



HOMELAND ENERGY
GROUP LTD.

HOMELAND ENERGY GROUP LTD.

MANAGEMENT DISCUSSION AND ANALYSIS

FOR THE SIX MONTHS ENDED JUNE 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 six months ended June 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 six months ended June 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 six months ended, June 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 at the end of 2010, taking into account existing debt repayments on the Nedbank facility 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 of cash flow 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 brown fields near operating assets in South Africa; and, diversification of assets and cash flows outside of South Africa.

In the context of world markets, 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 and Australasia, two 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. 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.

Management continues to expect that Kendal will achieve profitability and generate positive cash flow in 2011.

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 both Block D and Block F, both of which are currently under steady state operation with a strip ratio of approximately 3:1 for Block D and around 2.5:1 for Block F which is anticipated to be completed by end Q1 2011. The Company has completed extensive studies to determine the position of underground workings in the 4 lower coal seam in Block E. Currently there are plans to start mining operations in Block E in early 2011 after completing dewatering operations in the area that had begun in July 2010.

Detailed mine scheduling for Block E and further refinement of the current mining plan are under way. Mining during the remainder of 2010 will focus on Block F and Block D.

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

	Q3 2009	Q4 2009	Q1 2010	Q2 2010
Run-of-Mine ("ROM" tonnes)	404,092	356,774	291,856	238 409
Feed to plant (tonnes)	319,933	287,112	239,965	224 558
Yield (%)	47.87	46.95	47.2	41.7
Product (tonnes saleable)	153,153	134,794	113,263	93 571
Sales (tonnes)	172,310	130,840	116,778	359 134
Stock (tonnes)	204,214	265,234	290,206	189 819
Stock Discard	none	379,038	510,768	461 310

Run of Mine ("ROM") production was lower than anticipated in the three months ending June, 2010. ROM production was intentionally slowed down in order to reduce the outstanding payment liability due to the mining contractor, and due to slow sales of product. The ROM stocks at the plant and the product stocks were in excess of one month's production. The Company aims to maintain stocks of not more than one week's production. The Company plans to ramp up ROM production to 150,000 tonnes per month by September 2010. With reference to total stock, ROM stock was 168,121 (including 4 seam), discard stock of 461,310 and finished goods and saleable product stock of 38,861. Sales tonnes comprised of: 4 seam raw coal (82,986t), discard sales (166,420t) and product sales (109,728t).

PROCESSING OPERATIONS

Plant throughput for the quarter ending June 2010 was negatively impacted as a result of the poor performance of the then coal beneficiation contractor. A new contractor was awarded the contract to operate and maintain the plant on May 1, 2010. Due to the condition the plant was in, the new contractor had to expend significant costs and operational time to bring the plant back to an acceptable standard.

Plant throughput improved significantly during the month of June although yields did not improve due to dykes and sills in the Block D mining area. In order to control and guarantee consistent qualities, an onsite laboratory has been established adjacent to the coal processing plant. The management of this laboratory has been outsourced to a credible contractor.

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SALES

A locally-based experienced coal marketing manager was appointed during the quarter ended on June 30, 2010. A marketing strategy was developed and implemented and sales improved during this period. The result of this strategy was that 70% of saleable product was subsequently committed to short-, medium- and long-term contracts. The revenue for the month of June 2010 was almost double the previous monthly averages. Sales would have been even stronger if not for a rail strike that occurred during May of 2010. As a result of this rail strike, the Company's sales were adversely affected as delivery by rail is the Company's primary distribution method. Even after the strike, there continued to be a negative impact resulting from the backlog of rail shipments that had developed. Management is of the view that sales were lower by 20,000 tons in May, representing approximately ZAR6.8 million (\$1 million) in revenue, and 11,500 tons in June, representing approximately ZAR3.9 million (\$0.5 million) in revenue.

Previous low grade stock such as the 4 seam and discard have also been signed into contracts and stocks have reduced significantly. It is forecasted that the 4 seam stocks will have been depleted by end August, and discard stocks by the end of February 2011.

