HOMELAND ENERGY
GROUP LTD.

INTERIM CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

SEPTEMBER 30, 2010
(Stated in Canadian Dollars)

These interim consolidated financial statements have been prepared by the management and approved by the Audit Committee and the Board of Directors of the Company.

HOMELAND ENERGY GROUP LTD.
INTERIM CONSOLIDATED BALANCE SHEETS (UNAUDITED)
(Stated in Canadian Dollars)

As at		September 30, 2010		December 31, 2009
Assets				
Current Assets				
Cash and cash equivalents	$	12,910,836	$	7,650,261
Restricted cash		527,820		540,398
Accounts receivable		6,390,134		6,045,258
Deposits and prepaid expenses		111,282		229,923
Inventory (note 7)		2,973,268		8,149,210
		22,913,340		22,615,050
Long-term deposits and prepaid expenses		16,255		15,670
Investments (note 8)		1,828,896		2,017,074
Long-term loans receivable (note 9)		10,705,118		9,664,922
Exploration and development properties (note 11)		5,336,549		5,216,521
Property, plant and equipment (note 10)		29,303,733		30,081,459
Other Assets		569,866		3,998
	$	70,673,757	$	69,614,694
Liabilities				
Current Liabilities				
Accounts payable and accrued liabilities	$	11,778,905	$	18,207,397
Loan from GMR Energy (note 12)		33,483,653		5,022,912
Current portion of credit facilities (note 12)		-		20,527,869
		45,262,558		43,758,178
Asset retirement obligations		453,799		437,449
		45,716,357		44,195,627
Shareholders' Equity				
Capital stock (note 13)		95,468,046		87,040,612
Contributed Surplus (note 13)		7,907,528		7,907,528
		103,375,574		94,948,140
Deficit		(77,965,076)		(68,902,015)
Accumulated other comprehensive loss		(453,098)		(627,058)
		(78,418,174)		(69,529,073)
	$	70,673,757	$	69,614,694

Going Concern (note 2)
Commitments and Contingencies (notes 12 and 17)

Approved on behalf of the Board:

Signed: "B.V.N. Rao"
B.V.N. Rao, Director

Signed: "Mike Garvey"
Mike Garvey, Director

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

HOMELAND ENERGY GROUP LTD.
INTERIM CONSOLIDATED STATEMENTS OF
OPERATIONS AND DEFICIT (UNAUDITED)
(Stated in Canadian Dollars)

	Three months ended September 30, 2010	Three months ended September 30, 2009	Nine months ended September 30, 2010	Nine months ended September 30, 2009
		(as restated) (see note 19)		(as restated) (see note 19)
Revenue	$ 11,508,503	$ 100,000	$ 26,816,102	$ 200,000
Cost of goods sold				
Mining and processing expense	10,302,980	130,000	24,585,449	390,000
Depletion, depreciation and amortization	347,715	66,000	1,262,584	132,000
Gross Profit	857,808	(96,000)	968,069	**(322,000)**
Expenses				
Management and administrative expenses	1,740,636	1,111,508	2,605,827	3,829,743
Office and general	1,623,248	1,979,282	3,037,308	2,913,366
Stock-based compensation	-	20,374	-	1,809,825
Interest expense	597,134	395,196	1,962,908	1,343,324
Professional and consulting fees	429,797	133,054	1,095,960	709,721
Legal and audit fees	139,196	145,810	458,876	626,399
Travel and accommodation	86,583	103,054	234,604	687,826
Director's fees	83,151	22,500	175,390	315,000
Amortization	12,519	83,350	37,556	237,224
Transfer agent and filing	6,667	4,932	59,859	59,598
Foreign exchange (gain) loss	1,037,024	(104,816)	777,045	2,209,162
	5,755,955	3,894,244	10,445,333	14,741,188
Loss before Other Items	(4,898,147)	(3,990,244)	(9,477,264)	(15,063,188)
Other Items				
Interest income	224,227	421,982	831,906	1,234,498
Other income (loss)	118	5,990	(55,565)	69,001
Equity (loss) from investment in Homeland Uranium Inc. (note 8)	(189,000)	(590,963)	(362,138)	(781,000)
Realized loss on sale of available for sale investments	-	(1,090,603)	-	(1,090,603)
Impairment provision on available for sale investments	-	(1,500,000)	-	(1,500,000)
Realized loss and impairment provision on equity investment	-	(1,664,066)	-	(3,741,089)
Transaction break fees	-	-	-	(6,348,951)
Loan placement fee	-	-	-	(50,000)
Loss before Income Taxes	(4,862,802)	(8,407,904)	(9,063,061)	(27,271,332)
Income taxes	-	-	-	-
Net Loss for the Period	(4,862,802)	(8,407,904)	(9,063,061)	(27,271,332)
Deficit - Beginning of Period	(73,102,274)	(52,166,129)	(68,902,015)	(33,302,721)
Deficit - End of Period	$ (77,965,076)	$ (60,574,033)	$ (77,965,076)	$ (60,574,043)
Loss Per Share - Basic and Diluted	$ (0.01)	$ (0.03)	$ (0.03)	$ (0.11)
Weighted Average Number of Basic Common Shares Outstanding During the Period	449,149,141	274,650,688	351,665,468	249,214,335

