

HOMELAND ENERGY GROUP LTD.

UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2009

(Stated in Canadian Dollars)

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These Interim Statements have not been reviewed by an auditor and are unaudited. They include all material adjustments, consisting of normal and recurring items, that management considers necessary for fair presentation of the consolidated financial position, results of operations and cash flows.

HOMELAND ENERGY GROUP LTD.
UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF
OPERATIONS AND DEFICIT
THREE MONTHS ENDED MARCH 31
(Stated in Canadian dollars)

	2009	2008 (As restated) (See note 18)
Expenses		
Stock-based compensation	1,648,876	180,153
Management and administrative services	894,606	634,649
Professional and consulting fees	519,034	139,583
Office and general	454,836	314,338
Interest expense	396,390	37,199
Travel and accommodation	310,538	313,609
Legal and audit fees	252,546	267,216
Amortization	74,001	32,989
Transfer agent and filing	46,660	226,982
Director's fees	30,000	31,581
Foreign exchange (gain) loss	(183)	687,567
Interest - accretion expense	-	35,771
	4,627,304	2,901,637
Loss before Other Items	(4,627,304)	(2,901,637)
Other Items		
Interest income	416,076	58,423
Other income	16,813	-
Equity loss from investment in Homeland Uranium Inc.	(62,013)	(390,049)
Transaction break fee (note 12 (d))	(6,348,950)	-
Loan placement fee (note 12 (b))	(50,000)	-
Write down of investments	-	(738,769)
Loss before Income Taxes	(10,655,378)	(3,972,032)
Income tax recovery	-	87,790
Net Loss for the Period	(10,655,378)	(3,884,242)
Deficit - Beginning of Period	(32,749,166)	(8,725,222)
Deficit - End of Period	\$ (43,404,544)	\$ (12,609,464)
Loss per Share - Basic and Diluted	\$ (0.05)	\$ (0.03)
Weighted Average Number of Basic Common Shares		
Outstanding During the Period	197,493,750	139,118,766

(The accompanying notes are an integral part of these consolidated financial statements.)

HOMELAND ENERGY GROUP LTD.
UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE
LOSS AND ACCUMULATED OTHER COMPREHENSIVE LOSS
THREE MONTHS ENDED MARCH 31
(Stated in Canadian Dollars)

	2009	2008
Comprehensive Loss		(As restated) (see note 18)
Net loss for the period	\$ (10,665,378)	\$ (3,884,242)
Unrealized gain on available-for-sale securities during the period	2,236,496	-
Comprehensive Loss	\$ (8,428,882)	\$ (3,884,242)
 Accumulated Other Comprehensive Income		
Balance - Beginning of Year	\$ (6,617,510)	\$ -
Unrealized gain on available-for-sale securities during the period	2,236,496	-
Balance - End of Period	\$ (4,381,014)	\$ -

(The accompanying notes are an integral part of these consolidated financial statements.)

HOMELAND ENERGY GROUP LTD.
UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
THREE MONTHS ENDED MARCH 31
(Stated in Canadian Dollars)

	2009	2008
		(As restated) (See Note 18)
Cash Flows From (Used In):		
Operating Activities:		
Net loss for the period	\$ (10,655,378)	\$ (3,884,242)
Items not affecting cash -		
Amortization and depletion	74,001	32,989
Stock-based compensation	1,648,876	180,153
Foreign exchange	117	770,006
Equity loss from investment in Homeland Uranium Inc.	62,013	390,049
Accrued interest expense	400,260	-
Accrued interest income	(309,720)	-
Issuance of common shares, for break fee	5,050,000	-
Issuance of common shares, for loan issuance fee	50,000	-
Write-down of investments	-	738,769
Accretion expense	-	35,771
	(3,679,831)	(1,736,505)
Changes in non-cash working capital items (note 14)	1,103,576	31,431
	(2,576,255)	(1,705,074)
Investing Activities:		
Mineral properties	(1,629,981)	(1,790,522)
Acquisition of property and equipment	(520,299)	(112,202)
Long-term loans receivable	(56,185)	-
Cash received on RTO	-	819,007
Provision of finance to suppliers	-	287,835
Increase in investments	-	(148,508)
	(2,206,465)	(944,390)
Financing Activities:		
Issuance of common shares, for cash	3,155,302	2,400,000
Proceeds from short-term debt	2,500,000	-
Share issuance costs	(52,428)	(1,340,000)
	5,602,874	1,060,000
Net Increase (Decrease) in Cash and Cash Equivalents	820,154	(1,589,464)
Cash and Cash Equivalents - Beginning of Period	7,815,158	6,359,321
Cash and Cash Equivalents - End of Period	\$ 8,635,312	\$ 4,769,857

(The accompanying notes are an integral part of these consolidated financial statements.)