HEALTH, SAFETY & ENVIRONMENT

For Q2 2010, 2 accidents were reported, with one lost-time injury:

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

* One of the two accidents resulted in an injury (foreign body in eye)

In this reporting period a new Safety Health Environment and Community ("SHEC") manager was appointed, and the Health and Safety Policy was revised and implemented. Medical surveillance and training functions were 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 will be submitted 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 hawkers stands in the nearby Phola Township. The pilot vegetable farming project site is 0.5 hectares and 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

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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") has been commissioned to audit the compliance to the SLP and submit an annual report.

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 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. It is envisaged that the Mining Right will be executed in Q3 2010. 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 paele 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).

A total of 398 boreholes have been drilled to date (and rehabilitated) for a total of 24,000 metres. Drilling was suspended in September 2008, pending review of an initial scoping study.

An area in the northwest quadrant of the property has been identified as a target for potential mining for which an additional 50 boreholes must first be drilled. In principle, agreement for drilling has been reached with a prominent farmer on the land and a further meeting with any remaining farmers will be undertaken. All drilling is planned to be

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completed and the plan for development of Eloff is expected to be finalized during 2010. 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.

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. Negotiations are in an advanced stage to conclude a trial off take agreement with commencement planned for July 2010.

The exploration licenses Onbekend and Vlakvarkfontein expired in 2009. However, applications for Mining Rights have been submitted. There is no guarantee that the Mining Rights will be granted to the Company. The Company wrote off the carrying value of Onbekend and Vlakvarkfontein properties during 2009.

QUALIFIED PERSON

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

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. At the Kendal operation during the second quarter, a new General Manger was appointed, Mr G Silver.

CREDIT FACILITY WITH NEDBANK

As of June 30, 2010, the Company had drawn ZAR 125,000,000 (\$17,375,000) (December 31, 2009 - ZAR 125,000,000 (approximately \$17,725,000)) on the Nedbank Loan Facility and together with capitalized interest and a waiver fee owed ZAR 141,668,101 (\$19,691,754). The effective interest rate at June 30, 2010 was 11.715%. Interest was ZAR 4,377,238 (\$596,084) for the three months ended June 30, 2010 and was ZAR8,729,276 (\$1,198,531) for the six months ended June 30, 2010. (December 31, 2009 - ZAR 17,349,825 (\$2,460,205).

The Facility is secured by guarantees from, and pledges of the shares of, certain subsidiaries as well as by all assets of Ferret Coal (Kendal) (Pty) Ltd. and is repayable from June 2010 through September 2014. Amounts drawn down under the Facility currently bear interest at the Johannesburg Interbank Agreed Rate ("JIBAR") plus 4.75% per annum prior to the completion and at the rate of JIBAR plus 4.10% per annum following completion (as defined in the Facility). Undrawn amounts are subject to a commitment fee of 0.50% per annum In

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addition, until completion, the Company will be required to leave all cash generated from its operations at Kendal in South Africa.

Ferret Coal (Kendal) (Pty) Ltd was in default of certain clauses of the Facility from April 30, 2009 and as a result was not permitted to draw the remaining ZAR 25,000,000 of that facility. On November 4, 2009, Ferret Coal (Kendal) (Pty) Ltd entered into the Waiver and Third Amending Agreement with Nedbank whereby Nedbank agreed to waive these defaults and extend the repayment terms of the facility, subject to the following conditions:

- ZAR 70,000,000 being injected into Ferret Coal (Kendal) (Pty) Ltd by way of equity or subordinated loan by January 2010;
- An increase in interest rate margins on the facility to JIBAR plus 4.75% from July 1, 2009 until completion and JIBAR plus 4.10% thereafter;
- Additional reporting requirements being applied to Ferret Coal (Kendal) (Pty) Ltd; and
- Ferret Coal (Kendal) (Pty) Ltd paying Nedbank a waiver fee of ZAR 2,416,531 (\$343,630), such waiver fee being capitalized to the facility.

