HOMELAND ENERGY GROUP LTD.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED DECEMBER 31, 2014

(All amounts stated in Canadian Dollars, unless otherwise indicated)

This Management's Discussion and Analysis and the annual consolidated financial statements contain "Forward-Looking Statements" that are prospective and reflect management's expectations regarding Homeland Energy Group Ltd ("Homeland"or the "Company") 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 or operating 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, inflation, changes in exchange rates, fluctuations in commodity prices, delays in the development of projects, financing risks, general business and economic conditions, industry risks and other factors.

Shareholders and prospective investors should be aware that these statements are subject to known and unknown risks, uncertainties and other factors that could cause actual results to differ materially from those suggested by the forward-looking statements. Readers are cautioned not to place undue reliance on forward-looking information. By its nature, forward-looking information involves numerous assumptions, inherent risks and uncertainties, both general and specific, that contribute to the possibility that the predictions, forecasts, projections and various future events will not occur. Homeland undertakes no obligation to update publicly or otherwise revise any forward-looking information whether as a result of new information, future events or other such factors which affect this information, except as required by law.

HOMELAND ENERGY GROUP LTD.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED DECEMBER 31, 2014

This Management's Discussion and Analysis ("MD&A") provides an analysis of the financial condition and results of operations of Homeland Energy Group Ltd. for the year ended December 31, 2014. This MD&A should be read in conjunction with the Company's annual consolidated financial statements and notes thereto for the years ended December 31, 2014 and 2013 ("Annual Statements"). These documents are available on the SEDAR website, www.sedar.com. The annual consolidated financial statements for the years ended December 31, 2014 and 2013 have been prepared in accordance with International Financial Reporting Standards ("IFRS").

All amounts in this MD&A are expressed in Canadian Dollars, unless otherwise stated.

COMPANY OVERVIEW AND CORPORATE HISTORY

DESCRIPTION OF BUSINESS

Homeland Energy Group Ltd. is a Canadian company which is currently seeking new business opportunities. In 2013, the Company disposed off both of its principal properties: Ferret Coal Kendal (Pty) Ltd ("Kendal"), which was in operation until Oct 2012, and, Tshedza Mining Resource (Pty) Ltd. ("Eloff"), which was in the development stage. The Company completed the sale of both of these assets in fiscal year 2013. The sale of Eloff property was concluded on April 30, 2013 and the sale of Kendal was executed effective July 30, 2013. During the year 2014, the Company disposed off its remaining subsidiaries, i.e. Homeland Mining & Energy SA (Pty) Ltd. ("HMESA"), Corpclo 331 (Pty) Ltd. ("Northfield") and Homeland Energy Corp. ("HEC").

The Company was incorporated under the *Canada Business Corporations Act* on October 12, 2006. The Company was listed on the TSX Venture Exchange on February 12, 2007. Following the acquisition of Homeland Energy Corp. on February 29, 2008, the principal business activity of the Company became exploration, development and operation of energy-related resource properties.

Following a listing requirements review by the TSX on May 10, 2013, the TSX determined to delist the common shares of the Company at the close of market on June 10, 2013, for failure to meet continued listing requirements of the TSX. The Company applied to list its common shares on the TSX Venture Exchange's NEX board (the "NEX"), and was listed on June 12, 2013.

For further details on Kendal and Eloff please see the Company's MD&A for the year ended December 31, 2013.

NORTHFIELD COLLIERY, KWA-ZULU NATAL PROVINCE, SOUTH AFRICA

On July 15, 2014, the Company sold shares of its subsidiaries HMESA and Northfield to Boteti Traders Pty Ltd for ZAR 100, and also settled its responsibilities with regard to the rehabilitation obligations of Northfield property for a payment of ZAR 14,330,000 ($1,420,000).