HOMELAND ENERGY GROUP LTD.
NOTES TO THE UNAUDITED INTERIM CONSOLIDATED
FINANCIAL STATEMENTS
Three Months ended March 31, 2009 and 2008
(Stated in Canadian Dollars)

1. NATURE OF OPERATIONS AND BASIS OF PRESENTATION

Homeland Energy Group Ltd. (formerly known as Chrysalis Capital IV Corporation) (“Homeland” or the “Company”) was incorporated under the *Canada Business Corporations Act* on October 12, 2006. The Company was set up as a capital pool company under the policies of the TSX Venture Exchange (the “Exchange”) and was listed on the Exchange on February 12, 2007. Following the closing of its qualifying transaction on February 29, 2008, the principal business activity of the Company changed to “the acquisition, exploration, development and operation of energy related resource properties” primarily in Southern Africa, but with a broader focus of investigating appropriate opportunities globally. The Company is a development stage entity as defined by the Canadian Institute of Chartered Accountants Accounting Guideline 11.

Homeland is in the process of exploring and developing its mineral property interests in Southern Africa, with the sale of product from the Kendal Colliery near Witbank, South Africa having commenced in the third quarter of 2008. Homeland also owns an advanced-stage coal development project in South Africa (namely the Eloff Mineral Property) and a number of earlier-stage exploration properties in South Africa and Botswana.

The recoverability of the carrying value of Homeland’s mineral properties, and indeed the Company’s continued existence, is dependent upon the ability of the Company to preserve its interests in the underlying properties and to achieve profitable operations and/or to dispose of its interests in these mineral properties on an advantageous basis. Changes in future conditions could require material write downs in the carrying value of the mineral properties.

Although the Company has taken steps to verify and secure title to the mineral properties in which it has an interest, in accordance with industry standards for the current stage of exploration and development of such properties, these procedures do not guarantee the Company's title. Although management is not aware of any such agreements, transfers or defects, property title may be subject to unregistered prior agreements, claims or transfers and title may be affected by undetected defects. Assets located outside of North America are subject to the risk of foreign investment, including currency exchange fluctuations and restrictions, and to political uncertainty.

These unaudited interim consolidated financial statements include the assets, liabilities and operations of Homeland Energy Group Ltd. and its direct and indirect subsidiaries and were prepared in accordance with Canadian generally accepted accounting principles (“Canadian GAAP”). The Canadian dollar is the principal currency of the Company's business.

HOMELAND ENERGY GROUP LTD.
NOTES TO THE UNAUDITED INTERIM CONSOLIDATED
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2. GOING CONCERN

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

At March 31, 2009, the Company had cash and cash equivalents of \$8,635,312 and working capital of \$6,033,725. On January 20, 2009, the Company secured a short-term working capital facility for \$2,500,000 (see Note 11(b)), and on March 6, 2009 the Company received \$3,155,302 from a private placement with its largest shareholder (see Note 12(e)). Management of the Company believes that it has sufficient funds available to pay its ongoing administrative expenses and to meet its liabilities as they fall due. However, the Company does not have sufficient resources to meet its anticipated property development expenditures at, for example, the Eloff Mineral Property, or to fund any additional acquisition opportunities. The Company's ability to fund its acquisition program and mineral property developments is dependent on the successful conclusion of negotiations to secure additional financing.

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

3. SIGNIFICANT ACCOUNTING POLICIES

These unaudited interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles. Certain information and note disclosure normally included in the annual consolidated financial statements prepared in accordance with generally accepted accounting principles have been omitted. These unaudited interim consolidated financial statements should be read together with the Company's audited consolidated financial statements for the year ended December 31, 2008. In the opinion of management, all adjustments considered necessary for the fair presentation have been included in these consolidated financial statements.

The accounting policies followed in preparing these financial statements are those used by the Company as set out in the audited financial statements for the year ended December 31, 2008, except as follows:

Mining Exploration Costs

On March 27, 2009, the AcSB issued EIC-174 "Mining Exploration Costs". In this EIC the Committee provided additional guidance for an enterprise that has initially capitalized exploration costs and has an obligation in the current and subsequent accounting periods to test such costs for recoverability whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. The EIC should be applied to financial statements issued after March 27, 2009. The Company has adopted EIC-174 in these consolidated financial statements.