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

HOMELAND ENERGY GROUP LTD.

INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS AND ACCUMULATED OTHER COMPREHENSIVE LOSS (UNAUDITED)

(Stated in Canadian Dollars)

	Three months ended September 30,		Nine months ended September 30,	
	2010	2009	2010	2009
		(as restated) (see note 19)		(as restated) (see note 19)
Comprehensive Loss				
Net loss for the period	$ (4,862,802)	$ (8,407,904)	$ (9,063,061)	$ (27,271,332)
Unrealized gain (loss) on available-for-sale securities during the period	183,608	3,939,129	173,960	5,128,574
Comprehensive loss	$ (4,679,194)	$ (4,468,775)	$ (8,889,101)	$ (22,142,758)
Accumulated Other Comprehensive Loss				
Balance - Beginning of the period	$ (636,706)	$ (5,428,065)	$ (627,058)	$ (6,617,510)
Other comprehensive income (loss) for the period				
Unrealized gain (loss) on available-for-sale securities during the period	183,608	2,439,129	173,960	347,475
Reclassification of realized loss on available for sale securities	-	-	-	3,281,099
Reclassification of impairment on available for sale securities	-	1,500,000	-	1,500,000
Balance - End of the period	$ (453,098)	$ (1,488,936)	$ (453,098)	$ (1,488,936)

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

HOMELAND ENERGY GROUP LTD.
INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)
(Stated in Canadian Dollars)

	Three Months Ended		Nine Months Ended	
	September 30, 2010	September 30, 2009	September 30, 2010	September 30, 2009
		(as restated) (see note 19)		(as restated) (see note 19)
Cash Flows From (Used In):				
Operating Activities:				
Net Loss for the Period	$ (4,862,802)	$ (8,407,904)	$ (9,063,061)	$ (27,271,332)
Items not affecting cash -				
Amortization and depletion	360,234	83,350	1,300,140	237,224
Stock-based compensation	-	20,374	-	1,809,825
Foreign exchange (gain) loss	638,022	(900,281)	482,876	(1,157,664)
Equity loss from investment in Homeland Uranium Inc.	189,000	590,913	362,138	781,000
Accrued interest expense	743,848	14,030	1,962,908	1,338,279
Accrued interest income	(370,727)	(102,211)	(743,742)	(785,203)
Unrealized gain on investments	-	1,500,000	-	1,500,000
Loss on sale of investment	-	1,090,603	-	1,090,603
Loss on settlement for HUI and impairment	-	1,664,066	-	3,741,089
Costs related to credit facility	-	391,739	-	391,739
Issuance of common shares, for break fee	-	-	-	5,050,000
Issuance of common shares, for loan issuance fee	-	-	-	50,000
Issuance of common shares, for loan interest	-	-	-	90,413
Change in non-cash working capital items	3,750,212	5,563,043	(2,045,238)	4,897,287
	447,787	1,507,722	(7,743,979)	(8,236,740)
Investing Activities:				
Long-term loans receivable	-	18,728	-	(332,890)
Mineral properties	(84,741)	(5,493,920)	(120,028)	(9,657,741)
Acquisition of property and equipment	(522,414)	588,516	(522,414)	(2,042,646)
Proceed from sale of investments	-	2,840,477	-	2,840,477
	(607,155)	(2,046,199)	(642,442)	(9,192,800)
Financing Activities:				
Loan from GMR Energy	29,961,656	-	36,453,881	-
Loan from HUI	-	-	-	2,500,000
Proceeds from credit facilities	-	-	-	7,510,000
Repayment of credit facilities	(21,454,729)	-	(23,105,666)	-
Repayment of GMR loan	(8,128,653)	-	(8,128,653)	-
Issuance of comon shares, for cash	8,454,420	-	8,454,420	3,155,302
Share issuance costs	(26,986)	-	(26,986)	(52,428)
	8,805,708	-	13,646,996	13,112,874
Effect of foreign exchange on cash balances	-	642,018	-	642,018
Changes in Cash and Cash Equivalents	8,646,340	103,541	5,260,575	-3,674,648
Cash and Cash Equivalents - Beginning of Period	4,264,496	4,648,967	7,650,261	7,815,158
Cash and Cash Equivalents - End of Period	**$ 12,910,836**	**$ 4,752,508**	**$ 12,910,836**	**$ 4,140,510**

