherwise disclosed herein, no director or officer or any associate or affiliate thereof has had any interest in a material transaction of the Company.

ITEM 13: TRANSFER AGENT AND REGISTRAR

The Company's transfer agent and registrar is Equity Financial Trust Company, Suite 400, 200 University Avenue, Toronto, Ontario, M5H 4H1.

ITEM 14: MATERIAL CONTRACTS

Below are the particulars of each contract, other than those entered into in the ordinary course of business, that is material to the Corporation and that was entered into between January 2009 and December 2010 or was entered into prior to those dates but is still in effect other than the documents governing the credit facility with GMR described under the heading "2.1 Three Year History – Fiscal 2010 – 4. GMR Credit Facility".

ITEM 15: INTEREST OF EXPERTS

In 2010, the following persons or companies were named as having prepared or certified a statement, report or valuation described in a filing or referred to in a filing made under National Instrument 51-102 and whose professional or business gives authority to the statement, report or valuation made by the persons or companies.

15.1 The auditors of the Company, McGovern Hurley Cunningham, provided an auditor's report dated March 25, 2011 in respect of the Financial Statements of the Company for the year ended December 31, 2010 and has advised the Company that it is independent of the Company within the meaning of The Rules of Professional Conduct of The Institute of Chartered Accountants of Ontario, Canada.

15.2 Graham B Gemmell, Pr.Sci.Nat., and Andrew N Birtles, Pr. Eng. of SRK Consulting (SA) (Pty) Ltd in respect of the Kendal Report.

15.3 Dr P.J Hancox, Pr.Sci.Nat., Caracle Creek International Consulting Coal (Pty) Limited as reviewed by A. Dougall, Pr.Eng. of SRK Consulting (South Africa) (Pty) Ltd. in respect of the Updated Kendal Report.

15.4 Dr P.J Hancox, Pr.Sci.Nat., Caracle Creek International Consulting Coal (Pty) Limited in respect of the 2011 Eloff Report

15.5 Graham Gemmell, Pr.Sci.Nat., in respect of the 2009 Eloff Report

None of the aforementioned persons, and no director, officer, employee or partner, as applicable, of the aforementioned companies or partnerships is currently expected to be elected, appointed or employed as a director, officer or employee of the Company or of any associate or affiliate of the Company.

ITEM 16: AUDIT COMMITTEE

16.1 Audit Committee Charter

A copy of the Company's Audit Committee Charter is annexed to this Annual Information Form as Schedule "A".

16.2 Composition of the Audit Committee

The current members of the Company's Audit Committee are Mike Garvey (Chair), Edwin Lee and Raaj Kumar. The majority of the Audit Committee members are "independent" and all are "financially literate" within the meaning of National Instrument 52-110 – Audit Committees ("NI 52-110"). Mr. Kumar is not independent as defined in NI 52-110. The Company is relying on the exemption contained in section 3.3 of NI-52-110.

16.3 Relevant Education and Experience of Audit Committee Members

Mr. Garvey is a chartered accountant and was with PricewaterhouseCoopers LLP from 1969 until his retirement in July 2006, including as an audit partner from 1982. Mr. Garvey also serves as a director and member of the audit committee of other public companies and not-for-profit organizations. He was elected FCA in 1985 by the Institute of Chartered Accountants of Ontario and received his ICD.D designation in 2007 from the Institute of Corporate Directors.

Mr. Kumar has been the Chief Executive Officer of GMR Energy Limited (GEL) since September 2007, a 100% owned subsidiary of GMR Infrastructure Limited, a listed entity in India with a market cap in excess of US\$5billion. As the CEO of GEL, he is responsible for the performance of GEL and all its subsidiaries, including execution of operating plan, project development plan and financial performance. Key areas of his finance function are issues related to significant debt funding from banks and financial institutions, raising funds from capital markets and annual operating plan of the energy sector. Prior to joining GEL, Mr. Kumar was the Chief Executive Officer of JSW Energy Limited, with a similar job profile to that outlined above.

Mr. Lee is Canadian Chartered Accountant in good standing with the Institution. Mr. Lee is a Managing Director of Newhaven, an international merchant bank with offices in Toronto, Dubai, London and Hong Kong. He is also a

Director of several investment vehicles branded Phoenician Family of Funds. He currently serves on the Board of Directors of several publicly traded companies, listed on North American and European exchanges.