HOMELAND ENERGY GROUP LTD.
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4. NEW CANADIAN ACCOUNTING PRONOUNCEMENTS

International Financial Reporting Standards ("IFRS")

In January 2006, the CICA Accounting Standards Board ("AcSB") adopted a strategic plan for the direction of accounting standards in Canada. As part of that plan, accounting standards in Canada for public companies are expected to converge with International Financial Reporting Standards ("IFRS") by 2011. In accordance with CSA Staff Notice 52-320, as the majority of the Company's current activities are located in South Africa, the Company currently prepares the bulk of its accounts in accordance with IFRS and then converts to Canadian GAAP. Management believes that very limited changes will be required in order to achieve full compliance with IFRS. The Company continues to monitor and assess the impact of the convergence of Canadian GAAP and IFRS.

Credit risk and the fair value of financial assets and financial liabilities

On January 20, 2009, the Emerging Issues Committee ("EIC") of the Canadian Accounting Standards Board ("AcSB") issued EIC Abstract 173, Credit Risk and Fair Value of Financial Assets and Financial Liabilities, which establishes that an entity's own credit risk and the credit risk of the counterparty should be taken into account in determining the fair value of financial assets and financial liabilities, including derivative instruments. This EIC should be applied retrospectively without restatement of prior years to all financial assets and financial liabilities measured at fair value in interim and annual financial statements for periods ending on or after January 20, 2009. The Company is currently assessing the impact of this EIC on its consolidated financial statements.

Business combinations, consolidated financial statements and non-controlling interests

In January 2009, the CICA issued Section 1582, Business Combinations, Section 1601, Consolidated Financial Statements, and Section 1602, Non-controlling interests, which replace Section 1581, Business Combinations and Section 1600, Consolidated Financial Statements. Section 1582 establishes standards for the accounting for business combinations that is equivalent to the business combination accounting standard under International Financial Reporting Standards ("IFRS"). Section 1582 is applicable for business combinations with acquisition dates on or after January 1, 2011. Early adoption of this section is permitted. Section 1601 together with Section 1602 establishes standards for the preparation of consolidated financial statements. Section 1601 is applicable for the Company's interim and annual consolidated financial statements for fiscal years beginning on or after January 1, 2011. Early adoption of this section is permitted. If the Company chooses to early adopt any one of these sections, the other two sections must also be adopted at the same time. The Company is currently assessing the impact of these new accounting standards on its consolidated financial statements.

5. CAPITAL MANAGEMENT

The Company's objectives in managing its capital are to ensure sufficient liquidity to pursue its strategy of organic growth combined with strategic acquisitions, ensure externally imposed capital requirements relating to its credit facilities are being met, and to provide returns to its shareholders.

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5. CAPITAL MANAGEMENT (continued)

The Company manages its capital structure and makes adjustments to it in light of general economic conditions, the risk characteristics of the underlying assets and the Company's working capital requirements. The properties in which the Company currently has an interest are in the exploration, development and pre-commercial production stages; as such the Company remains dependent on external financing to fund many of its activities. In order to carry out its planned acquisition, exploration and development activities, and to pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed. In order to maintain or adjust its capital structure, the Board of Directors may approve the issue of shares or the undertaking of other activities as deemed appropriate under the specific circumstances.

The Board of Directors reviews and approves all material transactions out of the ordinary course of business, including proposals on acquisitions or other major investments or divestitures, as well as capital and operating budgets.

The Company's externally imposed capital requirements, attributable to the Facility entered into by its subsidiary, Ferret Coal (Kendal) (Pty) Ltd., with Nedbank Limited are as follows:

- (a) Debt Service Ratio by Ferret Coal (Kendal) (Pty) Ltd. of 1.3 times;
- (b) Loan Life Cover Ratio by Ferret Coal (Kendal) (Pty) Ltd. of 1.5 times; and
- (c) Debt to Equity Ratio by Ferret Coal (Kendal) (Pty) Ltd. of 70 : 30.

Failure to meet these capital requirements could result in an event of default by the Company's subsidiary under the terms of the Facility Agreement, and Nedbank Limited requiring the immediate repayment of the outstanding balance under the Facility. As at March 31, 2009, Ferret Coal (Kendal) (Pty) Ltd. was in compliance with all of these externally imposed capital requirements and, based on the financial model agreed with Nedbank Limited, anticipates remaining in compliance with these capital requirements for the life of the Facility.

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6. FINANCIAL RISK FACTORS

The Company's financial risk exposures and their impact on the Company's financial instruments are summarized below:

(a) Fair value of financial instruments

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

The Company's financial instruments are primarily comprised of cash and equivalents, restricted cash, amounts receivable, investments, long-term loans, accounts payable and accrued liabilities, other current liabilities and credit facilities. The carrying values of these items, excluding credit facilities approximate their fair values due to the relatively short-term expected maturities of these instruments and/or the short-term that has passed from inception of these instruments. The fair values of long-term loans and investments were calculated based on market information and the Company's best estimate. The fair value of the credit facilities approximates carrying value due to the short period of time that has passed from inception of the financial instrument.