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

1. NATURE OF OPERATIONS AND BASIS OF PRESENTATION

Homeland Energy Group Ltd. ("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 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 was a development stage entity, as defined by the Canadian Institute of Chartered Accountants Accounting Guideline 11, until September 30, 2009.

On October 1, 2009, the Company commenced commercial production of coal from its Kendal project in South Africa. 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.

The business of mining and exploring for minerals involves a high degree of risk and there can be no assurance that current exploration and development programs, or mining operations, will result in profitable mining operations. The recoverability of the carrying value of Homeland's mining and exploration and development 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 mining and exploration and development properties on an advantageous basis. Changes in future conditions could require material write downs in the carrying value of the mining and exploration and development properties.

Although the Company has taken steps to verify and secure title to the mining and exploration and development 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 may also be subject to the risks of foreign investment, increases in taxes and royalties, renegotiation of contracts, currency exchange fluctuations and restrictions, and to political uncertainty.

These interim consolidated financial statements include the assets, liabilities and operations of Homeland Energy Group Ltd. and its direct and indirect subsidiaries and variable interest entities where the Company is the primary beneficiary, and were prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP") for interim financial statements.

2. GOING CONCERN

These 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 September 30, 2010, the Company had cash and cash equivalents of $12,910,836 and a working capital deficiency of $22,349,218. The Company does not have sufficient funds available to pay its trade payables and loan obligations. The Company has been and continues to be in a period where high capital costs are being incurred, while commissioning issues with respect to the recent plant modifications have been experienced. The Company has negotiated agreements with certain suppliers and contractors to extend normal creditor payment terms.

The Company has a need for working capital for operations and for the exploration and development of its properties. Because of continuing operating losses and a working capital deficiency, the Company's continuance as a going concern is also dependent upon its ability to obtain adequate financing and to reach profitable levels of operation. It is not possible to predict whether financing efforts will be successful or if the Company will attain profitable levels of operations. During the period, the Company has successfully raised financing via issuance of shares for $8.45 million, as well as received financing of $29.96 million (USD $29.0 million) from a majority shareholder. The Company plans to raise additional funds as needed to maintain its capital structure and working capital requirements.

These 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 interim consolidated financial statements have been prepared in accordance with Canadian GAAP for interim financial statements. Certain information and note disclosure normally included in the annual consolidated financial statements prepared in accordance with Canadian GAAP have been omitted. These interim consolidated financial statements should be read together with the Company’s consolidated financial statements for the year ended December 31, 2009. In the opinion of management, all adjustments considered necessary for the fair presentation have been included in these interim consolidated financial statements. Operating results for the nine months ended September 30, 2010 may not necessarily be indicative of the results that may be expected for the year ending December 31, 2010.

The accounting policies followed in preparing these interim consolidated financial statements are those used by the Company as set out in the consolidated financial statements for the year ended December 31, 2009.

