



**HOMELAND ENERGY
GROUP LTD.**

HOMELAND ENERGY GROUP LTD.

MANAGEMENT DISCUSSION AND ANALYSIS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2010

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

This Management's Discussion and Analysis and the interim consolidated financial statements contain certain "Forward-Looking Statements" that are prospective and reflect management's expectations regarding Homeland Energy Group Ltd's ("Homeland") future growth, results of operations, performance and business prospects and opportunities. Forward-looking statements are not based on historical facts, but rather on current expectations and projections about future events, and are therefore subject to risks and uncertainties which could cause actual results to differ materially from the future results expressed or implied by the forward-looking statements. Forward-looking information can often be identified by forward-looking words such as "anticipate", "believe", "expect", "goal", "plan", "intend", "estimate", "may", "could", "should" and "will" or the negatives thereof, or similar variations suggesting future outcomes, or other expectations, beliefs, plans, objectives, assumptions, intentions or statements about future events or performance. All statements, other than statements of historical fact, included in these documents, including without limitation statements regarding potential mineralization, the quantity and quality of resources and reserves, estimates of future production, unit or operating costs, costs of capital projects, the timing of commencement of operations, exploration results and future plans and objectives of Homeland are forward-looking statements that involve various risks and uncertainties. Such statements are qualified in their entirety by the inherent risks and uncertainties surrounding future expectations. There can be no assurance that such statements will prove to be accurate, and actual results and future events could differ materially from those anticipated in such statements. Important factors that could cause actual results to differ materially from Homeland's expectations include, but are not limited to, failure to establish estimated resources and reserves, the quality and recovery of ore to be mined varying from estimates, capital and operating costs varying significantly from estimates, delays in obtaining or the failure to obtain required governmental, environmental or other project approvals, inflation, changes in exchange rates, fluctuations in commodity prices, delays in the development of projects, financing risks, general business and economic conditions, industry risks and other factors.

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

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This Management's Discussion and Analysis ("MD&A") provides an analysis of the financial condition and results of operations of Homeland Energy Group Ltd. ("Homeland" or the "Company") for the three and nine months ended September 30, 2010 as compared to the comparable periods in 2009. This MD&A should be read in conjunction with the Company's interim consolidated financial statements and notes thereto for the three and nine months ended September 30, 2010 ("Interim Statements"), as well as the annual audited consolidated financial statements and notes thereto for the fiscal year ended December 31, 2009 ("Annual Statements"), which are available at the SEDAR website, www.sedar.com.

The Interim Statements are unaudited for the three and nine months ended, September 30, 2010. 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.

The Interim Statements have been prepared in accordance with Canadian generally accepted principals ("GAAP") for interim financial statements and use the same accounting policies and methods used in the preparation of the Company's most recent annual consolidated financial statements except for those described in the "Changes in Accounting Policies" section below. However, all disclosures required for annual financial statements have not been included in these financial statements. All amounts in this MD&A are expressed in Canadian Dollars, unless otherwise stated.

DESCRIPTION OF BUSINESS

Homeland is a Canadian company engaged in the acquisition, exploration, development and production of mineral resource properties. The Company owns a portfolio of mineral property assets or rights in South Africa, either directly or through one of its subsidiaries. The Company's focus has been on the development of the Kendal Colliery ("Kendal"), which is currently in commercial production, of which it owns a 74% interest. The business of the Company is the mining of coal and the production of thermal quality coal products in South Africa for domestic use in the power generation industry, domestic use in industrial product industries (such as cement and brick end products) and for export to foreign markets for energy production.

STRATEGY

Global population and economic expansion rely on power generation to fuel this growth. The need for power generation is especially critical in South Africa for business growth and the improved living conditions for many South Africans. Over the course of the past three years, Homeland has been focused on defining coal resources, advancing mine plans, and carrying out mine development, specifically at Kendal. The Company has begun to make a positive contribution to South Africa's need for reliable energy as demonstrated by the Company supplying coal into the Power Generation Market, notably Eskom. To date, this has been done primarily through third parties. However, the Company continues to pursue opportunities to initiate a direct supply contract with Eskom. Homeland's goal remains to

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become a mid-tier coal producing company with downstream coal use potential. In order to accomplish this, the Company has set out the following objectives:

- * Refine production and marketing efforts at Kendal;
- * Develop the Eloff Mineral Project in South Africa;
- * Explore and evaluate potential coal projects in Southern Africa and other key coal markets; and
- * Consider acquisitions that have a strategic fit with existing operations.

OUTLOOK

Homeland anticipates that it will be cash flow positive in 2011, taking into account existing debt repayments to GMR as well as ongoing measured capital expenditures for the expansion of the Kendal Colliery.

Homeland intends to build upon the platform of assets, of production and cash flows established over the past three years and over the past twelve months in particular. The growth profile of Homeland will include three primary areas of focus: organic growth of production at Kendal Colliery and the continued development of the Eloff Mineral Property in Mpumalanga, South Africa; potential acquisitions of green and brown fields near operating assets in South Africa.

In the context of world market, the current economic climate and difficult commodity market, the Company believes that its efforts are most importantly directed at establishing its core assets in South Africa. Having developed the Kendal Colliery from a brown field acquisition in 2006 through to site preparation and construction from late 2007 and 2008 through reaching commercial production in October of 2009, Homeland views an increase of production at Kendal as the best use of capital in the near term.

The Eloff deposit will also require continued work to progress. Pre-feasibility work, discussions with landowners and potential strategic partnerships will move this development toward commencement of production in late 2012.