The Company has designated its cash and equivalents, including restricted cash, as held-for-trading, which are measured at fair value. Financial instruments included in amounts receivable and long-term loans are classified as loans and receivables, which are measured at amortized cost. Credit facilities and accounts payable and accrued liabilities and other current liabilities are classified as other financial liabilities, which are measured at amortized cost.

Investments (excluding the investment in Homeland Uranium Inc.) are classified as available for sale. The Company recorded a mark-to-market gain of \$2,236,496 for the quarter ended March 31, 2009 on its investments.

(b) Foreign currency risk

The Company's functional currency is the Canadian dollar and major purchases are primarily transacted in Canadian dollars and in South African Rand. The Company has funded certain exploration, development and administrative expenses in South Africa and the United Kingdom on a cash basis using funds converted from its bank accounts held in Canada. The South African operations are now funded locally by way of the Nedbank Facility and utilizing cash held in South African Rand with South African financial institutions. Until "Completion" as defined in terms of the Nedbank Facility Agreement, i.e. until the commissioning of the Kendal Mine is complete and operations are at steady state, all cash held or generated in South Africa must remain in South Africa under the security provisions of the Nedbank operating loan.

The Company has recently commenced with the sale of coal and such sales are currently predominately denominated in South African Rand, the same currency in which the operating costs are incurred.

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6. FINANCIAL RISK FACTORS (Continued)

(b) Foreign currency risk (continued)

The Company does not use derivative instruments to reduce its exposure to foreign currency risk. The Company held the following cash and equivalents, denominated in foreign currencies, at:

	March 31, 2009	December 31, 2008
Canadian Dollars	\$ 3,335,153	\$ 596,526
United States Dollars	29,581	86,655
British Pounds	19,145	7,706
South African Rand	5,238,542	7,098,784
Botswana Pula	12,891	25,487
	\$ 8,635,312	\$ 7,815,158

The foreign currency gain reported in the first three months of 2009 was de minimis as the exchange rate of the South African Rand was virtually unchanged relative to the Canadian Dollar..

(c) Commodity price risk

The Company is exposed to price risk with respect to commodity prices. Homeland closely monitors commodity prices to determine the appropriate course of action to be taken by the Company.

Effective October 1, 2008, the Company entered into contracts to sell 35,000 tonnes per month of washed product at ZAR 720.00 (\$92) per tonne for 12-months, and 6,000 tonnes per month of duff at ZAR 500.00 (\$64) per tonne for three years (including provision for an annual escalation factor). This contract has been under review for non-performance by the counter-party. Recently both parties agreed to terminate the contract.

(d) Interest rate risk

The Company has cash balances and, through a subsidiary company, senior interest-bearing debt. The Company's current policy is to hold its cash balances with reputable banking institutions in Canada, South Africa, the United Kingdom and Mauritius and to invest excess cash in investment-grade short-term deposit certificates where applicable. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks.

The Company is exposed to interest rate risk on its variable rate debt. At March 31, 2009, the outstanding balance on the Company's long-term credit Facility amounted to \$10,587,099 (ZAR 80 million). A one percent increase or decrease in the interest rate could result in a \$100,000 increase or decrease to net loss.

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6. FINANCIAL RISK FACTORS (Continued)

(e) Credit risk

Credit risk is the risk that a third party might fail to fulfill its performance obligations under the terms of a financial instrument. The Company's credit risk is primarily attributable to cash and equivalents, amounts receivable, deposits and prepaid expenses and long-term loans. Cash equivalents consist of overnight deposits and savings accounts, which have been placed with reputable financial institutions, primarily in Canada and South Africa, from which management believes the risk of loss to be remote. Financial instruments included in amounts receivable, and deposits and prepaid expenses consist of sales receivables on 30-day terms, goods and services tax due from the Federal Government of Canada, value added tax due from the department of Inland Revenue in South Africa, and deposits with and receivables from unrelated companies. Management believes that the credit risk concentration with respect to financial instruments included in amounts receivable and deposits and prepaid expenses is low. Long-term loans have been made to entities in which the Company has a commercial interest in the technology being developed, and in which the Company's technical management believes there is a reasonable probability of successful implementation, or where the Company has the contractual ability to ensure repayment in the short term through the successful commissioning of the Kendal Colliery.

The Company's Kendal Colliery in South Africa has entered into a significant sales contract with a single counterparty. Although this constitutes a concentration of credit risk, the terms for payment are 30-days.

(f) Liquidity risk

Liquidity risk is the risk that a financial instrument cannot be eliminated quickly, by either liquidating it or by establishing an off-setting position. The Company addresses the capital management process as described in Note 5.