16.4 Reliance on the Exemption in Subsection 3.3(2)

Only three of the six directors of the Company currently qualify as independent directors for the purposes of constituting the Company's audit committee. The Company has appointed as the third member of the audit committee, Mr. Raaj Kumar who is the Chief Executive Officer and Director of GMR Energy Limited, an affiliated entity. The Company is relying on the 3.3 (2) of 52-110 for Mr. Kumar. Mr. Kumar is not an employee of the Company. The Company has resolved that Mr. Kumar could exercise the impartial judgment necessary for him to fulfill his responsibilities as a member of the Audit Committee and that such appointment was in the best interests of the Company.

16.5 Pre-Approval Policies and Procedures

The Company's Audit Committee Charter provides that the Audit Committee is responsible for reviewing and, where appropriate, approving the provision of all audit and non-audit services (including the fees and terms thereof) by the external auditors. Generally, approval must be provided in advance of the provision of the services; however, in appropriate and permitted circumstances the approval may be given after the provision of such services.

16.6 External Auditor Service Fees

The aggregate fees billed to the Company by the Company's external auditors in each of the last two fiscal years for (i) audit services ("Audit Fees"), (ii) assurance and related services by the external auditor that are reasonably related to the performance of the audit or review of the Corporation's financial statements and that are not included in Audit Fees ("Audit-Related Fees"), (iii) professional services rendered by the Corporation's external auditor for tax compliance, tax advice and tax planning ("Tax Fees") and (iv) products and services provided by the Corporation's external auditor, other than Audit Fees, Audit-Related Fees and Tax Fees ("All Other Fees"), are as follows:

Year ended December 31	2010 \$	2009 \$
Audit Fees	223,026	198,300
Audit Related Fees	17,289	Nil
Tax Fees	12,110	3,500
Other Fees	34,272	Nil
	286,697	201,800

ITEM 17: ADDITIONAL INFORMATION

Additional information relating to the Company may be found on SEDAR at www.sedar.com.

Additional information, including directors' and officers' remuneration and indebtedness, principal holders of the Corporation's securities, securities authorized for issuance under equity compensation plans, if applicable, and interests of insiders in material transactions, where applicable, is contained in the Corporation's Management Information Circular for the Annual and Special Meeting of Shareholders held on June 29, 2010. Additional financial information is provided in the Consolidated Financial Statements and the Management's Discussion & Analysis for its most recently completed financial year.

SCHEDULE A

AUDIT COMMITTEE CHARTER

(Implemented pursuant to Multilateral Instrument 52-110)

The audit committee is a committee of the board of directors (the “Board”) of Homeland Energy Group Ltd. (the “Company”) with the specific powers delegated as follows:

- (a) The Board shall elect annually from among its members at the first meeting of the Board following the annual meeting of the shareholders, a committee to be known as the audit committee (the “Audit Committee”) to be composed of three directors or such other number not less than three as the Board may from time to time determine, all of whom shall be independent as such term is defined in section 1.4 and 1.5 of MI 52-110. The Board shall also appoint the Chair of the Audit Committee at the first meeting of the Board following the annual meeting of the shareholders. A majority of the Audit Committee will constitute a quorum.
- (b) Any member of the Audit Committee may be removed or replaced at any time by the Board. Any member of the Audit Committee ceasing to be a director shall cease to be a member of the Audit Committee. Subject to the foregoing, each member of the Audit Committee shall hold office as such until the next annual appointment of members after his election. Any vacancy occurring in the Audit Committee shall be filled at the next meeting of the Board.
- (c) The responsibilities of the Audit Committee shall be to:

