

HOMELAND ENERGY CORP.
(A Development Stage Company)

CONSOLIDATED INTERIM FINANCIAL STATEMENTS

**THREE AND NINE MONTHS ENDED
SEPTEMBER 30, 2007**

(Stated in Canadian Dollars)

CONTENTS

Responsibility for Consolidated Interim Financial Statements	2
Consolidated Balance Sheets	3
Consolidated Statement of Shareholders' Equity	4 - 5
Consolidated Interim Statements of Operations and Deficit	6
Consolidated Interim Statements of Cash Flows	7
Notes to Consolidated Interim Financial Statements	8 - 26

HOMELAND ENERGY CORP.

(A Development Stage Company)

CONSOLIDATED INTERIM FINANCIAL STATEMENTS THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2007

These consolidated interim financial statements are unaudited.

Responsibility for Consolidated Interim Financial Statements

The accompanying consolidated interim financial statements for Homeland Energy Corp. have been prepared by management in accordance with Canadian generally accepted accounting principles consistently applied. The most significant of these accounting principles have been set out in the December 31, 2006 audited annual financial statements. Only changes in accounting principles have been disclosed in these consolidated interim financial statements.

These consolidated interim financial statements are presented on the accrual basis of accounting. Accordingly, a precise determination of many assets and liabilities is dependent on future events. Therefore estimates and approximations have been made using careful judgment.

Recognizing that the Company is responsible for both the integrity and objectivity of the consolidated interim financial statements, management is satisfied that these consolidated interim financial statements have been fairly presented. This disclosure has been approved by the Board of Directors.

Stephen Coates

President and Chief Executive Officer

Stephen Woodhead

Chief Financial Officer

October 31, 2007

HOMELAND ENERGY CORP.
(A Development Stage Company)
CONSOLIDATED BALANCE SHEETS
(Stated in Canadian Dollars)

As at	September 30 2007 (Unaudited) \$	December 31 2006 (Audited) \$
ASSETS		
Current Assets		
Cash and equivalents	5,603,121	2,370,478
Amounts receivable	772,964	154,951
Advances and prepaid expenses	458,253	109,140
Current portion of long-term advances and prepayments (Note 5)	553,912	108,224
Future income tax assets	47,282	54,013
	7,435,532	2,796,806
Investments (Note 4)	11,663,939	1
Long-term Advances and Prepayments (Note 5)	2,653,500	1,128,619
Mineral Properties (Note 7)	4,917,825	8,968,752
Property and Equipment (Note 6)	1,045,133	336,858
	20,280,397	10,434,230
	27,715,929	13,231,036
LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities	304,314	358,609
Convertible Debenture (Note 10)	1,992,600	-
SHAREHOLDERS EQUITY		
Common Shares (Note 8(b))	30,903,799	13,723,931
Share Purchase Warrants (Note 8(c))	263,312	1,156,501
Contributed Surplus (Note 9)	1,793,719	1,624,000
Deficit Accumulated through Development Stage	(7,541,815)	(3,632,005)
	25,419,015	12,872,427
	27,715,929	13,231,036
Commitments and Contingencies (Note 11)		

APPROVED ON BEHALF OF THE BOARD

“signed” A. Tom Griffis
A. Tom Griffis, Director

“signed” Stephen Coates
Stephen Coates, Director

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

HOMELAND ENERGY CORP.
(A Development Stage Company)
CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY
(Stated in Canadian Dollars)

(Unaudited)	Common Shares	Common Shares	Contributed Surplus	Share Purchase Warrants	Deficit accumulated during the development stage	Shareholders' equity
	#	\$	\$	\$	\$	\$
Issuance of founder shares - December 13, 2004	4,000,000	4,000	-	-	-	4,000
- Issuance of shares in seed financing	2,130,000	106,500	-	-	-	106,500
- Valuation of warrants issued in seed financing	-	(14,697)	-	14,697	-	-
- Issuance of shares on non- brokered private placement	100,000	15,000	-	-	-	15,000
- Issuance of shares on four non-brokered private placements, net of issuance costs of \$19,474	3,000,000	1,772,001	-	-	-	1,772,001
- Valuation of warrants issued on private placement	-	(794,364)	-	794,364	-	-
- Stock based compensation expense	-	-	496,760	-	-	496,760
Loss for the period	-	-	-	-	(682,652)	(682,652)
Balance - December 31, 2005	9,230,000	1,088,440	496,760	809,061	(682,652)	1,711,609
- Issuance of shares pursuant to acquisition of Pan African Uranium Corp.	7,300,000	4,188,010	-	98,825	-	4,286,835
- Issuance of shares on exercise of share purchase warrants	2,130,000	532,500	-	-	-	532,500
- Valuation allocation on exercise of share purchase warrants	-	14,697	-	(14,697)	-	-
- Issuance of shares on brokered private placement, net of issuance costs of \$697,858	3,111,900	6,553,654	-	-	-	6,553,654
- Valuation of warrants issued on private placement	-	(263,312)	-	263,312	-	-
- Issued as compensation to employees and consultants	995,460	817,394	-	-	-	817,394
- Issuance of shares on exercise of stock options	25,000	13,855	-	-	-	13,855