The Company's approach to managing liquidity risk is to ensure that it will have access to sufficient liquidity to meet liabilities as they fall due. As at March 31, 2009, the Company had cash and cash equivalents of \$8,635,312 (December 31, 2008: \$7,815,158) available to settle current liabilities of \$9,333,567 (December 31, 2008: \$6,372,761). On January 20, 2009, the Company supplemented its available cash-on-hand by \$2,500,000 by way of a one-year credit facility at an interest rate of 10%, secured with the shares that the Company holds in Homeland Uranium Inc., the provider of the facility. Also, on March 6, 2009, the Company received \$3,155,302 from a private placement. Except for \$4,036,288, all of the Company's current liabilities have contractual maturities of less than 30 days and are subject to normal trade terms.

HOMELAND ENERGY GROUP LTD.
NOTES TO THE UNAUDITED INTERIM CONSOLIDATED
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7. INVESTMENTS

	Note	March 31, 2009	December 31, 2008
Homeland Uranium Inc. - 22,250,000 common shares	(a)	\$ 10,022,576	\$ 10,084,589
Altona Resources Plc - 44,250,000 common shares	(b)	2,871,825	694,725
Aviva Corporation Ltd. - 4,000,000 common shares	(c)	401,396	342,000
Londoloza Mineral and Mining Brokers (Pty) Ltd. - representing a 35% interest, written down to \$1.00 in 2006		1	1
		\$ 13,295,798	\$ 11,121,315

- (a) During the quarter ended March 31, 2009, the Company recognized an equity loss of \$62,013 (2008: \$346,966).
- (b) In February 2008, Homeland issued 2,950,000 common shares in consideration for the purchase of 44,250,000 common shares of Altona Energy Plc ("Altona"). This investment represented a strategic interest in a large Australian coal asset held by a public company listed on the AIM in the United Kingdom. The transaction was valued at \$4,183,992 based on a price of 4.75 pence per Altona common share. Based on the closing price per Altona common share on the AIM on March 31, 2009 of 3.625 pence, the investment has been valued at \$2,871,825 (December 31, 2008 - \$694,725).
- (c) In June 2008, Homeland acquired 4,000,000 common shares of Aviva Corporation Ltd ("Aviva") at a price of AUD 0.90 per share, for a total investment of \$3,452,538 (AUD 3,609,000, including AUD 9,000 commission). Based on the closing price per Aviva common share on the Australian Securities Exchange on March 31, 2009 of AUD 0.115, the investment has been valued at \$401,396 (December 31, 2008 - \$342,000).

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8. LONG-TERM LOANS RECEIVABLE

	Note	March 31, 2009	December 31, 2008
Madic Operation (Pty) Ltd.	(a)	967,761	915,558
Numin (Pty) Ltd.	(b)	626,425	565,493
African Spirit Trading 307 (Pty) Ltd.	(c)	8,292,370	7,939,614
		9,886,556	9,420,665
Less: Current portion		-	-
Long-term Portion		\$ 9,886,556	\$ 9,420,665

- (a) The Company has advanced a loan to Madic Operations (Pty) Ltd. ("Madic"), of \$1,380,000 (ZAR 10 million), in order to capitalize the development of a continuous conveyor system for the mining industry. Madic shall repay the loan, plus interest calculated at a rate of 5% p.a., within a period of two years from the date the conveyor system is successfully installed; failing which interest shall accrue at the prime rate of interest until payment in full. In terms of this Loan Agreement, Homeland is entitled, but not obligated, to purchase at cost a maximum of four Madic continuous conveyor systems.

As part of this agreement, Homeland has acquired 45% of Madic at nominal value, and has simultaneously granted a call option in terms of which it could be compelled to sell 10% (the "Option Shares") back to the vendor at its then market value (including a proportionate interest in any loan account at face value). Should this option be exercised, Homeland would have the further option, *in lieu* of selling the Option Shares, to pay the market value of the Option Shares to the vendor at that time and retain the shares. Homeland is entitled to appoint one of the two directors of Madic.

At the date of the agreement, the Company valued the loan at its present value using a market rate of 14.5%. This resulted in a value of \$919,311 being allocated to the loan and the residual of \$460,689 being allocated to the option. The value of the 45% interest in Madic is nominal; therefore, no value has been attributed to it.

- (b) The Company entered into Loan and Share Purchase Option Agreements with Numin (Pty) Ltd. ("Numin"), a company associated with Madic that is implementing the Madic system, whereby it has loaned Numin \$543,500 (ZAR 4,313,465). This loan bears interest at the prime lending rate less 1% and is repayable within one year of the of the Madic system being operational. 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.