4. FUTURE ACCOUNTING CHANGES

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. The Company continues to monitor and assess the impact of the convergence of Canadian GAAP and IFRS.

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 capital consists of its shareholders' equity and its credit facilities/loans. 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.

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 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.

5. CAPITAL MANAGEMENT (Continued)

During the quarter ended September 30, 2010, the Company repaid its credit facility with Nedbank Limited, and is no longer subject to any externally imposed capital requirements.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

There were no changes in the Company's approach to capital management during 2010 and 2009.

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.

At September 30, 2010, the Company's financial instruments are primarily comprised of cash and cash equivalents, restricted cash, accounts receivable, investments, long-term loans receivable, accounts payable and accrued liabilities, and GMR loan payable. The carrying values of these items, excluding the GMR loan payable and 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 receivable was calculated based on market information and the Company's best estimate. The fair value of the GMR loan payable and credit facilities approximates carrying value due to the short period of time that has passed from inception of the financial instruments. Investments classified as available for sale are carried at their quoted market value. The fair value of investments accounted for as equity investments was estimated based on recent transactions and market-based information, when available, and was estimated to be approximately equal to the carrying value of the investment.

The Company has designated its cash and cash equivalents, including restricted cash, as held-for-trading, which are measured at fair value. Financial instruments included in accounts receivable and long-term loans receivable are classified as loans and receivables, which are measured at amortized cost. GMR loan payable, 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 investment in Homeland Uranium Inc. is accounted for using the equity method of accounting.

6. FINANCIAL RISK FACTORS (Continued)

(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 on a cash basis using funds converted from its bank accounts held in Canada. The South African operations were funded locally by way of the Nedbank Facility, and utilizing cash held in South African Rand with South African financial institutions. During the quarter, the Nedbank facility had been repaid in full through the use of funds received from GMR Energy (Mauritius) Limited (GMR) in the form of US dollar promissory notes (see note 12(b)). The South African operations are also funded by intercompany advances from the parent company.

Coal sales are currently predominately denominated in South African Rand, the same currency in which the operating costs are incurred.

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

	September 30, 2010	December 31, 2009
Canadian Dollars	$ 148,325	$ 699,790
United States Dollars	9,838,018	5,042,807
British Pounds	-	95,862
South African Rand	2,918,321	1,807,743
Botswana Pula	6,172	4,059
	$ 12,910,836	$ 7,650,261

Other monetary assets and liabilities denominated in foreign currencies, consisting primarily of South African rand, except as indicated, are as follows (stated in Canadian Dollars):

	September 30, 2010 $	December 31, 2009 $
Restricted cash	**527,820**	540,398
Accounts receivable	**6,332,600**	5,833,395
Long-term loans receivable	**10,705,118**	9,664,922
Accounts payable and accrued liabilities	**11,006,340**	17,642,944
Credit facilities	-	20,527,869
GMR loan payable (USD)	**29,961,656**	-

Revenue has been earned in South African Rand. Expenses totaling about $33.7 million during the nine-month period ended September 30, 2010 have been incurred in South African Rand.

6. FINANCIAL RISK FACTORS (Continued)

The foreign currency losses reported resulted primarily from the appreciation of the South African Rand relative to the Canadian and US Dollar and the Company having net South African Rand costs at its Kendal operation in South Africa. Based on the foreign currency denominated balances noted above as of September 30, 2010, a ten percent change in the value of all foreign currencies relative to the Canadian dollar could result in a corresponding change in net loss of approximately $2.9 million.

(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. A ten percent change in commodity prices would have impacted the Company's revenues and net loss by approximately $2.7 million based on the commercial production revenues earned during the nine-month period ended September 30, 2010.

(d) Interest rate risk

The Company has cash and cash equivalent 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 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 September 30, 2010, the outstanding balance on the Company's loan due to GMR amounted to $33,483,653 (USD $32,508,400). A one percent change in interest rate would result in a corresponding change in net loss of approximately $300,000 on an annualized basis.

The Company is exposed to interest rate risk on its long-term loans receivable. A one percent change in interest rates could result in a corresponding change in net loss of approximately $100,000 on an annualized basis.

(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 cash equivalents, accounts receivable, deposits and prepaid expenses and long-term loans receivable. 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 accounts 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 accounts 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 through the successful commissioning of the Kendal Colliery.