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

HOMELAND ENERGY CORP.
(A Development Stage Company)
CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY
(Stated in Canadian Dollars)

(Unaudited)	Common Shares	Common Shares	Contributed Surplus	Share Purchase Warrants	Deficit accumulated during the development stage	Shareholders' equity
	#	\$	\$	\$	\$	\$
- Valuation allocation on exercise of stock options	-	11,290	(11,290)	-	-	-
- Issuance of shares on brokered private placement, net of issuance costs of \$45,394	362,500	767,403	-	-	-	767,403
- Stock based compensation expense	-	-	1,138,530	-	-	1,138,530
Loss for the period	-	-	-	-	(2,949,353)	(2,949,353)
Balance - December 31, 2006	23,154,860	13,723,931	1,624,000	1,156,501	(3,632,005)	12,872,427
- Issuance of shares on exercise of share purchase warrants	3,000,000	2,795,760	-	-	-	2,795,760
- Valuation allocation on exercise of share purchase warrants	-	794,364	-	(794,364)	-	-
- Issuance of shares on exercise of share purchase warrants	295,000	88,500	-	-	-	88,500
- Valuation allocation on exercise of share purchase warrants	-	98,825	-	(98,825)	-	-
- Issuance of shares on private placement, net of issuance costs of \$473,326	3,969,230	10,168,070	-	-	-	10,168,070
- Issuance of shares pursuant to acquisition of Pan African Uranium Corp., upon granting of Niger permits	125,000	294,800	-	-	-	294,800
- Issuance of shares on private placement, net of issuance costs of \$105,690	670,690	2,040,518	-	-	-	2,040,518
- Issuance of shares on exercise of stock options	1,365,000	166,931	-	-	-	166,931
- Valuation allocation on exercise of stock options	-	732,100	(732,100)	-	-	-
- Stock option compensation expense	-	-	901,819	-	-	901,819
Loss for the period	-	-	-	-	(3,909,810)	(3,909,810)
Balance - September 30, 2007	32,579,780	30,903,799	1,793,719	263,312	(7,541,815)	25,419,015

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

HOMELAND ENERGY CORP.
(A Development Stage Company)
CONSOLIDATED INTERIM STATEMENTS OF OPERATIONS AND DEFICIT
(Stated in Canadian Dollars)

(Unaudited)	Three months ended 30 September 2007 \$	Three months ended 30 September 2006 \$	Nine months ended 30 September 2007 \$	Nine months ended 30 September 2006 \$
Revenue	-	-	-	-
Expenses				
Amortization	53,055	11,056	98,598	11,056
Directors' fees	14,610	-	48,125	-
Exploration expense	-	(622)	22,099	40,661
Foreign exchange loss / (gain)	(192,469)	152,833	199,915	171,272
Interest expense	64,169	-	72,031	-
Investor relations and shareholder information	59,612	25,655	104,548	61,448
Local administration	-	-	-	-
Management and administrative services	246,652	133,172	999,138	366,608
Office and general	152,825	(1,977)	284,009	18,949
Professional and consulting fees	197,949	119,973	575,167	227,803
Transfer agent and filing	11,179	4,304	12,727	4,304
Stock-based compensation (Note 8(e))	662,319	-	901,819	457,033
Travel and accommodation	402,361	105,374	745,089	183,312
Write down of investments	-	-	-	-
	1,672,262	549,768	4,063,265	1,542,446
Loss for the period before the undernoted	(1,672,262)	(549,768)	(4,063,265)	(1,542,446)
Interest income	81,756	35,216	116,106	38,724
Other income	37,349	-	37,349	-
Loss before income taxes	(1,553,157)	(514,552)	(3,909,810)	(1,503,722)
Provision for income taxes	-	-	-	-
Net loss for the period	(1,553,157)	(514,552)	(3,909,810)	(1,503,722)
Deficit - beginning of period	(5,988,658)	(1,671,822)	(3,632,005)	(682,652)
Deficit - end of period	(7,541,815)	(2,186,374)	(7,541,815)	(2,186,374)
Loss per share - Basic and Fully Diluted	(0.06)	(0.02)	(0.15)	(0.08)
Weighted average number of basic common shares outstanding during the period	26,778,394	22,294,874	26,261,072	18,848,766