In terms of strategic acquisitions, the Company will focus on South Africa, one of the world's best and most prolific thermal coal-producing regions. Homeland may explore the potential of constructing a power generation plant in the proximity of its Eloff property in the future or the possibility of supplying coal to ESKOM. 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.

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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.

KENDAL COLLIERY

KENDAL COLLIERY, MPUMALANGA PROVINCE, SOUTH AFRICA

The Kendal Colliery is a moderate coal resource, currently being mined by open cast methods, and represents the first operating mine in Homeland's portfolio of assets. The project area has historically supported mining operations supplying coal to the local market. The Kendal Colliery lies in the west-central region of the Witbank Coalfield, and began processing coal in July 2008. The Colliery is located approximately 100 kilometers east of Johannesburg, and approximately six kilometres west of the town of Ogies.

MINING OPERATIONS

The Kendal Mine is subdivided into four mining blocks (B, D, E and F). Mining began with Block B in March 2008, where the strip ratio for the two present coal seams has been 4:1. Block B reserves were mined out at the end of July 2009. A second boxcut began in Block F in August 2008. Mining is currently underway in Block D and Block F, both of which are currently under steady state operation with a strip ratio of approximately 4:1 for Block D and around 2.5:1 for Block F which is anticipated to be completed by the end of Q2 2011. An additional 400,000 tonnes of plant coal has been identified on the southern portion of the Block F reserve, which was previously not included in the mining plan. This will have a favorable impact on yield. The Company has completed extensive studies to determine the position of underground workings in the 4 lower coal seams in Block E. Currently, the boxcut in Block E is under way, and is expected to yield its first coal by Q2 2011. Detailed mine scheduling for Block E and further refinement of the current mining plan are in an advanced stage and will be completed in Q4 2010. Mining during the remainder of 2010 will focus on Block F and Block D.

An additional 70,000 tonnes of plant coal is currently being sourced from the mining of the barrier pillar between Kendal Colliery and a neighboring mine.

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The following table outlines production for the past four quarters ending September 30, 2010:

	Q4 2009	Q1 2010	Q2 2010	Q3 2010
Run-of-Mine ("ROM" tonnes)	356,774	291,856	238 409	286 408
Feed to plant (tonnes)	287,112	239,965	224 558	299 683
Yield (%)	46.95	47.2	41.7	35.7
Product (tonnes saleable)	134,794	113,263	93 571	106 841
Sales (tonnes)	130,840	116,778	359 134	571 939
Stock (tonnes)	265,234	290,206	189 819	89 872
Stock Discard	379,038	510,768	461 310	277 100

Run of Mine ("ROM") production was lower than anticipated in the three months ending September 30, 2010. The mining contractor was instructed to ramp up production in the beginning of Q3 2010 as a result of increased sales and increased plant performance leaving the ROM stockpile depleted. The Company aims to maintain stocks of not more than one week's production. Increased levels of production was not forthcoming and it was then decided to engage with existing contractors and give them notice to deploy their equipment in Block D and to relinquish their contract over Block F. The contractor mining the Block E boxcut was approached to take over mining in Block F.

Yield on production was lower than anticipated during Q2 and Q3 of 2010. During Q2 2010 the face length in Block F shortened substantially causing production to reduce from this area. The coal quality from block F is generally higher than that of Block D which has a longer face length. The result has been that a larger ratio of coal was produced from Block D than from F resulting in lower yields. During Q3 2010 the above explanation continued but to make matters worse, Geological intrusions in the form of Dolerite was experienced in both Blocks F and D resulting in a lower than anticipated yield. In order to improve the situation until Block E comes to produce coal, an agreement has been reached to mine the barrier pillar between Kendal colliery and the neighbouring Wescoal mine, and to share the coal. This coal is of significantly higher yield. Another pillar of about 400,000 tonnes has also been identified at Block F to be mined over the next 4 months. This pillar is also expected to have a higher yield.

PROCESSING OPERATIONS

Plant throughput for the quarter ended September 30, 2010 was negatively impacted as a result of the poor quality of raw coal from Block F and D. This was a result of geological intrusions. Throughput was further affected by low tonnages mined by the opencast mining contractor. In Q3 2010, the mine continued to expend significant costs and

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operational time to bring the plant back to an acceptable standard, as a result of the state of disrepair the facility was left in by the previous contractor.

Plant availability improved significantly during Q3 2010 although yield declined due to dykes and sills in the Block D & F mining areas.

SALES

Sales have improved further since implementation of marketing strategy. All high volume stockpiles that have built up since Q4 2009 have been depleted. All coal currently produced is sold, with minimal stockholding. Sales were low due to low yields achieved and poor Run of Mine production as discussed above.

Previous low grade stock of 4 seam (200,000 tonnes) was supplied to BHP Billiton and the full contract was concluded. Discard is currently sold under a contract to Just Coal, who supplies to ESKOM. Homeland is currently in discussions with ESKOM to become a direct supplier of low grade coal for power generation. It is envisaged to construct a re-wash plant, should such a contract materialise.

HEALTH, SAFETY & ENVIRONMENT

For Q3 2010, 1 accident was reported, with one lost-time injury:

Period	Accidents	Medical treatment	Lost Time Injury
Q1 2010	0	0	0
Q2 2010	2*	0	1
Q3 2010	1*	0	1

- * Q2 - One of the two accidents resulted in an injury (foreign body in eye)
- Q3 - LTI was an artisan who was burnt by steam from overheating radiator.

Since appointment of new "SHEC" manager, the Health and Safety Policy was revised and is currently in operation. Medical surveillance and training functions are currently outsourced to specialist service providers.