The first step in meeting these conditions was to complete a private placement to the Company's largest shareholder, GMR in December 2009. A total of 27,465,068 common shares of Homeland were issued at \$0.07 per common share to an affiliate of GMR. During 2009, GMR Energy (Mauritius) Limited, another affiliate of GMR, advanced \$4,996,928 to the Company. The loan became due June 30, 2010 and bears interest at LIBOR plus 600 basis points. On January 15, 2010, GMR Energy (Mauritius) Limited advanced a further sum of \$2,996,212 to Homeland, as an addition to the loan announced on January 8, 2010, 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. The proceeds of these loans were advanced to Ferret Coal (Kendal) (Pty) Ltd by means of subordinated shareholders loans, thereby satisfying the requirements of the infusion of ZAR 70,000,000 by January 2010. On July 12, 2010, the Company repaid GMR Energy (Mauritius) Limited the sum of \$7.9 million out of the proceeds of the rights offering to reduce this outstanding obligation. In addition, the Company paid \$135,573 towards interest on the advance.

Ferret Coal (Kendal) (Pty) Ltd was required to make a payment into the Debt Service Reserve Account by June 30, 2010. Ferret Coal (Kendal) (Pty) Ltd was not able to make this payment, and the Company is in negotiations with Nedbank with regard to a waiver of this default and a deferral of this requirement until the third quarter of 2010. Any loan repayments are anticipated to be funded during 2010 largely by the sale of non-core assets and/or operational cashflows.

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By June 30, 2010, Ferret Coal (Kendal) (Pty) Ltd had drawn ZAR 125,000,000 together with capitalized interest of ZAR 21,750,761 and a waiver fee of ZAR 2,416,531.

The following is a schedule of future repayments in terms of the Facility Agreement:

	Equivalent (\$)	Amount (ZAR)
2010	2,148,084	15,000,000
2011	4,155,000	30,000,000
2012	4,778,000	34,500,000
2013	4,986,000	36,000,000
2014	3,624,670	26,168,101
	19,691,754	141,668,101

The following financial covenants are applicable to Ferret Coal (Kendal) (Pty) Ltd.:

- Debt Service Ratio - Default: 1.3 (Cash lockup: 1.7)
- Loan Life Cover Ratio - Default: 1.5 (Cash lockup: 1.9)
- Debt / Equity Ratio - Default: 70 / 30 (Cash lockup: 65 / 35)

RESULTS OF OPERATIONS

The net loss for the six months ended June 30, 2010 was \$4,200,259 compared with a net loss of \$17,063,428 for the same period in 2009. The loss for the six months ended June 30, 2010 was lower by \$12.9 million, largely due to the incurrence of a \$6.3 million break fee in 2009, attributable to the Appollo transaction, a \$2.1 million loss on investment in 2009, \$1.8 million of stock-based compensation expense in 2009, and lower operating expenses. For the quarter ended June 30, 2010, the net loss was lower by approximately \$3.8 million when compared to the previous year, primarily as a result of lower operating expenses such as management and administrative expenses by \$1.32 million and no unrealized loss on investment \$2.1 million.

Revenue for the six months ended June 30, 2010 was \$15,307,599 million compared with \$nil for the six month's ended June 30, 2009. During the second quarter of 2010 revenue was \$8,841,887 compared with \$nil for the second 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 namely due to a lack of process and production

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efficiencies and an ineffective and costly sales process. These issues have resulted in an overall high cost of mining and can be characterized by low yield of product, multiple handling of the coal, and frequent breakdowns. As a result, an operational improvement audit was conducted during the third quarter to identify critical areas in the value chain where efficiencies can be obtained and costs removed from the system. The audit was well received by the operating management team, and they have jointly determined six distinct initiatives for overall performance improvement. Once implemented, through a cross-functional steering committee, it is anticipated significant financial benefits will be realized. During the 1st quarter of 2010 the audit team assisted the Colliery in the conducting of market research and in developing a marketing strategy. They further assisted in the development of a scope of work and Key Performance Indicators (“KPI’s”) for the new wash plant tender. Further cost reductions resulted from their assistance with re negotiating the contract with (Warthog) the logistics contractor, and in cutting back on re handling of coal at the ROM tip, and in the reduction of re screening coal. The audit also facilitated a study whereby fines production in the pit was reduced by 10%.

