

HOMELAND ENERGY GROUP LTD.

ANNUAL INFORMATION FORM DECEMBER 31, 2008

March 31, 2009

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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”) 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 rands. 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 “Rands” 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, 2008, December 31, 2007 and December 31, 2006 as reported by the Bank of Canada, were as follows.

	Year ended		
	<u>2008</u>	<u>2007</u>	<u>2006</u>
Closing.....	Canadian \$1.21	Canadian \$0.99	Canadian \$1.17
High.....	1.29	1.19	1.17
Low.....	0.98	0.92	1.10
Average ⁽¹⁾	1.07	1.07	1.13

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

On March 30, 2009, the Bank of Canada noon rate of exchange was US\$1.00 = \$1.2590

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, 2008, December 31, 2007 and December 31, 2006 as reported by the Bank of Canada, were as follows.

	Year ended		
	<u>2008</u>	<u>2007</u>	<u>2006</u>
Closing.....	ZAR 7.63	ZAR 6.94	ZAR 6.05
High.....	9.03	7.07	7.03
Low.....	6.61	5.91	5.14
Average ⁽¹⁾	7.70	6.57	5.92

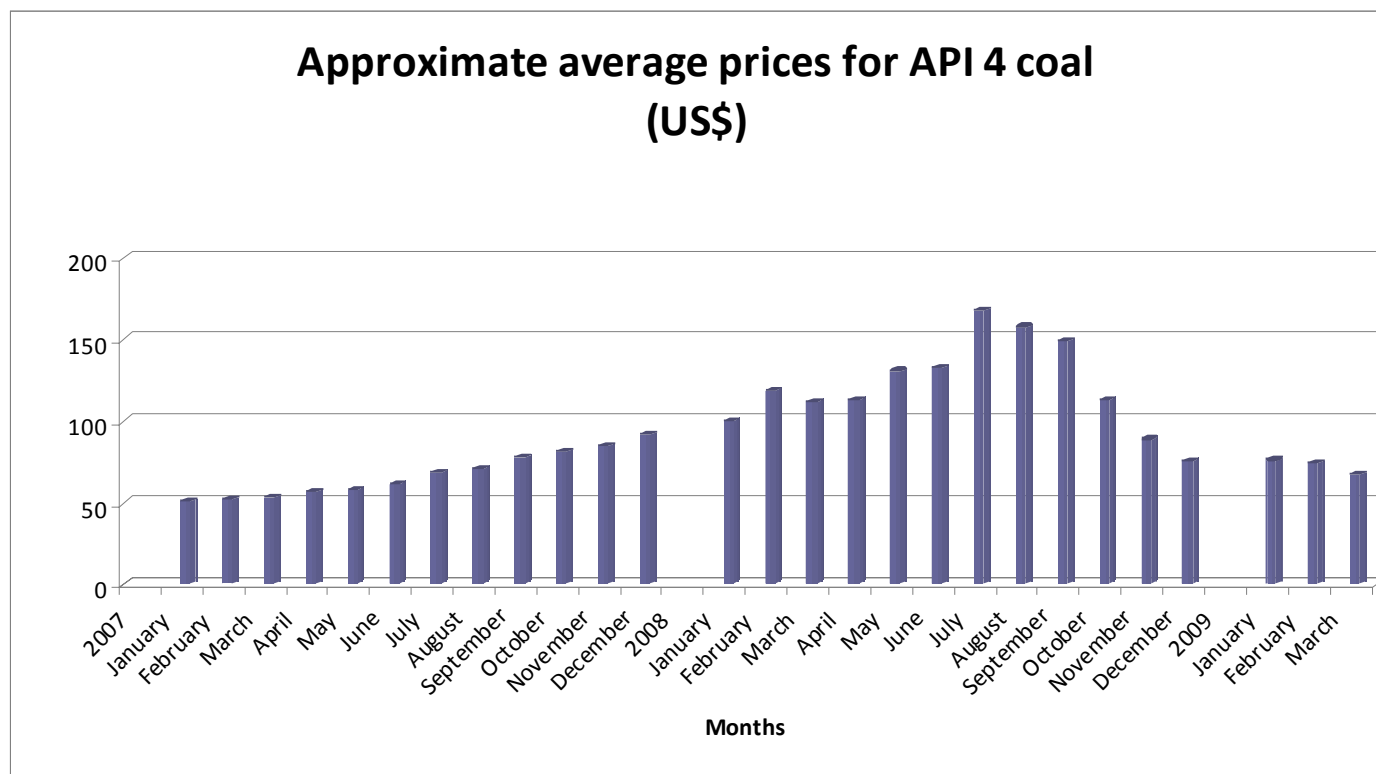
(1) Calculated as an average of the daily noon rates for each period.

On March 30, 2009, the Bank of Canada noon rate of exchange was \$1.00 = ZAR 7.7459.

THERMAL COAL PRICES

During the two year period from 2007 to 2008 Richards Bay Coal Index (“API4”) coal prices surged from the mid US\$50s at the beginning of 2007 to an all-time high of US\$180 by mid 2008. The index was largely driven by the escalating appetite for coal in the Far East, mainly in China and India and the overall rise in commodity prices. However, during Q3 and Q4 as the global economic crisis started to take hold the price promptly started to edge downwards with 2008 finishing in the high US\$70s. The API4 maintained its level in the US\$70s until end of February 2009 and then started to slide to the current levels of between the high US\$50s and low US\$60s. This most recent downward trend is a direct backlash of tumbling oil prices, currency fluctuations and a general decrease in global coal demand. The forward price curve, however, shows yearly increases through to 2011 into the low US\$70s with forecasts indicating that this increase could become even stronger as India seeks to increase imports from South Africa and China once again emerges into the buying market, stabilizing the API4 in the US\$80 to US\$90 range in the medium to longer term. Up until the beginning of 2007, API4 price levels lingered in the US\$46 to US\$57 range for several years, with fluctuations mainly due to either disruptions on the Spoornet (now Transnet) railway system, loading/berthing problems at Richards Bay due to weather or fluctuations in freight rates. These factors are still in the equation today, however the main driving force steadily pushing prices up is global supply and demand, which has put direct and ongoing pressure on additional coal supplies from South Africa. The strong and continuing

demand in Asia, the Chinese moving from being a net exporter to a net importer, the tight supply of Russian and Australian coal, and the diversion of some of the South African coal into Asia from the European markets, are some of the key factors driving prices upwards. The forecast is that this trend will continue.



The forecast for the API4 price curve for the remainder of 2009 and through to 2011 is as follows:

- Q2, 2009 US\$62.55
- Q3, 2009 US\$65.25
- Q4, 2009 US\$68.25
- Calendar 2009 US\$68.00
- Calendar 2010 US\$75.25
- Calendar 2011 US\$79.60

All the above figures 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 Friday and McCloskey's fob Richards Bay marker as published in both "McCloskey's Fax" on Friday (dated 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 Monday).

MINERAL RESOURCES

All estimates of mineral resources referred to in this AIF have been prepared in accordance with the SAMREC Code used in South Africa which is an acceptable method of calculating resources under National Instrument 43-101. There can be no assurances that the mineral resources will ultimately be converted into mineral reserves. Mineral resources which are not mineral 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, 2008 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, 2008.
3. Technical report dated March 30, 2009 entitled "Internal Geological Report on the Eloff Project Mineral Development, Exploration and Resources" (the "Eloff Report") prepared by Graham Gemmell, Pr.Sci.Nat. Senior Coal Geologist, HMESA.
4. Independent technical report dated July 31, 2007 entitled "Independent Technical Report summarising the scientific and technical information concerning mineral exploration, development and production activities of the Kendal Project mineral property, Mpumalanga, South Africa" (the "Kendal Report") prepared by Andy Birtles, Pr.Eng. Principal Mining Engineer & Associate of SRK Consulting and Grant van Heerden, Pr.Sci.Nat. Senior Coal Geologist of SRK Consulting.

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 website: www.sedar.com.

ITEM 1: CORPORATE STRUCTURE

1.1 Name and Incorporation

Homeland Energy Group Ltd. (“Homeland” or the “Company”) 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”.