The Company also engaged the services of an external specialist environmental consultant to audit and advise on the status of its Environmental Management Program (EMP) and Water Use Licence. A compliance audit was conducted and it was recommended that the current approved EMP be amended and that the water use licence for the operation be upgraded to an Integrated Water Use Licence (IWULA). Both of these recommendations were actioned. The IWULA has been submitted to the Department of Water Affairs (DWA), and the amended EMP has since been submitted to the Department of Mineral Resources in Q3 2010.

In terms of complying with the approved Social and Labour Plan, two projects have been initiated at Kendal namely a vegetable farming project and the installation of hawker stands in the nearby Phola Township. The pilot vegetable farming project site is 0.5 hectares and

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has been planted with cabbage, lettuce and spinach. A windmill and irrigation system has been installed for the project and the adjacent village previously established by the Company. It is intended to expand this farming project to 3 hectares when sustainability has been achieved in the pilot site.

An external specialist consulting company dealing with social and labour plan's ("SLP") have audited SLP and submitted an annual report to the Department of Mineral Resources.

GEOLOGY

Additional 15 boreholes were drilled in order to further delineate the Block E expansion area. All geological information for Kendal was validated by Caracle Creek International Consultants, after which the geological model was updated. This updated geological model will form the basis of a revised Life of Mine Plan to be completed in Q4 2010. On completion of the revised Life of Mine Plan, a revised NI43-101 will be lodged in Q1 2011.

ELOFF MINERAL PROPERTY, MPUMALANGA PROVINCE, SOUTH AFRICA

The Eloff Project is a significant coal resource, largely mineable by open cast methods, underlying predominantly farming (maize and livestock) land that has historically been considered for supplying a low grade of coal to the local power generating industry. A component of the resource could be upgraded for local industrial consumption or the export market. The Eloff Mineral Property lies in the western extremity of the Witbank Coalfield, located at Latitude 26°15' South, Longitude 28°42' East, some 10 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.

Homeland has secured the mineral rights to the Eloff Project (within the farms Weilaagte and Welgevonden) by way of Prospecting Right (Protocol Number 141/2006), granted by the Department of Minerals and Energy to Tshedza Mining Resources (Pty) Limited ("Tshedza") in October 2006. Homeland currently owns 50% of Tshedza, with the option to acquire a further 1% for ZAR 1.00. In May 2009 the Company received formal notification from the South Africa Department of Mining & Energy that a Mining Right has been granted for Eloff. Homeland has engaged the Department of Mineral Resources (DMR) in order to revise the upfront rehabilitation guarantee required. The DMR has agreed to allow Homeland to amend the EMP, MWP and the rehabilitation guarantee value. During a meeting between management and DMR, DMR have agreed to reduce the rehabilitation guarantee value significantly. The project is located close to a number of current and defunct mining operations. Several prospecting drilling campaigns have been carried out in the area, the most recent being commissioned by Homeland in May 2007. A total of 165 holes were drilled in 2007 over the project area of 4,921.3 hectares, for a total length of 10,312 metres. The majority were coal-bearing with only 10 boreholes, along the edge of a paleo drainage channel, showing no coal or weathered coal. The drill pattern was set out initially on a 500 metre by 500 metre pattern, designed to supplement the 65 holes drilled in 1980/81 from which results the size of the project was first realized. Exploration is carried out using vertical diamond-drilled fully-cored boreholes of a TNW size (60.5 mm core diameter).

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An area in the northwest quadrant of the property has been identified as a target for potential opencast mining for which an additional 50 boreholes must first be drilled. To date, all 50 boreholes have been drilled and plans for development of Eloff is underway. As coal markets continue to improve and with the Kendal operations becoming more consistent and self sustaining, the Company intends to focus more attention on the Eloff Property.

The relationship with the land owners at Eloff is good. The Company is dealing with 13 different farmers. The DMR has agreed to reduce the upfront rehabilitation guarantee value to ZAR 15 million and an official confirmation of the same is expected to be received shortly. The feasibility study for Eloff Mines is expected to commence in January 2011 and should take 6 to 8 months to complete. Acquisition of the surface rights is planned to commence February 2011. Mine design and construction is planned to commence in Q3 2011 and could take up to 18 months to complete after which mining activities can commence.

EXPLORATION PROJECTS

The Company continues to hold a 100% interest in the Northfield Site Reclamation Project, and is currently considering alternatives to monetize this investment. A trial offtake agreement was undertaken and successfully concluded in September 2010. This trial has been extended for a further 5 months with a minimum offtake of 10,000 tonnes per month. It is expected at the end of Q1 2011 to conclude a long-term agreement.

QUALIFIED PERSON

Mr Henry Hoffmann, current COO of Homeland, has been appointed as a qualified person as defined by Canadian National Instrument 43-101 and is responsible for all technical disclosure contained in this MD&A. The responsibility for the Company's exploration and development programs has been contracted to Caracle Creek International Consulting under the auspices of Dr John Hancox.

BOARD OF DIRECTORS AND MANAGEMENT

During the second quarter of 2010, Mr. Lawrence Curtis stepped down from the board of directors. Mr. Curtis was replaced by two new directors, Ms. Neena Gupta and Mr. Mike Garvey. Furthermore, in July 2010, Mr. AJ Gupta was appointed as Chief Financial Officer.

CREDIT FACILITY WITH NED BANK

The company fully repaid its loan with Nedbank on September 30, 2010.