RESULTS OF OPERATIONS

FINANCIAL OVERVIEW AND SELECTED FINANCIAL INFORMATION

The following selected financial information was obtained directly from or calculated using the Company's consolidated financial statements for the year ended December 31, 2014 and 2013 (stated in thousands):

	For the Years Ended December 31,	
(in 000's except per share amounts)	2014	2013
Results of Operations:		
Loss from operations	$ (691)	$ (3,477)
Net income for the year	37,153	11,053
Comprehensive income	37,473	2,564
Earning per share	0.08	0.02

	For the Years Ended December 31,	
	2014	2013
Financial Position:		
Net working capital	$ 83	$ 2,305
Investments	77	574
Property and equipment	-	220
Total assets	340	3,428
Total long-term liabilities	180	40,741

- **GENERAL**

For the year ended December 31, 2014 there was no revenue and there was none over for the previous year, due to the sale of its mining property in 2013. During the year, the loss from operations decreased by $2,786,000 to $691,000 from the previous year loss of $3,477,000. The Company recorded a net income of $37,153,000 as compared to a net income of $11,053,000 mainly because of gain on forgiveness of shareholder loan.

- **OPERATING EXPENSES**

Operating loss and operating expenses of $691,000 for the year ended December 31, 2014 were decreased by $2,786,000 from the previous year operating loss and operating expenses of $3,477,000 due to the sale of operating assets in the previous year. Office and general expenses decreased to $191,000 from $1,129,000 due to a general decrease in operating costs. Corporate administration costs were $348,000 which decreased by $762,000 compared to $1,110,000 in the previous year. Management and administrative expenses also decreased to $152,000 as compared to $739,000 in the previous year.

- **OTHER ITEMS**

This includes a foreign currency translation loss of $3,316,000 booked for the year against foreign exchange gain of $395,000 booked in the previous year to reflect translation adjustments on foreign currency balances. The Company has historically borrowed funds in US Dollars and invested in South African Rand in its subsidiaries which were subject to this fluctuation.

SUMMARY OF QUARTERLY RESULTS

The following quarterly information for last eight quarters is presented in Canadian Dollars (stated in thousands):– Except Net Earnings/(Loss) per Share

Fiscal Period	Revenue $	Net Profit (Loss) $	Basic & Diluted Earnings (Loss) Per $	Total Assets $	Total long-term Liabilities $	Cash Dividends $
2014-Q4	-	40,564	0.087	340	180	-
2014-Q3	-	(2,350)	(0.005)	661	41,189	-
2014-Q2	-	795	0.002	2,453	40,454	-
2014-Q1	-	(1,856)	(0.004)	3,069	41,994	-
Total	**-**	**37,153**	**0.08**	**N/A**	**N/A**	**-**
2013-Q4	-	13,230	0.03	3,428	40,412	-
2013-Q3	-	(1,507)	(0.003)	10,564	42,152	-
2013-Q2	-	5,364	0.01	25,726	43,100	-
2013-Q1	-	(6,034)	(0.01)	46,774	41,787	-
Total	**-**	**11,053**	**0.027**	**N/A**	**N/A**	**-**

Note: Adjustments have been made to the quarterly numbers of each year to give effect of the adjusted entries corresponding with the Company's audited financial statements.

LIQUIDITY AND CAPITAL RESOURCES

WORKING CAPITAL

The Company had cash of $131,000 and a working capital surplus of $83,000 at December 31, 2014. The cash as at December 31, 2013 was $2,042,000 and working capital surplus was of $2,305,000.

YEAR ENDED DECEMBER 31, 2014 VERSUS DECEMBER 31, 2013

- **OPERATING ACTIVITIES**

  For the year ended December 31, 2014, cash used in operating activities were $725,000 including net changes to non-cash working capital items totalling $75,000 compared with $9,496,000 cash used in operating activities from the previous year including net changes to non-cash working capital items of $6,151,000.

- **INVESTING ACTIVITIES**

  For the year ended December 31, 2014, cash used in investing activities were $795,000 as compared to $35,038,000 cash flows received from investing activities in the previous year. On March 13, 2014, the Company sold its corporate offices, including fixtures and fitting shown under corporate assets for ZAR 2,400,000 (approximately $220,000). On July 15, 2014, the Company sold its subsidiaries HMESA and Northfield to Boteti Traders for ZAR 100, and also settled its responsibilities with regard to the rehabilitation obligations of Northfield property for a payment of ZAR 14,330,000 ($1,420,000).

