



June 3, 2009

Dear Homeland Shareholders,

Your Company is at an extremely important juncture and your support for Management is critically needed to allow your Company to continue its course of operational growth. The Company has reached several operational milestones since going public on March 5, 2008 by adhering to our strategic plan with respect to our South African assets. We are on the right track and we need your support to continue to move forward with it. Let me recap what we have already achieved:

- First coal production at the Kendal Colliery in July 2008;
- Optimization of production at Kendal and positive shift in business plan to include more washed coal product and coal of greater value to the current markets;
- Significant progress made on Kendal social and labour plan requirements with the construction of 16 new brick homes for residents relocated from the active mining property;
- Strategic partnership for Kendal coal sales that allows Kendal coal to be sold domestically and for export;
- Increase in Homeland technical team expertise in South Africa to align with needs of a Company growing its production profile;
- Completion of more than 24,000 meters of drilling at the Eloff Mineral Project;
- Internal technical report completed on the Eloff Mineral Project to verify in-situ resources; and
- Mining licence for Eloff granted in late May 2009 following a January 2008 submission.

The award of the Eloff Mining Licence signifies the culmination of more than three years of evaluation and definition of the Eloff resource, as well as countless hours of work by our dedicated technical teams. This is a resource of nearly 500 million tonnes of coal situated in reasonable proximity to both a major domestic market – Johannesburg – and one of the world's busiest coal trading ports at Richard's Bay. The award of the mining licence is just the beginning for Eloff; we are carefully evaluating all the possibilities for Eloff and weighing the potential for success of each option. We will rely on the strong relationships we built with the government agencies, transportation organizations, and marketing organizations, and most importantly with our strategic partners as we develop the Kendal Mine and the Eloff community to support the direction we take at Eloff.

Homeland has assembled a highly-skilled technical team that has a deep understanding of the South African market, allowing us to bring the Kendal Colliery into production in a relatively short time frame. We also knew that as we moved into production, we would need to broaden our expertise and we have moved forward in this area as well. On the Management team, we recently hired Andrew Gottwald as our new Chief Financial Officer. Andrew has gained extensive financial experience in operations and mine production with Tahera Diamond Corporation. The Company entered into an agreement with GMR Energy Ltd., our largest shareholder, on June 3, 2009 to present a joint slate of directors to shareholders. To that end and to reflect our understanding of the needs of our growing enterprise, we have added new board members who both broaden and deepen our expertise in the international markets. Messrs Jeff Lowe and Valli Moosa, and Messrs. Ashis Basu, Raaj Kumar and B.V.N. Rao, three directors from our partner, GMR Energy Limited, all bring experience and insight, which we believe is necessary to take the Company to the next level of growth. We are also constantly seeking to improve our already high standards of corporate governance and our new board members also bring a wealth of experience in this area as well. Jeff Lowe in particular has specialized in corporate governance and continues this role as a mentor to MBA students at the Rotman School of Business at the University of Toronto. The recommended Management Slate enhances our level of expertise in many areas and I encourage you to carefully read their biographies. I am confident that because of the experience and skills of the recommended Management Slate, such individuals are collectively best placed to continue to deliver value for Homeland shareholders. It has been long recognized by the

founders of the Company, that senior management with greater experience in the mining sector – with producing entities in particular – must be found. As such and in the spirit of transition, I have decided to step down from the Board and upon completion of a search for a new President and CEO, will resign my position as President and CEO as well.

While the global economic picture has been bleak for a number of months, I see a brighter future for Homeland Energy for the balance of fiscal 2009 and into 2010. The following are our main objectives for the coming 18 months:

- Become cash flow positive, taking into account credit facility debt repayment and capital expenditures at the Kendal Colliery;
- Achieve organic growth and continue to optimize production at Kendal;
- Increase the level of confidence for the Eloff Mineral Project resource with additional drilling and prefeasibility work, while examining strategic partnerships;
- Evaluate strategic potential acquisitions of coal brown fields near existing Homeland operating assets in South Africa as well as those in other parts of southern Africa, North America and Australasia; and
- Continue to explore downstream opportunities with the examination of mine mouth power generation at Kendal and Eloff.

South Africa is at a critical point itself with respect to power generation to meet a growing demand. The South African government's initiative to promote Independent Power Producers (IPP) to supplement the electricity provided by the public utility, Eskom, bodes well for the future of Kendal and extremely well for the future of Eloff. Because of this strong government initiative to increase power production, our management and board are in discussions with domestic and international parties for construction of a 25-75MW power generation plant at Kendal and a potential 250-500MW power generation plant at Eloff to supply power directly to large industrial customers.

I want to thank the entire team at Homeland, from senior Management to our employees in South Africa to our valuable business partners. They have done a wonderful job in a particularly difficult economic climate. I particularly want to thank our employees for their loyalty to the Company and helping us meet our objectives. Their willingness to continue to work to develop our business in an ambiguous business environment is a testament to their dedication to our Company.

I would also like to thank you, our shareholders, for your support of Homeland Energy. With a strong team in place and a business plan that is working, we are confident that we will be able to create and deliver value for you.

**The Board of Directors of Homeland have unanimously recommended that Shareholders vote FOR the Management Slate on the GREEN proxy accompanying the Circular.**

The Board of Directors wishes to convey the importance of having Shareholders represented at this critical Meeting to vote on the reorganization of the Board to guide the Company to the next level of growth. Whether or not you are able to attend in person, the Board of Directors urges you to complete, sign and date the applicable enclosed proxy form (printed on **GREEN PAPER**) and return it in the envelope provided to the office of Homeland's transfer agent, **Equity Transfer & Trust Company, 200 University Avenue, Suite 400, Toronto, Ontario M5H 4H1** or in the alternative, to vote electronically as provided for in the form of proxy, as soon as possible and, in any event, by no later than 5:00 p.m. (Toronto time) on Friday, June 26, 2009 (the "**Proxy Deadline**"). Failure to submit your proxy by the Proxy Deadline may result in your vote not being counted.

On behalf of the Company, I would like to thank you for your past and ongoing support.  
Yours truly,



Stephen Coates  
President and Chief Executive Officer

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**HOMELAND ENERGY GROUP LTD.**

**NOTICE OF ANNUAL MEETING OF SHAREHOLDERS OF HOMELAND ENERGY GROUP LTD.**

**NOTICE IS HEREBY GIVEN** that the Annual Meeting of shareholders (the “Shareholders”) of Homeland Energy Group Ltd. (“Homeland” or the “Company”) will be held in the **Quebec Room at the Fairmont Royal York Hotel, 100 Front Street West, Toronto, Ontario M5J 1E3 on Tuesday, June 30, 2009 at 10:00 a.m. in the morning (Toronto time)**. The Quebec Room is on the Mezzanine level of the Royal York, one level above the lobby. Please check the directory near the stairs or elevators for the exact location of the room. The Meeting is being held for the following purposes:

- (a) to receive and consider the consolidated financial statements of the Company for the periods ended December 31, 2008 and 2007;
- (b) to appoint McGovern, Hurly, Cunningham LLP, Chartered Accountants, as auditors of the Company and to authorize the directors to fix their remuneration;
- (c) to elect the Management Slate of directors as nominated by Management; and
- (d) to consider such other matters and to transact such further or other business as may properly come before the Meeting or any adjournment or adjournments thereof.

Management of the Company is soliciting proxies on the accompanying **GREEN** form of proxy. Shareholders who are unable to attend the Meeting are requested to complete, date and sign and return the enclosed **GREEN** form of proxy so that as large a representation as possible may be had at the Meeting. Specific details of the matters being put before the Meeting, in particular with respect to the election of the Management Slate, are set forth in more detail in the accompanying Management Information Circular.

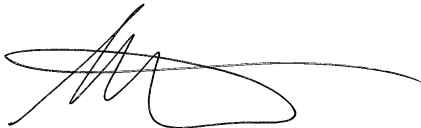
**THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT SHAREHOLDERS VOTE FOR THE MANAGEMENT SLATE.**

A copy of the Circular, a Supplemental Mailing List Reply Form, a form of **GREEN** Proxy and a return envelope accompany this Notice of Meeting.

The Board of Directors has determined that only holders of record of the Common Shares at the close of business on May 15, 2009 will be entitled to vote in respect of the election of the Management Slate and the other items set out in this Notice of Meeting. The Board of Directors has also determined that 5:00 p.m. (Toronto time) on Friday, June 26, 2009 or 48 hours (excluding Saturdays, Sundays and holidays) before any adjournments to the Meeting as the time before which proxies to be used or acted upon at the Meeting or any adjournment or adjournments thereof shall be deposited with the Company’s transfer agent. Failure to properly complete or deposit a proxy may result in its invalidation.

**DATED** at Toronto, Ontario this 3<sup>rd</sup> day of June, 2009.

**BY ORDER OF THE  
BOARD OF DIRECTORS**



**STEPHEN COATES**  
President and Chief Executive Officer

**HOMELAND ENERGY GROUP LTD.  
MANAGEMENT INFORMATION CIRCULAR**

This Management Information Circular (the “**Circular**”) is furnished in connection with the solicitation of proxies by and on behalf of the Management of Homeland Energy Group Ltd. (“**Homeland**” or the “**Company**”) for use at the Annual Meeting of Shareholders of the Company (the “**Meeting**”) to be held in the **Quebec Room at the Fairmont Royal York Hotel, 100 Front Street West, Toronto, Ontario M5J 1E3 on Tuesday, June 30, 2009 at 10:00 a.m. in the morning (Toronto time)**. The Quebec Room is on the Mezzanine level of the Royal York, one level above the lobby. Please check the directory near the stairs or elevators for the exact location of the room.

No person has been authorized to give any information or make any representations in connection with any matter to be considered at the Meeting other than those contained in this Circular and if given or made, any such information or representations must not be relied upon has having been authorized.

The Meeting has been called for the purposes set out in the accompanying Notice of Meeting and includes the election of the slate of directors being proposed by management (“**Management**”) of the Company (the “**Management Slate**”).

**FORWARD LOOKING STATEMENTS**

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

Forward-looking statements and forward-looking information are based on the opinions and estimates of management as of the date such statements are made, and they are subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of Homeland to be materially different from those expressed or implied by such forward-looking statements or forward-looking information, including but not limited to risks related to: unexpected events during construction, expansion and start-up; variations in ore quality, tonnes mined, crushed or washed; delay or failure to receive board or government approvals; timing and availability of external financing on acceptable terms; risks related to international operations; actual results of current exploration activities; conclusions of economic evaluations; changes in project parameters as plans continue to be refined; future prices of coal; possible variations in ore reserves, quality or recovery rates; failure of plant, equipment or processes to operate as anticipated; accidents, labour disputes and other risks of the mining industry; delays in the completion of development or construction activities, as well as those factors discussed in or referred to in the Company’s Annual Information Form for the year ended December 31, 2008 and available at [www.sedar.com](http://www.sedar.com). Although Management of Homeland has attempted to identify important factors that could cause actual results to

differ materially from those contained in forward-looking statements or forward-looking information, there may be other factors that cause results not to be as anticipated, estimated or intended. There can be no assurance that such statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements and forward-looking information. Homeland does not undertake to update any forward-looking statements or forward-looking information that is incorporated by reference herein, except in accordance with applicable securities laws.