RESULTS OF OPERATIONS

Prices of coal increased over the past several quarters. Specifically Duff prices increased from R200/t to R285/t in Q1, and R300/t in Q2 which was maintained in Q3 2010. Average overall price realization of washed coal increased from R340/t in Q3 2009 to R417/t in Q3 2010. Cost per sales ton has reduced consistently from R577/t in Q3 2009 to R446/t in Q3

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2010. This number would have been closer to R421/t had the yield not deteriorated to 35.7%. Mining cost reduced from R148/t in Q4 2009 to R118/t in Q3 of 2010. Washing costs have reduced from R16.7/t to R14.8/t since the introduction of a new plant contractor in May 2010. This is expected to reduce even further to R13/t once the plant is back to standard. The plant was left in a poor state by the previous plant contractor. Coal handling costs have reduced from R32/t in 2009 to R25/t in Q3 of 2010. This is expected to reduce even further once the capital projects are completed such as the extension of the product conveyors and the overland conveyor.

The net loss for the nine months ended September 30, 2010 was \$8,963,061 compared with a net loss of \$26,829,332 for the same period in 2009. The loss for the nine months ended September 30, 2010 was lower by \$17.86 million, largely due to a \$6.3 million break fee in 2009, of which \$4 million was paid in shares (31,561,671 shares at US\$0.1267 per share) and the balance of \$2.3 million was paid in cash, attributable to the Appollo transaction, a \$5.61 million loss on investment in 2009, \$1.8 million of stock-based compensation expense in 2009, and lower operating expenses in 2010. For the quarter ended September 30, 2010, the net loss was lower by approximately \$3.50 million when compared to the previous year for the same quarter, primarily as a result of the Company realizing a gross profit of \$0.86 million in 2010 and a \$3.35 million loss on investments in 2009, offset by an increase in operational expenses of \$1.04 million in 2010 due to commencement of commercial production of the mine.

Revenue for the nine months ended September 30, 2010 was \$26,816,102 compared with \$nil for the nine months ended September 30, 2009. During the third quarter of 2010 revenue was \$11,508,503 compared with \$nil for the third quarter of 2009. The Company determined that it had reached commercial production on October 1, 2009. Prior to that time, the Company did not record the proceeds from the sale of coal at Kendal as revenue but instead capitalized such amounts as pre-production revenue under Exploration and Development Properties on the Company's balance sheet. Though mitigating steps continue to be taken, from an operating perspective, Kendal's results have still not been optimal. This is mainly due to lower yield and lower production of coal. The Company continues to see improvements in operations in the third quarter based on the steps initiated in the first half of the year.

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SUMMARY OF QUARTERLY RESULTS

The following quarterly information is presented in Canadian Dollars, except per share amounts:

(\$'000) – Except Net Loss Per Share

Fiscal Period	Revenue \$	Net Loss \$	Net Loss Per Share \$	Total Assets \$	Total long-term Liabilities \$	Cash Dividends \$
2010 - Q3	11,509	(4,863)	(0.01)	70,674	454	-
2010 - Q2	8,842	(2,357)	(0.01)	63,584	429	-
2010 - Q1	6,466	(1,843)	(0.01)	63,649	427	-
2009 - Q4	7,071	(10,128)	(0.04)	69,614	437	-
2009 - Q3	Nil	(8,272)	(0.03)	67,778	439	-
2009 - Q2	Nil	(6,238)	(0.02)	70,118	463	-
2009 - Q1	-	(10,825)	(0.05)	63,665	9,508	-
Total		(44,426)	N/A	N/A	N/A	-
2008 - Q4	Nil	(13,833)	(0.09)	57,608	8,311	-

The major expenses during the quarter ended September 30, 2010 includes management and administrative expenses and office and general expenses.

Management and administrative expenses in Q3 2010 was \$1,740,636 compared to \$1,111,508 in the same quarter of 2009 and increased approximately \$1.2 million from \$500,729 in Q2 2010 mainly due to a reclassification of expenses between management and administrative expenses and mining and processing expense in Q2 and Q3 2010.

Office and general expenses in Q3 2010 was \$1,623,248 compared to \$1,979,282 in the same quarter of 2009, and increased approximately \$880,000 from \$742,774 in Q2 2010 mainly due to a \$660,000 provision of bad debt expense for the quarter ended September 30, 2010.

The table noted below is presented to outline the order of magnitude of Numin/Madic financials. This should be reviewed in context of the section on Numin/Madic that follows, later in this MD&A.

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NUMIN				
CAD \$	REVENUE	PROFIT/(LOSS)	TOTAL ASSETS	TOTAL LIABILITIES
31-MAR-09	\$0	\$(226,214)	\$480,621	\$706,835
30-JUN-09	\$720,797	\$11,080	\$287,251	\$276,171
30-SEP-09	\$819,830	\$(220,087)	\$423,915	\$1,005,593
31-MAR-10	\$750,751	\$161,928	\$1,425,319	\$1,263,391
30-JUN-10	\$1,471,548	\$391,162	\$1,646,685	\$1,255,523
30-SEP-10	\$1,857,122	\$(249,595)	\$142,279	\$1,309,352
MADIC				
31-MAR-09	\$0	\$(48,466)	\$1,364,421	\$1,412,588
30-JUN-09	\$0	\$(18,968)	\$113,851	\$132,819
30-SEP-09	\$0	\$(85,656)	\$1,542,825	\$1,622,669
31-MAR-10	\$0	\$(56,482)	\$1,745,722	\$1,802,203
30-JUN-10	\$0	\$(176,418)	\$1,775,916	\$1,952,334
30-SEP-10	\$244,446	\$(39,652)	\$171,722	\$1,242,787

CONSOLIDATED FINANCIAL RESULTS - DISCUSSION

The net loss for the third quarter of 2010 is primarily attributable to poor yields causing mining costs to be proportionately higher and therefore lower operating profits. Income is generated through sale of coal. Though net losses have continued to occur over the past nine quarters, the trend has, and management continues to believe toward lower losses and profitability during 2011. The losses have been the result of the Company developing the Kendal project to bring into commercial production, which occurred on October 1, 2009. As the Company continues to improve its production and delivery systems, the trend for reducing operating losses is improving, as evidenced by a \$3.51 million favourable variance in net loss for the three months ended September 30, 2010, compared to the same time frame in 2009, and a \$17.87 million favourable variance for the nine months ended September 30, 2010 when compared to the same period in 2009.