Given the uncertain timing or quantum of any additional returns, no value has been attributed to the 45% equity interest in Madic or the option to acquire a 20% equity interest in Numin. As the Madic continuous conveyor system is not yet operational, and therefore neither Madic nor Numin yet has received any revenue from the lease or operation of the system, no portion of the Loan has yet been recorded as short-term. During the quarter ended March 31, 2009 the Company advanced an additional ZAR 425,000 (approximately \$56,000) to Numin.

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8. LONG-TERM LOANS RECEIVABLE (Continued)

- (c) In May 2008, Homeland lent \$7,226,723 (ZAR 55,124,000) to aid a private Black Economic Empowerment ("BEE") company in South Africa to purchase 26% of Ferret Coal (Kendal) (Pty) Ltd. ("Kendal"). The loan bears interest at the South African prime overdraft rate with the related equity interest in the Kendal Mine pledged as security for the loan. The carrying amount of the loan at March 31, 2009 is \$8,292,370, including accrued interest of \$1,004,977. Repayment of the loan will take place out of dividends or other payments accruing to the borrower in respect of the Kendal Mine, or out of the proceeds of their disposal to a third party purchaser in terms of the loan agreement. The Company's minority BEE partner will be entitled to future earnings based on their respective ownership of shares, but only once this loan account plus interest has been paid. Any outstanding balance on the loan will be repaid to Homeland in 20 years.

9. PROPERTY AND EQUIPMENT

		March 31, 2009		
		Cost	Accumulated Amortization	Net
Plant and machinery	\$	6,498,039	\$ (44,342)	\$ 6,453,697
Motor vehicles		336,538	(83,764)	252,774
Office furniture and equipment		203,522	(80,914)	122,608
Computer equipment		271,010	(113,154)	157,856
Land and buildings		1,623,226	-	1,623,226
Leasehold improvements		250,370	(125,777)	124,593
	\$	9,182,705	\$ (447,951)	\$ 8,734,754

		December 31, 2008		
		Cost	Accumulated Amortization	Net
Plant and machinery	\$	6,076,250	\$ (28,915)	\$ 6,047,335
Motor vehicles		336,538	(69,128)	267,410
Office furniture and equipment		182,940	(67,443)	115,497
Computer equipment		266,067	(92,709)	173,358
Land and buildings		1,562,707	-	1,562,707
Leasehold improvements		235,410	(113,259)	122,151
	\$	8,659,912	\$ (371,454)	\$ 8,288,458

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10. MINERAL PROPERTIES

Homeland is engaged in the business of the acquisition, exploration, development, and operation of resource properties in South Africa, while evaluating advanced opportunities globally. As at March 31, 2009, the Company retained title, directly or indirectly, to the following properties:

	Net Book Value December 31, 2008	Expenditures During the Period	Net Book Value March 31, 2009
Acquisition expenditures			
Kendal	\$ 2,105,016	\$ -	\$ 2,105,016
Eloff	415,230	-	415,230
Northfield	1,840,201	-	1,840,201
Homeland Botswana	103,679	-	103,679
	<u>4,464,126</u>	<u>-</u>	<u>4,464,126</u>
Deferred exploration costs			
Kendal	7,214,471	624,662	7,839,133
Eloff	2,150,326	43,181	2,193,507
Northfield	586,364	563	586,927
Homeland Botswana	277,829	131,557	409,386
Vlakovarkfontein	267,030	15,012	282,042
Onbekend	126,739	-	126,739
Other	3,382	-	3,382
	<u>10,626,141</u>	<u>814,975</u>	<u>11,441,116</u>
	\$ 15,090,267	\$ 814,975	\$ 15,905,242

11. CREDIT FACILITIES

	Note	March 31, 2009	December 31, 2008
Nedbank - Non-revolving facility	(a)	\$ 10,587,099	\$ 10,134,974
Homeland Uranium Inc. - Short-term loan	(b)	2,549,038	-
Less: Current portion		(4,036,288)	(2,228,690)
Long-term Portion		<u>\$ 9,099,849</u>	<u>\$ 7,906,284</u>

- (a) Pursuant to a Term Loan Facility Agreement signed September 29, 2008, with Nedbank Limited, an approximately \$20,000,000 (ZAR 150,000,000) credit facility (the "Facility") is available to the Company to finance the development of a mine at the Kendal property in South Africa. The Facility is secured by guarantees from, and pledges of shares by, certain group companies and is repayable from September 2009 through December 2013. Amounts drawn down under the Facility bear interest at the rate of JIBAR plus 3.15% per annum prior to the Company utilizing the full Facility, and at the rate of JIBAR plus 2.50% per annum

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11. CREDIT FACILITIES (continued)

following completion (as defined in the Facility). Undrawn amounts are subject to a commitment fee of 0.50% per annum. At March 31, 2009, the Company had drawn down \$9,915,000 (ZAR 75,000,000), (December 31, 2008 - \$9,831,223 (ZAR 75,000,000)). The effective interest rate at March 31, 2009 was 11.88%. Interest of \$672,100 (ZAR 5,083,959) has been accrued at March 31, 2009 (December 31, 2008 - \$303,751 (ZAR 2,307,551)).