### **INFORMATION CONTAINED IN THIS CIRCULAR**

The information contained in this Circular is given as of June 3, 2009, except where otherwise noted. All references to “Common Shares” in this Circular are references to common shares in the capital of the Company.

In this Circular, unless otherwise specified, all dollar amounts are expressed in Canadian dollars.

### **SHAREHOLDER PROPOSAL**

The *Canada Business Corporations Act*, the Company's governing corporate statute, provides that shareholder proposals must be received by April 1, 2010 to be considered for inclusion in the proxy information circular and the form of proxy for the 2010 annual meeting of the Company's shareholders.

## MATTERS TO BE ACTED UPON AT THE MEETING

### PRESENTATION OF FINANCIAL STATEMENTS

The Audited Financial Statements for the fiscal years ended December 31, 2008 and December 31, 2007 and the reports of the auditors thereon will be submitted to the Meeting. Receipt at the Meeting of the auditors' reports and the Company's Financial Statements for its last two completed fiscal periods will not constitute approval or disapproval of any matters referred to therein. The Audited Financial Statements and the Management's Discussion and Analysis for the years ended December 31, 2008 and December 31, 2007 together with the Financial Statements and the Management's Discussion and Analysis for the three months ended March 31, 2009 and March 31, 2008 have been mailed to Shareholders of record and non-objecting beneficial Shareholders. A copy of these financial statements can be obtained at [www.sedar.com](http://www.sedar.com). In the alternative, upon receiving a written request to 144 Front Street West, Suite 780, Toronto, Ontario M5J 2L7, the Company will mail a copy of the financial statements to you.

### APPOINTMENT OF AUDITORS

The persons named in the enclosed form of proxy intend to vote for the appointment of McGovern Hurley Cunningham, LLP, Chartered Accountants, of Toronto, Ontario, as auditors of the Company to hold office until the next annual meeting of Shareholders and to authorize the directors of the Company to fix the auditors' remuneration.

On the representations of the said auditors, neither that firm nor any of its partners has any direct financial interest nor any material indirect financial interest in the Company or any of its subsidiaries nor has had any connection during the past three years with the Company or any of its subsidiaries in the capacity of promoter, underwriter, voting trustee, director, officer or employee.

Management recommends that Shareholders vote to appoint McGovern Hurly Cunningham, LLP, Chartered Accountants, as the Company's auditors and to authorize the board of directors to fix their remuneration. This resolution must be passed by a majority of the votes cast by the holders of Common Shares present in person or represented by proxy at the Meeting.

### ELECTION OF THE BOARD OF DIRECTORS

The Board of Directors of the Company presently consists of six (6) directors. The Board of Directors has fixed the number of directors to be elected at this Meeting at seven (7) and the seven individuals set out below have been nominated by Management. The persons named in the enclosed form of **GREEN** proxy intend to vote FOR the election of the following seven (7) nominees of Management as directors of the Company:

1. Laurence Curtis
2. Avrom Howard
3. Jeff Lowe
4. BVN Rao
5. Raaj Kumar
6. Ashis Basu
7. Valli Moosa

(the "Management Slate").

The following table provides information on the seven members of the Management Slate. **The Management slate reflects the Company's intention to transition to a board of directors with world-class operational expertise to reflect the Company's development into an operational business.** Management does not contemplate that any of the nominees will be unable to serve as a director, but if that should occur for any reason prior to the Meeting, the persons named in the enclosed form of proxy reserve the right to vote for another nominee at their discretion. Each director elected will hold office until the next annual meeting or until his successor is duly elected, unless his office is earlier vacated in accordance with the by-laws of the Company. The following table and notes thereto state the names of all the persons proposed to be nominated for election as directors, all of the positions and offices with the Company now held by them, their present and past principal occupations or employments and the approximate number of shares of the Company beneficially owned or controlled or directed, directly or indirectly, by each of them as of May 15, 2009. The information as to shares beneficially owned, controlled or directed has been furnished to the Board of

Directors by the respective nominees. Following the Meeting, the Board of Directors will consider the appropriate composition of the Audit Committee, Compensation Committee and Corporate Governance Committee

<b>Name Municipality of Residence</b>	<b>Position with Company</b>	<b>Principal Occupation or Employment for the Last Five Years</b>	<b>Director From</b>	<b>Number of Shares Beneficially Owned, Controlled or Directed</b>
Laurence Curtis Oakville, Ontario	Non-Executive Independent Director	President and CEO of Intrepid Mines Limited June 1996 to June 2008	February 29, 2008	Nil <sup>1</sup>
Avrom Howard	Non-Executive Director	Executive Vice President, Homeland Uranium (July 2007 – present) VP Exploration, Odyssey Resources (February 2007 – June 2007) President and Chief Executive Officer, Odyssey Resources (December 1994 – January 2007)	February 29, 2008	4,110,000 <sup>2</sup>
Jeff Lowe Oakville, Ontario	Non-Executive Independent Director	President, Carina Energy Inc. (Feb 2007 – Dec 2008), Treasurer, Centerra Gold Inc. (Apr 2005 – Jul 2006), Vice President & Treasurer, Alderwoods Group (f/k/a Loewen Group International) (April 2001 – Apr 2005)	June 1, 2009	Nil
BVN Rao Bangalore, Karnataka, India	Non-Executive Director	Chairman & Managing director of GMR Energy Limited, GMR Industries Limited and 2 subsidiaries of GMR Energy Limited. He is also a board member of GMR Infrastructure Limited and GMR Hyderabad International Airport Limited	n/a	Nil
Raaj Kumar Bangalore, Karnataka, India	Non-Executive Director	Chief Executive Officer & Director of GMR Energy Limited since August of 2007. He is also on the board of 6 subsidiary companies ( including 2 Mauritian subsidiaries ) of GMR Energy Limited. Prior to August of 2007, he was joint managing director and CEO of JSW Energy	n/a	Nil

		Ltd., Mumbai from January 2005 to August 2007 and director of projects of Indal Vijayanagar Steel Ltd., Mumbai, from May 2003 to December 2004.		
Ashis Basu Bangalore, Karnataka, India	Non-Executive Director	Executive Vice President of GMR Energy Limited. He is also on the board of GMR Energy Trading Limited and 3 other Indonesian subsidiaries of GMR Energy Limited	n/a	Nil
Valli Moosa Johannesburg, South Africa	Non-Executive Independent Director	Executive chairman of Lereko Investments. Former environment & tourism minister of South Africa (1999-2004) now, president of the International Union for the Conservation of Nature. He was minister of constitutional affairs of South Africa from 1996 – 1999 and deputy minister from 1994 – 1996. Until May 2009 he has been a member of the ANC National Executive Committee where he has served since 1991.	n/a	Nil

1. Mr. Curtis holds options to acquire 125,000 common shares exercisable at \$0.20 per share until February 10, 2014.
2. Held as to 2,934,000 directly and 1,176,000 through family members. Mr. Howard also holds options to acquire 125,000 Common Shares exercisable at \$0.20 per share until February 10, 2014.

The following are detailed biographies of the members of the Management Slate.

#### **Laurence Curtis**

Mr. Curtis is a geologist with over 40 years of international experience in the natural resource sector, with direct experience in Africa, Greenland, North, South and Central America, Australia and the Pacific. Mr. Curtis was President of Curtis & Associates, a mineral resource consulting firm, from 1980 to 1996. Mr. Curtis founded Intrepid Minerals Corporation in 1995 and was President, Chief Executive Officer and director for ten years prior to its merger with NuStar Mining Corporation Limited in 2006 and Emperor Mines Limited in 2007. Mr. Curtis continues to serve as director of Intrepid Mines Limited. Mr. Curtis is a member of the Association of the Professional Geoscientists of Ontario and is currently a director of Alturas Minerals Corporation and was previously a director of Wheaton River Minerals Ltd., North American Metals Corp. and High River Gold Mines Ltd.

#### **Avrom Howard**

Mr. Howard graduated from the University of Colorado with a Masters degree in Geology, after achieving his baccalaureate from the University of Toronto. He holds the accreditation of Professional Geoscientist and is a Fellow of the Gemological Association of Great Britain. Mr. Howard is a founding director of Homeland and currently serves as Executive Vice President, Exploration of Homeland Uranium Inc. He lives in Grand Junction, Colorado.

Mr. Howard has broad international experience as a minerals exploration geologist and mining company executive, as well as considerable corporate-financial and management experience. Mr. Howard founded Odyssey Resources Limited and served as its President and Chief Executive Officer until 2007.

#### **Jeff Lowe**

Mr. Lowe is a senior corporate finance, capital markets and corporate governance professional with experience acquired across a diverse industry base including mining, consumer products and telecom. Previously, Vice President and Corporate Treasurer for Centerra Gold, and the Alderwoods Group, (formerly Loewen Group International); and Assistant Treasurer for Noranda Inc. He has also held senior positions in treasury / corporate finance for Nortel Networks and George Weston Limited and recently launched a start up junior uranium exploration company. Mr. Lowe has also led a corporate turnaround and restructuring for a retail-based business, culminating in the successful negotiation of complex debt facilities. Jeff obtained his MBA from the Rotman School of Management, University of Toronto, and is a Certified General Accountant, as well as a member of the Institute of Corporate Directors. He remains a mentor for full time MBA students at the Rotman School of Management.

#### **Boda Venkata Nageswara Rao**

Mr. B.V.N. Rao is the Business Chairman of GMR Energy Limited, a company that is engaged in the business of developing, owning and operating power generation projects and investments in power and energy sector. In addition to his position with GMR, Mr. Rao is on the board of several publicly listed and private companies involved in the energy sector in India and abroad. He has 13 years of varied banking experience with exposure in industrial finance, foreign exchange and international trade. Mr. Rao is also experienced through his comprehensive exposure to various sectors including corporate and project planning, taxation and cost reduction measures, designing financial control systems and monitoring of same. Mr. Rao is also on the board of directors of several companies of the GMR group, including the publicly listed GMR Infrastructure Ltd.