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EXPENDITURES ON EXPLORATION AND DEVELOPMENT PROPERTIES

The Company is engaged in the exploration and development of coal properties or deposits within South Africa. Other than the Kendal property, the Company's projects are in the exploration stage and there can be no assurance that any of them will reach the stage of production. The recoverability of the amounts shown for mineral properties is, as noted above, dependent upon, among other factors, the existence of economically recoverable estimated mineral reserves, the ability of the Company to obtain necessary financing to complete the exploration and development of its properties, receipt of environmental and operating permits and future profitable production or proceeds from the disposal of properties.

The Company records its interests in mineral properties and areas of geological interest at cost. Management reviews the carrying values of its mineral properties on a regular basis to determine whether any write-downs are necessary. These expenditures will be depleted over the estimated life of the properties if and when they reach commercial production or will be written down by management when it is determined that the net carrying value will not be recovered.

The following table sets forth certain information relative to the exploration and development properties of the Company by summarizing capitalized expenditures net of amortization during the period ended September 30, 2010, total capitalized costs on the balance sheet as of December 31, 2009 and September 30, 2010, and the percentage of the property owned. The principal mineral found on all of the properties below is coal.

	Capitalized Expenditures			Percentage Owned
	December 31, 2009	During the 9 month period	September 30, 2010	
<u>South Africa</u>				
Eloff	\$ 2,778,679	\$ 101,018	\$ 2,879,697	50%
Northfield	2,434,460	6,857	2,441,317	100%
Other	3,382	12,153	15,535	50-100%
	<u>\$ 5,216,521</u>	<u>\$ 120,028</u>	<u>\$ 5,336,549</u>	

LIQUIDITY AND CAPITAL RESOURCES

WORKING CAPITAL

The Company had cash and cash equivalents of \$12,910,836 and a working capital deficit of \$22,349,218 at September 30, 2010, primarily attributable to the current loan payable to GMR. This compares with cash and cash equivalents of \$7,650,261 and working capital deficit of \$21,143,128 at December 31, 2009.

The Company currently does not have sufficient cash and credit facilities available to meet its operating costs and planned capital expenditures in their entirety. During the period, the

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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. Management plans to increase production over the coming quarters to meet the working capital requirements in the near future. The Company is not currently facing any financial stress from third parties or financial institutions.

OPERATING ACTIVITIES

For the nine months ended September 30, 2010, cash flows used in operating activities totalled \$10,457,289 compared with \$88,236,740 used in the same period in 2009.

During the quarter, cash and cash equivalents increased by \$8,646,340 mainly due to cash used in operating activities of \$2,265,523, cash used in investing activities of \$607,155, and provided by financing activities of \$11,519,018, offset by cash used in operating activities of \$2,265,523 and cash used in investing activities of \$607,155.

INVESTING ACTIVITIES

There were no significant investing activities during the first three quarters of 2010, due to the cash constraints on the Company.

FINANCING ACTIVITIES

During the quarter, the Company raised \$8.45 million from its rights offering (see note 13(c) in the September 30, 2010 interim consolidated financial statements). These proceeds were used to repay \$8.1 million of the outstanding loan to GMR Energy (Mauritius) Limited, leaving a balance due to GMR of \$3.5 million, which was subsequently repaid out of the new financing.

On September 27, 2010, the Company signed a second promissory note with GMR Energy (Mauritius) Limited for \$29.96 million (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 and Northfield Property. The loan is guaranteed by several subsidiaries of the Company. The purpose of the loan was to assist the Company to repay the Nedbank Credit Facility of \$21.5 million as well as to assist in funding operations during commercial production over the next few quarters. The loan is subject to renewal at the end of its term.

BALANCE SHEET

ASSETS

The Company had assets totalling \$70,673,757 at September 30, 2010 as compared to \$69,614,694 at December 31, 2009. These asset balances increased by \$1,059,063 at September

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30, 2010 due to increase in cash and cash equivalents by \$5.3 million and decrease in inventory levels by \$5.18 million and increase in long-term loan receivable by \$ 1.1 million.

TOTAL LIABILITIES

The Company had total liabilities of \$45,716,357 at September 30, 2010 compared with liabilities of approximately \$44,195,627 as at December 31, 2009. The increase in liabilities is due to increase in loan received from GMR Energy, offset by the repayment of the Nedbank credit facility.

CAPITALIZATION

The Company had 471,204,149 common shares outstanding at September 30, 2010, as a result of 169,088,393 additional common shares issued from the rights offering on July 12, 2010 for total proceeds of \$8,454,420.

GMR Energy Limited ("GMR") acquired a total of 159,862,800 common shares through its participation in the Rights Offering. Following this transaction, GMR holds 263,119,895 common shares of the Company representing approximately 55.84% of the issued and outstanding common shares of the Company. Crossridge Investments Limited ("Crossridge"), an affiliate of GMR, now owns and controls 30,096,012 common shares of the Company. Accordingly, the total security holding percentage of GMR, including Crossridge and GMR in the common shares of Homeland immediately after the transaction is now approximately 62.22% represented by an aggregate of 293,215,907 common shares of the Company. GMR has acquired the shares for long-term investment purposes and currently does not intend on acquiring ownership of, or control over, any additional shares of Homeland.