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

HOMELAND ENERGY CORP.
(A Development Stage Company)
CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS
(Stated in Canadian Dollars)

(Unaudited)	Three months ended 30 September 2007 \$	Three months ended 30 September 2006 \$	Nine months ended 30 September 2007 \$	Nine months ended 30 September 2006 \$
Cash Provided by (used in) :				
Operating Activities				
Net loss for the period	(1,553,157)	(514,552)	(3,909,810)	(1,503,722)
Adjustments for items not affecting cash:				
Amortization	38,736	24,618	98,598	24,618
Stock-based compensation (Note 8(e))	662,319	189,864	901,819	692,365
Exchange translation adjustment	(126,175)	-	(121,469)	-
Changes in non-cash working capital items:				
Amounts receivable	(466,831)	(57,624)	(618,013)	326,977
Advances and prepaid expenses	(282,744)	(167,606)	(349,113)	(227,230)
Accounts payable and accrued liabilities	222,168	-	(54,295)	(115,907)
Net Cash used in Operating Activities	(1,505,684)	(525,300)	(4,052,283)	(802,899)
Financing Activities				
Issuance of common shares, for cash	2,146,208	1,380,504	12,935,004	9,128,029
Exercise of share purchase warrants, for cash	-	147,500	2,884,260	532,500
Exercise of stock options, for cash	166,931	13,855	166,931	13,855
Issuance of convertible debenture	-	-	2,120,800	-
Share issue costs	(105,690)	(218,582)	(579,016)	(439,545)
Net Cash provided from Financing Activities	2,207,449	1,323,277	17,527,979	9,234,839
Investing Activities				
Increase in investments	(218,534)	-	(5,615,238)	(206,844)
Provision of finance to suppliers	(385,975)	(81,321)	(1,970,569)	(81,321)
Expenditure on mineral properties	(1,548,236)	(1,044,646)	(1,850,373)	(3,778,352)
Acquisition of property and equipment	(450,518)	(50,761)	(806,873)	(313,075)
Net Cash used in Investing Activities	(2,603,263)	(1,176,728)	(10,243,053)	(4,379,592)
Change in cash and equivalents	(1,901,498)	(378,751)	3,232,643	4,052,348
Cash and equivalents - beginning of period	7,504,619	4,973,988	2,370,478	542,889
Cash and equivalents - end of period	5,603,121	4,595,237	5,603,121	4,595,237
Cash and equivalents consist of:				
Cash	1,157,313	1,964,637	1,157,313	1,964,637
Equivalents	4,445,808	2,630,600	4,445,808	2,630,600
	5,603,121	4,595,237	5,603,121	4,595,237
Supplemental information				
Interest paid	64,169	-	72,031	-

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

HOMELAND ENERGY CORP.
(A Development Stage Company)

NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Three and nine months ended September 30, 2007

(Stated in Canadian Dollars)

1. NATURE OF OPERATIONS AND BASIS OF PRESENTATION

Homeland Energy Corp. (the "Company" or "Homeland") is a privately owned development stage company engaged in the acquisition, exploration and development of energy related resource properties in southern Africa. 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 in Canada.

On June 13, 2007, the Company entered into an agreement with Chrysalis Capital IV Corporation ("Chrysalis") pursuant to which Chrysalis agreed to acquire all of the issued and outstanding common shares of Homeland. The transaction will serve as Chrysalis's Qualifying Transaction pursuant to the policies of the TSX Venture Exchange. Although Homeland will become a wholly-owned subsidiary of Chrysalis, it will constitute a reverse take-over of Chrysalis inasmuch as the former shareholders of Homeland will own a substantial majority of the outstanding common shares of Chrysalis and five of the six members of the board of directors of Chrysalis will be designees of Homeland. The transaction structure contemplates a wholly owned subsidiary of Chrysalis, incorporated under the laws of the British Virgin Islands, merging under the laws of the British Virgin Islands with Homeland, whereby the separate existence of Chrysalis Sub will cease and Homeland will be the surviving corporation and 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.

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, preservation of its interest in the underlying properties, discovery of commercially recoverable reserves, achievement of profitable operations and/or the Company's ability to dispose of its interests in mineral properties on an advantageous basis. Changes in future conditions could require material write downs in the carrying value of mineral properties.