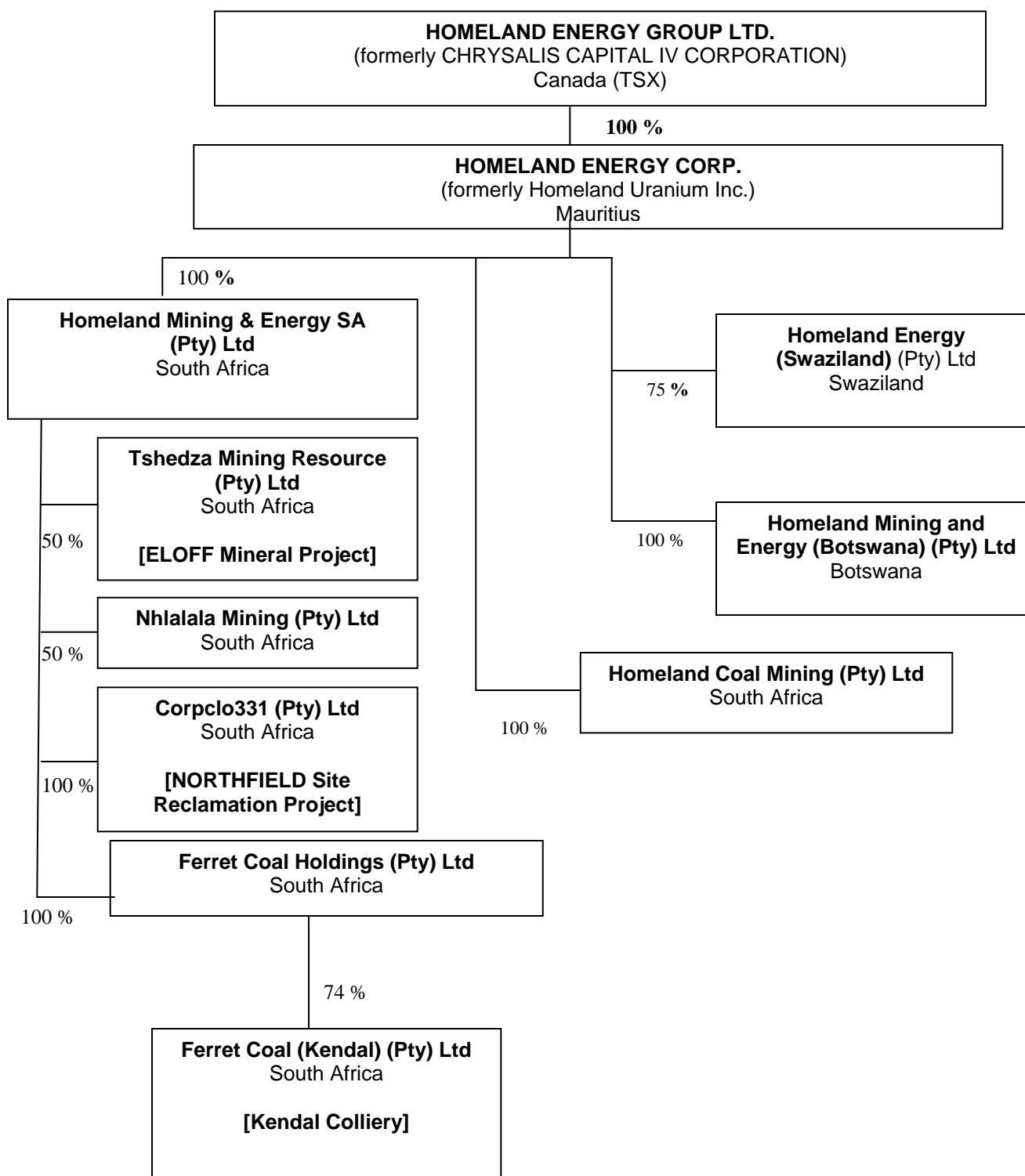
Prior to the Merger, Chrysalis had no operating business. Following the Merger, the Company continued to carry on the business of HEC, being the acquisition, exploration and development of energy related resource properties, initially in Southern Africa. Homeland currently has interests in the Kendal 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 is also exploring opportunities in Botswana. 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;
- 4 Old Park Lane, London, England; 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 interest 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. Several inactive subsidiaries have been omitted. In addition to the subsidiaries set out below, the Company also has a number of strategic investments that will be described under the heading "2.1 General Development of the Business – Three Year History".



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 2006

1. South Africa

In Fiscal 2006 the Company worked to develop its asset base in South Africa. During this period it acquired the Kendall Colliery, the Eloff Mineral Property and the Northfield Site Reclamation Project. Full descriptions of the Kendal Colliery and the Eloff Mineral Property can be found under the headings "Item 4 – the Kendal Colliery" and "Item 5 – the Eloff Mineral Property" respectively.

In March 2006 the Company entered into an agreement to purchase a 50% interest in Tshedza Mining Resources (Pty) Limited ("Tshedza"), Tshedza owns 100% of the Eloff Mineral Property. The Company continues to have an option to increase its stake in Tshedza by 1% to 51% on the payment of ZAR1.00 subject to regulatory approval. The consideration for the acquisition was the agreement by the Company to fund all costs associated with the applications for prospecting, as well as all costs associated with any granted prospecting rights through to the granting of a mining license at Eloff. At the same time, the Company acquired a 50% interest in Nhlalala Mining (Pty) Limited ("Nhlalala"). Nhlalala currently owns interests in the Vlakvarkfontein, Langsloot and Fraaiutzicht properties in South Africa (the "Nhlalala Properties"). The Company has an option to increase its stake in Nhlalala by 1% to 51% on the payment of ZAR 1.00 subject to regulatory approval and by a further 23% to 74% on the payment of market value. To date, the Company has spent minimal time and expense conducting activities on the Nhlalala Properties. The Company paid a brokerage fee of \$415,230, through the issuance of 500,000 common shares (\$279,750) and 300,000 options (\$135,480), for the introduction. This fee has been recorded as an acquisition cost of the Eloff Mineral Property.

In June 2006 the Company acquired 100% of Ferret Coal Holdings (Pty) Ltd., a private South African company with interests in coal properties, including a 74% interest in Ferret Coal (Kendal)(Pty)(Ltd.) which at the time owned the application for a mining licence for the Kendal coal deposit (formerly Zaid Colliery). The Company paid cash consideration to the vendors of ZAR 13,000,000 (\$2,105,016).

The Company also entered into an agreement to purchase the Northfield project for ZAR 12,000,000 (approximately \$1.8 million) over a period of two years.

During Fiscal 2006, the Company began hiring senior personnel and developed a project plan to be implemented in the following year. The Company also entered into negotiations for the outsourcing of the operation of the crushing and screening and washing plants at Kendal and negotiated an agreement to provide the necessary financing to the operator that would construct and own these plants. The Company was granted security over the plants for the repayment of the facility provided. These contracts were completed in 2008. The Company subsequently decided to purchase the plants directly from the operator.

2. Uranium Assets

During fiscal 2006 the Company continued to acquire uranium assets that would eventually become part of Homeland Uranium Inc. in 2007.

On January 27, 2006, the Company acquired 100% of Pan African Uranium Corp., formerly Uranium International Limited ("Pan African"), a private Canadian company with mining interests in Niger, through the issuance of 7,300,000 common shares for a deemed value of US\$3,650,000 (\$4,188,010) and 295,000 share purchase warrants for a deemed value of \$98,825. The company received \$759,325 in cash and the balance of \$3,527,510 was recorded as mineral property. Pan African shareholders received one Homeland common share, warrant or option for every two Pan African shares, warrants or options held. Homeland assumed the task and costs of furthering Pan African's two applications for exploration concessions in Niger launched in early 2005. During 2006, the Government of Niger passed new regulations which resulted in the division of the two concessions into eight "new" concessions.

The Company also increased its holdings in the Colorado Plateau to 1,232 unpatented lode claims on federal Bureau of Land Management ground.

In November 2006 Homeland determined that it would be more advantageous to separate its coal assets from its uranium assets and therefore agreed to sell all of its uranium interests in Utah, Colorado and Niger, to a new entity named Homeland Uranium Inc. ("HUI"). This transaction was completed effective February 1, 2007.

3. Financing

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

On May 2, 2006, the Company closed a brokered private placement of 3,111,900 common shares at a price of US\$2.00 per common share for total gross proceeds of US\$6,223,800 (\$6,988,200). A cash commission of US\$200,412 (\$220,963) was paid, along with warrants to acquire 200,000 shares of the Company with an exercise price of US\$2.00 per common share for the longer of 18 months or the listing of the Company on a public market. In addition, the Company paid a financing fee of £ 108,784 (\$213,582).

On September 10, 2006, the Company closed a brokered private placement of 362,500 common shares at a price of US\$2.00 per common share for total gross proceeds of US\$725,000 (\$812,797). The Company paid US\$41,250 (\$45,394) as cash commission and financing fees.

Fiscal 2007

1. Activities in South Africa

Kendal Colliery, Mpumalanga Province, South Africa

During fiscal 2007 the Company continued to develop the Kendal Colliery. During this period the site was cleaned up, including demolishing and removing the old Zaid Colliery plant and screening and selling all discard dumps. A water reticulation system to the proposed washing plant was established. The cut fill and leveling operation was initiated. The Company commissioned Jones and Wagener to design the plant infrastructure and complete the plant infrastructure layout. An Electric transformer and back-up generator were ordered and installed. The new 200 tonne per hour combined drum and cyclone dense medium modular transportable coal washing plant, built by Derek Parnaby Cyclones International Ltd in the United Kingdom was assembled. The Company also fenced the plant area, landscaping and civils were completed, a slurry pipe line was installed and the main entrance roads upgraded. During this period the Company also commenced the construction of the crushing and screening plants and the run-of-mine tips.

Eloff Mineral Property, Mpumalanga Province, South Africa

After securing the mineral rights to the Eloff Block (Weilaagte and Welgevonden) by way of Prospecting Right (Protocol Number 141/2006), granted by the Department of Minerals and Energy to Tshedza, a prospecting drilling plan was developed by the Company's consulting geologists and negotiations commenced with the surface rights owners to commence exploration drilling during the desk top study stage. A total of 165 holes were drilled over the project area of 4,921 hectares. The desk top study was completed and results emanating from the study justified the commencement of the scoping study.

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

In 2007 most of the emphasis was on preparing the application for and securing the mining permit, which was awarded on November 27, 2007. Once the mining permit was awarded, site establishment commenced. Work included cleaning dams, fixing roads and the removal of alien vegetation.

In December 2007, ZAR 6 million (approximately \$900,000) was paid to the former owners of Corpclo (Pty) Ltd ("Corpclo") against a total purchase price of ZAR 12 million (approximately \$1.8 million).

Other Exploration Projects

During Fiscal 2007, the Company continued to evaluate the exploration properties it had acquired through its acquisition of Nhalala and Tshedza. Certain properties were abandoned where initial results did not warrant further exploration. The Company commenced exploration at the Onbekend and Vlakvarkfontein properties with 134 bore holes drilled at the first and 25 bore holes drilled at the second.

In late 2007 Homeland established an office in Gaborone, Botswana as Homeland Mining and Energy Botswana (Pty) Ltd, a Botswanan registered company. A country manager was appointed to oversee operations from an administrative and commercial perspective.

2. Disposal of Uranium Assets

In January 2007, the Company was granted the eight exploration concessions in Niger, namely Askra 1, 2, 3 and 4 and Agelal 1, 2, 3 and 4.

Effective February 1, 2007, the Company completed the sale of its uranium assets to HUI, at the time, a private Canadian company, in consideration for 16,000,000 common shares of HUI. Following a financing that raised \$1.84 million through the issue of 8,000,000 common shares at \$0.23 per share, the Company's interest in HUI represented approximately 65% of the issued and outstanding common shares of HUI. On June 19, 2007 HUI closed a private placement for \$23 million at \$0.80 per unit, each unit consisting of one common share and one-half of one purchase warrant, each whole purchase warrant entitling the holder to purchase one additional common share at a price of \$1.25 per share, expiring June 19, 2009. The Company participated to the extent of \$5 million in this private placement and as a result its interest in HUI decreased to approximately 42%. HUI became a reporting issuer in 2008. The Company continues to hold 42% of the outstanding capital but does not take an active role in management. Stephen Coates, the President and CEO of the Company is the Chairman and a director of HUI.