The proceeds of the Rights Offering was used to repay the \$7,993,140 loan made by an affiliate of GMR and for general working capital purposes as disclosed in the final prospectus dated May 31, 2010 as amended by Amendment No. 1 dated June 30, 2010.

The Company had 6,461,250 common share purchase options outstanding at September 30, 2010. The options outstanding have a weighted-average exercise price of \$0.14 per option. Options are exercisable into common shares on a one-for-one basis. A total of 3,303,375 common share purchase options expired over the nine-month period.

At December 31, 2009, the Company had 9,053,375 options outstanding at a weighted-average exercise price of \$0.37.

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:

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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.

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 are 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.

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 securing and maintaining prospecting rights totalled \$nil for the nine months ended September 30, 2010 (2009 - \$83,301).

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.

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. As at September 30, 2010 the Company holds approximately 19.03% (September 30, 2009 - 27.99%) of Homeland Uranium Inc.

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 about \$380,000 for the nine-month period ended September 30, 2010 (2009 - \$nil).

NUMIN AND MADIC

The Company began doing business with Numin (Pty) Ltd. ("Numin") and Madic Operations (Pty) Ltd ("Madic") to utilize their machinery during the production process at Kendall. Madic is the corporation which owns the machinery; Numin is the operating company that employs the people that operate the machinery. The MADIC machine is an extendable coal receiving system, connected to the end of a conveyor onto which a continuous haulage or Shuttle car discharges its load. The major advantage of the system is in keeping the tipping point as close as possible to the underground section's coal winning process. It drastically reduces the tramming time of a shuttle car and facilitates and reduces the number of belt extensions required resulting in an increased production output. An added benefit is the reduction in labour requirements.

Homeland invested into the project with the aim of later mining one of its underground reserves utilizing a MADIC system. The agreement is that Homeland may acquire the systems at cost.

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The Company has advanced a loan to Madic, of \$1,380,000 (ZAR 10 million), in order to capitalize the development of a continuous conveyor system for the mining industry. Madic is required to 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, 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 follows the recommendations in Accounting Guideline 15, "Consolidation of Variable Interest Entities ("VIE")" which establishes the application of consolidation principles to entities that are subject to control on a basis other than ownership of voting interests. The guideline requires the primary beneficiary of a VIE to consolidate the VIE. A VIE is an entity which either does not have sufficient equity at risk to finance its activities without additional subordinated financial support or where the holders of the equity at risk lack the characteristics of a controlling financial interest. The primary beneficiary is the enterprise that will absorb or receive the majority of the VIE's expected losses, expected residual returns, or both. The Company has determined that Madic Operations (Pty) Ltd. ("Madic") and Numin (Pty) Ltd. ("Numin") are VIEs, and as the Company has been determined to be the primary beneficiary of each entity, Madic and Numin have been consolidated in the company's consolidated financial statements.

As a result of the change in accounting treatment, the Company was required to restate its financial statements for the period ending September 30, 2009. Management is of the view that the restatement to this period is not significant representing a decrease in assets of \$692,000, an increase in liabilities of \$304,000, an increase in net loss of \$442,000 and an increase in deficit of \$995,000.

Since January 2010, the Company has received from Madic ZAR 2.18 million (\$300,000) and Numin ZAR 1.4 million (\$195,000) towards repayment of the respective loans.

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For particulars of the impact of this change on prior periods please see the Management Discussion and Analysis for the year and periods ended December 31, 2009, March 31, 2010 and June 30, 2010 under the heading “Numin and Madic”.

CRITICAL ACCOUNTING ESTIMATES

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

The Company’s critical accounting policies are those that affect the financial statements and are summarized in note 4 of the audited consolidated annual financial statements of Homeland for the year ended December 31, 2009. Critical accounting policies and estimates in the period included the capitalization of the costs relating to the acquisition and exploration and development resource properties and the recognition of impairment of those assets, the valuation of warrants, stock options and tax accounts, the valuation of investments and long-term loans, contingent liabilities, and the choice of Generally Accepted Accounting Principles (“GAAP”).

CHANGES IN ACCOUNTING POLICIES

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

FUTURE ACCOUNTING CHANGES

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 the 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

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Company is currently assessing the impact of these new accounting standards on its consolidated financial statements.

INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRS”)

In February 2008, the Canadian Accounting Standards Board confirmed that publicly accountable enterprises will be required to adopt International Financial Reporting Standards (“IFRS”) for fiscal years beginning on or after January 1, 2011, with earlier adoption permitted. Accordingly, the Company will transition from current Canadian GAAP reporting and commence reporting under IFRS in the first quarter of 2011, with restatement of comparative information presented. The conversion to IFRS from Canadian GAAP may materially affect the Company’s reported financial position and results of operations and will affect the Company’s accounting policies, information technology and data systems, internal control over financial reporting, and disclosure controls and procedures. The transition may also affect business activities, such as foreign currency, certain contractual arrangements, capital requirements and compensation arrangements.

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 limited changes will be required in order to achieve full compliance with IFRS. The Company continues to monitor and assess the impact of convergence of Canadian GAAP and IFRS.