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.

HOMELAND ENERGY CORP.
(A Development Stage Company)

NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Three and nine months ended September 30, 2007

(Stated in Canadian Dollars)

2. GOING CONCERN

These consolidated interim 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 interim 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.

3. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies reflected in these consolidated interim financial statements have been outlined below and are set out in more detail in the audited financial statements for the year ended December 31, 2006.

(a) Basis of consolidation

These consolidated financial statements include the accounts of the Company and its wholly owned subsidiary, Homeland Mining and Energy SA (Pty) Ltd. of South Africa. The comparative consolidated financial statements for fiscal 2006 included the accounts of Homeland Uranium Inc. (USA) and Pan African Uranium Corp, which have subsequently been sold and are now included in the investment in Homeland Uranium Inc. (see Notes 4 and 7). All significant inter-company transactions and balances have been eliminated.

(b) Use of estimates

The preparation of consolidated interim 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 interim 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.

HOMELAND ENERGY CORP.
(A Development Stage Company)

NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Three and nine months ended September 30, 2007

(Stated in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

The Company regularly reviews these estimates and assumptions that affect the consolidated interim financial statements and actual results may 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) 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 shares, warrants or stock options 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 at least an 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 current fair market value may also be based on a review of other property transactions that have occurred in the same geographic area as that of the property under review. The recovery of acquisition costs and deferred exploration is dependent upon the existence of economically recoverable reserves, the Company's ability to obtain the necessary financing to complete exploration and development and future profitable production or proceeds from disposition of such properties.

(d) 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:

Plant and machinery	5 years
Motor vehicles	5 years
Office furniture and equipment	5 years
Computer equipment	3 years
Leasehold improvements	5 years

HOMELAND ENERGY CORP.
(A Development Stage Company)

NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Three and nine months ended September 30, 2007

(Stated in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Foreign currency translation

The Canadian dollar is the functional currency of the Company and its subsidiaries. The Company considers its South African 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.

4. INVESTMENTS

	September 30 2007	December 31 2006
	\$	\$
Homeland Uranium Inc. - 22,250,000 common shares, representing a 39% interest in private company (see below)	11,314,058	-
Londoloza Mineral and Mining Brokers (Pty) Ltd - a 35% interest in private company, written down in 2006	1	1
Option to purchase a South Africa private company (export industry) - due diligence investigation ongoing	349,880	-
	11,663,939	1

Effective February 1, 2007, the Company completed the sale of its uranium assets to Homeland Uranium Inc. ("HUI"), a Canadian private company, for 16,000,000 common shares. Following a financing by HUI that raised \$1.84 million through the issue of 8,000,000 common shares at \$0.23 per share, the Company's interest in HUI represented approximately 65% of the issued and outstanding common shares of that company. On June 19, 2007, HUI 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 entitling the holder to purchase one additional common share at a price of \$1.25 per share, expiring June 19, 2009. The Company participated to the extent of \$5 million in this private placement and as a result its interest in HUI has decreased to approximately 39%. The Company has granted a call option on 2.5 million of these units at \$1.00 per unit for a period of 12 months. HUI represents a strategic investment of the Company, which it expects to hold for the foreseeable future.

HOMELAND ENERGY CORP.
(A Development Stage Company)

NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Three and nine months ended September 30, 2007

(Stated in Canadian Dollars)

5. **LONG-TERM ADVANCES AND REPAYMENTS**

	September 30 2007	December 31 2006
	\$	\$
Crushing and screening plant	1,082,713	1,236,843
Washing plant	2,015,644	-
Continuous conveyor system	79,586	-
Drilling equipment	29,469	-
Contractor credit facilities	3,207,412	1,236,843
<u>Less: Current portion</u>	<u>553,912</u>	<u>108,224</u>
Long-term portion	<u>2,653,500</u>	<u>1,128,619</u>

Homeland Mining and Energy SA (Pty) Ltd has entered into agreements with various companies that shall provide contract mining or other services to the Company's mineral properties in South Africa, in terms of which it has agreed to provide the financing for certain of the mining and other equipment that will be required. These credit facilities are denominated in ZAR, are repayable on a unit of production basis, and are collateralized by security over the particular asset financed.