3. Financings

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

On June 11, 2007 the Company entered into a Loan Agreement with GC-Global Capital Corp. The Company borrowed the principal amount of US\$2 million through a convertible debenture bearing interest at the rate of 12% per annum for a term of 24 months and was secured by a pledge of 5,000,000 common shares of HUI. The convertible debenture was convertible into common shares of the Company at the rate of one common share for each £1.25 if converted prior to HEC becoming a public company. The convertible debenture was converted on February 27, 2009 prior to the completion of the Merger between Chrysalis and HEC as described in more detail below.

On June 21, 2007, the Company closed a private offering of 3,969,230 shares at a price of £ 1.25 per share, for gross proceeds of \$10,641,396 (£5 million). The Company incurred offering costs that included a cash commission equal to 5% on certain of the gross proceeds of \$473,000. On August 17, 2007, Homeland closed a private offering of 670,690 common shares at a price of \$3.20 per share, for gross proceeds of \$2.1 million.

Fiscal 2008

1. Activities in South Africa

Kendal Colliery, Mpumalanga Province, South Africa

During fiscal 2008, the Company continued to develop the Kendal Colliery. In December of 2007, the mining contract was put out for tender. A dozen mining contractors attended the tendering session, at which 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 initial duration of the contract is three years, at which time the contract may be re-negotiated or re-tendered. The tender was awarded to Moolman Mining, an operating group of Aveng Limited in April 2008.

By January of 2008, the Company had completed all required civil work for the plant infrastructure. During the period commissioning of the weighbridges, completion of the water reticulation system, connection of Eskom provided power, and erection of high masts for lighting was completed and fencing of the area, additional landscaping, installation of a slurry pipe line, upgrading of the main entrance roads, and construction of an office complex were undertaken.

On March 18, 2008, the Company was advised by the South African Department of Minerals and Energy of the granting of the Mining Right in terms of Section 23 of the Mineral and Petroleum Resources Development Act, 2002, (Act 28 of 2002) in respect of Portion 6 of the farm Bankfontein 216 IR and Portions 5 and 10 of the farm Heuvelfontein 215 IR, situated in the magisterial district of Witbank; the Kendal Colliery. Following the granting of the Mining Right the Company undertook the purchase of the surface rights at the Kendal Colliery.

The Company is finalizing an expansion plan for the Kendal Colliery to increase plant throughput to 180,000 tonnes per month Run of Mine (ROM). This expansion, expected to be completed in early 2010, would increase the amount of coal Homeland sells into foreign and local markets, putting Homeland in a position to have 100% of its Kendal coal directed at high end coal markets. To support this increased plant throughput, the Company will accelerate the mining schedule and open new box cuts in addition to the current cuts already supplying raw material to the processing plant.

Production commenced at the Kendal Colliery in the second half of 2008. For additional details, please see the heading “3.1 – Description of the Business – Operations”.

Eloff Mineral Property, Mpumalanga Province, South Africa

During fiscal 2008 Homeland submitted an application for a mining licence. However, to date it has yet to seek to acquire or secure the surface rights necessary to start construction of the surface infrastructure and mine access. A scoping study was completed during this period in conjunction with drilling 398 bore holes. It is expected that a bankable feasibility study will be commissioned following granting of the mining licence at Eloff.

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.

Other Exploration Projects

During fiscal 2008 the Company continued to conduct exploration activities at Onbekend. The Company is preparing the mining licence application to be submitted during fiscal 2009 at Onbekend. The Company is currently negotiating with the local farmers at Vlakvarkfontein to continue exploration work at that property.

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 available to be publicly accessed at www.sedar.com. At the time of the Merger, the Chrysalis had approximately \$646,205.

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 the Chrysalis.

Further to the Merger, the consolidated financial statements for periods ended on or after March 31, 2008 reflect the assets, liabilities and results of operations of HEC, the legal subsidiary, prior to the reverse takeover and the consolidated assets, liabilities and results of operations of the Company and HEC subsequent to the reverse takeover. The consolidated financial statements are issued under the name of the legal parent (the Company), but are deemed to be a continuation of the legal subsidiary (HEC).

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 Loan Facility

To facilitate the final phases of the development of the Kendal Colliery, the Company secured a ZAR 150 million (\$19,665,000) five and a half-year Term Loan Facility (the “Facility”) from Nedbank Limited, one of South Africa's largest banks, with the first drawdown of ZAR 25 million (\$3,184,997) taking place on September 30, 2008. The balance of the Facility is available for drawdown to September 2009. As of December 31, 2008, the Company had drawn ZAR 75 million and together with capitalized interest owed ZAR 77 million (\$10,134,974).

As the Kendal Colliery continues its ramp up to full production over the coming months and initiates Phase II of its development program, including a new boxcut and additional pre-stripping, Homeland anticipates that it has access to all the necessary financing to complete the move to commercial production and achieve positive cash flow from operations.

The Facility is 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 is repayable from September 2009 through December 2013. Amounts drawn under the Facility bear interest at the rate of JIBAR plus 3.15% per annum prior to “Completion” as such term is defined in the Facility, and at the rate of JIBAR plus 2.50% per annum following Completion. Undrawn amounts are subject to a commitment fee of 0.50% per annum. The effective interest rate at December 31, 2008 was 14.575%. The Facility is subject to standard covenants. In addition, until Completion, the Company will be required to leave all cash generated from its operations at Kendal in South Africa. Completion is expected to occur by the end of August, 2009.

4. Proposed Sale of HMESA 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 be 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.

Prior to 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 including the commissioning of a National Instrument 43-101 compliant technical report, the Company entered into an asset purchase agreement (the "APA") to acquire all of the assets of Appolo Fuels Inc. and Diversified Energy Inc. (the "Appolo Assets") in consideration for the payment of US\$105 million. This acquisition of the Appolo Assets represented a significant opportunity for the Company to expand its asset base and diversify out of South Africa. The Appolo Assets included several coal mining leases, mining equipment and coal sale contracts.

At the time the APA was executed, the Company was confident that it would be able to obtain financing for the acquisition of the Appolo Assets through equity, debt or some combination thereof due to the high quality of the Appolo Assets and due to the very strong financial market for coal and coal companies at the time. The vendors of the Appolo 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 Appolo 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 Appolo Assets it could be exposed to considerable liability under the terms of the APA. Management was still of the view that this was a positive transaction for the Company. The vendors were approached and were also hopeful that a transaction could be completed but were also receptive of the Company's need for certainty if financing could not be obtained. 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.

This break fee also worked as an extension fee as it allowed the Company to continue to seek alternative sources of financing until the end of February with the amounts paid being credited to the purchase price. The agreement did provide that the closing date could be extended to the end of March 2009 at the option of the Company for a further

payment of US\$2.5 million but that would only have been applicable if the Company had a commitment for financing in place prior to the end of February. In the actual event, the Company did not exercise this option.

The amendment agreement represented an opportunity for the Company to crystallize its potential liability under the APA to US\$6 million.

The Company was unable to obtain the required financing to complete the acquisition of the Appolo Assets and therefore elected to terminate the APA with Appolo 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. 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 Appolo 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 an existing shareholder of alternative financing on the day immediately preceding the date on which the payment had to be made to the vendors of the Appolo Assets but the price was only \$0.176 per share which price 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 Appolo 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 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 Appolo Asset vendors and issue the 31.6 million shares as requested by the Vendors.

The Company's management and Board believed the Appolo assets to be a valuable strategic fit with other assets in Homeland's property portfolio. While the Appolo operations had proven profitable for many years, the technical and operational expertise from Homeland's South African mine-development team might have been applied to the Appolo operations to optimize production, create efficiencies and increase the value of Appolo's Assets. The Company continues to believe that the Appolo Assets would have made an accretive acquisition.

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.

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). Aviva is an integrated energy company whose most advanced asset is the Coolimba Power project in Western Australia. It is also currently earning a 90% interest in the Mmamantswe project in Botswana.

The Company has 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 are pending. This investment was to be the first of several planned and potential greenfields exploration opportunities to be concluded, 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 chose 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 then 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, pursuant to which it has loaned to Numin \$543,500 (ZAR 4,313,465). 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.

7. Other Transactions

The Company had originally entered into an agreement whereby it would finance the construction of the crushing and 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 (\$4.5 million). Over the course of 2008 it was determined that it would be in the best interest of the Company to own the plant 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 (\$655,500). This transaction had no effect on operations at Kendal.

The Company loaned the sum of ZAR 55,124,000 (\$7,226,723) 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. Interest accrues but is not required to be paid until such time as funding allows. The equity interest in the company owning the Kendal Colliery is pledged as security for the loan. 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).

All further share issuances set out below are to shares of the Company post Merger.

In January of 2009, the Company entered into an agreement with 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.

As set out earlier, under the terms of the Facility, cash generated from South African operations cannot be removed from South Africa until Completion. In February 2009, the Company recognizing that it would continue to need cash at the parent company level until Completion, accepted an offer from GMR, who were prepared to make a private placement into the Company to address the immediate need for cash and would allow GMR to maintain its relative shareholding in the Company following the issuance of shares to the vendors of the Appolo Assets. Given the Company's circumstances at the time, it was determined that there was not sufficient time to undertake a rights offering. The issue price for this financing was based on the maximum discount allowed under the rules of the Toronto Stock Exchange at the time the financing was announced. Pursuant to this transaction, the Company issued 15,775,512 common shares at a price of \$0.20 per share for gross proceeds of \$3,155,102.

Outlook

Homeland anticipates that it will be cash flow positive at the end of 2009, taking into account debt repayments on the Nedbank Facility as well as capital expenditures for the expansion of the Kendal Colliery.

Homeland intends to build upon the platform of assets, of production and of cash flow established over the past three years and over the past 12 months in particular. The growth profile of Homeland will include three primary

areas of focus: organic growth of production at Kendal the Colliery and the continued development of the Eloff Mineral Property in Mpumalanga, South Africa; potential acquisitions of brown fields near operating assets in South Africa; and, diversification of assets and cash flow outside of Southern Africa.

