HOMELAND ENERGY CORP.

(A DEVELOPMENT STAGE COMPANY)

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2006 AND 2005

(Stated in Canadian Dollars)

CONTENTS

HOMELAND ENERGY CORP.

(A DEVELOPMENT STAGE COMPANY)

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING AS AT DECEMBER 31, 2006 AND 2005

The accompanying consolidated financial statements of Homeland Energy Corp. and all the information in this annual report are the responsibility of management and have been approved by the Board of Directors.

The consolidated financial statements have been prepared by management in accordance with accounting principles generally accepted in Canada. When alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances. Financial statements are not precise since they include certain amounts based on estimates and judgments. Management has determined such amounts on a reasonable basis in order to ensure that the financial statements are presented fairly, in all material respects.

Homeland Energy Corp. maintains systems of internal accounting and administrative controls in order to provide, on a reasonable basis, assurance that the financial information is relevant, reliable and accurate and that the Company's assets are appropriately accounted for and adequately safeguarded.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the financial statements. The Board of Directors carries out this responsibility principally through its Audit Committee.

The Audit Committee is appointed by the Board of Directors, and the majority of its members are independent non-executive directors. The Audit Committee will meet at least twice a year with management, and as required with the external auditors, to discuss internal controls over the financial reporting, auditing matters and financial reporting issues, to satisfy itself that each party is properly discharging its responsibilities, and to review the interim and the annual reports, the consolidated financial statements and the external auditors' report. The Audit Committee reports its findings to the Board of Directors for consideration when approving the consolidated financial statements for issuance to the shareholders. The Audit Committee also considers, for review by the Board of Directors and approval by the shareholders, the engagement or reappointment of the external auditors. The consolidated financial statements have been audited by Shimmerman Penn LLP, the external auditors, in accordance with Canadian generally accepted auditing standards on behalf of the shareholders. Shimmerman Penn LLP has full and free access to the Audit Committee.

Stephen Coates
President and Chief Executive Officer

Stephen Woodhead
Chief Financial Officer

September 7, 2007

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SHIMMERMANPENN LLP
Chartered Accountants & Business Advisors

AUDITORS' REPORT

To: The Shareholders of
Homeland Energy Corp.

We have audited the consolidated balance sheets of Homeland Energy Corp. (a development stage company) as at December 31, 2006 and 2005 and the consolidated statements of operations and deficit and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2006 and 2005 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Shimmerman Penn LLP

Shimmerman Penn LLP

Chartered Accountants

Licensed Public Accountants

Toronto, Canada

May 18, 2007 (except Note 15 as of September 7, 2007)

HOMELAND ENERGY CORP.

(A DEVELOPMENT STAGE COMPANY)

CONSOLIDATED BALANCE SHEETS

(Stated in Canadian Dollars)

AS AT DECEMBER 31	**2006** **$**	2005 $
ASSETS		
CURRENT		
Cash and equivalents	**2,370,478**	542,889
Amounts receivable	**154,951**	102,198
Advances and prepaid expenses	**109,140**	88,925
Subscriptions receivable (Note 4)	**-**	292,475
Current portion of long-term advances and prepayments (Note 5)	**108,224**	-
Future income tax assets (Note 13)	**54,013**	-
	2,796,806	1,026,487
LONG-TERM ADVANCES AND PREPAYMENTS (Note 5)	**1,128,619**	-
MINERAL PROPERTIES (Note 7)	**8,968,753**	797,159
PROPERTY AND EQUIPMENT (Note 6)	**336,858**	3,870
	13,231,036	1,827,516
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	**358,609**	115,907
SHAREHOLDERS' EQUITY		
COMMON SHARES (Note 8(b))	**13,723,931**	1,088,440
SHARE PURCHASE WARRANTS (Note 8(c))	**1,156,501**	809,061
CONTRIBUTED SURPLUS (Note 9)	**1,624,000**	496,760
DEFICIT	**(3,632,005)**	(682,652)
	12,872,427	1,711,609
	13,231,036	1,827,516

Commitments and Contingent Liabilities (Note 10).

APPROVED ON BEHALF OF THE BOARD OF DIRECTORS:

"signed" A. Tom Griffis
A. Tom Griffis, Director

"signed" Stephen Coates
Stephen Coates, Director

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

HOMELAND ENERGY CORP.

(A DEVELOPMENT STAGE COMPANY)

CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT

(Stated in Canadian Dollars)

FOR THE YEAR ENDED DECEMBER 31	**2006** **$**	2005 $
REVENUE	**-**	-
EXPENSES		
Amortization	**21,072**	228
Stock-based compensation	**748,609**	-
Directors' fees	**48,742**	-
Foreign exchange (gain) / loss	**23,876**	22,244
Exploration expense	**111,569**	31,178
Investor relations and shareholders' information	**104,636**	4,588
Local administration	**37,291**	-
Management and administrative services	**432,121**	531,154
Office and general	**53,191**	16,825
Professional and consulting fees	**724,613**	34,055
Transfer agent and filing fees	**4,304**	-
Travel and accommodation	**436,446**	43,713
Write down of investments	**319,613**	-
	3,066,083	683,985
LOSS FOR THE YEAR BEFORE THE UNDERNOTED	**(3,066,083)**	(683,985)
Investment income	**65,143**	1,333
LOSS BEFORE INCOME TAXES	**(3,000,940)**	(682,652)
Recovery of income taxes	**51,562**	-
LOSS BEFORE MINORITY INTEREST	**(2,949,378)**	(682,652)
Minority interest	**25**	-
NET LOSS FOR THE YEAR	**(2,949,353)**	(682,652)
DEFICIT, beginning of year	**(682,652)**	-
DEFICIT, end of year	**(3,632,005)**	(682,652)
Loss per Share – Basic and Fully Diluted	**(0.15)**	(0.10)
Weighted average number of basic common shares outstanding during the year	**19,930,254**	6,820,137

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

HOMELAND ENERGY CORP.