- (b) On January 20, 2009, Homeland concluded a loan agreement with Homeland Uranium Inc. in the amount of \$2,500,000, at an interest rate of 10%, for a term of one year, to cover the Company's short-term cash obligations. As security, the Company pledged the 22,250,000 shares of Homeland Uranium Inc. that it owns.

12. CAPITAL STOCK

Authorized -

Unlimited number of common shares with no par value.

Issued and outstanding common shares	Note	Number of Shares		Share Capital
Balance - December 31, 2008		150,270,478	\$	42,269,384
Option Exercise	(a)	1,000,000		112,900
Loan Placement Fee	(b)	250,000		50,000
Private Placement	(c)	75,792,027		34,532,899
Private Placement	(d)	31,561,671		5,050,000
Private Placement	(e)	15,776,512		3,155,302
Share Issuance Costs		-		(52,428)
Balance - March 31, 2009		274,650,688	\$	85,118,057

- (a) Stock options amounting to 1,104,183 were exercised on a cashless basis by directors and an officer in 2008. This resulted in 1,000,000 common shares being reserved for issuance at December 31, 2008 with an estimated grant date fair value of the options of \$112,900. The common shares were issued on January 20, 2009.
- (b) The Company received proceeds of \$2,500,000 from a loan with Homeland Uranium Inc. on January 20, 2009. As part of this transaction the Company issued 250,000 common shares as a placement fee to Homeland Uranium. The common shares were valued at \$0.20 per share representing the trading value at that time.

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12. CAPITAL STOCK (continued)

- (c) On December 30, 2008, the shareholders of the Company elected to settle a US\$30,000,000 obligation to GMR in common shares and consented to the issue of 75,792,027 common shares of the Company at approximately \$0.46 per share. Delivery of these shares was delayed at the request of GMR, but was ultimately completed on February 23, 2009.
- (d) On March 2, 2009, the Company issued 31,561,671 common shares to Appolo Fuels & Diversified Energy Inc. to satisfy the break fee obligation that arose from the termination of the asset purchase agreement between the Company and Appolo.
- (e) On March 6, 2009, the Company completed a private placement with GMR for proceeds of \$3,155,302 resulting in the issuance of 15,776,512 common shares at a price of \$0.20 per common share.
- (f) The following table summarizes the share purchase warrants outstanding at March 31, 2009. There was no change in the number of warrants outstanding during the period:

Expiry Date	Exercise Price per Warrant	Number of Warrants Outstanding	Common Share Purchase Warrants
May 21, 2009	\$ 1.50	1,909,092	\$ 344,000

- (g) The following table discloses the change in contributed surplus for the quarter ended March 31, 2009:

	March 31, 2009
Contributed surplus - Beginning of period	\$ 5,498,317
Stock-based compensation, net of exercises, forfeitures and cancellations	1,648,876
Contributed surplus - End of period	\$ 7,147,193

13. COMMON SHARE PURCHASE OPTIONS

Fixed Options	Options	Weighted Average Exercise Price
Outstanding at beginning of period	13,360,398	\$ 1.02
Granted	2,500,000	0.20
Exercised	-	-
Expired	(964,688)	0.20
Forfeited	(9,912,335)	1.09
Outstanding at end of period	4,983,375	0.72
Options exercisable at end of period	4,550,042	\$ 0.65

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13. COMMON SHARE PURCHASE OPTIONS (continued)

The fair value assigned to the stock options granted during the three months ended March 31, 2009 was \$149,153 (March 31, 2008 - \$216,000). The Company recognized compensation expense for the quarter of \$1,648,876 (March 31, 2008 - \$180,153) and increased contributed surplus by the same amount in respect of stock-based employee compensation awards under the Company's stock option plan. The estimated grant date fair values were determined using the Black Scholes option pricing model under the following assumptions:

Expected life (years)	5
Expected volatility	71%
Expected dividends	0
Risk free interest rate	1.94%

14. SUPPLEMENTAL CASH FLOW INFORMATION

Cash and cash equivalents consist of	March 31, 2009
Cash	\$ 8,610,108
Equivalents	25,204
	<u>\$ 8,635,312</u>

Supplemental Cash Flow Information:

Interest paid	-
Change in accrued mineral properties	625,713
Shares issued for payment of transaction break fee	5,050,000
Shares issued for loan placement fee	50,000
Shares issued to GMR	34,532,899
Income taxes paid	-
	<u>\$ 40,258,612</u>

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15. RELATED PARTY TRANSACTIONS

Transactions with related parties are measured at the exchange amounts and for the three months ended March 31, 2009 are as follows:

- (a) Homeland paid Grove Communications Inc. \$8,937 (March 31, 2008 - \$68,085) in fees in respect of investor relations, accounting and office administration work undertaken. The owner of Grove Communication Inc. is a director and officer of the Company. Grove Communications also shared office space with Homeland and contributed \$3,850 (March 31, 2008 - \$4,701) towards the office rent and related facilities.
- (b) With the leasing of new premises in London in 2008, Juno Special Situations Corporation, a company with which a director and an officer of Homeland are associated, agreed to share office space. As at March 31, 2009 the Company had invoiced \$69,385 (March 31, 2008 - \$0) in rental and recoveries of costs, which remains outstanding. This amount is unsecured, non-interest bearing with no fixed terms of repayment.
- (c) Payments to a South African company owned by a director and significant shareholder of subsidiaries of the Company for services rendered in respect of the securing and maintaining of prospecting rights totalled approximately \$30,000 (ZAR 240,000) during the quarter (March 31, 2008 - \$32,520).
- (d) Legal services are provided by a law firm of which an officer of the Company is a partner. The total of these services for the quarter ended March 31, 2009 totalled \$146,376 (March 31, 2008 - \$68,528).
- (e) Related parties were reimbursed for out of pocket expenses of which, \$53,431 (December 31, 2008 - \$69,965) was included in accounts payable to these related parties.

16. COMMITMENTS AND CONTINGENT LIABILITIES

(a) Environmental Contingencies

The Company's exploration activities are subject to various laws and regulations governing the protection of the environment. These laws and regulations are continually changing and generally becoming more restrictive. The Company conducts its operations so as to protect public health and the environment and believes its operations are materially in compliance with all applicable laws and regulations. The Company has made, and expects to make in the future, expenditures to comply with such laws and regulations.

(b) Management Contracts

The Company is a party to agreements with officers that contain change of control clauses pursuant to which the officers would be entitled to termination payments up to an aggregate of \$870,000 under certain circumstances. A change of control is defined as inter-alia the acquisition of 30% or more of the Company's issued and outstanding shares. As a result of the placement of shares with GMR, these parties are entitled to exercise these clauses in their contracts.

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17. SEGMENTED INFORMATION

Substantially all of the Company's property and equipment is located in South Africa.

18. RESTATEMENT

- (a) As at March 31, 2008, the Company originally recorded their investment in HUI using the cost method of accounting. The Company is now recording the investment under the equity method of accounting. During the period ended March 31, 2008, the Company held a 42% interest in HUI. The Company's 2008 unaudited interim consolidated financial statements have been restated to reflect the impact of the equity loss from the investment.
- (b) As at March 31, 2008, the Company originally recognized a current future income tax asset of \$622,348. Due to the "more likely than not" test of recognizing these future income tax assets not being met, the Company has restated the 2008 unaudited interim consolidated financial statements to reverse the future income tax asset and the future income tax expense included in the statement of operations.
- (c) As at March 31, 2008, the Company originally recorded a foreign exchange loss of \$770,006 as a component of mineral properties. Due to the foreign exchange loss not being directly attributable to the development of the property, the 2008 unaudited interim consolidated financial statements have been restated to reallocate this amount to the foreign exchange loss in the statement of operations.

As a result of the above changes, the Company has amended its unaudited interim consolidated financial statements for the period ended March 31, 2008 as follows:

	Note	Previously Reported	Adjustments	Restated
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Consolidated Statement of Operations and Deficit for the period ended March 31, 2008

Foreign exchange gain (loss)	(c)	82,439	(770,006)	(687,567)
Equity loss from investment in				
Homeland Uranium Inc.	(a)	-	(390,049)	(390,049)
Future income taxes	(b)	-	87,790	87,790
Net loss for the year		(2,811,977)	(1,072,265)	(3,884,242)

Consolidated Statement of Cash Flows for the period ended March 31, 2008

Net loss for the period		(2,811,977)	(1,072,265)	(3,884,242)
Foreign exchange		-	770,006	770,006
Equity loss from investment in				
Homeland Uranium Inc.		-	390,049	390,049
Future income taxes		-	(87,790)	(87,790)

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19. SUBSEQUENT EVENTS

Subsequent to the quarter ended March 31, 2009, the Company drew an additional ZAR 50,000,000 (approximately \$6,600,000) from the Nedbank term facility.