HOMELAND ENERGY CORP.
(A Development Stage Company)

NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Three and nine months ended September 30, 2007

(Stated in Canadian Dollars)

6. PROPERTY AND EQUIPMENT

	Cost	2007 Accumulated Amortization	Net
	\$	\$	\$
Plant and machinery	698,858	45,571	653,287
Motor vehicles	126,977	7,960	119,017
Office furniture and equipment	99,829	27,066	72,763
Computer equipment	65,585	22,462	43,123
Leasehold improvements	214,803	57,860	156,943
	1,206,052	160,919	1,045,133

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

HOMELAND ENERGY CORP.
(A Development Stage Company)

NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Three and nine months ended September 30, 2007

(Stated in Canadian Dollars)

7. MINERAL PROPERTIES

Homeland is engaged in the business of the acquisition, exploration and development of mineral resource properties in southern Africa, with an emphasis on energy based resources. As at June 30, 2007, the Company retained title, directly or indirectly, to the following properties:

	January 1 2007	Additions: Property Costs	Additions: Consulting/ Management	Additions: Drilling/ Analysis	Additions: Infrastructure / Earthworks	Additions: Other	Transferred to Investments	September 30 2007
	\$	\$	\$	\$	\$	\$	\$	\$
Ferret								
Kendal:								
Acquisition costs	2,105,016	-	-	-	-	-	-	2,105,016
Exploration costs	434,585	-	144,955	86,918	370,027	2,198	-	1,038,683
	2,539,601	-	144,955	86,918	370,027	2,198	-	3,143,699
Tshedza								
Eloff:								
Acquisition costs	415,230	-	-	-	-	-	-	415,230
Exploration costs	42,596	1,802	163,818	402,885	17,236	6,616	-	634,953
	457,826	1,802	163,818	402,885	17,236	6,616	-	1,050,183
Nhlalala								
Projects:								
Acquisition costs	-	-	-	-	-	-	-	-
Exploration costs	59,259	1,546	75,990	-	-	-	-	136,795
	59,259	1,546	75,990	-	-	-	-	136,795
Northfield:								
Acquisition costs	-	-	-	-	-	-	-	-
Exploration costs	-	-	59,359	-	26,593	798	-	86,750
	-	-	59,359	-	26,593	798	-	86,750
KZN								
Projects:								
Acquisition costs	-	-	-	-	-	-	-	-
Exploration costs	-	1,055	-	-	-	-	-	1,055
	-	1,055	-	-	-	-	-	1,055
Swaziland:								
Acquisition costs	-	-	-	-	-	-	-	-
Exploration costs	10,766	-	61,789	-	-	3,979	-	76,534
	10,766	-	61,789	-	-	3,979	-	76,534

HOMELAND ENERGY CORP.
(A Development Stage Company)

NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Three and nine months ended September 30, 2007

(Stated in Canadian Dollars)

7. MINERAL PROPERTIES (continued)

	January 1 2007	Additions: Property Costs	Additions: Consulting/ Management	Additions: Drilling/ Analysis	Additions: Infrastructure / Earthworks	Additions: Other	Transferred to Investments	September 30 2007
	\$	\$	\$	\$	\$	\$	\$	\$
USA (uranium):								
Acquisition costs	-	-	-	-	-	-	-	-
Exploration costs	2,273,325	-	131,395	-	-	-	(2,404,720)	-
	2,273,325	-	131,395	-	-	-	(2,404,720)	-
Niger (uranium):								
Acquisition costs	3,527,510	147,400	-	-	-	-	(3,674,910)	-
Exploration costs	100,465	-	133,963	-	-	-	(234,428)	-
	3,627,975	147,400	133,963	-	-	-	(3,909,338)	-
Translation	-	-	-	-	-	422,809	-	422,809
	8,968,752	151,803	771,269	489,803	413,856	436,400	(6,314,058)	4,917,825

HOMELAND ENERGY CORP.
(A Development Stage Company)

NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Three and nine months ended September 30, 2007

(Stated in Canadian Dollars)