In order to ensure an orderly conversion, the Company is in the process of developing a conversion plan that consists of four primary stages including planning, assessment, design and implementation. This will involve periodic meetings with the Audit Committee to report progress and findings. With the assistance of external advisors, the planning stage commenced during Q3 2010 and will include the identification and mobilizing the necessary resources, both internal and external, to execute the plan, establishing a conversion timeline and reassessing the differences between Canadian GAAP and IFRS that may be significant to the Company’s reported financial position and results of operations. The assessment stage commenced during Q3 2010 and included conducting a detailed assessment of the effect of the transition to IFRS on financial reporting, systems and business activities in Canada. The Company has identified mineral property, plant and equipment, future income taxes, asset retirement obligation, and financial instruments as areas where the adoption of IFRS may have a material effect on the Company’s financial reporting, processes and controls. Also as part of the assessment stage, the Company is assessing the available elections under IFRS to determine the effect of each election to the Company. This assessment is expected to be largely complete by the fourth quarter of 2010. The Company will then commence the design stage which includes completing an assessment of the IFRS estimates of the quantified effects of the anticipated changes to the financial reporting on the Company’s IFRS opening balance sheet and identifying business processes and resources that may require modification as a result of these changes. The implementation stage will proceed concurrently with the assessment and design phases and will include preparing draft IFRS compliant model financial statements and making appropriate changes to

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business, reporting and system processes and training to support preparation and maintenance of IFRS compliant financial data for the IFRS opening balance sheet at January 1, 2011 and going forward.

FINANCIAL INSTRUMENTS

During the three months ended September 30, 2010, the Company did not enter into any specialized financial agreements to minimize its investment risk, currency risk or commodity risk. The principal financial instruments affecting the Company's financial condition and results of operations are currently its cash and equivalents, accounts receivable, deposits and prepayments, long-term loans, and accounts payable and accrued liabilities.

The Company is subject to foreign currency exposure, as certain of its cash is retained in non-Canadian Dollar denominated instruments.

RISKS & UNCERTAINTIES

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 RISK

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 become available under terms favourable to the Company especially in the current economic climate. Homeland's ability to raise further equity or debt finance 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 focussed on the operation and continued development of the Kendal Colliery and exploration and development at the Eloff Mineral Property. Any

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adverse developments affecting these projects could materially affect the Company's financial condition and results of operations.

GOING CONCERN RISK

The financial statements for the nine months ended September 30, 2010 have been prepared in accordance with Canadian generally accepted accounting principles on a going concern basis, which assumes that the Corporation will continue its operations for the foreseeable future and be able to realize its assets and discharge its liabilities in the normal course of business. As of September 30, 2010 the Corporation had a working capital deficit of \$22,349,218. The majority of this is due to the GMR loan being classified as a short-term obligation.

The Nedbank Facility had been settled in Q3 2010. However, the Corporation is of the view that the Kendal Mine will generate sufficient cash flow for the balance of fiscal 2010 and fiscal 2011 to allow it to meet its working capital requirements.

The ability of the Corporation to continue as a going concern for the foreseeable future is dependent on raising sufficient funds to meet these ongoing obligations. While the Corporation has been successful in raising financing to date, there can be no assurance that it will be able to do so in the future. If the Corporation is unable to meet these obligations from cash flow from operations and additional financings, it may not be able to continue as a "going concern."

NO RESERVES DETERMINED

To date, the Corporation has calculated a "Resource" as such term is defined by the Canadian Institute of Mining rather than a "Reserve" for the Kendal Colliery. A Resource, by definition, does not have demonstrated economic viability as would be the case if a Reserve had been calculated. The Corporation made the decision to commence production at the Kendal Colliery without the preparation of a feasibility study in compliance with National Instrument 43-101 – Standards of Disclosure for Mineral Projects that demonstrated the economic viability of the Kendal Colliery. Such an undertaking would result in the conversion of the Resource into a Reserve. As a result, production at the Kendal Mine is subject to a higher degree of risk than would be the case if the Resource had been converted into a Reserve. However, this risk is mitigated by the nature of completing the determination of a Reserve for a coal deposit which is subject to less variability than for other types of deposits. At the time management made the decision to commence mining operations at the Kendal Mine it had run mine modelling analysis that supported that decision. However, the Company has since determined it would be in the best interests of all stakeholders to undertake a Reserve calculation in accordance with National Instrument 43-101. The necessary work is being undertaken by SRK Consulting (SA) (Pty) Ltd and Caracle Creek International Consulting Ltd. and it is expected that a new report will be available by the first quarter of 2011. The geological database and model is in the process of being reviewed.

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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.

Although Homeland believes it will be able to define and expand its coal deposits, 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

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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. However, with the upturn in the global economy, and future coal prices rising along the curve through to 2012, sustained upward movements in coal market prices could render Kendal coal more economic than the outlook reflected during 2009.

Domestic prices in South Africa have held to levels higher than their export equivalent throughout 2009 and are expected to remain at current levels throughout 2010, with a strengthening being forecasted for 2011.

With international prices expected to continue to increase, particularly in the Far East, this is also expected to have an upward impact on domestic price levels as more coal makes its way into the export market, reducing quantities available domestically. This is expected to secure both the domestic and international demand for Kendal coal in the foreseeable future.

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,

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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

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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 favourable 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,

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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, or member of the South African technical team, 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.

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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.

FOREIGN EXCHANGE RATE FLUCTUATIONS

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 US Dollar relative to the South African Rand. This could adversely affect Homeland's financial position and operating results. Homeland's revenues and expenses will be incurred in South African Rand and Canadian Dollars, though its financings are expected to be completed in US 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.

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

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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.

FINANCIAL INSTRUMENTS

FAIR VALUE

Canadian GAAP requires that the Company disclose information about the fair value of its financial assets and liabilities. Fair value estimates are made at the balance sheet date, based on relevant market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties in significant matters of judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect these estimates.

The carrying amounts for cash and cash equivalents (including its restricted cash), accounts receivable, and accounts payable and accrued liabilities on the balance sheets approximate fair value due to their short-term maturity. The fair values of long-term loans receivable and credit facilities and GMR loan payable entered into approximates their carrying values based on the anticipated short-term nature and the current interest rates of these instruments. The fair value of investments is, where possible, based on quoted market prices.