#### **Raaj Kumar**

Mr. Kumar is the Chief Executive Officer and Director of GMR Energy Limited, engaged in the business of developing, owning and operating power generation projects and investments in power and energy sector. Mr. Kumar is a qualified Electrical Engineer from BITS, Pilani, India. He has over 30 years of rich experience in reputed organizations like Grasim Industries, AP Rayons, Baroda Rayons, Asian Paints, Jindal Praxair Oxygen Co. Ltd. and JSW Energy Ltd. in various locations across India. Mr. Kumar started his career as a Maintenance Engineer in a large chemical industry and then moved to Grasim Industries where he rose to become Chief Engineer. In 1999, he joined Jindal Praxair Oxygen Company Ltd, first as a director and was subsequently appointed to Managing Director. Before joining GMR, Mr. Kumar was Joint Managing Director and CEO of JSW Energy Ltd. (JSWEL), where he introduced innovations to supply power at very competitive tariffs to the state utilities in various parts of India. Under his leadership, JSWEL has embarked upon very ambitious growth plans which include setting up an imported coal based 1000-1200 MW plant in Ratnagiri, Maharashtra and lignite based 1000 MW capacity in Rajasthan.

#### **Ashis Basu**

Mr. Basu as the Executive Vice President of GMR Energy Limited heads the Commercial & Contract function for the energy business and also heads the group's coal business, which currently includes development of a major thermal coal mine in Indonesia. Mr. Basu is a commerce graduate and a Chartered Accountant and brings nearly 25 years of rich working experience in the energy sector including power generation, transmission, distribution and coal mine development in the commercial, finance and business development areas. Prior to joining GMR Group in 2001, Mr. Basu was working for RPG Group, a major diversified industrial group in India (last position held was that of Chief Manager – Finance) for nearly 17 years. During his career, Mr. Basu been involved in financial and accounting aspects of running a large private utility, has had key roles in the development and financing of a captive coal mine, negotiation and implementation of high value construction contracts, operation and maintenance of such contracts for power projects with domestic and international suppliers, project financing involving multilateral agencies, export credit agencies, financial institutions, negotiation of large value contracts for mine development and operation, setting up joint ventures and all related commercial areas.

#### **Valli Moosa**

Mr. Valli Moosa is the executive chairman of Lereko Investments and former chairman of Eskom Holdings. He currently sits on the boards of six companies – Lereko, Anglo Platinum, Imperial Holdings, Real Africa Holdings, Sanlam, and Sun International. According to Citadel and Empowerdex's 2008 Trailblazer survey, this makes Mr. Moosa the fifth most influential black company director in South Africa. A former environment and tourism minister of South Africa (1999-2004), Moosa is president of the International Union for the Conservation of Nature. He was

minister of constitutional affairs from 1996 – 1999 and deputy minister from 1994 – 1996. Until May 2009, he has been a member of the ANC National Executive Committee where he has served since 1991. Mr. Moosa holds a B.Sc. in mathematics and physics from the University of Durban-Westville.

**SHAREHOLDERS ARE URGED TO ELECT THE MANAGEMENT SLATE AS DIRECTORS OF THE COMPANY.**

In addition, the following are detailed biographies of other key members of Management who do not serve on the Board of Directors.

**Mr. Stephen Coates – President and Chief Executive Officer**

Mr. Coates founded Homeland in 2004 and serves as its President and Chief Executive Officer. He is a graduate of King's College at the University of Western Ontario and has experience in government, investment management, communications and business development in the exploration and mining sectors. Mr. Coates is an experienced consultant on strategic relationships, business development and communications to the junior mining sector. The first four years of his working career were spent as an investment manager with RBC Dominion Securities, Canada's largest investment bank. Mr. Coates previously served as Special Advisor to Ontario Premier Mike Harris and is currently a director and/or advisor to several private and public companies including Homeland Uranium Inc, where he serves as Chairman.

**Mr. Michael (Mike) Nell – Chief Operating Officer**

Mr. Nell was appointed Chief Operating Officer of Homeland Energy Group in March of 2008 and also serves as Managing Director of the fully owned subsidiary, Homeland Mining & Energy, South Africa, a role he has held since early 2006. He has been instrumental in building a strong team to manage the Company's various operations in South Africa and is responsible for Homeland's exploration and development programs.

Mr. Nell, a professional mining engineer, is a qualified person as defined by Canadian National Instrument 43-101 – *Standards for Disclosure for Mineral Projects*. He has more than 26 years of experience in the coal exploration, development and mining industry with companies such as Anglo Coal and Injula Mining, as well as with Rand London (ALOE Minerals) and Marlin Quarries. Mr. Nell currently resides in South Africa.

**Mr. Andrew Gottwald – Chief Financial Officer**

Mr. Gottwald is a Chartered Accountant with over 15 years experience in the financial services industry. Prior to joining Tahera Diamond Corporation as Controller in 2000, Mr. Gottwald was a financial analyst with Arthur Andersen LLP. Promoted to Chief Financial Officer in 2001 and Executive Vice President Finance and CFO in 2007, Mr. Gottwald managed the transition of Tahera's Jericho diamond mine from its exploration stage through development and into commercial production, negotiated and completed 16 equity and two debt financings totalling over \$220 million, and developed and implemented accounting, reporting and procedural systems appropriate for the growth of the company and ongoing regulatory and accounting changes. Mr. Gottwald also holds a degree in Statistical Sciences from the University of Western Ontario.

**Naomi Nemeth – Vice President, Investor Relations**

Ms. Nemeth is Vice President, Investor Relations for Homeland Energy Corp. Prior to joining Homeland Energy, she was Vice President, Investor Relations for African Copper PLC, Wolfden Resources, Sanatana Diamonds and Desert Sun Mining. Ms. Nemeth has also held senior investor relations and communications roles in the pharmaceutical and financial services industries. She began her career as a field exploration geologist in the Yukon and northern Ontario. Ms. Nemeth has an Honours BSc in Geology and Biology at Brock University and a Masters degree in Journalism from the University of Western Ontario. Ms. Nemeth serves as an independent director on the Board of MetalCORP Ltd (TSX.V: MTC) and has been on the Ontario Board of Directors of the Canadian Investor Relations Institute since 2002.

**James Garcelon – Strategic Advisor, Acquisitions**

Mr. Garcelon joined Homeland Energy Group in March 2008 as an advisor on business development and acquisition opportunities. Mr. Garcelon has 15 years of experience in the financial services industry. He began his career at RBC Dominion Securities Inc. where he acted in a number of capacities and areas including investment banking, derivatives and quantitative research. In 1997, he joined Pacific Century Group, a then strategic investor in Gordon Capital Corporation. Gordon Capital was acquired by HSBC Securities in late 1998. James played an instrumental role in the restructuring and merging of the two organizations. He was appointed Managing Director, Institutional

Research in 2000. James joined National Bank Financial in 2003 and was promoted to Managing Director, Head of Institutional Sales in 2005. He is a Certified Financial Analyst and holds a Masters of Science in International Political Economy from the London School of Economics, in addition to a HBA from the Richard Ivey School of Business.

### **Cease Trade Orders, Bankruptcies, Penalties or Sanctions**

To the knowledge of the Company, no current or proposed director or executive officer of the Company is, as at the date of this Circular, or has been in the last 10 years before the date of this Circular, a director, chief executive officer or chief financial officer of any company (including the Company) that, while that person was acting in that capacity,

(a) was subject to an order that was issued while the director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer; or

(b) was subject to an order that was issued after the director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer.

To the knowledge of the Company, no current or proposed director or executive officer of the Company or a shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company:

(a) is, as at the date of this Circular, or has been within the 10 years before the date of this Circular, a director or executive officer of any company (including the Company) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or

(b) has, within 10 years before the date of this Circular, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, executive officer or shareholder,

other than Mr. Andrew Gottwald. Mr. Gottwald served as the Chief Financial Officer of Tahera Diamond Corporation ("Tahera") until September 2008 and has acted as the Chief Restructuring Officer of Tahera from December 2008 to present. Tahera applied for protection from its creditors under the Companies' Creditors Arrangement Act in January 2008.

To the knowledge of the Company, none of the current or proposed directors or executive officers of the Company have been subject to (a) any penalties or sanctions imposed by a court relating to Canadian securities legislation or by a Canadian securities regulatory authority or have entered into a settlement agreement with a Canadian securities regulatory authority; or (b) any other penalties or sanctions imposed by a court or a regulatory body that would likely be considered important to a reasonable investor in deciding whether to vote for a proposed director or making an investment decision.

## **GENERAL INFORMATION FOR THE MEETING**

### **SOLICITATION OF PROXIES**

**This Circular is furnished in connection with the solicitation of proxies by and on behalf of the Management of the Company for use at the Meeting to be held in the Quebec Room of the Fairmont Royal York Hotel, 100 Front Street, Toronto, Ontario, at the hour of 10:00 o'clock in the morning (Toronto time), on Tuesday, the 30<sup>th</sup> day of June, 2009 for the purposes set out in the accompanying Notice of Meeting.**

The Board of Directors has fixed the close of business on May 15, 2009 as the record date, being the date for the determination of the registered holders of the Common Shares entitled to receive notice of the Meeting. Duly completed and executed proxies must be received by the Transfer Agent at the address indicated on the enclosed

envelope by no later than 5:00 p.m. (Toronto time) on Friday, June 26, 2009, or not later than 48 hours (excluding Saturdays, Sundays and holidays) before the time of any adjourned Meeting.

Although it is expected that the solicitation of proxies will be primarily by mail, proxies may also be solicited personally by the directors and/or officers of Homeland at nominal cost. Arrangements have been made with brokerage houses and other intermediaries, clearing agencies, custodians, nominees and fiduciaries to forward solicitation materials to the beneficial owners of the Common Shares held of record by such persons and Homeland may reimburse such persons for reasonable fees and disbursements incurred by them in doing so. The costs of the solicitation will be borne by Homeland.

#### **APPOINTMENT AND REVOCATION OF PROXIES**

The persons named in the enclosed form of **GREEN** proxy are officers or directors of the Company.

**A SHAREHOLDER DESIRING TO APPOINT SOME OTHER PERSON, WHO NEED NOT BE A SHAREHOLDER OF THE COMPANY, TO REPRESENT HIM AT THE MEETING, MAY DO SO BY INSERTING SUCH OTHER PERSON'S NAME IN THE BLANK SPACE PROVIDED IN THE ENCLOSED FORM OF PROXY OR BY COMPLETING ANOTHER PROPER FORM OF PROXY AND, IN EITHER CASE, DEPOSITING THE COMPLETED AND EXECUTED PROXY WITH THE TRANSFER AGENT OF THE COMPANY, EQUITY TRANSFER SERVICES INC., 200 UNIVERSITY AVENUE, SUITE 400, TORONTO, ONTARIO M5H 4H1 NO LATER THAN 5:00 P.M. (TORONTO TIME) ON FRIDAY, JUNE 26, 2009.**

A proxy can be executed by the Shareholder or his attorney duly authorized in writing, or, if the Shareholder is a corporation, under its corporate seal by an officer or attorney thereof duly authorized.