7. MINERAL PROPERTIES (continued)

	January 1 2006	Additions: Property Costs	Additions: Consulting	Additions: Other	Amortized/ Written Off	December 31 2006
	\$	\$	\$	\$	\$	\$
Ferret Kendal:						
Acquisition costs	-	2,105,016	-	-	-	2,105,016
Exploration costs	-	-	423,975	10,610	-	434,585
	-	2,105,016	423,975	10,610	-	2,539,601
Tshedza Projects:						
Acquisition costs	-	415,230	-	-	-	415,230
Exploration costs	-	-	42,596	-	-	42,596
	-	415,230	42,596	-	-	457,826
Nhlalala Projects:						
Acquisition costs	-	-	-	-	-	-
Exploration costs	-	-	59,259	-	-	59,259
	-	-	59,259	-	-	59,259
Swaziland:						
Acquisition costs	-	-	-	-	-	-
Exploration costs	-	10,766	-	-	-	10,766
	-	10,766	-	-	-	10,766
USA (uranium):						
Acquisition costs	-	-	-	-	-	-
Exploration costs	797,159	451,500	766,873	257,793	-	2,273,325
	797,159	451,500	766,873	257,793	-	2,273,325
Niger (uranium):						
Acquisition costs	-	3,527,510	-	-	-	3,527,510
Exploration costs	-	18,474	77,324	4,667	-	100,465
	-	3,545,984	77,324	4,667	-	3,627,975
	797,159	6,528,496	1,370,027	273,070	-	8,968,752

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). As of the date of these consolidated interim 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 \$2,105,016 (ZAR 13,000,000).

HOMELAND ENERGY CORP.
(A Development Stage Company)

NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Three and nine months ended September 30, 2007

(Stated in Canadian Dollars)

7. MINERAL PROPERTIES (continued)

KENDAL MINERAL PROPERTY, MPUMALANGA PROVINCE, SOUTH AFRICA

The Kendal Project is a small coal resource, potentially opencastable, which can supply coal to the power generating industry and the domestic industrial market in South Africa. The Project lies in the Witbank Coalfield, and the surrounding areas have supported a number of mining operations. The Kendal Project is located to the south west of the town of Ogies, in the Mpumalanga Province of South Africa. The elevation of the project is some 1,580 metres above mean sea level.

Homeland has carried out a conceptual mine plan based on the results of previous exploration campaigns. The potential markets have been identified and various contractors have been approached to determine their willingness to participate in the operation. Detailed planning and the formulation of the necessary contractual arrangements will be completed on receipt of the mining licence.

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 options to acquire a further 1% for ZAR 1.00 and a further 23% at market value. 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.

ELOFF MINERAL PROPERTY, MPUMALANGA PROVINCE, SOUTH AFRICA

The Eloff Project is a large coal resource, currently an inferred resource of 382 million tonnes, potentially opencastable, which can supply a low-grade coal to the power generating industry and possibly be upgraded for local industrial consumption or export. The Project lies in the western extremity of the Witbank Coalfield, and the surrounding areas have supported a number of mining operations. The Eloff Project is located to the south of the town of Eloff, in the Mpumalanga Province of South Africa. The elevation of the project is some 1,620 metres above mean sea level.

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

In March 2006, the Company entered into an agreement to purchase a 50% interest in Nhlalala, with options to acquire a further 1% for ZAR 1.00 and a further 23% at market value. 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.

HOMELAND ENERGY CORP.
(A Development Stage Company)

NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Three and nine months ended September 30, 2007

(Stated in Canadian Dollars)

8. CAPITAL STOCK

(a) Authorized

Unlimited number of common shares with no par value.

(b) Issued

	Issued	Amount
	#	\$
Balance, January 1, 2006	9,230,000	1,088,440
Acquisition of Pan African Uranium Corp. (Note 8(b)(i))	7,300,000	4,188,010
Exercise of warrants (Note 8(b)(ii))	2,130,000	547,197
Private placement(Note 8(b)(iii))	3,111,900	6,988,200
Consultants paid in shares(Note 8(b)(iv))	995,460	817,394
Exercise of options (Note 8(b)(v))	25,000	25,145
Private placement(Note 8(b)(vi))	362,500	812,797
Share issue costs	-	(743,252)
Balance, December 31, 2006	23,154,860	13,723,931
Exercise of warrants (Note 8(b)(vii))	3,000,000	3,590,124
Exercise of warrants (Note 8(b)(viii))	295,000	187,325
Private placement (Note 8(b)(ix))	3,969,230	10,641,396
Acquisition of Pan African Uranium Corp., upon granting of Niger permits (Note 8(b)(x))	125,000	294,800
Private placement (Note 8(b)(xi))	670,690	2,146,208
Exercise of stock options (Note 8(b)(xii))	1,365,000	899,031
Share issue costs	-	(579,016)
Balance, September 30, 2007	32,579,780	30,903,799

HOMELAND ENERGY CORP.
(A Development Stage Company)

NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Three and nine months ended September 30, 2007

(Stated in Canadian Dollars)