(Stated in Canadian Dollars, unless otherwise stated)

6. FINANCIAL RISK FACTORS (Continued)

(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 attempt to ensure that it will have access to sufficient liquidity to meet liabilities as they fall due. As at September 30, 2010, the Company had cash and cash equivalents of $12,910,836 (December 31, 2009- $7,650,261) available to settle current liabilities of $45,262,558 (December 31, 2009- $43,758,178). Except for the loan payable to GMR, all of the Company's current liabilities have contractual maturities of 30 days and are subject to normal trade terms.

7. INVENTORY

Inventory consists of stock-piled run-of-mine ore valued at $1,166,336 (December 31, 2009 - $2,691,314), Discards valued at $1,426,650 (December 31, 2009 – Nil) and finished goods valued at $380,282 (December 31, 2009 - $5,457,896). At September 30, 2010 and December 31, 2009 inventory was written down to its estimated net recoverable value.

8. INVESTMENTS

	Note	September 30, 2010	December 31, 2009
Homeland Uranium Inc. ("HUI")	(a)	$ 1,429,455	$ 1,791,593
- 11,888,348 (December 31, 2009 - 11,888,348) common shares			
Aviva Corporation Ltd.		399,440	225,480
- 4,000,000 (December 31, 2009 - 4,000,000) common shares			
Other		1	1
		$ 1,828,896	$ 2,017,074

(a) During the nine-month period ended September 30, 2010, the Company recognized an equity loss of $362,138 (2009- $781,000) on its investment in HUI.

9. LONG-TERM LOAN RECEIVABLE

In May 2008, Homeland funded a loan 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 September 30,

(Stated in Canadian Dollars, unless otherwise stated)

9. LONG-TERM LOAN RECEIVABLE (Continued)

2010 is ZAR 72,774,427 ($10,705,118). 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.

10. PROPERTY, PLANT AND EQUIPMENT

						September 30, 2010
		Cost		Accumulated Amortization		Net
Mining property, plant and machinery	$	29,652,594	$	(2,409,059)	$	27,243,535
Motor vehicles		300,805		(98,753)	$	202,052
Office furniture and equipment		190,383		(138,223)	$	52,160
Computer equipment		272,740		(215,008)	$	57,732
Land and buildings		676,920		-	$	676,920
Leasehold improvements		250,370		(200,888)	$	49,482
Conveyor system		1,379,329		(357,477)	$	1,021,852
	$	32,723,141	$	(3,419,408)	$	29,303,733

11. EXPLORATION AND DEVELOPMENT

Homeland is engaged in the business of the acquisition, exploration, development, and operation of resource properties in South Africa, while evaluating advanced opportunities globally. The following table summarizes exploration and development property activity during the period ended September 30, 2010:

		Value December 31, 2009		Expenditures for the period		Value September 30, 2010
Eloff	$	2,778,679	$	101,018	$	2,879,697
Northfield		2,434,460		6,857		2,441,317
Other		3,382		12,153		15,535
	$	5,216,521	$	120,028	$	5,336,549

(Stated in Canadian Dollars, unless otherwise stated)

12. CREDIT FACILITIES

	Note	September 30, 2010	December 31, 2009
Nedbank - Non-revolving facility	(a)	$ -	$ 20,527,869
GMR Loan Payable	(b)	33,483,653	5,022,912
Less: Current portion		(33,483,653)	(25,550,781)
Long-term Portion		$ -	-

(a) The Company entered into a Term Loan Facility Agreement signed September 29, 2008, with Nedbank Limited 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 June 2010 through September 2014. Amounts drawn down under the Facility bear interest at the Johannesburg Interbank Agreed Rate of ("JIBAR") plus 2.75% per annum prior to the Company utilizing the full Facility, and at the rate of JIBAR plus 2.50% per annum following completion (as defined in the Facility). Undrawn amounts are subject to a commitment fee of 0.50% per annum.

During the nine-month period ending September 30, 2010, the Company repaid the Nedbank credit facility in full. As at September 30, 2010, the balance owing to Nedbank is $nil.