In the context of current world markets, the current economic climate and difficult commodity market, the Company believes that efforts are most importantly directed at the Company's core of assets in South Africa. Having developed the Kendal Colliery from a brown fields acquisition in 2006 through to site preparation and construction from late 2007 and 2008, Homeland views an increase of production at the Kendal Colliery as the best use of capital in the near term.

The Eloff Mining Project with a potential mining licence in the near future will also require continued work to progress. Pre-feasibility work, discussions with landowners and potential strategic partnerships will move this potentially massive development toward commencement of production later in 2009.

In terms of strategic acquisitions, the Company will focus on South Africa, the United States and Australasia, three of the world's best and most prolific thermal coal-producing regions. The Company's failed attempt to purchase the Appollo Assets in the Central Appalachian region of the United States was a great disappointment, however, the extensive work on that attempted acquisition and the insights gained will allow Homeland to better evaluate other opportunities in the eastern United States.

The power generation market is a natural extension of the coal production business in South Africa. Homeland will resume discussions begun earlier in 2009 with domestic and international parties for construction of a 25-75MW power generation plant at Kendal and a potential 250-500MW power generation plant at Eloff to supply power directly to large industrial customers. A 25MW pilot plant is planned for Kendal with a lead-time of approximately 12 to 18 months to commercial operation date (COD). If a pilot plant at Kendal proves successful, the Company believes that the larger power plant at Eloff may take approximately 24 months from decision date to COD.

The proposed power plant at Kendal would receive its feed from the plant discard, thus allowing the Company to utilize 100% of its coal products from Kendal, while increasing and diversifying its sources of cash flow from operations. While these discussions are advancing, they have yet to realize a definitive agreement and may not come to fruition. It is, however, the Company's belief that opportunities like this, to turn waste product to energy are of significant potential benefit to shareholders and to the communities in which it operates.

The Company remains focused on leveraging its core strengths to create value from its assets - producing thermal coal and developing thermal coal deposits - as well as generating cash flow, responsibly deploying capital, maximizing cash balances and maintaining flexibility to acquire accretive projects where a strategic fit is proven. Homeland continues to seek disciplined organic growth and growth through strategic acquisition. The Company will continue to strive to improve the value and returns of its projects.

During these uncertain global economic times, the Company remains committed to its growth and expansion plan with strict oversight given to minimizing business and operational risks, generating liquidity and containing costs and dilution to shareholders.

By 2011, management expects that Homeland Energy will be a dramatically different company. Strategically-acquired energy projects in other mining-friendly jurisdictions will spread geographic risks, and investment in mine-mouth power plant opportunities for Kendal and Eloff will diversify cash flow sources. Each of these will be the culmination of strategic work began months or years ago by Homeland's qualified management and operations teams working toward a simple and clear plan to maximize shareholder value.

ITEM 3: NARRATIVE DESCRIPTION OF THE BUSINESS

3.1 General

Homeland Energy Group Ltd. is now a producing coal company, traded on the TSX under the symbol "HEG", focused on energy exploration and development in Southern Africa. Homeland owns a producing operation – the Kendal Colliery near Witbank, 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 provinces of

Mpumalanga and Kwa-Zulu Natal. The Company is also evaluating exploration opportunities in Botswana and continues to have an office in that country.

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.

Homeland is also a significant shareholder of Homeland Uranium Inc., a Canadian company involved in the exploration and development of uranium projects in Niger and the United States. In February 2008, Homeland also acquired a strategic interest in Altona Resources Plc, an AIM listed company and in June 2008, it acquired an interest in Aviva Corporation Ltd., listed on the Australian and Botswanan Stock Exchanges.

Until such time as the Company reaches a level of production at the Kendal Colliery that qualifies as commercial production, no revenues will be recognized from the sale of coal. Therefore, for the year ended December 31, 2008, although coal was being produced at the Kendal Colliery, no revenues were recorded in the HEG Consolidated Financial Statements.

Principal Products

The Company's principal product is coal. There is a worldwide market for coal, although the Company expects to benefit from a strong and growing market for coal domestically in South Africa. The Company is not dependent on a particular purchaser with regard to the sale of the coal

Currently, the Kendal Colliery produces 5 products, nl; 0x6mm Duff, 6x15mm Grains, 15x25mm Peas, 25x45mm Small Nuts, 45x85mm Large Nuts. 80% of the products are sold into the domestic markets.

Homeland is also producing a 0 x 50mm product from its Kendal Colliery for export into the international power generation market.

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.

Mineral Resources

The following table sets out the measured and indicated and inferred resources at the Company's South African assets as at the dates indicated.

Project	Measured (Mt)	Indicated (Mt)	Total M&I (Mt)	Inferred (Mt)
Kendal ¹	8.7	0.7	9.4	25.2
Eloff ²	151.1	99.2	250.3	210.5
Grand Total	159.8	99.9	259.7	235.7

1. At July 31, 2007, as reported by SRK Consulting (South Africa) (Pty) Ltd.

2. At March 30, 2009, as reported by Homeland Mining & Energy SA (Pty) Ltd.

The reduction in resource estimates for the Eloff Property from previous statements is due to the fact that inconsistencies were found in the seam sampling procedures in certain boreholes. This situation will be reversed on the completion of a small infill drilling program of some 30 slim cores. Homeland does not feel that this reduction

should reflect negatively on the previously announced resource, but rather the change is a matter of technical correctness to ensure consistency in geological reporting that Management feels more comfortable with.

Operations

Operations commenced at the Kendal Colliery in 2008. In April 2008, dewatering of the first boxcut and the removal of overburden commenced. May 2008 saw mining activity focused on the ramp area and the removal of overburden on a three-shift seven-day cycle. Dewatering of the boxcut was completed and some 192,603 cubic metres of overburden was removed. The first blast was conducted in June 2008 and the first coal was transferred from the pit to the plant stockpile in July 2008. During plant commissioning, by toll washing third party coal, certain screens did not operate effectively. The plant was shut down in late June 2008 and the screens were replaced with new screens designed for the purpose. The feeder breaker was also replaced, to achieve better crushing ratios and improve throughput, and the opportunity was taken to make other improvements. The following table outlines operating activity during the second half of 2008

	July 2008	August 2008	September 2008	October 2008	November 2008	December 2008	Total 2008
Run-of-Mine ("ROM" tonnes)	10,964	64,440	32,631	80,829	21,120	102,366	312,350
Feed to plant (tonnes)	3,928	31,957	73,575	71,928	53,124	68,611	303,123
Yield (%)	45.21	38.23	34.49	36.78	33.63	38.90	36.42
Product (tonnes saleable)	1,776	12,217	25,377	26,457	17,864	26,693	110,384
Sales (tonnes)		5,216	24,690	19,531	27,529	12,279	89,245
Stock (tonnes)	1,776	8,777	9,464	16,390	6,725	21,139	

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 licences 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.

Employees

The Company now has 22 full time staff and 1 part-time student based at its office in Witbank (South Africa), five based in Toronto (Canada) and three in London (England). 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 and Europe. Although international prices have fallen significantly in the past 6 months, exports are still economically viable and are expected to remain so throughout the forward price curve to 2011 and beyond. Homeland expects to start selling the Kendal coal into the export market through the Richards Bay Coal Terminal as well as sized coal through the Port of Durban during the course of 2009 and is currently working on obtaining export allocation at these ports.

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.

Financing Risks

Homeland has limited financial resources, currently has no source of operating cash flow and has no assurance that additional funding will be available to it for further exploration and development of its projects or to fulfill its obligations under any applicable agreements. There can be no assurances that the Company will be able to obtain adequate funding in the future or that the terms of such financing will be favourable. Unless and until Homeland develops or acquires income producing assets, it will be dependent upon its ability to obtain future equity or debt funding to support exploration, evaluation and development of the properties in which it has an interest.

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 especially in the current economic climate. Homeland's ability to raise further equity or debt financing will vary according to a number of factors, including the success of exploration results and the future development of the projects, stock market conditions and prices for coal. Failure to obtain additional financing could result in delay or indefinite postponement of further exploration and development of its projects with the possible loss of such properties.

The Company's current activities are focused on the development of the Kendal Colliery and the Northfield Mineral Property, as well as exploration at the Eloff Mineral Property and elsewhere. The Kendal Colliery will provide the operating cash flow in the short-term necessary for fund all exploration activities and corporate overheads once it achieves commercial production. Any adverse developments affecting these projects could materially affect the Company's financial condition and results of operations.

Nature of Mineral 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 the 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. Future sustained downward movements in coal market prices could render less economic, or uneconomic, some or all of the coal extraction and/or exploration activities to be undertaken by the Company. Although both domestic and international prices have softened considerably in the past 6 months, it is still economically viable to sell coal in both markets. With the forward price curve strengthening through to 2011 both domestic sellers and exporters are expected to continue to benefit. The sharply escalating prices of 2007 and 2008 were seen as artificial, largely riding on the back of unprecedented oil hikes and over-reaction on derivatives platforms which hiked the coal indices. Although demand for coal had also substantially increased during this period, particularly from China, the physical demand/supply fundamentals would have increased coal prices substantially, but not to that degree of volatility.

Physical coal demand is expected to continue to increase, particularly in the developing economies in the Far East and the market strongly believes that this factor will keep prices buoyed in the medium to long term.

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 its 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 favorable to Homeland or at all.

Mineral Resources and Reserves

Mineral reserves are, in the large part, estimates and no assurance can be given that the anticipated tonnages and grades will be achieved or that the indicated level of recovery will be realized. Reserve estimates for properties that have not yet commenced production may require revision based on actual production experience. Market price fluctuations of commodities, as well as increased production costs or reduced recovery rates may render mineral reserves containing relatively lower grades of mineralization uneconomic and may ultimately result in a restatement of reserves. Moreover, short-term operating factors relating to the mineral reserves, such as the need for orderly development of the ore bodies and the processing of new or different mineral qualities may cause a mining operation to be unprofitable in any particular accounting period.

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

Homeland's revenues and expenses will be incurred in South African Rands and Canadian Dollars, though its financings are expected to be completed in Canadian Dollars. Although the Company has taken certain steps to help mitigate foreign currency fluctuations, there is no assurance that the activities or products are or will continue to be effective. Accordingly, the inability of the Company to obtain or to put in place effective hedges could materially increase exposure to fluctuations in the value of the Canadian Dollar relative to the South African Rand. This could adversely affect Homeland's financial position and operating results.