The Company continues to see improvements in operation in second quarter based on the steps initiated in the first quarter

SUMMARY OF QUARTERLY RESULTS

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

(\$'000)

Fiscal Period	Revenue \$	Net Loss \$	Net Loss Per Share \$	Total Assets \$	Total long-term Liabilities \$	Cash Dividends \$
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*	100	(8,408)	(0.03)	67,086	439	-
2009 - Q2	100	(6,238)	(0.02)	69,440	463	-
2009 - Q1	-	(10,825)	(0.05)	63,101	9,508	-
Total	-	(35,599)	(0.14)	N/A	N/A	-
2008 - Q4*	-	(13,833)	(0.09)	57,608	8,311	-
2008 - Q3*	-	(2,441)	(0.02)	58,049	31,972	-

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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.

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
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
Madic				
31-Mar-09	\$0	(\$48,166)	\$1,364,421	\$1,412,588
30-Jun-09	\$0	(\$18,968)	\$113,851	\$132,819
31-Mar-10	\$0	(\$56,482)	\$1,745,722	\$1,802,203
30-Jun-10	\$0	(\$176,418)	\$1,775,916	\$1,952,334

CONSOLIDATED FINANCIAL RESULTS - DISCUSSION

The net loss for the second quarter 2010 is primarily attributable to corporate overheads, including management and administrative expenses, office and general expenses and interest expense. Income is generated through sale of coal and interest earned on overnight or short-term deposits. Though net losses have continued to occur over the past eight 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 \$3.8 million favourable variance for the net loss for the three months ended, June 30, 2010, compared to the same time frame in 2009, and a \$12.9 million favourable variance for the six months ended June 30, 2010 when compared to the same period in 2009. The positive variance for the first six months of 2010 is partially the result of the one-time break fee of \$6.3 million attributable to the Appollo transaction 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.

No significant exploration has taken place during the second quarter of 2010. Emphasis during this period has been on improving the quality of Kendal's geological model.

The following table sets forth certain information relative to the exploration and development properties of the Company by summarizing capitalized expenditures net of amortization for the period ended June, 2010, total capitalized costs on the balance sheet as of December 31, 2009 and June 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 2010	June 30, 2010	
<u>South Africa</u>				
Eloff	\$ 2,778,679	\$ 32,952	2,811,631	50%
Northfield	2,434,460	2,335	2,436,795	100%
Other	3,382		3,382	50-100%
	\$ 5,216,521	\$ 35,287	5,251,808	

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LIQUIDITY AND CAPITAL RESOURCES

WORKING CAPITAL

The Company had cash and cash equivalents of \$4,264,496 and a working capital deficit of \$24,826,564 at June 30, 2010, primarily attributable to the continuing reclassification of the Nedbank loan to current liability as a result of it being in default and advances from GMR. This compares with cash and cash equivalents of \$7,650,261 and working capital deficit of \$21,143,128 at December 31, 2009. As at June 30, 2010, Ferret Coal (Kendal) (Pty) Ltd. ("Kendal") was not in compliance with its externally imposed capital requirements and as a result is in default on its loan with Nedbank. As the loan is in default it can be called at any time and therefore has been presented as a current liability. The Company is working on various options to bring the loan back into good standing at which time the loan may be reclassified as a long-term liability.

Cash and cash equivalents held in South Africa cannot be repatriated to Mauritius or Canada until the Kendal Colliery satisfies the "completion tests" and certain other conditions imposed by the terms of the Nedbank Facility.