(A DEVELOPMENT STAGE COMPANY)

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Stated in Canadian Dollars)

FOR THE YEAR ENDED DECEMBER 31	**2006** **$**	2005 $
CASH PROVIDED BY (USED IN):		
OPERATING ACTIVITIES		
Net loss for the year	**(2,949,353)**	(682,652)
Adjustments for non-cash items:		
Amortization	**49,000**	228
Stock-based compensation	**794,077**	368,806
Future income tax assets	**(54,013)**	-
	(2,160,289)	(313,618)
Change in non-cash operating working capital items:		
Amounts receivable	**(52,753)**	(102,198)
Advances and prepaid expenses	**(20,215)**	(43,765)
Accounts payable and accrued liabilities	**242,702**	115,907
Subscription receivable	**292,475**	(288,475)
	462,209	(318,531)
Net cash used in operating activities	**(1,698,080)**	(632,149)
FINANCING ACTIVITIES		
Issuance of common shares, for cash	**8,560,322**	1,912,975
Exercise of share purchase warrants, for cash	**532,500**	-
Exercise of stock options, for cash	**13,855**	-
Share issue costs	**(479,940)**	(19,474)
Net cash provided from financing activities	**8,626,737**	1,893,501
INVESTING ACTIVITIES		
Expenditure on mineral properties	**(3,482,237)**	(714,366)
Customer finance facility	**(1,236,843)**	-
Acquisition of property and equipment	**(381,988)**	(4,097)
Net cash used in investing activities	**(5,101,068)**	(718,463)
CHANGE IN CASH POSITION	**1,827,589**	542,889
CASH AND EQUIVALENTS, beginning of year	**542,889**	-
CASH AND EQUIVALENTS, end of year	**2,370,478**	542,889
CASH AND EQUIVALENTS CONSISTS OF:		
Cash and equivalents	**1,970,478**	542,889
Bank term deposit	**400,000**	-
	2,370,478	542,889

Supplemental Cash Flow information:
During the two year period the Company had no cash paid for interest or income taxes.

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

1. NATURE OF OPERATIONS AND BASIS OF PRESENTATION

Homeland Energy Corp. (previously known as Homeland Uranium Inc.) (the "Company" or "Homeland") is a privately owned development stage company engaged in the acquisition, exploration and development of energy related resource properties across the world. The Company was incorporated as Homeland Uranium Inc. under the laws of Ontario on December 7, 2004 and on September 5, 2006 received authorization from the Ontario Ministry of Consumer and Business Services to apply for continuance into another jurisdiction. On October 12, 2006, the Company was continued into the British Virgin Islands as Homeland Energy Corp., a company incorporated under the provisions of the BVI Business Companies Act, 2004. Homeland is currently in the process of seeking a public listing for its common shares.

To date, the Company has not earned any revenues from its activities and is considered to be in the development stage. The business of exploring for, developing and mining of minerals involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable mining operations. The recoverability of the carrying value of mineral properties and the Company's continued existence is dependent upon the ability of the Company to raise additional financing, the preservation of its interest in the underlying properties, the discovery of commercially recoverable reserves, the achievement of profitable operations, and/or the Company's ability to dispose of its interests on an advantageous basis. Changes in future conditions could require material write downs of the carrying values of its mineral properties.

These consolidated financial statements have been prepared on a going concern basis in accordance with Canadian generally accepted accounting principles, which assumes that the Company will be able to continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business. Accordingly, the consolidated financial statements do not reflect any adjustments in the carrying values of the assets and liabilities, the reported expenses, and the balance sheet classifications used that would be necessary if the going concern assumption were not appropriate. Such adjustments could be material.

The Company's ability to meet its obligations and continue as a going concern is dependent upon its ability to obtain additional financing, the discovery, development or sale of mining reserves and achievement of profitable operations. The Company is planning to meet its immediate future expenditures and obligations by raising funds through private placements, public offerings or off-take or project finance facilities. It is not possible to predict whether these efforts will be successful or whether the Company will attain profitable levels of operation.

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

The Canadian dollar is the principal currency of the Company's business.

(Stated in Canadian Dollars)

2. BUSINESS COMBINATIONS

During the year, the Company entered into two material acquisitions, each of which was accounted for by the purchase method in accordance with CICA Handbook Section 1581 "Business Combinations". The results of operations are included in the accounts from the effective date of each acquisition, the details of which are as follows:

(a) By virtue of an amalgamation agreement dated January 27, 2006, the Company acquired 100% of the outstanding common shares of Pan African Uranium Corp. ("Pan African"), formerly Uranium International Limited, a private Canadian company with mining interests in Niger. Under the terms of the agreement, Pan African shareholders received one Homeland common share, warrant or option for every two Pan African shares, warrants or options held.