(b) On November 30, 2009, the Company signed a promissory note in relation to a loan from GMR Energy (Mauritius) Limited to the Company of $4,996,928. The funds were used to satisfy, in part, the Company's requirement under the Nedbank amendment to raise ZAR 70,000,000 by January, 2010. This loan was due March 31, 2010 and was subsequently deferred to July 31, 2010 and bears interest at LIBOR plus 600 basis points. The loan is secured by a pledge of certain noncore assets as well as a secondary position with respect to certain assets related to the Kendal Colliery that are already subject to a first priority pledge to Nedbank Limited. On January 15, 2010, GMR Energy (Mauritius) Limited advanced a further sum of $2,996,212 bringing the total advanced to the Company to $7,993,140. During June 2010, a further $3,521,997 was advanced bringing the total advanced to the Company to $11,515,137. On July 12, 2010, $7,993,140 and interest was repaid.

On September 27, 2010, the Company signed a second promissory note with GMR Energy (Mauritius) Limited for USD $29.0 million, bearing interest at LIBOR plus 4.5% per annum, calculated monthly and paid quarterly, with the entire amount due on September 27, 2011. The loan is secured by a pledge of operating assets as well as noncore assets related to Kendal Colliery as well as Northfield Property. The loan is guaranteed by several subsidiaries of the Company.

(Stated in Canadian Dollars, unless otherwise stated)

13. 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, 2009			302,115,756	$	87,040,612
Rights offering	(c)		169,088,393		8,454,420
Share issuance costs					(26,986)
Balance - September 30, 2010		$	471,204,149	$	95,468,046

(a) There are no common share purchase warrants outstanding at September 30, 2010.

(b) The following table discloses the change in contributed surplus for the nine months ended September 30, 2010:

Contributed surplus - December 31, 2009	$	7,907,528
Stock-based compensation		-
Contributed surplus - September 30, 2010	$	7,907,528

(c) Prospectus Filing and Rights Offering

The Company filed an amended short-form prospectus dated June 30, 2010 in connection with the proposed offering of rights to subscribe for common shares of the Company.

On July 12, 2010, the rights offering was concluded and the Company issued a total of 169,088,393 common shares for gross proceeds of $8,454,420. GMR Energy Limited acquired 159,862,800 common shares issued in the rights offering.

(Stated in Canadian Dollars, unless otherwise stated)

14. COMMON SHARE PURCHASE OPTIONS

Fixed Options	Options		Weighted Average Exercise Price
Outstanding at beginning of period	9,053,375	$	0.37
Granted	-		-
Exercised	-		-
Expired	(3,303,375)		0.95
Forfeited	-		-
Outstanding at end of period	5,750,000		0.14
Options exercisable at end of period	5,750,000	$	0.14

The fair value assigned to the stock options granted during the three months ended September 30, 2010 was $nil (2009 - $nil). The Company recognized stock-based compensation expense of $nil during the nine months ended September 30, 2010 (2009 - $1,415,688) and increased contributed surplus by the same amount in respect of stock-based employee compensation awards under the Company's stock option plan. The Company also recognized stock-based compensation expense of $nil during the nine months ended September 30, 2010 (2009 - $394,136) and increased contributed surplus by the same amount in respect of stock-based non-employee compensation awards under the Company's stock option plan.

Included in contributed surplus at the end of the period are the following stock options at valuations estimated using the Black-Scholes option pricing model on the date of grant:

Expiry date	**Exercise price per share $**	**Options outstanding #**	**Options vested #**
February 12, 2012	0.40	36,250	36,250
February 10, 2014	0.20	1,180,000	1,180,000
December 15, 2014	0.12	5,245,000	5,245,000
		6,461,250	**6,461,250**

(Stated in Canadian Dollars, unless otherwise stated)

15. SUPPLEMENTAL CASH FLOW INFORMATION

	September 30 2010	December 31, 2009
Cash and cash equivalents		
Cash	$ 12,890,236	$ 7,629,329
Cash Equivalents	20,600	20,932
	$ 12,910,836	$ 7,650,261

	Nine months ended September 30, 2010	2009
Supplemental Cash Flow Information:		
Interest paid	$ 4,134,887	$ 90,462
Change in accrued exploration and development and property, plant and equipment	-	11,334,082
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
Loan payable settled with HUI shares	-	2,500,000
Income taxes paid	-	-

16. RELATED PARTY TRANSACTIONS

Transactions with related parties are measured at the exchange amounts and for the nine months ended September 30, 2010 are as follows:

(a) Homeland paid Grove Communications Inc. $nil during the nine month period ending September 30, 2010 (2009 - $9,278) in fees in respect of investor relations and office administration work undertaken. The owner of Grove Communication Inc. is a former officer and director of the Company.