With respect to Financial Accounting Matters,

1. Review with management and the external auditors the annual consolidated financial statements, the annual report including the management discussion and analysis and the press release before making recommendations to the Board relating to approval of the statements. *Timing: year-end.*
2. Review with management, and if deemed necessary, with the external auditors the interim financial statements, the quarterly report including the management discussion and analysis and the press release before making recommendations to the Board relating to approval of the statements. *Timing: first three quarters.*
3. Review with management all financial disclosure included in a prospectus or annual information form or any other public disclosure document containing financial information before making recommendations to the Board relating to the approval of the same. *Timing: as required.*
4. Review annually the accounting principles and practices followed by the Company and any changes in the same as they occur. *Timing: annually near year-end.*
5. Review new accounting principles of the Canadian Institute of Chartered Accountants and the International Accounting Standards Board which would have a significant impact on the Company's financial reporting as reported to the audit committee by management. *Timing: annually near year-end.*
6. Review estimates and judgments and choices of accounting alternatives which are material to reported financial information as reported to the audit committee by management. *Timing: each quarter and year-end.*
7. Review the status of material contingent liabilities as reported to the audit committee by management. *Timing: each quarter and year-end.*
8. Review the status of income tax returns and potentially significant tax problems as reported to the audit committee by management. *Timing: immediately as known.*
9. Review any errors or omissions in the current or prior year's financial statements. *Timing: immediately as known.*

With respect to the External Auditors,

1. Review with management the performance and independence of the external auditors and report thereon to the Board at least annually, including, where appropriate, a recommendation to replace the external auditor. *Timing: year-end.*
2. Review with management the engagement letter of the external auditors and the scope and timing of the audit work to be performed as outlined in the Audit Plan. *Timing: annually.*
3. Review with the external auditors the performance of management involved in the preparation of financial statements and any problems encountered by the external auditors, any restrictions on the auditors' work, the cooperation received in the performance of the audit and the audit findings. *Timing: year-end.*
4. Review the management letter with the external auditors noting any significant recommendations on internal control made by them to management and management's response to the recommendations. *Timing: mid-year starting in second year.*
5. Review with management and the external auditors their estimated and actual audit fees. *Timing: mid-year.*
6. Receive and review with the external auditors a formal written statement prepared by the external auditors that discloses all relationships, including the nature of and fees for any non-audit services performed for the Company, between the external auditor and the Company and consider whether the nature and extent of such services could impact on the objectivity and independence of the external auditor and, if necessary, recommending that the full board take appropriate action to oversee the independence of the external auditor. *Timing: as required.*

With respect to General Audit Matters,

1. Inquire of management, and the external auditors as to any activities that may be or may appear to be illegal or unethical. *Timing: each quarter and year-end.*
2. Review with management, and if deemed necessary, with the external auditors any material frauds reported to the audit committee. *Timing: immediately as known.*
3. Review with the external auditors the adequacy of staffing for accounting and financial responsibilities. *Timing: year-end.*
4. Report and make recommendations to the Board as the committee considers appropriate. *Timing: as required.*

With respect to Corporate Accountability, establish procedures for:

1. the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls and auditing matters; and
 2. the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters.
- (d) In addition, the Board may refer to the Audit Committee such matters and questions relating to the Company and its affiliates as the Board may from time to time see fit.
- (e) Any member of the Audit Committee may require the auditors to attend any or every meeting of the Audit Committee.
- (f) Any member of the Audit Committee may require experts to attend a meeting of the Audit Committee. The costs of such experts to be paid for by the Company.

- (h) The Audit Committee shall review and reassess the adequacy of its formal mandate on an annual basis.
- (i) The times of and the places where meetings of the Audit Committee shall be held and the calling of and procedure at such meetings shall be determined from time to time by the Audit Committee; provided that notice of every such meeting and the circulation of the financial statements to committee members is at least 48 hours prior to the meeting. The auditors of the Company also shall be given such notice of meetings and shall be entitled to attend and be heard thereat, and the meetings shall be convened whenever requested by the auditors, or any member of the Audit Committee.
- (j) The Audit Committee shall support the senior management team and the Board in keeping abreast of changes occurring or proposed to regulatory requirements and / or general accounting guidelines, such that the Company adopts “best in class” accounting and internal control policies and practices.
- (k) All prior resolutions of the Board relating to the constitution and responsibilities of the Audit Committee are hereby repealed.

Outside of the Mandate, but as a matter of routine at each Audit Committee Meeting, the CFO will make a series of reports which will include:

1. The CFO is not aware of any frauds or thefts of Company property.
2. The CFO is not aware of any activities that may be illegal or unethical.
3. There are no new contingent liabilities, except as reported.
4. There are no new tax reassessments or other tax issues, except as reported.
5. There are no prior-year accounting adjustments, except as reported.