Fair value of net assets acquired:		
Mineral property (see Note 7)	$	3,527,510
Cash		759,325
	$	4,286,835
Consideration given:		
7,300,000 common shares issued at $0.5737 (US$0.50) (see Note 8(b)(v))	$	4,188,010
295,000 share purchase warrants issued (See Note 8(c))		98,825
	$	4,286,835

(b) By virtue of a share purchase agreement dated June 14, 2006, the Company acquired 100% of the outstanding common shares of Ferret Coal Holdings (Pty) Ltd., to be held through a wholly owned South African registered subsidiary company, Homeland Mining and Energy SA (Pty) Ltd. Ferret Coal Holdings (Pty) Ltd is a private South African company with interests in coal properties. The company paid cash consideration to the vendors of $2,105,016 (ZAR 13,000,000).

(c) The Company paid a brokerage fee of $415,230, through the issuance of 500,000 common shares ($279,750) and 300,000 options ($135,480), for the introduction of a significant transaction. This fee has been recorded as an acquisition cost of Tshedza (Eloff), which constituted the first such transaction (see Note 7).

3. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles.

(a) Basis of consolidation

These consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries, Pan African Uranium Corp., an Ontario company, Homeland Uranium, Inc., a Utah company, and Homeland Mining and Energy SA (Pty) Ltd. of South Africa. All significant inter-company transactions and balances have been eliminated.

(b) Use of estimates

The preparation of consolidated financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosures of any contingent assets and liabilities as at the date of the consolidated financial statements, as well as the reported amounts of revenues and expenses during the reporting period. Significant areas where management judgment is applied are asset valuations, the recoverability of exploration and development expenditures on mineral properties, the amount and classification of mineral resources and reserves, the estimated fair value of assets acquired in business combinations, the amount of future site reclamation costs and asset retirement obligations, the valuation of warrants and stock options, tax accounts, and contingent liabilities.

The Company regularly reviews these estimates and assumptions that affect the consolidated financial statements and actual results could differ from those estimates. In the opinion of management, all adjustments considered necessary for fair presentation of the results for the periods presented are reflected in the consolidated financial statements.

(c) Cash and equivalents

Cash and equivalents consist principally of cash on account, money market funds and other highly liquid interest-bearing instruments.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Mineral properties

Direct property acquisition costs, holding costs, field exploration and supervisory costs, and development costs relating to specific properties are capitalized and deferred until the property to which they directly relate is placed into production, at which time they will be amortized on a unit of production basis, or until the property to which they relate is abandoned, sold or considered to be impaired in value, at which time an appropriate charge will be made. Costs include the cash consideration paid and the fair market value of the shares issued, if any, on the acquisition of exploration properties. Properties acquired under option agreements whereby payments are made at the sole discretion of the Company are recorded in the accounts at such time as the payments are made. The proceeds from options granted are applied to the cost of the related property and any excess is included in income for the year. Costs incurred for administration and general exploration that are not project specific, are charged to operations.

The recorded amounts for acquisition costs of properties and their related capitalized exploration and development expenses represent actual expenditures incurred and are not intended to reflect present or future values. The Company, however, reviews the capitalized costs on its properties on a periodic, or at least annual, basis and will recognize an impairment in value based upon the stage of exploration and/or development, work programs proposed, current exploration results and upon management's assessment of the future probability of profitable revenues from each property, or from the sale of the relevant property. Management's assessment of a property's estimated current fair market value may also be based upon a review of other property transactions that have occurred in the same geographic area as that of the property under review. The recovery of costs of mining claims and deferred exploration is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete exploration and development and future profitable production or proceeds from disposition of such properties.

(e) Property and equipment

Property and equipment is recorded at cost less accumulated amortization. The Company provides for amortization on a straight line basis using the following rates, designed to amortize the cost of the assets over their estimated useful lives:

Furniture and fixtures	5 years
Leasehold improvements	5 years
Computer equipment	3 years

3. **SIGNIFICANT ACCOUNTING POLICIES** (continued)

(f) **Foreign currency translation**

The Canadian dollar is the functional currency of the Company and its subsidiaries. The Company considers its South African, United States and Niger operations to be integrated operations. As such, monetary assets and liabilities of the Company's foreign operations denominated in a currency other than the Canadian dollar are translated into Canadian dollars at the exchange rate prevailing as at the balance sheet date. Non-monetary assets and liabilities are translated at historical exchange rates prevailing at each transaction date. Revenue and expenses are translated at the average exchange rates prevailing during the year, with the exception of depreciation and amortization which is translated at historical rates. Exchange gains and losses on translation are included in the Consolidated Statements of Operations and Deficit.

(g) **Long-lived asset impairment**

The Company reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Recoverability is assessed based on the carrying amount of the long-lived asset compared to its fair value, as determined by the sum of the future undiscounted cash flows expected to result from the use and the eventual disposal of the long-lived assets. An impairment loss is recognized in the period when the carrying amount is not recoverable and exceeds the fair value.

(h) **Asset retirement obligations**

The fair value of an asset retirement obligation is recognized in the period in which the obligation is incurred, discounted to its present value using the Company's credit-adjusted risk-free interest rate. The fair value of the estimated obligation is recorded as a long-term liability, with a corresponding increase in the carrying amount of the related asset. The costs capitalized to the related assets are amortized to earnings in a manner consistent with the depletion, depreciation and amortization of the underlying asset. The liability amount is increased in each reporting period due to passage of time and the amount of accretion is charged to earnings in the period. Revisions to the estimated timing of cash flows or to the original estimated undiscounted costs could also result in an increase or decrease to the obligation. Actual costs incurred upon settlement of the retirement obligation are charged against the obligation to the extent of the liability recorded.