8. CAPITAL STOCK (continued)

- (i) 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.
- (ii) 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.
- (iii) 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 or quoting 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).
- (iv) During the period, 995,460 shares were issued to employees and consultants as compensation for services rendered, in the amount of \$817,394.
- (v) 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.
- (vi) 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.
- (vii) On January 16, 2007, the Company received US\$2.4 million (\$2,795,760) from the exercise of 3,000,000 warrants at \$0.80 per share.
- (viii) On May 30, 2007, the Company received \$88,500 from the exercise of 295,000 warrants at \$0.30 per share.
- (ix) 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 paid a cash commission equal to 5% on gross proceeds, on certain of the placements, of \$473,326.
- (x) On January 27, 2006, the Company acquired Pan African Uranium Corp. and assumed the task and costs of furthering Pan African's applications for exploration concessions in Niger. In January 2007, the eight exploration concessions were granted. Upon their grant, the Company was required to issue 125,000 shares to a consultant, but was refunded 50% of the then value of the shares by Homeland Uranium Inc.

HOMELAND ENERGY CORP.
(A Development Stage Company)

NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Three and nine months ended September 30, 2007

(Stated in Canadian Dollars)

8. **CAPITAL STOCK** (continued)

(xi) 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 \$2,146,208. The Company paid a cash commission equal to 5% on gross proceeds, of \$105,690.

(xii) In August and September 2007, former employees and consultants to the Company, as well as certain directors, exercised a total of 1,625,000 stock options, some availing themselves of a cashless exercise option, and received 1,365,000 common shares, at an exercise price of US\$0.50 for gross proceeds of US\$162,500 (\$166,931). These options had a fair value of \$732,100.

(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 period:

	Number of share purchase warrants #	2007 Weighted average exercise price per share US\$	Fair Value \$	Number of share purchase warrants #	2006 Weighted average exercise price per share US\$	Fair Value \$
Balance, beginning of period	3,495,000	0.83	1,156,501	5,130,000	0.57	809,061
Granted	-	-	-	495,000	0.99	362,137
Exercised	(3,295,000)	0.27	(893,189)	(2,130,000)	0.25	(14,697)
Balance, end of period	200,000	2.00	263,312	3,495,000	0.83	1,156,501

The following table summarizes the share purchase warrants outstanding at September 30, 2007:

Expiry date	Exercise price per share US\$	Warrants outstanding #	Fair Value \$
November 2, 2007	2.00	200,000	263,312
		200,000	263,312

HOMELAND ENERGY CORP.
(A Development Stage Company)

NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Three and nine months ended September 30, 2007

(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:

	2007	2006
Expected life (years)	2.5	1 - 3
Expected volatility (%)	100	130
Expected dividends	0	0
Risk-free interest rate (%)	4	4.25

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

	Number of options #	2007 Weighted average exercise price \$ per share	Fair Value per share \$	Number of options #	2006 Weighted average exercise price \$ per share	Fair Value per share \$
Balance, beginning of period	3,725,000	0.90	0.44	2,400,000	0.58	0.35
Granted	600,000	2.45	1.39	1,375,000	1.52	0.58
Exercised	1,625,000	0.50	-	(25,000)	0.58	0.35
Cancelled	(100,000)	Market	0.25	(25,000)	0.58	0.43
Balance, end of period	2,600,000	1.25	0.63	3,725,000	0.90	0.44

The following table summarizes the options outstanding and exercisable at September 30, 2007:

Expiry date	Exercise price per share	Options outstanding #	Options exercisable #
November 24, 2008	US\$0.50	1,000,000	633,333
February 2, 2009	US\$0.50	400,000	400,000
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
March 1, 2010	US\$2.00	200,000	66,667
August 13, 2010	US\$2.50	300,000	100,000
September 14, 2010	\$3.20	100,000	33,333
		2,600,000	1,633,333

HOMELAND ENERGY CORP.
(A Development Stage Company)

NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Three and nine months ended September 30, 2007

(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, which 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 within 90 days of 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 \$901,819 (2006: \$1,138,530) 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).

9. **CONTRIBUTED SURPLUS**

	September 30 2007	December 31 2006
	\$	\$
Balance, beginning of year	1,624,000	496,760
Stock-based compensation (see Note 8(e))	901,819	1,138,530
Stock options exercised	(732,100)	(11,290)
Balance, end of year	1,793,719	1,624,000

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	1,000,000	633,333	286,013
February 2, 2009	US\$0.50	400,000	400,000	171,020
July 25, 2009	US\$1.00	100,000	100,000	189,864
October 28, 2009	US\$2.00	200,000	200,000	372,228
November 1, 2009	US\$2.00	300,000	100,000	318,250
March 1, 2010	US\$2.00	200,000	66,667	173,750
August 13, 2010	US\$2.50	300,000	100,000	175,500
September 14, 2010	\$3.20	100,000	33,333	70,875
Cancelled options				36,219
		2,600,000	1,633,333	1,793,719