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

OPERATING ACTIVITIES

For the six months ended June 30, 2010, cash flows used in operating activities totalled \$8,191,766 compared with \$7,422,877 used in the same period in 2009.

During the quarter, cash and cash equivalents increased by \$979,394, and is primarily attributable to the receipt of approximately \$3.5 million of an additional loan from GMR, for future funding of the Debt Reserve Service Account ("DRSA"), as noted below under financing activities, partially offset by a loan repayment of \$1.7 million under the Nedbank Credit Facility.

INVESTING ACTIVITIES

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

FINANCING ACTIVITIES

A \$1.7 million loan repayment was made to Nedbank on June 30, 2010. An additional payment into the Debt Reserve Service Account ("DRSA") was also required and GMR loaned the Company an additional \$3.5 million bringing the total loan amount from GMR to approximately \$11.5 million. The loan for \$3.5 million is to make the required payment into

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the DRSA. However, as of June 30, 2010, this loan payment was not made, and the \$3.5 million, forms part of the \$4.3 million cash and cash equivalents on the balance sheet. The \$8 million loan from GMR was repaid subsequent to June 30, 2010 from proceeds of the rights offering.

BALANCE SHEET

ASSETS

The Company had assets totalling \$63,584,110 at June 30, 2010 as compared to \$69,614,694 at December 31, 2009. These asset balances decreased from \$69,614,694 at December 31, 2009 due to decrease in cash and cash equivalents by \$3.4 million and decrease in inventory levels by \$1.6 million.

TOTAL LIABILITIES

The Company had total liabilities of \$42,374,950 at June 30, 2010 compared with liabilities of approximately \$44,195,627 as at December 31, 2009. The decrease in liabilities is due primarily to payment to suppliers, partially offset by loans received from GMR.

CAPITALIZATION

The Company had 302,115,756 common shares outstanding at June 30, 2010

The Company had 6,461,250 common share purchase options outstanding at June 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 750,000 common share purchase options expired during the second quarter and 1,842,125 during the first quarter.

Please see subsequent events section, with respect to the closing of a rights offering in July 2010, and the resultant further issuance of share capital.

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

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RELATED PARTY TRANSACTIONS

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

Homeland paid Grove Communications Inc. \$nil during the six month period ending June 30, 2010 (2009 - \$9,228) 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. Grove Communications also shared office space with Homeland and contributed \$nil during the six month period ending June 30, 2010 (2009 - \$3,850) towards the office rent and related facilities.

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 June 30, 2010 the Company had invoiced Juno for rental and recoveries of costs, and \$25,446 remains outstanding. This amount is unsecured, non-interest bearing with no fixed terms of repayment.

Expenses were incurred to a South African company owned by a former director and significant shareholder of subsidiaries of the Company for services rendered in respect of the securing and maintaining of prospecting rights totalled approximately \$nil for the six months ended June 30, 2010 versus \$65,000 for the six months ended June 30, 2009.

Legal services are provided by a law firm of which an officer of the Company is a partner. Homeland expensed \$80,269 during the six-month period ending June 30, 2010 (2009 - \$256,056). Included in the accounts payable and accrued liabilities at June 30, 2010 was \$125,819 (2009 - \$49,394) owing to this firm. The amount is unsecured, non-interest bearing, with no fixed terms of repayment.

The Company and HUI have one director in common. As at June 30, 2010, the Company holds approximately 19.03 % (June 30, 2009 - 27.99%) of Homeland Uranium Inc.

Three of the Company's director's are employees of GMR. GMR and its affiliates are also the Company's largest shareholder.

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

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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.

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.

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As a result of the change in accounting treatment, the Company was required to restate its financial statements for the period ending June 30, 2009. Management is of the view that the restatement to this period is not significant representing a decrease in assets of \$628,000, an increase in liabilities of \$232,000, an increase in net loss of \$136,000 and an increase in deficit of \$860,000.

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.