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 fulfil 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 Colliery is extracted from, and is qualified entirely by, the more detailed disclosure contained in the Kendal Report . This report is incorporated herein by reference in its entirety. A full copy of the Kendal Report is available for viewing on SEDAR at www.sedar.com.

The Kendal Colliery is a moderate coal resource, largely minable by open cast methods, partly underlying predominantly farming (maize and livestock) land, and elsewhere has historically supported mining operations supplying coal to the local industry. The project area of some 552 hectares 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.

The Kendal Colliery is located at approximately Latitude 26°04' South, Longitude 28°59' East, some 6 kilometres west of the town of Ogies in Mpumalanga Province of South Africa. The elevation of the project area is some 1570 metres above mean sea level. The Highveld is a high plateau area of South Africa that includes the largest metropolitan area in the country, the Greater Johannesburg Metropolitan Area. The area of the Highveld is the size of Belgium, starting east of the Johannesburg centre and stretching to the Swaziland border, encompassing rural and urban areas of around 30,000 square kilometres.

The area around the Kendal Project is characterized by arable farming, predominantly maize and livestock (cattle). The area is also characterized by coal mining operations, both opencast and underground operations. The rehabilitation of these operations is planned to return the land to arable capability where possible.

An efficient network of all-weather roads operates in the area of the Kendal Project, with the N12 freeway from Johannesburg to Witbank passing some 5 kilometres to the north. The secondary road between Delmas and Ogies traverses the Kendal Project. The rail line from Johannesburg to Witbank follows this secondary road in the area and also passes through the centre of the Kendal Project. There is a rail siding some 3 kilometres to the west. The proximity of the town of Ogies, several mining operations and the sidings and stations will ensure that the current good level of access will be maintained.

The town of Ogies lies some 6 kilometres to the east. Witbank can be accessed from the N12 and is some one-half hour's drive. Johannesburg is some one-and-a-half hour's drive to the west of Ogies via the N12. Rail and bus services link Ogies to other centres throughout Mpumalanga Province and South Africa.

There is a ready pool of labour in the Witbank, Ogies and Delmas areas, much of which has previous experience in the mining sector; this availability has been enhanced following retrenchments as a number of local coal operations have recently closed or amalgamated with adjacent operations. There are also a number of experienced mining contracting companies operating in the region.

The Springs-Witbank Coalfield (“Witbank Coalfield”) is situated in the Northern Karoo Basin covering an area greater than 568,000 hectares, stretching from Springs in the west to Belfast in the east, and Middelburg in the north to Rietspruit in the south. The northern boundary of the coalfield is the outcrop of the coal-bearing sedimentary sequence against the pre-Karoo rocks of predominantly the Transvaal Supergroup, while the southern boundary in the central portion of the basin is widely considered to be the sub-outcrop against a pre-Karoo felsite ridge, known as the Smithfield Ridge. To the east and west of the central portion, the southern boundary is rather arbitrarily defined. The extreme eastern and western boundaries are defined by the outcrop of the coal-bearing sedimentary sequence against the pre-Karoo rocks of the Transvaal Supergroup, the Waterberg Group and intrusives of the Bushveld Igneous Complex

The Kendal Project is situated in the far west-central region of the Witbank Coalfield. In this part of the coalfield, the pre-Karoo basement is comprised mainly of dolomites, cherts and quartzites of the Malmani Group (Transvaal Supergroup). The period of Dwyka glaciation, coupled with the fact that the glaciated surface is largely a dolomite sequence, resulted in a highly irregular and undulating basement onto which the Karoo sediments were deposited. The resultant seam thicknesses and seam distributions are highly influenced by this palaeotopography, especially the lower seams (No. 1 Seam and No. 2 Seam)

The present day surface topography is characterized by a gently sloping valley with its axis trending roughly north-south through the centre of the Kendal Colliery, and plunging to the north. This present day erosional surface impacts on the seam thicknesses and seam distributions, especially the upper seams (No. 4 Seam and No. 5 Seam).

Logging standards and coal seam nomenclatures have not been constant over the years of exploration drilling. The result is that in the historical database, reference is made to a No. 4 Seam, a No. 4 Upper Seam and a No. 4 Lower Seam. This is due to the fact that very locally, the No. 4 Seam is split by a clastic parting and hence the adapted nomenclature to account for this split. Only the No. 4 Lower Seam has been considered for resource estimation where the split is evident.

Dolerite intrusions of late Karoo age, *i.e.* post coal formation, have also impacted on coal morphology and quality. Transgressive sills have displaced seams in certain areas and both sills and dykes have heat-affected the coal seams locally in areas of transgression, and where the sills (particularly underlying the seams) are proximal enough to cause devolatilisation and burning of the coal. Dolerite dyke positions have not been established (no geophysical surveys are known to have been conducted) and dolerite sill modeling has yet to be undertaken.

The Audited Mineral Resources Statement is reviewed in accordance to the SAMREC Code¹. The SAMREC Code and the Canadian Institute of Mining Metallurgy and Petroleum CIM Standards on Mineral Resources and Reserves, Definitions and Guidelines, both recognise the use of definitions of Mineral Resources and Mineral Reserves; furthermore, both codes make use of the definitions of “Measured”, “Indicated” and “Inferred” Mineral Resources in decreasing geological confidence. Comparison of these two codes reveals significant aspects of similarity:

Both recognise the role of a “Qualified Person” (CIMM 2005) and a “Competent Person” (SAMREC), who is appropriately experienced and is a member of a recognised professional association. The relevant Mineral Resource definitions from the CIMM 2005 Code and SAMREC are presented below - the CIMM 2005 Definition Standards is presented first, followed by the corresponding italicised SAMREC definition.

- An ‘Inferred Mineral Resource’ is that part of a Mineral Resource for which quantity and grade or quality can be estimated on the basis of geological evidence and limited sampling and reasonably assumed, but not verified, geological and grade continuity. The estimate is based on limited information and sampling gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes.
- An ‘*Inferred Mineral Resource*’ is that part of a Mineral Resource for which tonnage, grade and mineral content

¹ JSE Listings Requirements (Section 12) require that companies listed on the JSE report their Mineral Resources and Mineral Reserves in accordance with the SAMREC Code.

can be estimated with a low level of confidence. It is inferred from geological evidence and assumed but not verified geological and/or grade continuity. It is based on information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes that may be limited or of uncertain quality and reliability.

- An 'Indicated Mineral Resource' is that part of a Mineral Resource for which quantity, grade or quality, densities, shape and physical characteristics, can be estimated with a level of confidence sufficient to allow the appropriate application of technical and economic parameters, to support mine planning and evaluation of the economic viability of the deposit. The estimate is based on detailed and reliable exploration and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes that are spaced closely enough for geological and grade continuity to be reasonably assumed.
- An 'Indicated Mineral Resource' is that part of a Mineral Resource for which tonnage, densities, shape, physical characteristics, grade and mineral content can be estimated with a reasonable level of confidence. It is based on exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes. The locations are too widely or inappropriately spaced to confirm geological and/or grade continuity but are spaced closely enough for continuity to be assumed.
- A 'Measured Mineral Resource' is that part of a Mineral Resource for which quantity, grade or quality, densities, shape, physical characteristics are so well established that they can be estimated with confidence sufficient to allow the appropriate application of technical and economic parameters, to support production planning and evaluation of the economic viability of the deposit. The estimate is based on detailed and reliable exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes that are spaced closely enough to confirm both geological and grade continuity.
- A 'Measured Mineral Resource' is that part of a Mineral Resource for which tonnage, densities, shape, physical characteristics, grade and mineral content can be estimated with a high level of confidence. It is based on detailed and reliable exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes. The locations are spaced closely enough to confirm geological and grade continuity.

In terms of the definitions, there are close similarities between the two codes; within SAMREC, only Measured and Indicated Mineral Resources can be converted to Proven and Probable Mineral Reserves, analogous with the CIMM 2005 Definition Standards. Accordingly, SRK certified that their Mineral Resource statement reported in accordance with the classification criteria of SAMREC would be identical to one reported in accordance with the CIMM 2005 Definition Standards.

Classified Coal Resources associated with the Kendal Project as at July 2007

Block Name	Seam Name	Measured (Mt)	Indicated (Mt)	Measured and Indicated (Mt)	Inferred (Mt)
B	No. 4 Seam	0.0	0.0	0.0	0.9
C	No. 4 Seam	0.0	0.0	0.0	0.1
D	No. 4 Seam	1.1	0.0	1.1	0.0
E	No. 4 Seam ^U	0.0	0.0	0.0	2.0
E	No. 4 Seam ^L	0.0	0.0	0.0	2.2
D	No. 3 Seam	1.5	0.0	1.5	0.0
B	No. 2 Seam	2.5	0.0	2.5	0.0
C	No. 2 Seam	0.0	0.7	0.7	0.0
D	No. 2 Seam	3.6	0.0	3.6	0.0
E	No. 2 Seam	0.0	0.0	0.0	15.9
F	No. 2 Seam	0.0	0.0	0.0	4.1
TOTAL	ALL	8.7	0.7	9.4	25.2

- NOTES:**
1. Tonnages have not been discounted for geological or other losses
 2. Block cover previously mined No. 4 Seam (assumed 60% volumetric extraction)

Average *In Situ* (raw) Coal Qualities associated with the Kendal Project as at July 2007

Seam Name	Calorific Value (MJ/kg)	Ash Content (%)	Volatile Matter (%)	FC (%)
No. 4 Seam ⁽¹⁾	19.52	33.2	20.9	42.2
No. 3 Seam ⁽²⁾	25.85	17.7	27.1	51.5
No. 2 Seam ⁽³⁾	23.55	22.2	20.9	53.2

Notes: 1. Qualities representative of Block D only
 2. Qualities representative of Block D only
 3. Qualities representative of Blocks C, D and F only

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 Eloff Report. This 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.