A Shareholder forwarding the enclosed form of proxy may indicate the manner in which the appointee is to vote with respect to any specific item by checking the appropriate space. If the Shareholder giving the proxy wishes to confer discretionary authority with respect to any item of business, then the space opposite the item is to be left blank. The Common Shares represented by the proxy submitted by a Shareholder will be voted in accordance with the directions, if any, given in the proxy.

In addition to any other manner permitted by law, a proxy given pursuant to this solicitation may be revoked before it is exercised by an instrument in writing executed by a Shareholder or by a Shareholder's attorney authorized in writing (or, if the Shareholder is a corporation, by a duly authorized officer or attorney) and deposited either at the principal business office of the Company (144 Front Street, Suite 780, Toronto, Ontario, M5J 2L7) at any time up to and including the last business day preceding the day of the meeting or any adjournment thereof at which the proxy is to be used or by sending another form with a later date to the Transfer Agent on June 26, 2009 or no later than 48 hours (excluding Saturdays, Sundays and holidays) prior to any adjourned or postponed meeting.

Please note that Shareholders who receive their Meeting Materials (as defined in the "Advice to Beneficial Shareholders" section below) from Broadridge Investor Communication Solutions, Canada ("**Broadridge**") must return the proxy forms, once voted, to Broadridge for the proxy to be dealt with.

#### **DEPOSIT OF PROXY**

By resolution of the Board of Directors duly passed, **ALL PROXIES TO BE USED AT THE MEETING MUST BE DEPOSITED NOT LATER THAN 5:00 P.M. ON FRIDAY, JUNE 26, 2009 OR NO LATER THAN 48 HOURS (EXCLUDING SATURDAYS, SUNDAYS AND HOLIDAYS) PRIOR TO ANY ADJOURNED OR POSTPONED MEETING, WITH THE COMPANY OR ITS TRANSFER AGENT, EQUITY TRANSFER & TRUST COMPANY.** A return envelope has been included with this material.

#### **ADVICE TO BENEFICIAL SHAREHOLDERS**

Only registered Shareholders or the persons they appoint as their proxies are permitted to vote at the Meeting. However, in many cases, Common Shares owned by a person are registered either (a) in the name of an intermediary (an "**Intermediary**") that the non registered holder deals with in respect of the Common Shares (Intermediaries include, among others, banks, trust companies, securities dealers or brokers and trustees or administrators of self

administered registered savings plans, registered retirement income funds, registered education savings plans and similar plans); or (b) in the name of a clearing agency (such as The Canadian Depository for Securities Limited (“CDS”)) of which the Intermediary is a participant (a “**non registered holder**”). In accordance with the requirements of National Instrument 54-101 - *Communication with Beneficial Owners of Securities of a Reporting Issuer* of the Canadian Securities Administrators, the Company has distributed copies of the Circular and the accompanying Notice of Meeting together with the form of proxy (collectively, the “**Meeting Materials**”) to the clearing agencies and Intermediaries for onward distribution to non registered holders of Common Shares. Intermediaries are required to forward the Meeting Materials to non registered holders unless a non registered holder has waived the right to receive them. Very often, Intermediaries will use service companies to forward the Meeting Materials to non registered holders. Generally, non registered holders who have not waived the right to receive Meeting Materials will either:

- a) be given a form of proxy which has already been signed by the Intermediary (typically by a facsimile stamped signature), which is restricted as to the number and class of securities beneficially owned by the non registered holder but which is not otherwise completed. Because the Intermediary has already signed the form of proxy, this form of proxy is not required to be signed by the non registered holder when submitting the proxy. In this case, the non registered holder who wishes to vote by proxy should otherwise properly complete the form of proxy and deliver it as specified; or
- b) be given a form of proxy which is not signed by the Intermediary and which, when properly completed and signed by the non registered holder and returned to the Intermediary or its service company, will constitute voting instructions (often called a “**Voting Instruction Form**”) which the Intermediary must follow. Typically the non registered holder will also be given a page of instructions which contains a removable label containing a bar code and other information. In order for the form of proxy to validly constitute a Voting Instruction Form, the non registered holder must remove the label from the instructions and affix it to the Voting Instruction Form, properly complete and sign the Voting Instruction Form and submit it to the Intermediary or its service company in accordance with the instructions of the Intermediary or its service company.

In either case, the purpose of this procedure is to permit non registered holders to direct the voting of the Common Shares they beneficially own. Should a non registered holder who receives either form of proxy wish to vote at the Meeting in person, the non registered holder should strike out the persons named in the form of proxy and insert the non registered holder’s name in the blank space provided. Non registered holders should carefully follow the instructions of their Intermediary including those regarding when and where the form of proxy or Voting Instruction Form is to be delivered.

All references to shareholders in this Circular and the accompanying instrument of proxy and Notice of Meeting are to Shareholders of record unless specifically stated otherwise.

#### **EXERCISE OF DISCRETION BY PROXIES**

The persons named in the enclosed form of proxy for use at the Meeting will vote the Common Shares in respect of which they are appointed in accordance with the directions of the Shareholders appointing them. **IN THE ABSENCE OF SUCH DIRECTIONS, SUCH SECURITIES SHALL BE VOTED "FOR":**

- (a) the appointment of McGovern Hurley Cunningham LLP, Chartered Accountants, as auditors of Homeland and authorizing the directors to fix their remuneration;
- (b) the election of the Management Slate as nominated by Management; and
- (c) the transaction of such further or other business as may properly come before the said meeting or any adjournment or adjournments thereof.

The enclosed forms of proxy confers discretionary authority upon the persons named therein with respect to any amendment, variation or other matter to come before the meeting other than the matters referred to in the Notice of Meeting. **MANAGEMENT IS NOT AWARE OF ANY OTHER MATTERS THAT MAY COME BEFORE THE MEETING OTHER THAN THOSE REFERRED TO IN THE NOTICE OF MEETING, HOWEVER, IF ANY SUCH AMENDMENTS, VARIATIONS OR OTHER MATTERS WHICH ARE NOT NOW KNOWN TO MANAGEMENT SHOULD PROPERLY COME BEFORE THE MEETING, THE COMMON SHARES**

**REPRESENTED BY THE PROXIES HEREBY SOLICITED WILL BE VOTED THEREON IN ACCORDANCE WITH THE BEST JUDGMENT OF THE PERSON OR PERSONS VOTING SUCH PROXIES.**

#### **VOTING SECURITIES AND PRINCIPAL HOLDERS THEREOF**

Each Shareholder of record on May 15, 2009 will be entitled to one (1) vote for each Common Share held at the Meeting.

Holders of record of the Common Shares of the Company on May 15, 2009 (the “**Record Date**”) will be entitled either to attend and vote at the Meeting in person shares held by them or, provided a completed and executed proxy shall have been delivered to the Company as described herein, to attend and vote thereat by proxy the shares held by them. Persons who acquire Common Shares in any manner after the Record Date will not be entitled to vote at the Meeting.

The authorized capital of the Company presently consists of an unlimited number of Common Shares, of which 274,650,688 Common Shares were issued and outstanding as fully paid and non-assessable as of the Record Date and an unlimited number of first preferred shares issuable in series of which none are currently issued and outstanding as of the Record Date.

The Common Shares of the Company are listed on the Toronto Stock Exchange under the symbol “HEG”.

To the knowledge of the Board of Directors and Management, there are no parties who beneficially own, directly or indirectly, or exercise control or direction over 10% or more of any class of outstanding voting securities of Homeland as of the date hereof other than as follows:

<u>Name of Share holder</u>	<u>Number and Type of Securities</u>	<u>Percentage of Class</u>	<u>Percentage of Voting Securities</u>
GMR Energy Limited	75,792,027 Common Shares	27.6%	27.6%
Crossridge Investments Limited <sup>(1)</sup>	15,776,512 Common Shares	5.7%	5.7%

(1) Crossridge Investments Limited is an affiliated entity of GMR Energy Limited.

#### **INTERESTS OF CERTAIN PERSONS IN MATTERS TO BE ACTED UPON**

Except as disclosed in this Circular, no person who has been a director or executive officer of the Company at any time since January 1, 2008 and their associates and affiliates has any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise in any of the matters to be acted upon other than the election of the Management Slate or the appointment of auditors or in any transaction since the most recently completed financial year that has materially affected the Company or any of its subsidiaries.

#### **EXECUTIVE COMPENSATION**

On September 18, 2008, the Canadian securities regulatory authorities published a revised executive compensation disclosure form, National Instrument Form 51-102F6 – *Statement of Executive Compensation* (in respect of financial years ending on or after December 31, 2008), (the “**New Form 51-102F6**”) which replaced the previous executive compensation disclosure form, National Instrument Form 51-102F6 – *Statement of Executive Compensation* (the “**Old Form 51-102F6**”). Section 9 of the New Form 51-102F6 sets out the transition rules between the Old Form 51-102F6 and the New Form 51-102F6. Section 9 provides, among other things, that for the Company’s financial year ended December 31, 2008, the Company shall disclose its executive compensation regime in accordance with the New Form 51-102F6 and accordingly, executive compensation with respect to the Company’s financial year ended December 31, 2008 is reported in compliance with the New Form 51-102F6.

## Compensation Discussion and Analysis

This Compensation Discussion and Analysis provides information about the Company's executive compensation objectives and processes and discusses compensation decisions relating to its named executive officers ("**Named Executive Officers**") listed in the Summary Compensation Table that follows. During its fiscal year ended December 31, 2008, the following individuals were Named Executive Officers (as determined by applicable securities legislation) of the Company:

- Stephen Coates, President and Chief Executive Officer, (CEO);
- Stephen Woodhead, Chief Financial Officer, (CFO);
- Mike Nell, Chief Operating Officer, (COO);
- James Garcelon, Strategic Advisor; and
- Naomi Nemeth, Vice-President, Investor Relations.

The Company's remuneration strategy for executive officers has been and will continue to follow three underlying principles:

- to provide compensation packages that encourage and motivate performance;
- to be competitive with other companies of similar size and scope so as to attract and retain talented executives; and
- to align the interests of executive officers with the long-term interests of the Company and its shareholders.

Until recently, the Company was focused on the exploration and development of its coal properties in South Africa. In 2008, the Company commenced production at the Kendal Colliery. This has resulted in a shift in the goals of the compensation program. Historically, the Compensation Committee has considered not only the financial situation of the Company at the time of the determination of executive compensation, but also the estimated financial situation of the Company in the mid- and long-term. An important element of executive compensation has been the granting of stock options, which do not require cash disbursement by the Company.