For particulars of the impact of this change on prior periods please see the Management Discussion and Analysis for the year ended December 31, 2009 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.

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

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with acquisition dates on or after January 1, 2011. Early adoption of this section is permitted. Section 1601 together with Section 1602 establish 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.

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 will commence 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 will also commence during Q3 2010 and includes 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 third quarter of 2010.

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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 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 June 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, amounts 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

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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 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 six months ended June 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 June 30, 2010 the Corporation had a working capital deficit of \$24,826,564. The majority of this is due to the NedBank Facility being classified as a short-term obligation and the extension of payment terms to suppliers. While the Corporation successfully raised the ZAR 70,000,000 (approx \$9.8 million) to satisfy its obligation to inject additional funds into the Kendal Colliery, the Corporation was unable to meet its obligation to make a payment under its Debt Service Reserve Account by March 31, 2010. As a result, the Facility is in default. The Corporation negotiated an agreement with Nedbank for a waiver for this default which is in the process of being finalized. As disclosed above, GMR provided the funds necessary to meet the June 30, 2010 loan repayment under the NedBank Facility.

The South African rail service was on strike for three weeks in May of 2010 which limited the ability of the Corporation to ship coal. This event resulted in lower sales during May and therefore lower cash receipts in June of 2010. The Corporation is seeking to refinance the NedBank Facility to allow for additional capital expenditures that will improve performance at the Kendal Mine. 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 obligations under the NedBank Facility and to repay the balance of the funds due to GMR.

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 will be in default of its obligation to NedBank and may not be able to continue as a going concern."

For additional reference to the Nedbank facility see page 8.

NO RESERVES DETERMINED

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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 fourth quarter of 2010. The geological database and model is in the process of being reviewed and additional seven boreholes are planned to be drilled in the future Block E mining area.

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.

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Certain of Homeland's properties are in the exploration stage and at present do not have a known commercial coal deposit. Proposed prospecting programs are in some cases an exploratory search to define such a deposit and in other cases designed to increase the confidence in or expand the current coal resource estimates. The long-term profitability of Homeland's operations will be in part directly related to the cost and success of its exploration programs, which may be affected by a number of factors that are beyond the control of Homeland.

Although Homeland believes it will be able to define 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 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 even a strengthening being forecast 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.

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SUBSTANTIAL CAPITAL REQUIREMENTS

Substantial additional funds for the establishment of Homeland's current and planned mining operations will be required. No assurances can be given that the Company will be able to raise the additional funding that may be required for such activities, should such funding not be fully generated from operations. Coal prices, environmental rehabilitation or restitution, revenues, taxes, transportation costs, capital expenditures and operating expenses and geological results are all factors that will have an impact on the amount of additional capital that may be required. To meet such funding requirements, Homeland may be required to undertake additional equity financing, which would be dilutive to shareholders. Debt financing, if available, may also involve restrictions on financing and operating activities. There is no assurance that additional financing will be available on terms acceptable to the Company or at all. If Homeland is unable to obtain additional financing as needed, it may be required to reduce the scope of its operations or anticipated expansion, and pursue only those development plans that can be funded through cash flows generated from its existing operations.

GOVERNMENTAL REGULATIONS, LICENCES AND PERMITS

The activities of Homeland, and its subsidiary and affiliated companies, are subject to government approvals, and various laws and regulations governing Black Economic Empowerment and the repatriation of funds in South Africa, prospecting, development, land resumptions, production taxes, labour standards and occupational health, mine safety, toxic substances and other matters, including issues affecting local previously disadvantaged populations. Although the Company believes that its activities are currently carried out in accordance with all applicable rules and regulations, no assurance can be given that new rules and regulations will not be enacted or that existing rules and regulations will not be applied in a manner that could limit or curtail development or production. Amendments to current laws and regulations governing operations and activities of exploration and mining, or more stringent implementation thereof, could have a material adverse impact on the business, operations and financial performance of the Company. Further, the mining licenses and permits issued in respect of its projects may be subject to conditions which, if not satisfied, may lead to the revocation of such licenses. In the event of revocation, the value of Homeland's investments in such projects may decline.