As at December 31, 2006 and 2005, the Company had only performed preliminary exploratory work on its mineral properties and has not incurred significant reclamation obligations. As such, no asset retirement obligation accrual was made in these consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Earnings (loss) per share

Basic earnings (loss) per share is computed by dividing the earnings (loss) available to common shareholders by the weighted average number of common shares outstanding during the period. The computation of diluted earnings (loss) per share, according to the treasury stock method, assumes that any proceeds from the exercise of dilutive stock options and warrants would be used to repurchase common shares at the average market price during the period, with the incremental number of shares being included in the denominator of the diluted earnings (loss) per share calculation. The diluted earnings (loss) per share calculation assumes the conversion, exercise or contingent issuance of securities only when such conversion, exercise or issuance would have a dilutive effect on earnings (loss) per share.

(j) Stock-based compensation

Under the Company’s Stock Option Plan, stock-based compensation awards will be available to officers, directors, employees and non-employees. All stock-based payments made to employees and non-employees have been accounted for using a fair value-based method of accounting. The fair value of each stock option granted is accounted for in operations, over the vesting period thereof, and the related credit is included in contributed surplus. If and when the stock options are ultimately exercised and common shares are issued, the applicable units of additional paid-in capital and contributed surplus will be transferred to common shares. The fair value is calculated based on the Black-Scholes option pricing model. This model was developed for use in estimating the fair value of traded options that have no vesting restrictions and are fully transferable. The option pricing model requires the input of highly subjective assumptions, including the expected price volatility and anticipated term. Changes in these subjective input assumptions can materially affect the fair value estimate and therefore the model does not necessarily provide a reliable measure of the fair value of the Company's stock-based compensation or granted stock options.

The Company’s Stock Option Plan is described further in Note 8(d).

(k) Income taxes

The Company accounts for and measures the future tax assets and liabilities in accordance with the asset and liability method. Under this method, future tax assets and liabilities are recognized for future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the date of enactment or substantive enactment of the change. When the future realization of income tax assets does not meet the test of being more likely than not to occur, a valuation allowance in the amount of the potential future benefit is taken and no, or a reduced net asset is recognized.

4. SUBSCRIPTIONS RECEIVABLE

During the prior year, the Company issued shares for which funds had not been received as at the year-end. All of these funds were subsequently received, the majority in early 2006.

5. LONG-TERM ADVANCES AND REPAYMENTS

	2006	2005
	$	$
Contractor credit facility	**1,236,843**	-
Less: Current portion	**108,224**	-
Long-term portion	**1,128,619**	-

The Company has entered into an agreement with the company that will provide contract mining services in South Africa, for the financing of certain of the mining equipment required for use at the Kendal development project. These credit facilities are denominated in ZAR, are interest free, are repayable at a rate per tonne of production from the project, and are collateralized by security over the particular asset financed.

6. PROPERTY AND EQUIPMENT

		2006	
	Cost	**Accumulated Amortization**	**Net**
	$	**$**	**$**
Furniture and fixtures	**121,161**	**12,860**	**108,301**
Leasehold improvements	**214,803**	**25,640**	**189,163**
Computer equipment	**50,167**	**10,773**	**39,394**
	386,131	**49,273**	**336,858**

		2005	
	Cost	Accumulated Amortization	Net
	$	$	$
Computer equipment	4,097	227	3,870
	4,097	227	3,870

(Stated in Canadian Dollars)

7. MINERAL PROPERTIES

Homeland is engaged in the business of the acquisition, exploration and development of mineral resource properties across the world, with an emphasis on energy based resources. As at December 31, 2006, the Company retained title, directly or indirectly, to the following properties:

	Ferret R.S.A. (Coal)	Tshedza R.S.A. (Coal)	Nhlalala R.S.A. (Coal)	Swaziland (Coal)	United States (Uranium)	Niger (Uranium)	December 31 2006
	$	$	$	$	$	$	$
Acquisition costs:							
Purchase consideration	2,105,016	415,230	0	0	0	3,527,510	6,047,756
Exploration costs:							
Licence fees	0	0	0	10,766	725,844	18,474	755,084
Consulting	423,975	42,596	59,259	0	1,236,705	77,324	1,839,859
Travel	10,611	0	0	0	108,413	4,667	123,691
Administration	0	0	0	0	202,363	0	202,363
	434,586	42,596	59,259	10,766	2,273,325	100,465	2,920,997
December 31, 2006	**2,539,602**	**457,826**	**59,259**	**10,766**	**2,273,325**	**3,627,975**	**8,968,753**

	Ferret R.S.A. (Coal)	Tshedza R.S.A. (Coal)	Nhlalala R.S.A. (Coal)	Swaziland (Coal)	United States (Uranium)	Niger (Uranium)	December 31 2005
	$	$	$	$	$	$	$
Acquisition costs:							
Purchase consideration	-	-	-	-	0	-	0
Exploration costs:							
Licence fees	-	-	-	-	274,344	-	274,344
Consulting	-	-	-	-	469,832	-	469,832
Travel	-	-	-	-	25,582	-	25,582
Administration	-	-	-	-	27,401	-	27,401
	-	-	-	-	797,159	-	797,159
December 31, 2005	-	-	-	-	797,159	-	797,159

7. **MINERAL PROPERTIES (**continued)

COAL: Ferret Coal Holdings (Pty) Limited - South Africa

In June 2006, the Company completed the purchase of Ferret Coal Holdings (Pty) Ltd. of South Africa, including its application for a mining licence for the Kendal coal deposit (formerly Zaid Colliery) (see Note 2(b)). As of the date of these consolidated financial statements, the application process for the grant of the Mining Licence from the South African Department of Minerals and Energy was nearing completion. Consideration for this acquisition was $2,105,106 (ZAR 13,000,000), with provision for three contingent payments of ZAR 2,000,000 each dependent upon specific events occurring post closing of the transaction. To date, two of the contingent payments no longer constitute obligations of the Company as the associated event did not occur, while the third will only become payable in the event that the mineral rights associated with the Nkomati Project are granted to the Company.