(*) Black-Scholes valuation

HOMELAND ENERGY CORP.
(A Development Stage Company)

NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Three and nine months ended September 30, 2007

(Stated in Canadian Dollars)

10. CONVERTIBLE DEBENTURE

On June 12, 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; or (b) a 25% discount to the initial public offering price per Homeland Common Share;
 - the Company can prepay at any time, with penalties (and subject to the lender's conversion rights);
 - 5,000,000 common shares of Homeland Uranium Inc. pledged as security.
-

11. COMMITMENTS AND CONTINGENT LIABILITIES

(a) Lease Commitments

In 2005, the Company entered into a five year lease agreement for office space in Toronto. Gross annual lease commitments are as follows:

	\$	
2007		13,530
2008		54,122
2009		54,122
2010		54,122
		<hr/>
		175,896

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		13,445
2008		53,038
		<hr/>
		66,483

HOMELAND ENERGY CORP.
(A Development Stage Company)

NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Three and nine months ended September 30, 2007

(Stated in Canadian Dollars)

11. COMMITMENTS AND CONTINGENT LIABILITIES (continued)

(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 \$700,000) of which ZAR 2,000,000 (approximately \$290,000) 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 \$1,740,000).

(d) Madic Operations

The Company has agreed to invest ZAR 6.3 million (approximately \$920,000) 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.

HOMELAND ENERGY CORP.
(A Development Stage Company)

NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Three and nine months ended September 30, 2007

(Stated in Canadian Dollars)

12. RELATED PARTY TRANSACTIONS

- (a) During the period, the Company paid Grove Communications Inc. \$60,488 (2006: \$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.
- (b) During the period, Grove Communications Inc. shared office space with Homeland and contributed \$16,036 (2006: Grove Communications Inc. and Odyssey Resources Limited contributed \$16,960 and \$33,920 respectively) towards the office rent and related facilities. Accounts payable includes \$14,272 (2005: amounts receivable included \$50,880) in respect of these transactions.
- (c) In South Africa, approximately \$112,000 (2006: \$123,000) 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.
- (d) In South Africa, approximately \$38,000 (2006: \$60,000) was paid in terms of the Agreement for the purchase of Ferret Coal Holdings (Pty) Ltd as a retainer to a company controlled by a former director and significant shareholder of that company, for environmental consulting and related services. These payments ceased in April 2007.

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.

HOMELAND ENERGY CORP.
(A Development Stage Company)

NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Three and nine months ended September 30, 2007

(Stated in Canadian Dollars)

13. SUBSEQUENT EVENTS

- (a) Reverse take-over and public listing

On June 13, 2007, Homeland entered into an agreement (the "Acquisition Agreement") with Chrysalis IV Corporation ("Chrysalis") pursuant to which Chrysalis agreed to acquire all of the issued and outstanding common shares of Homeland. The transaction will serve as Chrysalis's Qualifying Transaction pursuant to the policies of the TSX Venture Exchange. Although Homeland will become a wholly-owned subsidiary of Chrysalis, **the transaction** will constitute a reverse take-over of Chrysalis inasmuch as the former shareholders of Homeland will own a substantial majority of the outstanding common shares of Chrysalis and five of the six members of the board of directors of Chrysalis will be designees of Homeland. The transaction structure contemplates a wholly owned subsidiary of Chrysalis, incorporated under the laws of the British Virgin Islands, merging under the laws of the British Virgin Islands with Homeland, whereby the separate existence of Chrysalis Sub will cease and Homeland will be the surviving corporation and 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.

On or immediately prior to the closing of the proposed transaction, the common shares in the capital of Chrysalis ("Chrysalis Common Shares") will be consolidated on a 2:1 basis and the common share in the capital of Homeland will be split on a 4:1 basis. As consideration for the acquisition of all of the outstanding shares of Homeland pursuant to the merger, Chrysalis will issue one Chrysalis Common Share for each one common share in the capital of Homeland.

Subject to the approval of the Exchange, up to 10% of the issued and outstanding common shares after the completion of the proposed transaction shall be reserved for issuance to directors, officers, employees and consultants.

It is anticipated that upon completion of the proposed transaction, the Homeland Energy Corp. (Canada) will meet the Tier 1 listing requirements of the Exchange for a mining issuer.

14. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the presentation adopted in the current year.