Homeland's exploration and development activities require permits from various government authorities, and are subject to extensive state, provincial and local laws and regulations governing prospecting, development, production, exports, taxes, currency movements, labour standards, occupational health and safety, mine safety and other matters. The governing laws and regulations are subject to change, can become more stringent and compliance can therefore become more costly.

Homeland draws on the expertise and commitment of its management team, their advisors, its employees and contractors to ensure compliance with current laws and fosters a climate of open communication and co-operation with regulatory bodies. To the extent such

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approvals are required and not obtained, Homeland's planned exploration and development activities may be delayed, curtailed, or cancelled entirely.

Homeland believes that it holds, has applied for, or has the capability of applying for when appropriate all necessary licences, rights and permits under applicable laws and regulations, and believes it is presently complying in all material respects with the terms of such licenses and permits. There is no assurance that future changes in such regulation, if any, will not adversely affect Homeland's operations.

In the ordinary course of business, Homeland is required to obtain or renew governmental permits for the operation and expansion of existing mining operations or for the development, construction and commencement of new mining operations. Obtaining or renewing the necessary governmental permits is a complex and time-consuming process involving numerous jurisdictions, which often involves public hearings and costly undertakings. The duration and success of Homeland's efforts to obtain or renew permits are contingent upon many variables not within the Company's control, including the interpretation of applicable requirements implemented by the permitting authority. Homeland may not be able to obtain or renew permits that are necessary to its operations, or the cost to obtain or renew permits may exceed what Homeland believes it can recover from the property once in production. Any unexpected delays or costs associated with the permitting process could delay the development or impede the operation of a mine, which could have a material adverse effect on Homeland's operations and profitability.

TITLE TO ASSETS

The validity of mining or exploration titles or claims, which constitute most of Homeland's property holdings, can be uncertain and may be contested. Homeland has used its reasonable commercial efforts to investigate its title or claims to its various properties and, to the best of its knowledge, except where Homeland has otherwise identified those titles or claims are in good standing. However, no assurance can be given that applicable governments will not revoke or significantly alter the conditions of the applicable exploration and mining titles or claims and that such exploration and mining titles or claims will not be challenged or impugned by third parties.

Homeland has not conducted surveys of all the claims in which it holds direct or indirect interests and therefore, the precise area and location of such claims may be in doubt. Homeland's properties may be subject to prior unregistered liens, agreements or transfers, native land claims or undetected title defects.

ACCESS TO LAND

Several of the Homeland tenements are exploration licences and access to land within the tenement area is dependent upon reaching an equitable access agreement with landholders and, in the case of coal production, the acquisition or lease of freehold land or similarly reaching an equitable access agreement with landholders. Homeland may be unable to reach

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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, 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

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personnel, the efficiency of its operations could be affected, which could have a material adverse effect on Homeland's results of operations and profitability.

Homeland could experience labour disputes, work stoppages or other disruptions in production that could adversely affect its operations.

ENVIRONMENTAL RISKS

Mining operations are subject to various environmental laws and regulations including, for example, those relating to waste treatment, emissions and disposal, and companies must generally comply with permits or standards governing, among other things, tailing dams and waste disposal areas, water consumption, air emissions and water discharges. Existing and possible future environmental legislation, regulations and actions could cause significant expense, capital expenditures, restrictions and delays in Homeland's activities, the extent of which cannot be predicted and which may well be beyond the capacity of Homeland to fund. Homeland's right to exploit any minerals it discovers is subject to various reporting requirements and to acquiring certain government approvals and there is no assurance that such approvals, including environmental approvals, will be granted without inordinate delays or at all.