COAL: Tshedza Mining Resources (Pty) Limited ("Tshedza") - South Africa

In March 2006, the Company entered into an agreement to purchase a 50% interest in Tshedza, including its Eloff coal deposit, with an option to acquire a further 1% for ZAR 1.00. Homeland is required to fund all costs associated with the applications for prospecting, as well as all costs associated with any granted prospecting rights through to the granting of a mining license. On October 11, 2006, Tshedza was granted the rights to prospect on five of its projects.

COAL: Nhlalala Mining (Pty) Limited ("Nhlalala") - South Africa

In March 2006, the Company entered into an agreement to purchase a 50% interest in Nhlalala, with an option to acquire a further 1% for ZAR 1.00. Homeland is required to fund all costs associated with the applications for prospecting, as well as all costs associated with any granted prospecting rights through to the granting of a mining license. On October 11, 2006, Nhlalala was granted the rights to prospect on two of its projects.

URANIUM: Colorado Plateau - USA

The Company has staked 1,232 unpatented lode claims on federal Bureau of Land Management (BLM) ground:

- Big Indian Property in southeastern Utah (594) - 10,980 acres in Lisbon Valley, Big Indian District, San Juan County, Utah.
- Slickrock Property (88) - 1,690 acres in the eastern portion of the Slick Rock District, San Miguel County, Colorado.
- Normajean Property (116) - 2,314 acres in the southeast portion of the Slick Rock District, San Miguel County, Colorado.
- CNX Property (156) - 3,080 acres in the Joe Davis Hill/Mineral Mountain District, San Miguel County, Colorado.
- TEX Property (85) - 1,700 acres in the Slick Rock District, San Miguel County, Colorado.
- VEX Property (66) - 1,080 acres in the Monogram Mesa District, Montrose County, Colorado.
- Dry Creek Property (127) - 1,600 acres in San Miguel County, Colorado.

The Company has paid all BLM fees required to maintain the above claims in good standing until August 31, 2007.

7. **MINERAL PROPERTIES (**continued)

URANIUM: Wray Mesa Property - USA

On May 1, 2006, the Company agreed to lease from Future Energy LLC 302 unpatented lode claims for a total of approximately 5,860 acres on federal BLM ground and 340 acres on a Utah State Section, all located in the La Sal Creek District, San Juan County, Utah.

URANIUM: Niger Uranium Holdings - Niger

With the acquisition of Pan African in January 2006 (see Note 2(a)), Homeland assumed the task and costs of furthering Pan African's two applications for exploration concessions in Niger launched in early 2005. During 2006, the Government of Niger passed new regulations which resulted in the division of the two concessions into eight "new" concessions.

Homeland agreed to sell all of its uranium interests to a new entity, Homeland Uranium Inc. (a company to be formed) in November 2006. This transaction was completed effective February 1, 2007 (see note 15 (a)). In January 2007, on behalf of Homeland Uranium Inc., the Company was granted the eight exploration concessions in Niger, namely Askra 1, 2, 3 and 4 and Agelal 1, 2, 3 and 4.

(Stated in Canadian Dollars)

8. CAPITAL STOCK

	2006		2005	
	Issued #	**Amount $**	Issued #	Amount $

(a) **Authorized**

Unlimited number of common shares with no par value.

(b) **Issued**

	2006 Issued #	**2006 Amount $**	2005 Issued #	2005 Amount $
Balance, beginning of period (see Note 8(b)(i))	**9,230,000**	**1,088,440**	4,000,000	4,000
Seed financing (see Note 8(b)(ii))	**-**	**-**	2,130,000	91,803
Share subscription (see Note 8(b)(iii))	**-**	**-**	100,000	15,000
Private placements in 2005 (see Note 8(b)(iv))	**-**	**-**	3,000,000	997,111
Acquisition of Pan African Uranium Corp. (see Notes 2 and 8(b)(v))	**7,300,000**	**4,188,010**	-	-
Exercise of warrants (see Note 8(b)(vi))	**2,130,000**	**547,197**	-	-
Private placement in 2006 (see Note 8(b)(vii))	**3,111,900**	**6,988,200**	-	-
Consultants paid in shares (see Note 8(b)(viii))	**995,460**	**817,394**	-	-
Exercise of options (see Note 8(b)(ix))	**25,000**	**25,145**	-	-
Private placement in 2006 (see Note 8(b)(x))	**362,500**	**812,797**	-	-
Share issue costs	**-**	**(743,252)**	-	(19,474)
Balance, end of period/year	**23,154,860**	**13,723,931**	9,230,000	1,088,440

(i) On December 13, 2004, 4,000,000 common shares were granted at a price of $0.001 per common share for gross proceeds of $4,000.

8. **CAPITAL STOCK** (continued)

(ii) On March 1, 2005, the Company closed a non-brokered seed financing of 2,130,000 units at a price of $0.05 per unit for total proceeds of $106,500. Each unit consisted of one common share and one common share purchase warrant. Each warrant entitled the holder to purchase one additional common share at a price of $0.25 per common share, expiring March 1, 2006. Of the total proceeds, a value of $14,697 was ascribed to the common share purchase warrants based on their fair value as determined using the Black-Scholes valuation method. All such warrants were exercised in full in fiscal 2006 (see Note 8(b)(vi)).