The Eloff Property is a significant coal resource, largely opencastable, underlying predominately farming (maize and livestock) land, which has historically been considered for supplying low grade coal to the power generating industry. The project area lies in the western extremity of the Witbank Coalfield, and the surrounding areas have supported a number of mining operations, both historically and currently. The investigation is targeted on the presence of potentially economic sub-bituminous coal in the Number 4 Lower and Number 2 Lower Coal Seams of the Witbank Coalfield of which this project is a part. The current drilling focused in part on increasing the confidence and understanding of the lateral continuity of the various coal seams and also an understanding of the general geological structure of the project area.

The Eloff property is situated some 10kms to the south of the town of Delmas in Mpumalanga. The bulk of the project area is centered just to the east of the R42 between Delmas and Nigel. The Eloff Block is located at Latitude 26°15' South, Longitude 28°42' east, some 12 kilometres to the south of the town of Delmas in Mpumalanga Province of South Africa. The elevation of the project is some 1,600 metres above mean sea level. The Eloff Property covers some 5.02 ha over the farms Wellaagte 271 IR and Welgevonden 272 IR, Magisterial District of Delmas, Mpumalanga Province, South Africa.

The current New Order Prospecting Rights (protocol number 141/2006) was awarded to Tshedza Mining Resources (Pty) Ltd ("Tshedza") in October 2006. Homeland Mining and Energy (SA) (Pty) Ltd ("HMESA") currently owns 50% of Tshedza and has an option on a further 1% for ZAR 1.00. This prospecting right is valid for a period of three years (ending on 11 October 2009), subject to Homeland conducting the work set out in the prospecting work programme that accompanied the prospecting right application and adhering to the conditions of the Environmental Management Plan ("EMP"). This Prospecting Right can be renewed only once, on application, for a period not exceeding three years. Homeland is awaiting approval of a Mining Right in terms of the MPRDA. The Mining Right, when granted, will be valid for the period specified in the right, which may not exceed 30 years, but can be extended. The surface rights necessary to start construction of the surface infrastructure and mine access have yet to be acquired or secured. Homeland complies fully with the Black Economic Empowerment requirements of MPRDA via a number of shareholdings with companies owned by historically disadvantaged South Africans.

Exploration in the area has been undertaken by a number of companies. The primary exploration by Anglo Coal Prospecting Services and Southern Sphere Mining and Development resulted in sporadic borehole spacing with the information sourced from the Council for Geosciences. Coal Resource estimates set out in the tables below are based only on the modeling of recent exploration boreholes drilled by the Company between 2006 and 2008. A total of 304 TNW diamond cored boreholes were drilled and used in the modeling exercise. Resources are reported on a raw in situ basis. The following tables describe the resource.

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

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	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: OTHER SOUTH AFRICAN PROPERTIES

6.1 Northfield Tailings Reclamation Project

The Northfield Project is a small resource of coking-quality dried fine tailings resulting from the processing of coal at the now defunct Northfield Colliery. The Project lies in the north western Kwa-Zulu Natal Coalfield, and is located close to a number of defunct mining operations. The Northfield Project is located at Latitude 28°08' South, Longitude 30°08' East, to the northwest of the town of Glencoe in Kwa-Zulu Natal Province of South Africa. The elevation of the project is some 1,380 metres above mean sea level.

Following the granting of the Mining Permit on November 27, 2007, the Company exercised its option to purchase Corpco (Pty) Ltd., and in December 2007 paid ZAR 6 million (approximately \$920,000) to the former owners against a total purchase price of ZAR 12 million (approximately \$1.8 million). The remaining ZAR 6 million was paid in December 2008. Homeland now has a 100% interest in the Northfield Project.

Once the mining permit was awarded, site establishment commenced. Initial work included cleaning dams, fixing roads and the removal of alien vegetation. A weighbridge has subsequently been purchased and installed; a site office has been erected; the mining lease area has been fenced; and the mining and security contractors have been appointed and have mobilized to site.

Exploitation of the slurry dump has commenced, a sales contract has recently been concluded and it is anticipated that the resource will be fully exploited by the end of 2009.

6.2 Exploration Projects

Exploration Projects

Through its equity interest in Tshedza and Nhlalala the Company has a 50% interest in a number of South African exploration properties, including:

Onbekend

At Onbekend, Tshedza Mining Resources (Pty) Ltd holds a prospecting license over some 2,864.2 hectares. Resource definition drilling began in 2007 with the drilling of 88 holes totaling 2,885 metres. Of these holes, 16 have been sent to the laboratory with the results received for all of these. Coal seams were identified in all 16 holes. The main coal seam is the C seam, although there is a significant portion of B seam. The B seam ranges from 0.7 metres to 1.83 metres, averaging 1.24 metres. The C seam ranges from 0.4 metres to 1.37 metres, averaging 1.02 metres. The target is excellent quality, low phosphorous metallurgical coal. Following an agreement with the surface rights owner, an additional 25 holes were drilled of which 13 had coal. Results of the analysis of these holes are awaited.

Vlakvarkfontein (Arbor)

At Vlakvarkfontein, Nhlalala Mining (Pty) Ltd holds a prospecting license over some 1,117.2 hectares. A total of 805 metres has been drilled in 34 holes, 12 of which were coal bearing; the remainder containing either burnt coal or dolerite, indicative of high intensity dolerite activity. The two major seams found were the No. 4 seam with a thickness of between 0.57 metres and 4.67 metres, with an average of 2.15 metres, and the No. 2 seam with a thickness of between 1.38 metres and 7.25 metres, with an average of 4.40 metres.

The qualities as received from the laboratory indicate that the coal is of similar quality to the Kendal Colliery. As Vlakvarkfontein is located only approximately 13 kilometres from the Kendal Colliery, the use of the Kendal processing facility will be considered to treat this coal.

Sheepmoor (Witbank)

Prospecting license held over 192 hectares, drilling to commence in 2009.

Langsloot

Prospecting license held by Nhlalala Mining (Pty) Ltd, over 1,189.7 hectares. Situated in the Kinross / Secunda district, no drilling took place in 2007 pending agreement being reached with the surface rights owner. The Company is investigating an apparent conflicting right held by a third party.

Project X (Halfgewonnen)

Prospecting license held by Nhlalala Mining (Pty) Ltd, over 1,702.3 hectares. Situated in the Bethal district, an initial evaluation indicates apparent conflicting rights held by other parties.

ITEM 7: THE SOUTH AFRICAN LEGISLATIVE AND REGULATORY FRAMEWORK**7.1 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 Minister of Minerals and Energy (“**Minister**”) and the Department of Minerals and Energy (“**DME**”) are the primary representatives of the State in this area. The Minister, as well as the Department of Environment Affairs and Tourism and the Department of Water Affairs and Forestry have jurisdiction in respect of activities that will affect the environment and water resources, which includes certain mining activities. Various other licences and authorisations are therefore required before most mining and some prospecting activities can commence.

7.2 Transition

In terms of the previous regulatory regime in South Africa, mineral rights (which entitled the holder thereof to apply to the Department of Minerals and Energy for the right to prospect and mine minerals) were held privately or, in some instances, by the State.

Transitional provisions were included in the MPRD Act, which allowed mining companies to convert the “old order rights” to prospect and mine that they held prior to the MPRD Act coming into force, to the “new order rights” introduced by the MPRD Act.

The transitional provisions contemplate three categories of pre-existing rights, namely:

- unused old order rights, which are mineral rights in respect of which no prospecting permit or mining authorisation was issued under the now repealed Minerals Act, or where such an issue has occurred, no prospecting or mining activities had taken place as at May 1, 2004;
- old order prospecting rights, which are rights to prospect in respect of which a prospecting permit was issued under the now repealed Minerals Act and prospecting had taken place as at May 1, 2004; and
- old order mining rights, which are rights to mine in respect of which a mining authorisation was issued under the now repealed Minerals Act and mining had taken place as at May 1, 2004.

Holders of unused old order rights needed to apply before May 1, 2005 for new order prospecting or mining rights under the MPRD Act, to replace the rights they held before May 1, 2005. This did not affect Homeland as its applications have all been for new order rights.

With regard to old order prospecting rights and old order mining rights, any rights to prospect or mine, and prospecting permits or mining authorisations granted under the now repealed Minerals Act, will continue to be valid for the period granted under the repealed legislation, subject to a maximum period of two and five years, respectively. In order to continue with mining or prospecting operations, the holders of old order prospecting and mining rights had to apply for the conversion of the rights that they had previously held under the repealed Minerals Act to new order prospecting or mining rights provided for under the MPRD Act within the aforementioned transitional periods.

7.3 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:

- 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;
- 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;
- remove and dispose of any such minerals found during the course of prospecting, mining, exploration or production, as the case may be;

- 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
- 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 will be 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, and labour and social responsibility, and evidence of an applicant's ability to conduct mining optimally, are pre-requisites for these applications.

A holder of a prospecting right must amongst other things:

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

7.4 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:

- 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
- 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 the obtaining of the Ministerial consent.

7.5 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 of 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 embraces a range of criteria against which prospecting and mining right applications and conversion applications will be considered. These criteria include issues such as human resources development, employment equity, procurement, community and rural development and the ownership of mining assets by HDSAs.

On the issue of ownership specifically, the mining charter requires that mining companies achieve 15% HDSA

ownership of mining assets within five years and 26% HDSA ownership of mining assets within 10 years of May 1, 2004. The mining charter envisages that transactions which seek to achieve the required HDSA ownership status will take place in a transparent manner and for fair market value, with stakeholders meeting after five years to review progress in achieving the 26% target.

When considering applications for the conversion of old order rights, the State will take a “scorecard” approach to the different facets of promoting the objectives of the mining charter. The DME issued the scorecard along with the mining charter. The scorecard covers human resources development, employment equity, migrant labour, mine community and rural development, housing and living conditions, ownership and joint ventures, beneficiation and reporting.

The scorecard does not indicate the relative significance of each item, nor does it provide a particular score which an applicant must achieve in order to be in compliance with the mining charter and be granted new rights in terms of the MPRD Act (except in the area of ownership as discussed above).

The affiliates of Homeland that hold prospecting or mining rights already comply with the target of 26% ownership by HDSAs.

7.6 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.

7.7 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.