  On March 14, 2014, Decimal Software Ltd. ("Decimal") *(Formerly Aviva Corporation Limited ("Aviva"))* shareholders approved the payment of reduction of capital of AUD 0.06 per share to the shareholders and the consolidation of capital. As a result, an amount of $239,000 was received as cash and every 3 shares were consolidated into 1 share. And on November 11, 2014, the Company sold all the shares for an amount of $166,000.

- **FINANCING ACTIVITIES**

  For the year ended December 31, 2014, cash used in financing activities were $386,000 as compared to $26,067,000 cash used in financing activities for 2013. During 2014, the Company repaid USD $350,000 ($386,000) shareholder loan to GMR Energy Limited ("GMR Energy").

BALANCE SHEET

ASSETS

The Company had assets totaling $340,000 as at December 31, 2014 as compared to $3,428,000 at December 31, 2013. The major changes relates to decrease in cash by $1,911,000, decrease in investments by $497,000 and decrease in property and equipment by $220,000.

TOTAL LIABILITIES

The Company had total liabilities of $180,000 at December 31, 2014 compared with liabilities of $40,741,000 as at December 31, 2013. During 2014, the Company repaid USD $350,000 ($386,000) and the balance of USD $36,650,000 ($41,925,000) was forgiven by GMR Energy.

OFF-BALANCE SHEET ARRANGEMENTS AND CONTINGENT LIABILITIES

The Company has no material off-balance sheet arrangements or contingent liabilities.

CAPITALIZATION

The Company had 472,204,149 common shares outstanding at December 31, 2014 and April 27, 2015.

GMR Energy owned approximately 62.22% of the Company's outstanding common shares. On December 3, 2014, GMR Energy entered into an agreement to sell all of its shares to SRK Energy Ltd. ("SRK"), which has been approved by the Reserve Bank of India ("RBI"). Such approval was subsequently received.

There were no stock options granted during the years ended December 31, 2014 and 2013. Total options outstanding and exercisable as at December 31, 2013 were 3,600,000 with a weighted average exercise price per share of $0.13. The outstanding options expired unexercised in 2014 and as a result there are no options outstanding at December 31, 2014.

RELATED PARTY TRANSACTIONS

For the year ended December 31, 2014, the Company incurred $137,000 (2013 - $114,000) in legal fees with a law firm of which an officer of the Company was a partner.

In the year ended December 31, 2014, the Company incurred approximately $90,000 (2013- $307,000) in compensation to executive officers, included under management and administrative expenses. Independent directors were paid $43,000 (2013- $129,000) in compensation and no directors' compensation was paid to the executive directors.

No interest was recorded on GMR Energy loans during the years ended December 31, 2014 and 2013, as such interest was waived by GMR Energy.

TAX LOSSES & EXPIRY DATES

The Company has available for deduction against future taxable income non-capital losses in the amount of $493,000 in Canada which expire in 2034.

The Company has not recorded a deferred tax asset related to these carry forward losses and temporary differences as it is not probable that future taxable income will be available against which these unused tax attributes can be utilized.

MANAGEMENT CONTRACTS

The Company is not party to any outstanding agreements with officers that contain change of control clauses pursuant to which the officers would be entitled to termination payments under certain circumstances.

CRITICAL ACCOUNTING ESTIMATES

Preparing financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of any contingent assets and liabilities as at the date of the consolidated financial statements, as well as the reported amounts of revenues earned and expenses incurred during the period. These estimates are based on historical experience and other assumptions that are believed to be reasonable under the circumstances. Actual results could differ from these estimates.

The Company's critical accounting policies are those that affect the Annual Statements and are summarized in note 3 of the annual consolidated financial statements of the Company for the years ended December 31, 2014 and 2013.

CHANGES IN ACCOUNTING POLICIES

The accounting policies followed in preparing the Annual Statements are those used by the Company as set out in the consolidated financial statements as at and for the years ended December 31, 2014 and 2013.

RISKS & UNCERTAINTIES

Exploring and developing assets involves a variety of operational, financial and regulatory risks that are typical in the natural resource industry. The Company presently has no operating or developing properties.