(iii) On May 15, 2005, the Company closed a non-brokered private placement of 100,000 common shares at a price of $0.15 per common share for total proceeds of $15,000.

(iv) Over the remainder of 2005, the Company completed four non-brokered private placements totaling 3,000,000 units at a price of US$0.50 per unit for total gross proceeds of US$1,500,000 ($1,791,475). Each unit consisted of one common share and one common share purchase warrant. Each whole warrant entitles the holder to purchase one additional common share at a price of US$0.80 per share, expiring January 1, 2007. Of the total proceeds, a value of US$661,790 ($794,364) was ascribed to the common share purchase warrants based on their fair value as determined using the Black-Scholes valuation method.

(v) On January 27, 2006, the Company acquired Pan African Uranium Corp. through the issuance of 7,300,000 common shares with a par value of US$0.50 per share for total deemed value of US$3,650,000 ($4,188,010). The company received the sum of $759,325 in cash and the balance of $3,428,685 was recorded as mineral property (see Notes 2 (a) and 7).

(vi) On March 1, 2006, shareholders of the Company exercised a total of 2,130,000 warrants at a price of $0.25 per common share for total gross proceeds of $532,500.

(vii) On May 2, 2006, the Company closed a brokered private placement of 3,111,900 common shares at a price of US$2.00 per common share for total gross proceeds of US$6,223,800 ($6,988,200). A cash commission of US$200,412 ($220,963) was paid, along with warrants to acquire 200,000 shares of the Company with an exercise price of US$2.00 per common share for the longer of 18 months or the listing of the Company on a public market. A value of $263,312 was ascribed to these warrants based on their fair value as determined using the Black-Scholes valuation method. In addition, the Company paid a financing fee of GBP 108,784 ($213,582).

(viii) During the period, 995,460 shares were issued to employees and consultants as compensation for services, rendered in the amount of $817,394.

(ix) On September 10, 2006, a consultant to the Company exercised 25,000 stock options and received 25,000 common shares, at an exercise price of US$0.50 for gross proceeds of US$12,500 ($13,855). These options had a fair value of $11,290.

(Stated in Canadian Dollars)

8. **CAPITAL STOCK** (continued)

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

(c) **Share purchase warrants**

The fair value of all the warrants issued during the period was estimated using the Black-Scholes pricing model applying the same assumptions as for the stock options as detailed in Note 8(d).

The following summary sets out the activity in outstanding share purchase warrants in the year:

	2006			2005		
	Number of share purchase warrants #	**Weighted average exercise price per share US$**	**Fair Value $**	Number of share purchase warrants #	Weighted average exercise price per share US$	Fair Value $
Balance, beginning of year	**5,130,000**	**0.57**	**809,061**	-	-	-
Granted	**495,000**	**0.99**	**362,137**	5,130,000	0.57	809,061
Exercised	**(2,130,000)**	**0.25**	**(14,697)**	-	-	-
Balance, end of year	**3,495,000**	**0.83**	**1,156,501**	5,130,000	0.57	809,061

The following table summarizes the share purchase warrants outstanding at December 31, 2006:

Expiry date	**Exercise price per share**	**Warrants outstanding #**	**Fair Value $**
January 1, 2007	US$0.80	3,000,000	794,364
May 30, 2007 (see Notes 2 and 15(f))	$0.30	295,000	98,825
November 2, 2007	US$2.00	200,000	263,312
		3,495,000	1,156,501

(Stated in Canadian Dollars)

8. **CAPITAL STOCK** (continued)

(d) **Stock options**

Options to purchase common shares of the Company may be granted to directors, officers, employees and consultants of Homeland. The fair value of all options granted during the year was estimated using the Black-Scholes option pricing model, with the following weighted average assumptions:

	2006	2005
Expected life (years)	**1 - 3**	1 - 3
Expected volatility (%)	**130**	130
Expected dividends	**0**	0
Risk-free interest rate (%)	**4.25**	3.18

The following summary sets out the activity in outstanding options in the year:

	2006			2005		
	Number of options #	**Weighted average exercise price $ per share**	**Fair Value per share $**	Number of options #	Weighted average exercise price $ per share	Fair Value per share $
Balance, beginning of year	**2,400,000**	**0.58**	**0.35**	-	-	-
Granted	**1,375,000**	**1.52**	**0.58**	2,400,000	0.58	0.35
Exercised	**(25,000)**	**0.58**	**0.35**	-	-	-
Cancelled	**(25,000)**	**0.58**	**0.43**	-	-	-
Balance, end of year	**3,725,000**	**0.90**	**0.44**	2,400,000	0.58	0.35

The following table summarizes the options outstanding and exercisable at December 31, 2006:

Expiry date	**Exercise price per share**	**Options outstanding #**	**Options exercisable #**
November 24, 2008	US$0.50	2,375,000	1,825,000
February 2, 2009	US$0.50	650,000	650,000
September 21, 2007	Market	100,000	100,000
July 25, 2009	US$1.00	100,000	100,000
October 28, 2009	US$2.00	200,000	200,000
November 1, 2009	US$2.00	300,000	100,000
		3,725,000	2,975,000

(Stated in Canadian Dollars)

8. CAPITAL STOCK (continued)

(e) Stock-based compensation

The Company may grant incentive stock options to its officers, directors, employees and consultants, for the purchase of shares of the Company. Stock options are non-transferable. The Board of Directors of the Company determines the exercise price, but it may be no less than the current market price at the time of the grant. Options have a maximum term of three years and terminate 90 days after the termination of employment or other contracting arrangement of the option holder. Vesting of options may be at the time of granting of the option or over a period as set out in each option agreement. Once approved and vested, options are exercisable at any time until expiry or termination as above.