(b) With the leasing of new premises in London in 2008, Juno Special Situations Corporation, a company with which a former director and an officer of Homeland is associated, agreed to share office space. At September 30, 2010, the Company had invoiced Juno for rental and recoveries of costs, and $25,446 (2009 - $66,058) remains outstanding. This amount is unsecured, non-interest bearing with no fixed terms of repayment.

16. RELATED PARTY TRANSACTIONS (Continued)

(c) Expenses incurred 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 totaled approximately $nil for the nine months ended September 30, 2010 (2009 - $83,301).

(d) Legal services are provided by a law firm of which an officer of the Company is a partner. Homeland expensed $257,853 during the nine-month period ending September 30, 2010 (2009 - $263,554). Included in the accounts payable and accrued liabilities at September 30, 2010 was $177,033 (2009 - $35,098) owing to this firm. The amount is unsecured, non-interest bearing, with no fixed terms of repayment.

(e) The Company and HUI had one director in common prior to June 30, 2010 and one of its directors is a Named Executive Officer in HUI. See note 8(a).

(f) Three of the Company's directors are employees of GMR. GMR and its affiliates are also the Company's largest shareholder. Interest expense earned by GMR amounted to $380,000 for the nine-month period ending September 30, 2010 (2009 - $nil). See notes 12(b) and 13(c).

17. COMMITMENTS AND CONTINGENT LIABILITIES

(a) Environmental Contingencies
The Company's mining and exploration and development 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 not party to any outstanding agreements with officers that contain change of control clauses pursuant to which officers would be entitled to termination payments 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.

(c) Contingent liability
In September 2010, a former contractor of the Company filed a claim against the Company for approximately $726,000 (ZAR 5,222,648). Management believes the claim is without merit and has launched a counter claim for approximately $1,251,000 (ZAR 9,000,000) against the former contractor. The Company intends to defend it position vigorously, but cannot reasonably predict the likelihood or outcome of this case at this time. No provision for this claim as been recorded in these financial statements.

(Stated in Canadian Dollars, unless otherwise stated)

18. SEGMENTED INFORMATION

Substantially all of the Company's property, plant and equipment and exploration and development properties are located in South Africa.

During the nine months ended September 30, 2010, revenues have been earned from the sale of coal from mining operations ($24,714,535) and from mining related services provided ($2,101,567).

19. MADIC & NUMIN (RESTATEMENT)

The Company has advanced a loan to Madic, of $1,380,000 (ZAR 10,000,000), 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 is received 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.

In addition, Homeland has entered into a Loan Agreement and Share Purchase Option Agreement with an entity associated with Madic that is implementing the Madic system, in terms of which it has loaned to this entity company ("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.

The Company previously recorded the advances and investments in Madic and Numin as investments in loans receivable, investments and other assets on the balance sheet of the Company. As at December 31, 2009, the Company determined that Madic and Numin are VIEs, and that the Company is the primary beneficiary of each entity. As a result, Madic and Numin have been consolidated in these financial statements. As a result, certain figures for the period ended September 30, 2009 have been restated as follows:

	9 months ended September 30, 2009	3 months ended September 30, 2009
Increase in opening deficit	$ 553,555	$ 859,535
Increase in revenue	209,000	100,000
Increase in cost of sales	390,000	130,000
Increase in depletion, depreciation and amortization	132,000	66,000
Increase in foreign exchange loss	120,000	40,000
Increase in net loss for the period	442,000	136,000
Increase in ending deficit	995,535	995,535

20. SUBSEQUENT EVENT

Subsequent to the period ended September 30, 2010, the Company repaid $3.5 million to satisfy the outstanding balance of the previous loan from GMR Energy Limited.