In late fall of 2008, the Company engaged Swann Global ("Swann"), an international recruiting and compensation specialist to provide advice on the restructuring of the Company's compensation program. The mandate of Swann was to review the existing contracts with Homeland executives and the existing short-term and long-term incentives. Swann carried out a competitive evaluation by collecting data for a target competitor group. The total compensation structure established on a go-forward basis will consist of a base salary plus short-term incentives ("STI") and long-term incentives ("LTI"). The purpose of the LTI is retention in the form of incentives driven by cash or stock rights, typically vesting over a three-year period, whereas the STI plan is typically driven by cash and or stock rights that are vested annually. The Compensation Committee considered the total compensation package to be offered to individual executives and ensured that these were aligned with the Company's values and corporate goals. The strategy and compensation will be reviewed every three years to ensure competitive positioning and alignment as the Company grows. The Long-Term Incentive Plan is administered by the Compensation Committee which has full and final authority with respect to the granting of options thereunder.

Compensation for the Company's Named Executive Officers consists of the following components: (i) base cash salary; (ii) options granted pursuant to the Company's Stock Option Plan; and (iii) cash bonus payments for achievement of stated milestones or benchmarks. The Company is in the process of implementing a program of STIs and LTIs. The Company also provides its Named Executive Officers with certain perquisites or personal benefits. The Company does not provide any additional compensation to its Named Executive Officers for serving as directors of the Company.

The principles of the remuneration are based upon a combination of fixed salary or total fixed remuneration ("TFR") and variable at-risk compensation ("TVR"). A variety of factors are taken into consideration when determining compensation policies including the overall financial and operating performance of the Company. Individual compensation levels are specifically linked to the Compensation Committee's and the Board's overall assessment of the following factors:

- each executive officer's individual performance and contribution towards meeting corporate objectives;
- each executive officer's level of responsibility; and

- industry comparables.

The compensation formula and other terms of employment are formalized in each executive officer's employment contract. The Company has several key contracts in place for the Named Executive Officers. Certain of these contracts were undertaken early in the history of the Company, including contracts for the CEO (signed November 1, 2006), the former CFO (signed March 1, 2007) and the Vice-President, Investor Relations (signed December 17, 2007 but effective January 1, 2008). Additional contracts were entered into for the COO and the Company's Strategic Advisor in 2008.

These contracts contained base salaries which at the time were considered to lie within the 50<sup>th</sup> and 75<sup>th</sup> percentile of peer group salaries for the Named Executive Officers. In late 2008, a detailed review was initiated by the Compensation Committee to ensure that the salaries on a go-forward basis were correctly aligned and competitive. This independent review was undertaken by Swann Global and was presented to the Board in early 2009. As a result of this review, the Compensation Committee recommended that the TFR for the Named Executive Officers on a go-forward basis be set to a range plus or minus 10% of the median of the Company's peer group. At this time, revisions were made to the existing contracts to incorporate suggested changes.

Given the global financial crisis, it was decided that the 2009 base salaries for the Named Executive Officers be held constant, recognizing however that such salaries need to remain competitive. The base salary of the CEO for 2009 was increased by 10% to bring this in line with peer group medians which reflected the fact that Homeland had graduated during the year from developer to miner status. The independent survey indicated that the proposed base salary for the CEO is negative 11% relative to peers and for the total compensation is negative 4% relative to the peer group. The peer group consisted of 26 mining and development companies with similar asset classification ranging in market capitalization from \$25 to \$100 million. Data sources consisted of public documents and surveys collected by Swann Global.

Actual remuneration for 2008 is shown in the Summary Compensation Table below.

#### **Remuneration of the Chief Executive Officer (CEO)**

Up until the listing of the Company's Common Shares on the TSX the CEO and co-founder of the Company received a base salary of £75,000 per annum. Thereafter, his compensation was increased to £125,000 per annum. The TFR paid to the CEO in 2008 was his total base salary of \$226,372. In addition to his base salary, his TVR compensation included a bonus component based upon his ability to complete the successful listing of the Company within a certain time frame and the granting of the Kendal Mining Licence. Additional compensation to cover living and relocation costs to the Company's London office was also part of the total remuneration package. The Board of Directors determined that the CEO needed to be based in London due to the significant amount of time he was spending in South Africa building and manpowering the construction and acquisition teams.

On a go-forward basis and as part of the independent review, the Compensation Committee has recommended that the CEO's salary be set at \$250,000 with a short term at-risk incentive target of 40% of base salary. The long term at-risk incentive is recommended to be in the form of an award of performance shares. The Compensation Committee is currently adopting a series of performance criteria for the CEO which will be aligned to the Company's corporate objectives in 2009. These criteria will include operational milestones such as licence grants for mining as well as stock performance of the Company versus its peers.

In 2008, the performance criteria included the listing of the Company, the commissioning of Phase 1 of the Kendall Colliery and the continued financing of the Company through this development and construction phase.

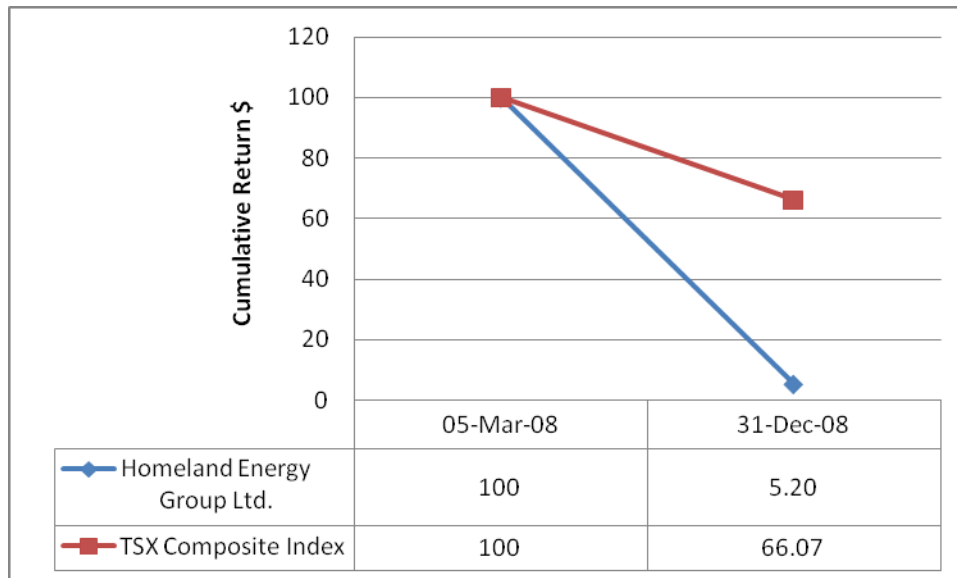
#### **Compensation Committee**

The Company's Compensation Committee, which is comprised of three directors, two of whom are independent within the meaning of section 1.4 of National Instrument 52-110 – *Audit Committees* ("NI 52-110"), consists of Laurence Curtis (Chairman and Non-Executive Independent Director), Neil McLoughlin (Non-Executive Independent Director) and Avrom Howard (Non-Executive Director). Pursuant to the June 3, 2009 agreement entered into by HEG with GMR Energy Ltd., the composition of the Compensation Committee will be evaluated following the Meeting and new committee members will be appointed. The Compensation Committee is responsible for the compensation program for the Company's Named Executive Officers. At the request of the Compensation

Committee, the Named Executive Officers may, from time to time, provide recommendations to the Compensation Committee with respect to the compensation program for the Company's Named Executive Officers. The Committee then makes recommendations to the full Board of Directors with respect to compensation of the Named Executive Officers.

The deliberations of the Compensation Committee are private and are intended to advance the three key objectives of the compensation program for the Company's Named Executive Officers.

### Performance Chart



Note: The performance chart is shown from March 5, 2008 which is the date the common shares of Homeland Energy Group Ltd. began trading on the TSX.

The above graph compares the change in the cumulative total shareholder return of the Common Shares of the Company versus the cumulative total return of the TSX Composite Total Return Index. The Company commenced trading on the TSX March 5<sup>th</sup>, 2008 and the performance declined significantly relative to the TSX composite by year end. While volatility in the market sector accounted for some of this decrease, the uncertainty surrounding financing of one of the key acquisitions under consideration contributed to a significant decline in the share price.

Compensation of the CEO was reviewed during this period and while the share price decline was significant, the key performance criteria established as part of the CEO's contract were met during the year. These included listing of the Company and the commissioning of the Kendall Colliery. It is also noted that the CEO's compensation for the year was found by the independent compensation survey to be in line with peer group medians as discussed above.

### Summary Compensation Table

The following table contains information about the compensation paid to, earned by and payable to, the Company's Named Executive Officers for the year ended December 31, 2008. Specific aspects of compensation payable to the Named Executive Officers of the Company are dealt with in further detail in subsequent tables.

### Summary Compensation Table

Name and Principal Position	Year	Salary (\$)	Share-Based Awards (\$)	Option-Based Awards <sup>1</sup> (\$)	Non-Equity Incentive Plan Compensation (\$)		Pension Value	All Other Compensation (\$)	Total Compensation (\$)
					Annual Incentive Plan <sup>2</sup>	Long-Term Incentive Plans			
Stephen Coates CEO <sup>4,5</sup>	2008	226,372	Nil	708,000	50,000	Nil	Nil	218,384	1,202,756
Stephen Woodhead CFO <sup>3,6</sup>	2008	200,000	Nil	109,150	25,000	Nil	Nil	650,000	984,150
Mike Nell COO <sup>3,7</sup>	2008	192,158	Nil	354,000	26,320	Nil	Nil	Nil	572,478
James Garcelon Strategic Advisor <sup>3,8</sup>	2008	158,333	Nil	295,000	Nil	Nil	Nil	Nil	453,333
Naomi Nemeth VP Investor Relations <sup>3,9</sup>	2008	150,000	Nil	275,000	50,000	Nil	Nil	Nil	475,000

- (1) The fair value of options was estimated using the Black-Scholes option pricing model with the following assumptions: expected dividend yield 0%; risk-free interest rate 3%; estimated life 3 years; and expected volatility 71%.
- (2) Amounts represent bonuses earned in respect of the year indicated. Amounts were accrued in the year shown and paid in the subsequent year.
- (3) The aggregate value of perquisites and benefits for the identified Named Executive Officers is less than the lesser of \$50,000 or 10% of the Named Executive Officer's total annual salary.
- (4) Mr. Coates joined the Company on November 1, 2006.
- (5) Mr. Coates' other compensation includes living expenses while based in London.
- (6) Mr. Woodhead joined the Company on March 1, 2007. In July of 2008, Mr. Woodhead's employment contract was amended to provide for a non-competition clause. As consideration for waiving certain rights with respect to the sale of an interest in the Company's South African subsidiary and for the non-competition provisions, the Company agreed to make a payment to Mr. Woodhead of \$650,000.
- (7) Mr. Nell joined the Company March 1, 2006 and was appointed COO March 5, 2008
- (8) Mr. Garcelon joined the Company on March 17, 2008.
- (9) Ms. Nemeth joined the Company on January 1, 2008.