The Company recognized stock-based compensation of $1,138,530 (2005 - $496,760) based on options granted or vested in the respective periods. The fair values were determined using the Black Scholes option pricing model under the assumptions detailed in Note 8(d). Of the options granted on November 24, 2005, 1,650,000 vest evenly over three years with the combined stock-based compensation amount of $745,140 being amortized evenly over the vesting period and the corresponding charges credited to contributed surplus (see Note 9).

9. CONTRIBUTED SURPLUS

	2006	2005
	$	$
Balance, beginning of year	**496,760**	-
Stock-based compensation (see Note 8(e))	**1,138,530**	496,760
Stock options exercised	**(11,290)**	-
Balance, end of year	**1,624,000**	496,760

Included in contributed surplus are the following stock options at valuations determined using the Black-Scholes option pricing model:

Expiry date	**Exercise price per share**	**Options outstanding #**	**Options vested #**	**Fair Value (*) $**
November 24, 2008	US$0.50	2,375,000	1,825,000	824,170
February 2, 2009	US$0.50	650,000	650,000	282,171
September 21, 2007	Market	100,000	100,000	25,366
July 25, 2009	US$1.00	100,000	100,000	189,864
October 28, 2009	US$2.00	200,000	200,000	124,076
November 1, 2009	US$2.00	300,000	100,000	167,500
Cancelled options				10,853
		3,725,000	2,975,000	1,624,000

(*) Black-Scholes valuation

(Stated in Canadian Dollars)

10. COMMITMENTS AND CONTINGENT LIABILITIES

(a) Commitments

In 2005, the Company entered into a five year lease agreement for office space in Toronto. In 2006, the Company also entered into a three year lease agreement with Future Energy LLC for land in Utah, with an option to purchase the property. Annual lease commitments are as follows:

	$
2007	248,019
2008	354,910
2009	551,872
2010	51,872
	1,206,673

In 2006, the Company entered into a two year lease agreement for office space in South Africa. The operating lease is subject to an escalation of 8% and 9% respectively.

	$
2007	53,779
2008	53,038
	106,817

(b) Surface Rights

The Company has entered into an agreement to purchase the surface rights at the Kendal project, near Witbank in South Africa, dependent on Ferret Coal (Kendal) (Pty) Ltd. being granted their mining license. The purchase price is ZAR 4,800,000 (approximately $790,000) of which ZAR 1,000,000 (approximately $165,000) has already been paid as a deposit.

(c) Corplo 331 CC

The Company has entered into an agreement to purchase the shares of Corplo 331 CC, owner of the Northfield project, dependant on the granting of the mining licence for the Northfield project to the applicant, conversion of the close corporation to a private company, and the completion of due diligence. The purchase price is ZAR 12,000,000 (approximately $1,980,000).

(d) Ferret Coal (Holdings) (Pty) Ltd.

In accordance with the agreement to acquire Ferret Coal (Holdings) (Pty) Ltd. there is a further amount of ZAR 2,000,000 (approximately $330,000) to be paid once a mining license has been granted to its subsidiary Manoka Mining (Pty) Ltd. in respect of the Nkomati project.

(Stated in Canadian Dollars)

10. COMMITMENTS AND CONTINGENT LIABILITIES (continued)

(e) Madic Operations

The Company has agreed to invest ZAR 6.3 million in Madic Operations to capitalize the development of the Madic continuous conveyor system, subject to a formal contract being entered into between the parties that would provide for the terms of repayment of the Company's initial investment, set out that the Company would have the right to purchase future systems at cost, and confirm the Company's 35% equity interest in Madic Operations.

11. FINANCIAL INSTRUMENTS

Fair value

The carrying amounts of cash and equivalents, amounts receivable, subscriptions receivable, and accounts payable and accrued liabilities approximate their fair value due to their short-term maturity of these assets and liabilities. Adequate provision is held in respect of amounts receivable.

Currency risk

Currency risk is the risk to the Company's earnings that arises from fluctuations of foreign exchange rates and the degree of volatility of these rates. The Company does not use derivative instruments to reduce its exposure to foreign currency risk. The Company has the following assets denominated in foreign currencies:

	2006	2005
	$	$
Cash and equivalents - $	**469,946**	12,228
Cash and equivalents - US$	**1,616,056**	530,661
Cash and equivalents - ZAR	**284,476**	-
	2,370,478	542,889

12. RELATED PARTY TRANSACTIONS

(a) An amount of $100,000 was lent to a director in 2005 under the terms of a promissory note, bearing interest at a rate of 8% per annum, repayable in full on July 31, 2006, and guaranteed by 200,000 shares of UR-Energy Inc. The promissory note was repaid in full as required. Interest and set-up fees charged on the note amounted $5,503 (2005 - $1,333).

12. RELATED PARTY TRANSACTIONS (continued)

(b) During the period, the Company paid Grove Communications Inc. $148,876 in consulting and administration fees and in respect of investor relations work undertaken. The owner of Grove Communication Inc. is a director and officer of the company.

(c) During the period, Grove Communications Inc. and Odyssey Resources Limited shared office space with Homeland and contributed $16,960 and $33,920 respectively towards the office rent and related facilities. A director of Odyssey is also a director of the Company. Accounts receivable includes $50,880 (2005 - nil) in respect of these transactions, of which $33,920 was received shortly after the year end.

