HOMELAND ENERGY GROUP LTD.
144 Front Street West, Suite 780
Toronto, Ontario
M5J 2L7

<u>FILED VIA SEDAR</u>

Ontario Securities Commission
19th Floor, 20 Queen Street West
Toronto, Ontario, M5H 3S8
<u>Attention: Continuous Disclosure</u>

Alberta Securities Commission
4th Floor, 300 - 5th Avenue S.W.
Calgary, Alberta, T2P 3C4
<u>Attention: Continuous Disclosure</u>

British Columbia Securities Commission
12th Floor, Pacific Centre, 701 W. Georgia St.
Vancouver, B.C., V7Y 1L2
<u>Attention: Continuous Disclosure</u>

Dear Sirs/Mesdames:

RE: <u>Material Change Report</u>

1. The name of the reporting issuer is **Homeland Energy Group Ltd.** ("Homeland" or the "Company"), whose registered office is at 144 Front Street West, Suite 780, Toronto, Ontario, M5J 2L7.

2. The material change occurred on September 10, 2012.

3. A Press Release was published at Toronto on September 10, 2012.

4. Homeland announced that it had recently completed a strategic review of its operations at its Kendal Colliery in South Africa.

5. The operations at Kendal incurred losses during the 4 month period ended from April to July. It was determined that the losses had arisen as a result of inadequate production of coal for the wash plant which in turn has been caused by geological intrusions which affected the coal quality. HEG had determined to implement a new product mix which results in only higher quality coal being sent through the wash plant with the remainder of the coal being sold directly to third parties including Eskom.

   Management is of the view that these changes will allow HEG to maximize the performance of the Kendal Colliery while mitigating the impact of the complicated geology at the site.

   In order to permit the required changes to the business model to be implemented and to address current working capital shortfalls arising from these losses and from the costs of exposing additional coal at E block, GMR Energy Ltd., the Company's controlling shareholder, has agreed to provide up to an additional US$6,000,000 in financing to address cash flow concerns during the adjustment period. These funds will bear interest at the rate of LIBOR plus 4.5% and will be payable over time beginning in March of 2014 with the final payment being made in March of 2020. An initial draw down of US$3,000,000 has been made. In order to comply with the rules of the Toronto Stock Exchange, interest will not accrue on this loan until shareholder approval has been obtained. The Company will be calling a special meeting of the shareholders in the near future to address this matter.

This transaction is exempt from the valuation and minority shareholder approval requirements of Multilateral Instrument 61-101 by virtue of the exemptions set on in sections 5.5(1)(c) and 5.7(1)(f). However, shareholders of the Company will be required to approve the payment of interest under the loan pursuant to the rules of the Toronto Stock Exchange.

6. This report is not being filed on a confidential basis in reliance on subsection 7.1(2) or (3) of National Instrument 51-102.

7. No information is omitted because it is to be kept confidential.

8. Mr. Ajay Gupta, Chief Financial Officer of the Company, may be contacted at (416) 506-1979 concerning this report.

9. The foregoing accurately discloses the material change referred to herein.

DATED at Toronto, Ontario this 10th day of September, 2012.

HOMELAND ENERGY GROUP LTD.

"Kathleen E. Skerrett"

Per: ________________________________

KATHLEEN E. SKERRETT
Corporate Secretary