Additionally, all phases of the mining business present environmental risks and hazards and are subject to environmental regulation pursuant to a variety of international conventions and state and municipal laws and regulations. Environmental legislation provides for, among other things, restrictions and prohibitions on spills, releases or emissions of various substances produced in association with mining operations. The legislation also requires that facility sites be operated, maintained, abandoned and reclaimed to the satisfaction of applicable regulatory authorities. Compliance with such legislation can require significant expenditures and a breach may result in the imposition of fines and penalties, some of which may be material. Environmental legislation is evolving in a manner expected to result in stricter standards and enforcement, larger fines and liability and potentially increased capital expenditures and operating costs.

The Kyoto Protocol to the United Nations Framework Convention on Climate Change was negotiated in December 1997 and aims to reduce emissions of greenhouse gases. While these restrictions have not yet been ratified by the member nations, their possible future ratification and implementation could adversely impact on the price and demand for coal or may result in the imposition of additional taxes or levies or other increased costs.

FOREIGN EXCHANGE RATE FLUCTUATIONS

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

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African Rand. This could adversely affect Homeland's financial position and operating results.

UNINSURED RISKS

Although Homeland maintains insurance to cover normal business risks, the availability of insurance for many of the hazards and risks is extremely limited or uneconomical at this time.

As a participant in mining and exploration activities the Company may become subject to liability for hazards that cannot be insured against or against which it may elect not to be so insured because of high premium costs. Furthermore, Homeland may incur a liability to third parties (in excess of any insurance coverage) arising from negative environmental impacts or any other damage or injury.

CONFLICTS OF INTEREST

Certain of Homeland's shareholders, directors, officers and technical consultants are or may become shareholders, directors, officers or employees of, or technical consultants to, other natural resource companies, and, to the extent that such other companies may participate in ventures with the Company, these individuals may have a conflict of interest in negotiating and concluding terms respecting the extent of such participation. In the event that such a conflict of interest arises at a meeting of the directors, a director who has such a conflict will abstain from voting for or against the approval of such participation or of its terms. In appropriate cases Homeland will establish a special committee of independent directors to review a matter in which one or more directors or officers may have a conflict.

From time to time, Homeland, together with several other companies, may be involved in a joint venture opportunity where several companies participate in the acquisition, exploration and development of natural resource properties, thereby permitting Homeland to be involved in a greater number of larger projects with an associated reduction of financial exposure in any given project. Homeland may also assign all or a portion of its interest in a particular project to any of these companies due to the financial position of the other company or companies. Directors are required to act honestly and in good faith with a view to furthering the best interests of Homeland. In determining whether or not Homeland will participate in a particular program and the interest therein to be acquired by it, the directors will primarily consider the potential benefits to Homeland, the degree of risk to which Homeland may be exposed and its financial position at that time.

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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.

In the first and second quarter of 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.

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.

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OFF-BALANCE SHEET ARRANGEMENTS AND CONTINGENT LIABILITIES

The Company has no 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 June 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 misstatement of the Company's annual or interim financial statements will not be prevented or detected on a timely basis.

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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 June 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 June 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 and June 30, 2009 and 2010 please see the heading "Summary of Quarterly Results" on page 11/12 hereof.

CURRENT MARKET CONDITIONS

For a description of current market conditions please see the December 31, 2009 Management Discussion and Analysis.

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SUBSEQUENT EVENTS

Subsequent to June 30, 2010, the Company concluded a Rights Offering and issued a total of 169,088,393 common shares for total proceeds of \$8,454,400.

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.

Further, as noted under the Liquidity and Capital Resources section on page 14, the Company was required to make an additional loan payment into the DRSA during Q2 2010. Though, funds have been advanced to the Company, \$3.5 million from GMR for the provision of this payment. However, the payment to the DRSA has not yet been paid to Nedbank as the Company is actively in discussions and negotiations with other potential lenders to refinance the Nedbank credit facility in full, and to provide for additional capital expenditure requirements. The Company has been updating Nedbank toward this imminent refinancing and our election not to make the additional payment into the DRSA, as we anticipate receiving a committed term sheet followed by the completion of the refinancing during late Q3 2010.

August 16, 2010