(d) In South Africa, approximately $123,000 (ZAR 745,800) was paid to a company owned by a director and significant shareholder of a subsidiary of the Company, as a retainer for services rendered in respect of the securing of prospecting rights.

(e) In South Africa, approximately $60,000 (ZAR 360,000) was paid in terms of the Agreement for the purchase of Ferret Coal Holdings (Pty) Ltd to a company controlled by a former director and significant shareholder of that company, for environmental consulting and related services.

Related party transactions are in the normal course of operations and are measured in these financial statements at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

13. INCOME TAX

Future income taxes reflect the net tax effects of temporary differences between the carrying value of assets and liabilities for financial reporting purposes and the amounts for tax purposes. The details of the company's future taxes are as follows:

(a) **South Africa**
A future tax asset of $54,013 has been recognized as it is more likely than not that the benefit of existing tax losses will be realized in the near future from the commencement of commercial coal production.

(b) **British Virgin Islands**
No future tax asset has been recognized as there is no obligation to pay corporate tax in this jurisdiction.

(c) **Canada**
As a result of the Company's emigration to the British Virgin Islands on October 12, 2006, (see Note 1), no future tax asset has been recognized on tax losses incurred in Canada up to that date.

(Stated in Canadian Dollars)

14. SEGMENTED INFORMATION

	2006	2005
	$	$
Operating (Loss) by Segment:		
British Virgin Islands	**(2,523,875)**	(682,652)
South Africa	**(415,365)**	0
Swaziland	**(10,113)**	0
United States	**0**	0
Niger	**0**	0
Consolidated Operating Loss	**(2,949,353)**	(682,652)
Total Assets by Segment:		
British Virgin Islands	**2,481,371**	1,030,357
South Africa	**4,837,598**	0
Swaziland	**10,766**	0
United States	**2,273,325**	797,159
Niger	**3,627,976**	0
Consolidated Total Assets	**13,231,036**	1,827,516
Total Liabilities by Segment:		
British Virgin Islands	**334,747**	115,907
South Africa	**23,862**	0
Swaziland	**0**	0
United States	**0**	0
Niger	**0**	0
Consolidated Total Liabilities	**358,609**	115,907

15. SUBSEQUENT EVENTS

(a) Effective February 1, 2007, the Company completed the sale of its uranium assets to Homeland Uranium Inc., a private Canadian company, for 16,000,000 common shares. Following a financing that raised $1.84 million through the issue of 8,000,000 common shares at $0.23 per share, the Company's interest in Homeland Uranium Inc. represented approximately 65% of the issued and outstanding common shares of that company. On June 19, 2007 Homeland Uranium Inc. closed a private placement for $23 million at $0.80 per unit, each unit consisting of one common share and one-half of one purchase warrant, each whole purchase warrant entitles the holder to purchase one additional common share at a price of $1.25 per share, expiring June 19, 2009.

15. **SUBSEQUENT EVENTS** (continued)

The Company participated to the extent of $5 million in this private placement and as a result its interest in Homeland Uranium Inc. has decreased to approximately 39%. A participant in Homeland's private placement, completed in June 2007 (see Note 15 (c)), has a call option on 2.5 million of these units at $1.00 per unit for a period of 12 months.

(b) On June 11, 2007 the Company entered into a Loan Agreement with GC-Global Capital Corp. The Company borrowed the principal amount of US$2 million through a Convertible Debenture on the following terms:
- interest rate of 12% per annum;
- principal payable in full after 24 months;
- convertible by the lender into common shares of the Company, at a conversion price prior to the date of any initial public offering of £1.25, or on or following the date of the initial public offering at the lesser of: (a) US$4.50; and (b) a 25% discount to the initial public offering price per Homeland Common Share;
- the Company can prepay at any time, with penalties (subject to the lender's conversion rights);
- 5,000,000 common shares of Homeland Uranium Inc. pledged as security.

(c) On June 13, 2007, the Company entered into an agreement with Chrysalis Capital IV Corporation ("Chrysalis") pursuant to which Chrysalis will acquire all of the issued and outstanding shares of Homeland, by way of the merger of a newly formed British Virgin Islands subsidiary of Chrysalis and Homeland. Upon completion of the merger, which will constitute Chrysalis' "qualifying transaction" pursuant to the policies of the TSX Venture Exchange, Homeland will become a wholly-owned subsidiary of Chrysalis. Completion of the proposed transaction is subject to compliance with all necessary regulatory approvals and certain other terms and conditions.

(d) On June 21, 2007, the Company closed a private offering of 3,969,230 shares at a price of GBP 1.25 per share, for gross proceeds of £5 million. The Company incurred offering costs that included a cash commission equal to 5% on certain of the gross proceeds of £473,000.

(e) On August 17, 2007, Homeland closed a private offering of 670,690 common shares at a price of $3.20 per share, for gross proceeds of $2.1 million.

(f) On January 16, 2007, the Company received US$2.4 million (approximately $2.80 million) from the exercise of 3,000,000 warrants at $0.80 per share.

(g) On May 30, 2007, the Company received $88,500 from the exercise of 295,000 warrants at $0.30 per share.

(h) Effective March 1, 2007, the Company issued 200,000 stock options to an officer at an exercise price of US$2.00 per share, valid for three years. In August 2007, a further 300,000 stock options were granted to employees at an exercise price of US$2.50 per share, valid for three years.