7.8 Environmental Management Programme

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

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

7.9 Royalties

In terms of the draft Royalty Bill, the holder of a mineral right will in due course be required to pay a royalty to the State or in certain instances to the surface rights holder. The Royalty Bill has been referred back to Parliament after strong objections from mining industry participants and the resolution of the issues raised is still pending. Drafts of the Royalty Bill were released in 2003, 2006 and 2007.

The latest proposal is a fluctuating royalty rate, which is determined with reference to earnings as a percentage of gross sales. If the proposed legislation is enacted, the royalty payable to the State will increase Homeland's production costs.

ITEM 8: 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 9: 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 274,650,688 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 and 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 5,925,460 common shares. These options have exercise prices ranging from \$0.20 to \$1.76 and expire between July 2009 and February 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 and 1,909,092 share purchase warrants with an exercise price of \$1.50 per common share and an expiry date of May 21, 2009.

ITEM 10: 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 March 5, 2008 to March 30, 2009.

The following table sets forth the monthly price ranges and volumes of the common shares on the Toronto Stock Exchange since March 5, 2008.

Period	High C\$	Low C\$	Volume
March, 2009 ⁽¹⁾	0.30	0.16	24,071,136
February, 2009	0.32	0.12	41,779,360
January, 2009	0.24	0.07	18,313,010
December 2008	0.11	0.06	11,494,406
November, 2008	0.36	0.04	16,765,199
October, 2008	0.80	0.30	5,625,744
September, 2008	1.19	0.52	16,747,945
August, 2008	1.40	0.67	25,218,772
July, 2008	1.60	1.00	7,955,997
June, 2008	2.05	1.54	28,958,492
May, 2008	1.77	1.05	9,137,759
April, 2008	1.30	0.80	7,975,444
March, 2008 ⁽²⁾	1.50	0.82	8,626,439

Notes:

(1) To March 30, 2009

(2) From March 5, 2008

As the Merger was accounted for as a reverse take-over and the continuing business of the Company was the business carried on by HEC prior to the Merger, the trading history of Chrysalis has not been included in this AIF.

ITEM 11: ESCROWED SECURITIES

As of the date hereof, 375,000 common shares of the Company are held in an escrow pursuant to the rules of the TSXV. These shares represented shares held by certain shareholders of Chrysalis prior to the completion of the Merger. These shares will be released from escrow on August 29, 2009. Equity Transfer & Trust Company acts as escrow agent with respect to the escrow.

ITEM 12: DIRECTORS AND OFFICERS

12.1 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 at March 30, 2009.

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
A. Tom Griffis Ontario, Canada	Chairman and Director, since January 2006	President, Griffis International Limited	1,652,574 ⁽⁴⁾
Stephen E. Coates London, England	President, Chief Executive Officer and Director, since December 2004	President and Chief Executive Officer of the Company	4,403,143 ⁽⁵⁾

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
Avrom E. Howard ⁽²⁾ Colorado, U.S.A.	Director, since December 2004	Vice President, Exploration, Homeland Uranium Inc.	4,110,000 ⁽⁶⁾
Neil McLoughlin ⁽¹⁾⁽²⁾ County Fermanagh, Northern Ireland	Director, since October 2006	Director, Bridge Investment Corporation	Nil ⁽⁷⁾
Laurence Curtis ⁽¹⁾⁽³⁾ Ontario, Canada	Director, since * 2007	Businessman	Nil ⁽⁸⁾
Robert Munro ⁽¹⁾⁽³⁾ Ontario, Canada	Director, since October 12, 2006	President, Chief Financial Officer and Secretary, The Chrysalis Capital Group	159,079 ⁽⁹⁾
Michael Nell Mpumalanga, South Africa	Chief Operating Officer, since March 2008	Managing Director, Homeland Mining & Energy SA (Pty) Ltd	556,400 ⁽¹⁰⁾
Stephen Woodhead Ontario, Canada	Chief Financial Officer, since March 2007	Chief Financial Officer of the Company	800,000 ⁽¹¹⁾
Naomi Nemeth Ontario, Canada	Vice President, Investor Relations, since January 2008	Vice President, Investor Relations of the Company	21,000 ⁽¹²⁾
Kathleen Skerrett Ontario, Canada	Corporate Secretary since May of 2008	Partner, Gardiner Roberts LLP since 2007.	Nil ⁽¹³⁾

Notes:

- (1) Member of the Audit Committee.
- (2) Member of the Compensation Committee.
- (3) Member of the Corporate Governance Committee.
- (4) Mr. Griffis also holds options to acquire 200,000 common shares exercisable at \$0.20 per share until February 10, 2014.
- (5) Held as to 3,223,143 common shares directly, 510,000 held through the Coates family trust and 670,000 held by Mr. Coates spouse. Mr. Coates also holds options to acquire 200,000 common shares exercisable at \$0.20 per share until February 10, 2014.
- (6) Held as to 2,934,000 and 1,176,000 through family members. Mr. Howard also holds options to acquire 125,000 common shares exercisable at \$0.20 per share until February 10, 2014.
- (7) Mr. McLoughlin holds options to acquire 125,000 common shares exercisable at \$0.20 per share until February 10, 2014.
- (8) Mr. Curtis holds options to acquire 125,000 common shares exercisable at \$0.20 per share until February 10, 2014.
- (9) Held as to 139,079 directly and 20,000 through Halcyon Capital Corporation which is controlled by Mr. Munro. Mr. Munro also holds options to acquire 125,000 common shares exercisable at \$0.20 per share until February 10, 2014.
- (10) Mr. Nell also holds options to acquire 200,000 common shares exercisable at \$0.20 per share until February 10, 2014 and 100,000 common shares exercisable at US\$0.25 per share until July 25, 2009.
- (11) Mr. Woodhead also holds options to acquire 270,000 common shares exercisable at US\$0.50 per share until March 1, 2010 and 185,000 options exercisable at \$1.25 per share until May 22, 2011.
- (12) Ms. Nemeth also holds options to acquire 200,000 common shares exercisable at \$0.20 per share until February 10, 2014.
- (13) Ms. Skerrett holds options to acquire 100,000 common shares exercisable at \$0.20 per share until February 10, 2014.

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. Coates who, from May 2003 to August 2006 was president of Grove Communications Inc.; Mr. Howard who, from December 1994 to January 2007 was President and Chief Executive Officer of Odyssey Resources Limited; Mr. Curtis, who was President and Chief Executive Officer of Intrepid Mines Limited from 2006 to 2008 and prior to that was President and Chief Executive Officer of Intrepid Minerals Corporation; Mr. Munro who, from March 2003 to February 2006 was Director, Data Essentials & Applications, Rogers Wireless Partnership; Mr. Nell, who from 2004 to 2006 was a mining consultant

and from 2001 to 2004 was the General Manager of Injula Mining Operations; Mr. Woodhead who, from April 2003 to April 2006 was Chief Financial Officer of Desert Sun Mining Corp. and from May 2006 to March 2007 was Chief Financial Officer of Sanatana Diamonds Inc. and Vice President, Finance of Glass Earth Limited and Luiiri Gold Limited; Ms. Nemeth who, from July 2002 to February 2004 was Manager Investor Communications for Biovail Corp., from February 2004 to May 2005 was Director, External Communications for MDS Intl., was Vice President, Investor Relations from May 2005 to April 2006 for Desert Sun Mining Corp., from October 2006 to March 2007 for Wolfden Resources Inc., from March 2007 to October 2007 for African Copper Plc ; and Ms. Skerrett who was an associate and Gardiner Roberts LLP from 2005 to 2007 and prior to that an associate with Johnstone & Company.

Mr. Woodhead has tendered his resignation as CFO effective April 15, 2009. The Company has retained Mr. Andrew Gottweld as its new CFO. For further information, please see the Company's Management Discussion and Analysis for the year ended December 31, 2008.

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

A. Tom Griffis - Executive Chairman

Mr. Griffis is the founder of Griffis International Limited ("GIL"), a private investment and corporate management firm based in Toronto, Canada. GIL is focused on emerging resources companies located in Africa and North and South America that require early- to mid-stage financing. Mr. Griffis founded Pan African Uranium, which was acquired by Homeland in 2006 and resulted in the granting of eight mining licences in Niger to Homeland Uranium Inc. Mr. Griffis has served as Chairman/CEO of several public and private resource companies.

Stephen E. Coates - President, Chief Executive Officer and Director

Mr. Coates founded Homeland in 2004 and serves as its President and Chief Executive Officer, as well as Chairman of Homeland Uranium Inc. He is a graduate of King's College at the University of Western Ontario and has experience in government, investment management, communications and business development in the exploration and mining sectors.

Founder of Grove Communications Inc., Mr. Coates is an experienced consultant on strategic relationships, business development and communications to the junior mining sector. The first four years of his working career were spent as an investment manager with RBC Dominion Securities, Canada's largest investment bank. Mr Coates previously served as Special Advisor to Ontario Premier Mike Harris and is currently a director and/or advisor to several private and public companies.

Avrom E. Howard – Director

Mr. Howard graduated from the University of Colorado with a Masters degree in Geology, after achieving his baccalaureate from the University of Toronto. He holds the accreditation of Professional Geoscientist and is a Fellow of the Gemological Association of Great Britain. Mr. Howard is a founding director of Homeland and currently serves as Executive Vice President, Exploration of Homeland Uranium Inc. He lives in Grand Junction, Colorado.

Mr. Howard has broad international experience as a minerals exploration geologist and mining company executive, as well as considerable corporate-financial and management experience. Mr. Howard founded Odyssey Resources Limited and served as its President and Chief Executive Officer until 2007.

Neil McLoughlin – Independent Director

Mr. McLoughlin has a degree in Economics and extensive experience in the financial industry. He has worked in Europe, the Middle East and Asia in corporate finance and investment management. He has lived in France for twenty years. Mr. McLoughlin brings to Homeland his knowledge of the resource sector and the capital markets in the continental Europe, Asia Pacific and the Middle East. He has been a director and advisor to several boards and is a key source of knowledge on international financial markets.