#### Incentive Plan Awards

The granting of options to the Named Executive Officers under the Company's Stock Option Plan provides an appropriate long-term incentive to management to create shareholder value. Options are granted to the Named Executive Officers in numbers which recognize on a reasonable basis their specific contribution to the Company in their capacities as executive officers of the Company. Previous grants of options to Named Executive Officers are taken into consideration by the Compensation Committee when considering new option grants.

The granting of options to the non-executive directors of the Company under the Company's Stock Option Plan provides an appropriate long-term incentive to these directors to provide proper oversight to the Company with a view to maximizing shareholder value. Options granted to the non-executive directors are awarded in numbers which

recognize, on a reasonable basis, their contributions to the Company in their capacities as independent directors and members of the various committees of the Board of Directors, including the Compensation Committee, Audit Committee and Corporate Governance Committee. Previous grants of options awarded to the non-executive directors of the Company are taken into consideration when considering new option grants.

#### Outstanding Share-Based and Option-Based Awards Granted to Named Executive Officers as of December 31, 2008

The following table summarizes all share-based and option-based awards granted by the Corporation to its Named Executive Officers which are outstanding as of December 31, 2008.

Name	Option-Based Awards			Share-Based Awards		
	Number of Securities Underlying Unexercised Options (#)	Option Exercise Price (\$)	Option Expiration Date	Value of Unexercised In-The-Money Options <sup>1</sup> (\$)	Number of Shares or Units of Shares that have not Vested	Market or Payout Value of Share-Based Awards that have not Vested (\$)
Stephen Coates	1,200,000	US\$0.50	November 1, 2009	Nil	-	-
	1,200,000	1.25	May 22, 2011	Nil	800,000	-
Stephen Woodhead	270,000	US\$0.50	March 1, 2010	Nil	-	-
	185,000	1.25	May 22, 2011	Nil	-	-
Mike Nell	100,000	US\$0.25	July 25, 2009	Nil	-	-
	600,000	1.25	May 22, 2011	Nil	400,000	-
James Garcelon	500,000	1.25	May 22, 2011	Nil	333,333	-
Naomi Nemeth	400,000	1.10	January 1, 2011	Nil	266,667	-
	100,000	1.25	May 22, 2011	Nil	66,667	-

Note:

- (1) Based on the closing price of the Common Shares on the Toronto Stock Exchange on December 31, 2008 of \$0.065 per Common Share.
- (2) Subsequent to year end, all of the options held by the Company's Named Executive Officers were cancelled with the exception of 100,000 options exercisable at US\$0.25 per share, 270,000 options at a price of US\$0.50 and 185,000 options at a price of C\$1.25. On February 10, 2009 a total of 800,000 options at a price of \$0.20 were granted to the Company's Named Executive Officers. On May 20, 2009 1,000,000 options were granted to the new Chief Financial Officer at a price of \$0.20.

#### Value Vested or Earned by Named Executive Officers During the Year Ended December 31, 2008 Under Option-Based Awards, Share-Based Awards and Non-Equity Incentive Plan Compensation

The following table summarizes the value vested or earned by Named Executive Officers in respect of option-based awards, share-based awards and non-equity incentive plan compensation during the year ended December 31, 2008.

Name	Option-Based Awards- Value Vested During the Year <sup>1</sup> (\$)	Share-Based Awards- Value Vested During the Year (\$)	Non-Equity Incentive Plan Compensation - Value Earned During the Year (\$)
Stephen Coates	-	n/a	50,000
Stephen Woodhead	-	n/a	25,000
Mike Nell	-	n/a	26,320
James Garcelon	-	n/a	-
Naomi Nemeth	-	n/a	50,000

Note:

- (1) Determined based on the difference between the market price of the underlying Common Shares on the vesting date and the exercise price of the options.

### **Employment/Consulting Contracts**

The following describes the change of control provision in each of the employment contracts for the Named Executive Officers.

Pursuant to the Company's employment agreement with Mr. Coates, he is entitled to a payment equal to 3 times his salary over the previous 12 months plus an amount equal to all bonuses received in the previous 36 months if he elects to leave the Company or is terminated within one year of a change of control. For the purposes of Mr. Coates contract, a change of control includes the acquisition by a person of a 30% interest in the Company or in any material subsidiary or the acquisition of more than 50% of the assets of any material subsidiary of the Company. The issuance of a 33% stake to GMR in February of 2009 triggered this clause. If Mr. Coates elects to exercise his rights under this clause he will be entitled to a payment of approximately \$875,000.

Mr. Woodhead's agreement was amended in July of 2008 to remove any entitlements on termination or in the event of a change of control. Mr. Woodhead received a retention bonus to continue with the Company until such time as a Chief Financial Officer with the appropriate production experience could be identified, as both the Company and Mr. Woodhead agreed that it would be in the best interests of the Company to make this change.

In April of 2009, the Company entered into an employment agreement with Andrew Gottwald as Chief Financial Officer. In the event of termination or resignation within 180 days of a change of control, Mr. Gottwald is entitled to a payment equal to his salary and all bonuses received during the 12 months prior to a change of control if that change of control occurs during the first two years of his employment and otherwise to a payment equal to 2 times his salary and all bonuses received during the 12 months prior to a change of control. For the purposes of Mr. Gottwald's contract a change of control would mean a person acquiring a 50% stake in the Company, a change of more than 50% of the directors of the Company that is not approved by existing management or in the event of a significant merger transaction.

In April of 2009, the Company revised its agreement with Mike Nell as Chief Operating Officer. In the event of termination or resignation within one year of a change of control, Mr. Nell is entitled to a payment equal to his total compensation in the 12 months preceding a change of control if that change of control occurs prior to January 1, 2010 and otherwise to a payment equal to twice his salary and bonuses in the 12 months preceding a change of control. For the purpose of Mr. Nell's contract, a change of control would mean a person acquiring a 50% stake in the Company, a change of more than 50% of the directors of the Company or in the event of a significant merger transaction.

In January of 2008, the Company entered into an employment agreement with Naomi Nemeth as Vice President, Investor Relations. In the event of termination or resignation within one year of a change of control Ms. Nemeth is entitled to a payment equal to her salary over the previous 12 months plus an amount equal to all bonuses received in the previous 12 months.. For the purposes of Ms. Nemeth's contract, a change of control has the same meaning as in Mr. Coates' contract. The issuance of a 33% stake to GMR in February of 2009 triggered this clause. If Ms. Nemeth elects to exercise her rights under this clause she will be entitled to a payment of \$200,000.

There are no other contracts, agreements, plans or arrangements entitling a Named Executive Officer to a payment in the event of any termination, change of responsibilities or change in control of the Company.

### **Summary of Termination Benefits**

The following table sets out the annual remuneration, termination notice period and associated compensation for each Named Executive Officer if they are terminated for a reason other than cause in the normal course of business.

	2009 Base Salary (\$)	Compensation in lieu of Notice Period	Estimate of Obligation as of June 1, 2009
Stephen Coates	250,000	24 months remuneration	500,000
Andrew Gottwald	200,000	6 months remuneration for first year. An additional month per year after, to a max. of 24 months	100,000
Mike Nell	200,000	12 months remuneration	200,000
James Garcelon	200,000	3 months remuneration	50,000
Naomi Nemeth	150,000	3 months remuneration	37,500

### Compensation of Directors

The compensation of the non-executive directors is determined by the full Board of Directors with interested parties abstaining from voting in respect of their own stock option grants. The payment of directors' fees to the non-executive directors recognizes their contributions to the Company in their capacities as non-executive directors and members of the various committees of the Board of Directors, including the Compensation Committee, Audit Committee and Corporate Governance Committee.

The following table contains information about the compensation awarded to, earned by, paid to or payable to, the Company's directors, other than its Named Executive Officers, the compensation of whom is detailed above under "Summary Compensation Table", for the fiscal year ended December 31, 2008.

### Director Compensation Table

Name	Fees Earned (\$)	Share-Based Awards (\$)	Option-Based Awards <sup>(1)</sup> (\$)	Non-Equity Incentive Plan Compensation (\$)	Pension Value (\$)	All Other Compensation (\$)	Total (\$)
<b>A. Tom Griffis<sup>2</sup></b>	<b>182,354</b>	<b>Nil</b>	<b>708,000</b>	<b>Nil</b>	<b>Nil</b>	<b>Nil</b>	<b>890,354</b>
<b>Laurence Curtis</b>	<b>30,000</b>	<b>Nil</b>	<b>59,000</b>	<b>Nil</b>	<b>Nil</b>	<b>Nil</b>	<b>96,500</b>
<b>Avrom E. Howard</b>	<b>30,000</b>	<b>Nil</b>	<b>295,000</b>	<b>Nil</b>	<b>Nil</b>	<b>Nil</b>	<b>325,000</b>
<b>Neil McLoughlin</b>	<b>30,000</b>	<b>Nil</b>	<b>59,000</b>	<b>Nil</b>	<b>Nil</b>	<b>Nil</b>	<b>89,000</b>
<b>Robert Munro</b>	<b>30,000</b>	<b>Nil</b>	<b>226,560</b>	<b>Nil</b>	<b>Nil</b>	<b>Nil</b>	<b>256,560</b>

Notes:

- (1) The fair value of options was estimated using the Black-Scholes option pricing model with the following assumptions: expected dividend yield 0%; risk-free interest rate 3%; estimated life 3 years; and expected volatility 71%.
- (2) Mr. Griffis resigned as Chairman and a director on June 1, 2009.

### Outstanding Share-Based and Option-Based Awards Granted to Directors (Other Than Directors Who are Named Executive Officers) as of December 31, 2008

The following table summarizes all share-based and option-based awards granted by the Company to its directors (other than directors who are Named Executive Officers whose share-based and option-based awards outstanding as of December 31, 2008 are detailed above) which are outstanding as of December 31, 2008.