For the nine-month ended September 30, 2010 the Company did not enter into any specialized financial agreements to minimize its investment risk, currency risk or commodity risk. The Company is subject to foreign currency exposure, as certain of its cash is retained in non-Canadian Dollar denominated instruments.

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OFF-BALANCE SHEET ARRANGEMENTS AND CONTINGENT LIABILITIES

MANAGEMENT CONTRACTS

The Company is not party to any outstanding agreements with officers that contain change of control clauses pursuant to which the officers would be entitled to termination payments under certain circumstances. A change of control is defined as inter-alia the acquisition of 30% or more of the Company's issued and outstanding shares.

The Company has no additional material off-balance sheet arrangements or contingent liabilities, not already discussed above.

DISCLOSURE CONTROL AND PROCEDURES AND INTERNAL CONTROL OVER FINANCIAL REPORTING

INTERNAL CONTROLS OVER FINANCIAL REPORTING

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

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

The unaudited consolidated financial statements have been prepared by management in accordance with Canadian GAAP and in accordance with accounting policies set out in the notes to the consolidated financial statements for the quarter ended September 30, 2010.

In compliance with Form 52-109F2 of National Instrument 52-109, management must disclose in its Management's Discussion and Analysis any material weakness found to exist within its system of internal control over financial reporting.

A material weakness is a deficiency, or a combination of deficiencies, in internal controls over financial reporting, such that there is a reasonable possibility that a material

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misstatement of the Company's annual or interim financial statements will not be prevented or detected on a timely basis.

A material weakness in internal control over financial reporting up to December 31, 2009 existed as management did not have sufficient accounting personnel to appropriately review and approve complex accounting transactions. As a result, Numin and Madic were not properly accounted for as Variable Interest Entities. The material weakness resulted in the restatement of the Company's previously issued annual financial statements as at December 31, 2009 to correct the accounting for variable interest entities. However, Management has determined that the impact on the Company's financial statements from the reclassification of Numin and Madic was not material. It is therefore not refilling interim financial statements for the period ended September 30, 2009. Instead, a summary of the changes to the financial statements for that period is provided under the heading "Numin and Madic".

Management has taken steps to resolve this weakness by implementing procedures to ensure a proper assessment of acquisitions and other transaction is taken.

In addition, typical with smaller organizations, management has identified a weakness during the year caused by a lack of segregation of duties. This is a typical issue for smaller companies, and management believes that the risks associated with the lack of segregation of duties have been mitigated by the implementation of other controls. As at the end of the period covered by this management discussion and analysis, management has concluded that the internal controls over financial reporting were appropriately designed, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian GAAP except with respect to the assessment of complex transactions described above.

Other than as disclosed above, there have been no changes in the Company's internal control over financial reporting that occurred during the period beginning on January 1, 2010 and ended September 30, 2010 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

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

LIMITATIONS ON SCOPE OF DESIGN

The Company has limited the scope and design of its disclosure controls and procedures and internal control over financial reporting to exclude controls, policies and procedures of Numin and Madic. For additional details on Numin and Madic, please see the heading "Numin and Madic. For summary financial information on Numin and Madic for the three months ended March 31, 2009 and 2010, June 30, 2009 and 2010 and September 30, 2009 and 2010 please see the heading "Summary of Quarterly Results" on page 11 hereof.

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CURRENT MARKET CONDITIONS

The outlook for the coal industry has revived materially from the weakness experienced in 2008 and 2009. The Energy Information Administration (EIA) estimates that the world coal consumption will rebound, returning to its pre-recession level (2008 level) by 2013. Generally, most coal companies have been profitable in 2010, given the recovery in the global and domestic coal demand. This uptrend in profits is largely driven by soaring demand from the Asian countries. The scarcity of coal in relation to the growing needs of the Pacific markets, specifically from China and India, has led to improvement in coal exports from around the world. Despite some recent pressures, the overall trend in thermal coal prices has been favourable, driven by improvements in demand from the domestic and international markets and reduced stockpiles.

Throughout most of 2009 Richards Bay Coal Index (“API4”) coal prices reached a plateau around the mid\$60s, largely held down by a slower than expected recovery in crude oil prices. At times this produced a disconnect in the market between the API4 Index price of South Africa coal and some fixed price spot deals concluded at several dollars above the API4, reflecting the rising demand for South Africa coal.

However, since December 2009, South Africa prices staged a sharp recovery, with the January 2010 levels hitting the mid-\$90s. For the next months and beyond, the API4 is expected to remain in the mid\$80s to mid\$90s levels with the forward curve steadily rising to the high \$90s in 2012.

With the emergence of greater certainty in the global economic recovery, the increase in international demand for coal has propelled South Africa back into its key role in the export market. Recently, this has seen increasing volumes of South Africa coal being sold on long-term contracts to power utilities and industrial concerns, particularly into the Far East, led by the growing appetite for South Africa coal from India and China. Sixty percent of the 61 million tonnes of steam coal exported through the Richards Bay Coal Terminal (RBCT) in 2009 went into the Indian market.

As we reported last year, one of the key factors limiting the volume of exports through RBCT is the lack of rolling stock in the Transnet railway system, which is having a serious impact on both the export volumes and filling the additional throughput in the RBCT Phase V expansion project from the current capacity of 82 million tonnes to 91 million tonnes. This continuing logistics problem within South Africa, coupled with the tight supply of Russian and Australian export coal and the diversion of large volumes of South Africa coal into Asia from the European markets, are some of the key factors expected to keep driving prices higher.

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SUBSEQUENT EVENT

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

November 15, 2010