Laurence Curtis – Independent Director

Mr. Curtis is a geologist with over 40 years of international experience in the natural resource sector, with direct experience in Africa, Greenland, North, South and Central America, and in the Pacific. Mr. Curtis has spent over 15 years working in the Caribbean Basin and has been responsible for several epithermal discoveries during this time. Mr. Curtis founded Intrepid Minerals Corporation in 1995 and was President, CEO and director for ten years prior to its merger with NuStar Mining in 2006 and Emperor Mines in 2007. Mr Curtis continues to serve as President and director of Intrepid Mines Limited. Mr. Curtis is a member of the Association of the Professional Geoscientists of Ontario and is currently a director of High River Gold Mines Ltd and Alturas Minerals Corporation and was previous a director of Wheaton River and North American Metals.

Robert Munro – Independent Director

Mr. Munro is the President, Chief Financial Officer and a co-founder of The Chrysalis Capital Group Inc. (“TCCG”), a private company focused on the creation of Capital Pool Companies (“CPC”) and the consummation of qualifying transactions for such CPCs. Such companies include, Chrysalis Capital Corporation, now PharmEng International Inc., a consulting and manufacturing company serving the pharmaceutical industry, Chrysalis Capital II Corporation, now Tangarine Payment Solutions Corp., a company which markets consumer-initiated electronic financial payment solutions to retail businesses, Chrysalis Capital III Corporation, now U.S. Silver Corporation, a corporation which owns and operates the producing Galena silver mine in the Coeur d’Alene Mining District in Idaho, Chrysalis Capital V Corporation, now Enssolutions Group Inc. (“Enssolutions”), a company involved in the process dust control industry, Chrysalis Capital VI Corporation (“Chrysalis VI”), a CPC that completed its initial public offering on April 10, 2008 and Chrysalis Capital VII Corporation (“Chrysalis VII”), a CPC that completed its initial public offering on August 19, 2008. Mr. Munro is currently a Director of Enssolutions, Chrysalis VI and Chrysalis VII as well as the Chief Financial Officer and Secretary of Panda Capital Inc., a CPC that completed its initial public offering on September 28, 2007.

Michael Nell – Chief Operating Officer and Managing Director, Homeland Mining and Energy SA (Pty) Ltd.

Mr. Nell is a mining engineer, formerly with Anglo Coal and Injula Mining, both of South Africa. Mr. Nell has spent 25 years in the coal and mining sectors in Africa and is responsible for development and overall day-to-day management of Homeland’s coal mining operations.

Stephen Woodhead - Chief Financial Officer

Mr. Woodhead is a member of the South African Institute of Chartered Accountants, having graduated from the University of Cape Town with a degree in Commerce and a post graduate diploma in Accounting. Mr. Woodhead has 18 years experience in the natural resource and public finance sectors. Mr. Woodhead relocated from South Africa to Canada in 1997 to establish and manage the Canadian corporate headquarters of Trans Hex International Ltd. In May 2003, Mr. Woodhead was appointed Chief Financial Officer of Desert Sun Mining Corp., developer of the Jacobina gold mine in Brazil that was acquired by Yamana Gold Inc. in April 2006 in a transaction valued at approximately \$600 million at the time of its announcement.

Naomi Nemeth – Vice President, Investor Relations

Naomi Nemeth is currently Vice President, Investor Relations for Homeland Energy Corp. Prior to joining Homeland Energy, Naomi was Vice President, Investor Relations for African Copper PLC, Wolfden Resources, Sanatana Diamonds and Desert Sun Mining. Naomi has also held senior investor relations and communications roles in the pharmaceutical and financial services industries. Naomi began her career as a field exploration geologist in the Yukon and northern Ontario. Naomi has an Honours BSc in Geology and Biology at Brock University and a Masters degree in Journalism from the University of Western Ontario. Naomi serves as an independent director on the Board of MetalCORP Ltd (TSX.V: MTC) and has been on the Board of Directors for CIRI Ontario since 2002.

Kathleen Skerrett – Corporate Secretary

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

As at March 30, 2009, the directors and senior officers as a group beneficially owned or exercised control or direction over, directly or indirectly, approximately 4.27% of the outstanding common shares issued of the Company.

12.2 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.

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.

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.

12.3 Conflicts Of Interest

Certain of the Company's directors and officers serve or may agree to serve as directors or officers of other reporting companies or have significant shareholdings in other reporting companies and, to the extent that such other companies may participate in ventures in which the Company may participate, the directors of the Company 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 Company's directors, a director who has such a conflict will abstain from voting for or against the approval of such a participation or such terms. From time to time several companies may participate in the acquisition, exploration and development of natural resource properties thereby allowing for their participation in larger programs, permitting involvement in a greater number of programs and reducing financial exposure in respect of any one program. It may also occur that a particular company will assign all or a portion of its interest in a particular program to another of these companies due to the financial position of the company making the assignment. Under the laws of Canada, the directors of the Company are required to act honestly, in good faith and in the best interests of the Company. In determining whether or not the Company will participate in a particular program and the interest therein to be acquired by it, the directors will primarily consider the degree of risk to which the Company may be exposed and its financial position at that time.

ITEM 13: AUDIT COMMITTEE

13.1 Audit Committee Charter

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

13.2 Composition of the Audit Committee

The current members of the Company's Audit Committee are Laurence Curtis (Chair), Robert Munro and Neil McLoughlin. 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. Munro is not independent as defined in NI 52-110. The Company is relying on the exemption contained in section 3.6 of NI-52-110.

13.3 Relevant Education and Experience of Audit Committee Members

Mr. Curtis, a geologist with over 40 years of international experience in the natural resource sector, founded Intrepid Minerals Corporation in 1995 and was President, CEO and director for 13 years. Mr. Curtis is a member of the Association of the Professional Geoscientists of Ontario and is currently a director of Intrepid Mines Limited and Alturas Minerals Corporation and was previously a director of Wheaton River, North American Metals and High River Gold Mines Ltd.

Mr. Munro is the President, Chief Financial Officer and a co-founder of The Chrysalis Capital Group Inc. ("TCCG"), a private company focused on the creation of Capital Pool Companies ("CPC") and the consummation of qualifying transactions for such CPCs. Mr. Munro has served as Chief Financial Officer of Chrysalis Capital III Corporation, Chrysalis Capital IV Corporation and Chrysalis Capital V Corporation and is currently Chief Financial Officer of Chrysalis Capital VI Corporation, Chrysalis Capital VII Corporation and Panda Capital Inc. Mr. Munro is also the current Chair of the Audit Committee of Enssolutions Group Inc.

Mr. McLoughlin has a degree in Economics and extensive experience in the financial industry. He has worked in Europe, the Middle East and Asia in corporate finance and investment management. Mr. McLoughlin brings to Homeland his knowledge of the resource sector and the capital markets in the continental Europe, Asia Pacific and the Middle East. He has been a director and advisor to several boards and is a key source of knowledge on international financial markets.

13.4 Reliance on the Exemption in Section 3.6

The Company consists of six directors only two of whom currently meet the definition of independence set out in NI 52-110. Mr. Robert Munro was an executive officer of Chrysalis prior to the Merger and therefore does not meet the technical definition of independence as set out in NI 52-110. However, Mr. Munro was not a director, officer or employee of HEC prior to the Merger and ceased to be an executive officer of the Company on the completion of the Merger. Under these circumstances, the Company relied upon the provisions of section 3.6 of NI 52-110 and resolved that Mr. Munro 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.

13.5 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.

13.6 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	2008	2007
	\$	\$
Audit Fees	164,178	92,516
Audit Related Fees		-
Tax Fees	8,495	2,013
Other Fees	8,970	-
	181,643	94,529

ITEM 14: 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 15: INTEREST 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 16: TRANSFER AGENT AND REGISTRAR

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

ITEM 16: MATERIAL CONTRACTS

The Company and its subsidiaries have not entered into any other contracts which are currently material to it other than as disclosed elsewhere herein:

ITEM 17: INTEREST OF EXPERTS

In 2008, 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.

17.1 The auditors of the Company,

17.1.1 McGovern Hurley Cunningham, provided an auditor's report dated March 20, 2009 in respect of the Financial Statements of the Company for the year ended December 31, 2008 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.

17.2 Grant van Heerden, Pr.Sci.Nat. and Andrew Birtles, Pr. Eng. of SRK Consulting (South Africa) (Pty) Ltd, were the qualified persons who authored the Kendal Report.

17.3 Graham Gemmill, Pr.Sci.Nat., is the qualified person who authored the 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 of than Graham Gemmill. Mr. Gemmill has received stock options under the Company's stock option plan. He currently holds 80,000 options exercisable at \$1.25 per share. No other expert has any interest in any of the securities of the Company.

ITEM 18: 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 26, 2008. Additional financial information is provided in the Consolidated Financial Statements and the Management's Discussion & Analysis for its most recently completed financial year.

The Management Information Circular to be issued in connection with the Annual and Special Meeting of Shareholders to be held on June 30, 2009 will be found later on SEDAR at www.sedar.com.

SCHEDULE A

AUDIT COMMITTEE CHARTER

(Implemented pursuant to Multilateral Instrument 52-110)

Multilateral Instrument 52-110 (the “**Instrument**”) relating to the composition and function of audit committees was implemented for Ontario reporting companies and, accordingly, applies to every Toronto Stock Exchange listed company, including the Company. The Instrument requires all affected issuers to have a written audit committee charter which must be disclosed, as stipulated by Form 52-110F2, in the management information circular of the Company wherein management solicits proxies from the security holders of the Company for the purpose of electing directors to the board of directors.

This Charter has been adopted by the board of directors in order to comply with the Instrument and to more properly define the role of the Committee in the oversight of the financial reporting processes of the Company. Nothing in this Charter is intended to restrict the ability of the board of directors or the Audit Committee to alter or vary procedures in order to comply more fully with the Instrument, as amended from time to time.

Audit Committee Mandate

- (a) The board of directors (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, with a minimum of two Independent Directors, or such other number not less than three as the Board may from time to time determine. A majority of the Independent Directors shall 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 (if any) 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 International Accounting Standards Board which would have a significant impact on the Company's financial reporting as reported to the audit committee by management and/or the external auditors. *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 at year-end.*

7. Review the status of material contingent liabilities as reported to the audit committee by management. *Timing: each quarter and at 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: semi-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 at 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.
- (g) The Audit Committee shall elect annually a chairman from among its members.
- (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 Chief Financial Officer 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.*