Name	Option-Based Awards			Share-Based Awards		
	Number of Securities Underlying Unexercised Options (#)	Option Exercise Price (\$)	Option Expiration Date	Value of Unexercised In-The-Money Options <sup>1</sup> (\$)	Number of Shares or Units of Shares that have not Vested	Market or Payout Value of Share-Based Awards that have not Vested (\$)
A. Tom Griffis	1,200,000	1.25	May 22, 2011	Nil	-	-
Laurence Curtis	400,000	0.80	Oct 2, 2010	Nil	-	-
	100,000	1.25	May 22, 2011			
Avrom Howard	500,000	1.25	May 22, 2011	Nil	-	-
Neil McLoughlin	400,000	US\$0.50	Oct 28, 2010	Nil	-	-
	100,000	1.25	May 22, 2011			
Robert Munro	384,000	1.25	May 22, 2011	Nil	-	-

Notes:

- (1) Based on the closing price of the Common Shares on the Toronto Stock Exchange on December 31, 2008 of \$0.065.
- (2) Subsequent to December 31, 2008 all of these options were cancelled. On February 10, 2009 a total of 700,000 options at \$0.20 were granted to Directors other than Directors who are also Named Executive Officers.

**Value Vested or Earned During the Year Ended December 31, 2008 by Directors (Other Than Directors Who are Named Executive Officers) Under Option-Based Awards, Share-Based Awards and Non-Equity Incentive Plan Compensation**

The following table summarizes the value vested or earned during the year ended December 31, 2008 by directors of the Company (other than directors who are Named Executed Officers whose value vested or earned during the year ended December 31, 2008 under option-based awards, share-based awards and non-equity incentive plan compensation is detailed above) in respect of option-based awards, share-based awards and non-equity incentive plan compensation.

Name	Option-Based Awards- Value Vested During the Year <sup>1</sup> (\$)	Share-Based Awards- Value Vested During the Year (\$)	Non-Equity Incentive Plan Compensation- Value Earned During the Year (\$)
Tom Griffis	-	n/a	n/a
Robert Munro	-	n/a	n/a
Neil McLoughlin	-	n/a	n/a
Laurence Curtis	-	n/a	n/a
Avrom Howard	-	n/a	n/a

Note:

- (1) Determined based on the difference between the market price of the underlying Common Shares on the vesting date and the exercise price of the options.

## CORPORATE GOVERNANCE

The Canadian Securities Administrators, in National Instrument 58-101 - *Disclosure of Corporate Governance Practices* ("NI 58-101"), have adopted guidelines for effective corporate governance which address the constitution and independence of boards, the functions to be performed by boards and their committees and the recruitment, effectiveness and education of board members. A description of the Company's corporate governance practices is set

out below, including a discussion of the principal matters relating to corporate governance practices discussed in NI 58-101.

This discussion statement has been prepared and approved by the Board of Directors in consultation with the Compensation Committee and Corporate Governance Committee.

### **Board of Directors**

During the year ended December 31, 2008, the Board of Directors was composed of six (6) directors, two (2) of whom are considered independent within the meaning of section 1.4 of NI 52-110. Laurence Curtis, and Neil McLoughlin are considered independent directors. Robert Munro was an executive officer of Chrysalis prior to the merger with Homeland Energy Corp. and therefore does not meet the technical definition of independence as set out in NI 52-110. However, Mr. Munro was not a director, officer or employee of HEG prior to the Merger and ceased to be an executive officer of the Company on the completion of the Merger. Under these circumstances the Company relied upon the provisions of section 3.6 of NI 52-110 and resolved that Mr. Munro could exercise the impartial judgment necessary for him to fulfill his responsibilities as an independent director and that such appointment was in the best interests of the Company. Robert Munro joined the Board following the merger on March 5, 2008.

Stephen Coates, as President and Chief Executive Officer of the Company, Tom Griffiths, as an executive Chairman and Avrom Howard, as an employee within the past three years, would not be considered independent.

Following the Meeting, assuming that the Management Slate is nominated, the Board will consist of seven (7) directors, three (3) of whom will be independent. Laurence Curtis, Jeff Lowe and Valli Moosa are considered independent. Ashis Basu, Raaj Kumar and B.V.N. Rao are not considered independent as they are representatives of the Company's largest shareholder and Avrom Howard is not independent as has been an employee of the Company in the last three years. However, Mr. Howard will become an independent director in 2010.

Mr. Griffiths, as Chairman of the Board, has been responsible for ensuring that the Board discharges its responsibilities. Following the Meeting the Board will elect a new chairman to fulfil these responsibilities. Although the Company has not implemented formal structures or procedures for the independent functioning of the Board, the Board believes that it operates independently of Management. The Board carries out an annual survey of Board Effectiveness and Director Self-Assessment. Directors are expected and encouraged to exercise independent judgment and effectively review and challenge the performance of Management. The Board annually re-assesses the independence of each director based on the definition contained in section 1.4 of NI 52-110 as well as the independence of each Audit Committee member based on the more rigorous standard contained in section 1.5 of NI 52-110.

The independent directors held 4 meetings in 2008.

### **Directorships**

The Board is currently comprised of experienced directors some of which are board members of other public companies. The following table summarises the directorships with other reporting issuers held by the current directors of the Company.

Director	Company Name
Laurence Curtis	Alturas Minerals Corp
	Intrepid Mines Limited
Robert Munro	Chrysalis Capital VII Corporation
	Chrysalis Capital VI Corporation
	Enssolutions Group Inc.
Stephen Coates	Exploratus Ltd.
	Homeland Uranium Inc.
Avrom Howard	Homeland Uranium Inc.
Tom Griffis	No other directorships held

### Director Attendance

The following table summarizes the attendance record of each Director and former Director for each meeting of the Board of Directors held in fiscal year 2008 for the Directors of the Company. A total of 10 meetings were held during this period.

Director	Board Meetings (10 held)
Stephen Coates	10
Tom Griffis	10
Neil McLoughlin	8
Laurence Curtis	10
Robert Munro	7*
Avrom Howard	9
*Mr. Munro was a director since March 5, 2008 after which time there were 8 meetings held.	

### Board Mandate

The Board does not currently have a written mandate. The Board does however have a director's position description which clearly states the duties and responsibilities of the directors. A copy of this director's position description has been appended to this Circular. A Board mandate has been drafted and will be approved by the Board during the 2009 fiscal year.

### Position Descriptions

Written position descriptions have not been developed by the Board for the Chairman of the Board, the Chairman of the Audit Committee, the Chairman of the Corporate Governance Committee, the Chairman of the Compensation Committee or the Chief Executive Officer of the Company. Historically, the role and responsibility of the Chairman of the Audit Committee, the Chairman of the Compensation Committee and the Chairman of the Corporate Governance Committee has been (and will continue to be) to lead candid discussion among the respective committee members, to assign tasks to the respective members as required and to report to the Board on behalf of the respective committee as necessary with respect to items within the purview of such committee. The Company anticipates that it will develop and implement position descriptions for the Chairman of the Board, the chairman of each committee of

the Board and for the Chief Executive Officer during the 2009 fiscal year. The roles and responsibilities of the Named Executive Officers are set out in their respective employment agreements. The Chief Executive Officer's employment agreement is reviewed and approved by the Board.

### **Orientation and Continuing Education**

New directors of the Company are provided with comprehensive information about the Company. They also have the opportunity to meet with Management of the Company and to obtain insight into the Company's business. All of the members of the Board are familiar with the Company's business and many have experience acting as board members of other mining exploration and development companies. As required, individual members of the Board will be provided with continuing education opportunities to ensure that each member maintains the skill and knowledge necessary to meet their obligations as directors of the Company.

### **Code of Conduct**

The Company has adopted a code of conduct ("Code"), a copy of which is available on the Company's profile at [www.sedar.com](http://www.sedar.com). Shareholders may obtain a copy from this website or request one in writing from the Company's registered office. The Code is distributed to all employees annually and the Board requires that all employees sign this Code annually. The Audit Committee is responsible for compliance issues relating to the code of ethics.

All directors are required to disclose to the Board all interests they might have in a material transaction. The Board will then exclude such directors from discussions and decision making with respect to such transaction other than to respond to any applicable questions.

### **Nomination of Directors**

The Company has a Corporate Governance Committee whose mandate is to oversee the nomination of directors. The Corporate Governance Committee has been composed of one (1) independent director and one (1) director who is not independent within the meaning of section 1.4 of NI 52-110 but who the Board is treating as an independent director (see paragraph titled "**Board of Directors**" above). Following the Meeting, the Board will consider the appropriate nominees to the Corporate Governance Committee. This committee has a written mandate and is responsible for vetting all potential nominees to the Board. Board members are able to freely make suggestions regarding individuals to be considered by the Board for nomination. After such consideration, the committee determines whether or not to put the individual forward as a nominee at the annual meeting of shareholders or at such other time as may be necessary.

### **Compensation**

Compensation of the directors and executive officers is determined by the Board in consultation with the Compensation Committee. The Compensation Committee meets throughout the year and on an ad hoc basis to discuss performance and mandates for management. The Compensation Committee also holds formal review meetings at the conclusion of each year to measure performance and adjust salaries and determine whether any bonuses will be payable. The committee has been composed of three directors, two of whom are independent. Following the Meeting, the Board will consider the appropriate nominees to this committee. The Board has adopted a written mandate for the Compensation Committee. The Board has retained a compensation consultant to assist in determining compensation for directors and officers.

### **Other Committees**

As a relatively small Board of six members, to be increased to seven (7) following the Meeting, the Board acts on all matters with the exception of duties carried out specifically by the Audit Committee, the Compensation Committee and the Corporate Governance Committee. There are no additional committees of the Board. All directors participate actively in the decision making process and all work effectively and efficiently as a group. At the present time, the Company does not have a formal assessment process for the Board, its committees or individual directors. The Board does consider from time to time its effectiveness as well as the effectiveness of its committees. The Board is in the process of establishing a formal assessment procedure.

## SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

The following table sets out information as of December 31, 2008 with respect to compensation plans under which equity securities of the Company are authorized for issuance.

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column a)
Equity compensation plans approved by security holders	15,269,490	\$1.08	1,666,650
Equity compensation plans not approved by security holders	Nil	Nil	Nil
Total	15,269,490		1,666,650

Note:

- (1) Subsequent to December 31, 2008, 9,712,335 of these options were cancelled by mutual agreement between the Company and the option holders to reflect the impact on changes in the market. Under the rules of the TSX, a period of 90 days must pass before options can be regranted to the same person at a lower price. On February 10, 2009, 2,500,000 options at a price of \$0.20 were granted. **These options were not options that were repriced but represented the balance of options available under the Stock Option Plan to be granted.** It is the intention of the Board of Directors to grant new options to those persons whose options were cancelled to place them in a similar position now that 90 days have passed since the cancellation, no further options have been granted to date, other than 1,000,000 on May 20, 2009 at \$0.20 to the incoming CFO. The expectation is that new options will be granted prior to the Meeting. However, the Company intends to limit the number of options it grants to 10% of its outstanding capital prior to the share issuances that occurred in February and March of this year, recognizing that it would be inappropriate to increase the number of options available under the Stock Option Plan to 10% of outstanding capital under the current circumstances

### STOCK OPTION PLAN

At the annual meeting of Shareholders held on June 24, 2008, the Company adopted a stock option plan (the “**Stock Option Plan**”). The purpose of the Stock Option Plan is to provide the optionees with the opportunity to purchase Common Shares and benefit from the appreciation thereof. Management believes that this proprietary interest in the Company will provide an increased incentive for optionee to contribute to the future success of the Company, thus enhancing the value of the Common Shares for the benefit of all Shareholders and increasing the ability of the Company to attract and retain individuals of exceptional skill.