NO OPERATING ACTIVIES

The Company currently does not have any operating assets. While it continues to evaluate opportunities, there can be no assurance that an asset can be taken or that acceptable terms can be negotiated.

FINANCING RISK

Homeland has limited financial resources and there can be no assurances that the Company will be able to obtain additional funds in the near future. The Company currently has no operating business and is evaluating alternatives but there can be no assurances that the Company will be able to acquire an active business on favourable terms.

GOING CONCERN RISK

These accompanying consolidated financial statements have been prepared on a going concern basis in accordance with IFRS which assumes that the Company will be able to continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business.

At December 31, 2014, the Company had cash of $131,000 a working capital surplus of $83,000 and a shareholders' equity of $160,000.

These consolidated financial statements do not reflect any adjustments in the carrying values of the assets and liabilities, the reported expenses, and the statements of financial position classifications used that would be necessary if the going concern assumption were not appropriate. Such adjustments could be material.

NATURE OF MINERAL EXPLORATION AND DEVELOPMENT PROJECTS

Homeland's operations were subject to all of the hazards and risks normally encountered in the exploration, development of resource assets. 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 were 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.

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.

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 could 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 may 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.

FINANCIAL INSTRUMENTS

FAIR VALUE

The estimated fair value of the Company's financial instruments has been determined based on the Company's assessment of available market information and appropriate valuation methodologies. However, these estimates may not necessarily be indicative of the amounts that the Company could realize in a current market exchange.

At December 31, 2014 and 2013 the Company's financial instruments are primarily comprised of cash, restricted cash, amounts receivable, investments, accounts payable and accrued liabilities, credit facilities, loan from shareholder and Asset Retirement Obligations ("ARO"). The carrying values of these items, excluding the loan from shareholder, approximate their fair values due to the relatively short-term expected maturities of these instruments and/or the short term that has passed from inception of these instruments. Investments classified as available-for-sale are carried at their quoted market value. The fair value of investments accounted for as equity investments were estimated based on recent transactions and market-based information, when available, and was estimated to be approximately equal to the carrying value of the investment.

The Company has designated its cash, including restricted cash, as FVTPL, which are measured at fair value. Financial instruments included in amounts receivable and long-term loan receivable are classified as loans and receivables, which are measured at amortized cost. Loan from shareholder and accounts payable and accrued liabilities are classified as other financial liabilities at amortized cost, which are measured at amortized cost.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROL OVER FINANCIAL REPORTING

INTERNAL CONTROLS OVER FINANCIAL REPORTING

Management of the Company is responsible for establishing and maintaining a system of effective internal controls over financial reporting. The Company's internal controls over financial reporting are designed to provide reasonable assurance to the Company's management and board of directors of the reliability of the Company's financial reporting for external purposes in accordance with IFRS and the fair presentation of published financial statements. Internal control over financial reporting includes:

- maintaining records that in reasonable detail accurately and fairly reflect the transactions of the Company;
- providing reasonable assurance that transactions are recorded as necessary for the preparation of financial statements in accordance with IFRS;
- providing reasonable assurance that receipts and expenditures are made in accordance with authorizations of management and the board of directors; and
- providing reasonable assurance that any unauthorized acquisition, use or disposition of assets that could have a material effect on the Company's financial statements would be prevented or detected on a timely basis.

The consolidated financial statements have been prepared by management in accordance with IFRS and in accordance with accounting policies set out in the notes to the consolidated financial statements for the years ended December 31, 2014 and 2013.

The Audit Committee has direct oversight responsibilities for the review and approval of the quarterly and annual financial disclosures. The Company has qualified senior accounting personnel engaged to manage the Company's financial disclosures.

As at April 27, 2015, the Company's CEO and CFO certified that the disclosure controls and procedures are effective.

SUPPLEMENT TO THE FINANCIAL STATEMENTS

OUTSTANDING SHARE AND OPTION DATA

As at April 27, 2015, the following items were issued and outstanding:

- 472,204,149 common shares;
- The outstanding 3,600,000 stock options at an average price of $0.13 per common share expired unexercised in 2014 and as a result there are no options outstanding at December 31, 2014.