All directors, officers, employees of, and consultants to the Company and its subsidiaries are eligible to participate in the Stock Option Plan (“**Participants**”). The maximum number of Common Shares allocated and made available under the Stock Option Plan shall not exceed 10% of the issued and outstanding Common Shares as of the date of grant (on a non-diluted basis). As of June 3, 2009, the Company has 5,550,042 options outstanding representing 2% of outstanding capital. The maximum number of options that could currently be granted under the Stock Option Plan is 27,465,069. The exercise price of options shall not be less than the closing price of the Common Shares on the date immediately preceding the date of grant. The maximum term of any option granted shall be ten years and shall be set by the Board of Directors. If options expire during a blackout period, the expiry date shall be extended until the 10<sup>th</sup> day after the Company ceases to be in black-out. The issuance of Common Shares to Insiders (as such term is defined by the Toronto Stock Exchange) pursuant to the Stock Option Plan and all other share compensation arrangements shall not exceed 10% of outstanding capital at any time or over any twelve month period (on a non-diluted basis). The issuance of Common Shares to any one Insider and that Insider’s associates pursuant to the Stock Option Plan

and all other share compensation arrangements within a one year period shall not exceed 5% of the issued and outstanding capital (on a non-diluted basis). No Participant may receive options in any one year period in excess of 5% of outstanding capital (on a non-diluted basis). No consultant may receive options in any one year period in excess of 2% of outstanding capital (on a non-diluted basis). The number of options granted to all persons providing investor relations services in any one year period shall not exceed 2% of outstanding capital (on a non-diluted basis).

The Stock Option Plan provides that the Board of Directors may grant options which allow an optionee to exercise their options on a “cashless basis”, whereby the optionee, instead of making a cash payment for the aggregate exercise price, shall be entitled to be issued such number of Common Shares equal to the number which results when (i) the difference between the aggregate value of the Common Shares underlying the option based on the closing price on the date immediately preceding the exercise and the aggregate exercise price of such option is divided by (ii) the closing price of the Common Shares on the date immediately preceding the date of exercise.

In the event that a Participant ceases to be eligible for any reason other than death, including resignation or retirement of the Participant or the termination by the Company or a subsidiary of the employment of the Participant, prior to the expiry date of the options, such option may be exercised for a period of up to ninety (90) days following the date on which the Participant ceases to be an eligible Participant. Where a Participant is terminated for cause, the options shall expire immediately upon termination. If the Participant was a consultant providing investor relations services, options shall terminate no more than thirty (30) days following termination of the consulting relationship. In the event of the death of a Participant, the option may be exercised for a period of one year following the date of death. The Board of Directors can waive any of these provisions.

The Company has the authority to amend the Stock Option Plan without shareholder approval for: (a) minor changes of a “house-keeping nature” and (b) amending the term of granted options within the rules of the Stock Option Plan. All other amendments, including amending the exercise price and expiry date of options granted to Insiders, require approval of the Shareholders of the Company.

#### **INDEBTEDNESS OF OFFICERS AND DIRECTORS**

No officer or director of the Company is indebted to the Company for any sum.

#### **MANAGEMENT CONTRACTS**

No management functions of the Company are performed to any substantial degree by a person other than the directors or executive officers of the Company.

#### **INTEREST OF INSIDERS IN MATERIAL TRANSACTIONS**

No insider of the Company, no proposed nominee for election as a director of the Company, and no associate or affiliate of any of the foregoing, has any material interest, direct or indirect, in any transaction since the commencement of the Company’s last financial year or in any proposed transaction, which, in either case, has materially affected or will materially affect the Company or any of its subsidiaries.

#### **ADDITIONAL INFORMATION**

Additional information concerning the Company can be obtained from [www.sedar.com](http://www.sedar.com).

Financial information concerning the Company is provided in the Company’s comparative financial statements and Management Discussion and Analysis for its fiscal years ended December 31, 2008. Copies of these documents may be obtained from the Company by making a request in writing to the Company at Suite 780, 144 Front Street, Toronto, Ontario M5J 2L7, fax (416) 362-6830 Attention: Vice-President, Investor Relations.

#### **OTHER MATERIAL FACTS**

On February 25, 2009, Lawrence Asset Management Inc. (“LAMI”) issued a press release indicating that it had acquired 2.1 million shares in the market, increasing its holdings to 23.9 million shares of the Company. At the time, this represented approximately 10.5% of the Company’s outstanding capital. There has been no indication if LAMI’s position has changed since that time. Assuming there has been no change to the number of shares held, LAMI

currently owns less than 10% of the Company's outstanding capital. The February 25, 2009 press release also indicated that LAMI was considering its options with respect to its investment in Homeland which included taking action to replace the Board of Directors. LAMI has been a shareholder of the Company since the fall of 2007. On February 26, 2009, LAMI delivered to the Company a notice requisitioning a meeting of the Shareholders to remove the current Board of Directors.

The Company uses stock options as a way to incentivize its executives and employees and to align their interests with those of the Company's shareholders. The Company had issued stock options at various exercise prices which, given the collapse of the capital markets, no longer provided incentive to the holders. Therefore, on February 10, 2009, the Board resolved to cancel approximately 9.7 million options with a weighted average exercise price of \$1.09 per option. The Board also resolved to grant 2,500,000 stock options to certain directors, officers, employees and consultants on the same day, at an exercise price of \$0.20 per option. These options were not options that were repriced but represented the balance of options available under the Stock Option Plan to be granted. No further options could be granted following the cancellation for a period of 90 days in accordance with the rules of the Toronto Stock Exchange. While it is the intention of the Company to grant additional options to those persons whose options were cancelled to place them in a similar position now that 90 days have passed since the cancellation, no further options have been granted to date, other than 1,000,000 on May 20, 2009 at \$0.20 to the incoming CFO. The expectation is that new options will be granted prior to the Meeting. However, the Company intends to limit the number of options it grants to 10% of its outstanding capital prior to the share issuances that occurred in February and March of this year, recognizing that it would be inappropriate to increase the number of options available under the Stock Option Plan to 10% of outstanding capital under the current circumstances.

The Company has achieved numerous significant milestones in the last year. The following is a summary of some of these achievements:

- First coal production at the Kendal Colliery in July 2008;
- Optimization of production at Kendal and positive shift in business plan to include more washed coal product and coal of greater value to the current markets;
- Significant progress made on Kendal social and labour plan requirements with the construction of 16 new brick homes for residents relocated from the active mining property;
- Strategic partnership for Kendal coal sales that allows Kendal coal to be sold domestically and for export
- Increase in Homeland technical team expertise in South Africa to align with needs of a company growing its production profile;
- Internal technical report completed on the Eloff Mineral Project to verify in-situ resources; and
- Mining licence for Eloff granted in late May 2009 following a January 2008 submission.

On June 3, 2009, HEG entered into an agreement with its largest shareholder GMR Energy Limited ("GMR") that provides, among other things, for the appointment of Messrs. Ashis Basu, Raaj Kumar and B.V.N. Rao to the board of the Company following the resignations of Messrs. Stephen Coates, Robert Munro and Neil McLoughlin. In addition to Messrs. Basu, Kumar and Rao, HEG also agreed to propose for nomination at the Meeting Mr. Valli Moosa as a seventh, independent member of the board of HEG as recommended by GMR. The parties have discussed the Company's succession planning strategy and have agreed on the Board of Directors commencing a search for appropriate additions to management, including a search for a new President and Chief Executive Officer with the requisite production background. All of the parties involved will be working to ensure a smooth transition over the coming months

#### **APPROVAL OF DIRECTORS**

The Circular and the mailing of same to Shareholders has been approved by the Board of Directors of the Company.

**DATED** the 3<sup>rd</sup> day of June, 2009.

**BY ORDER OF THE  
BOARD OF DIRECTORS**



**STEPHEN COATES**  
President and Chief Executive Officer

## **DIRECTOR'S POSITION DESCRIPTION**

Every Director of Homeland, in exercising his powers and discharging his duties, shall:

- (a) act honestly and in good faith with a view to the best interests of the Company.
- (b) exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

With respect to Fiduciary Duty or the Duty of Loyalty:

1. the fiduciary duty requires a Director to be honest in dealing with other Directors and with the Company. In fact, a Director must disclose all information he or she has to the Board. The collegial structure of the Board and the practical delegation of responsibilities to committees will suffer if Directors deprive their fellow Directors of important information they need to carry out their responsibilities and practice due diligence.
2. the fiduciary duty implies a duty of confidentiality. All information about the Board or the Company's activities should be presumed to be confidential unless released to the public.
3. Directors may not profit at the expense of the Company. They may not divert opportunities or benefits from the Company to themselves or put themselves in a position of conflict by competing with the Company for business opportunities.
4. Directors must disclose their material interest in a party or contracts and should disclose these interests to the full Board and not just a committee.

With respect to the Duty of Care:

1. these responsibilities imply that the Directors attend meetings regularly, read the documents and briefing notes prepared for them prior to the meetings and follow-up on important matters.
2. the business judgment rule protects boards and directors from those that might second-guess their decisions. However, Directors must ensure that the process by which they made a decision ensures that there was adequate information available, agendas and background documents in place, rigorous review and questioning is documented and that in-depth review where warranted is referred to the appropriate committee.

Specific Duties of Directors:

1. Overseeing and approving a strategy for Homeland.

The Directors, individually and collectively, have the responsibility to participate in developing and approving the mission of the business, its objectives and goals, and the strategy by which the Company proposes to reach those goals. Directors must ensure there is congruence between shareholder expectations, Company plans and management performance.

2. Management of the Board and selection and oversight of senior management.

Directors, individually and collectively, are responsible for managing the Board affairs, including planning its composition, selecting its Chair, nominating candidates for election to the Board, appointing committees and determining Director compensation.

Directors, individually and collectively, have the responsibility for management succession, including the appointment, monitoring and replacement of the Chief Executive Officer as well as CEO compensation. Directors have responsibility for approving the appointment and compensation of senior management, acting upon the advice of the Chief Executive Officer.

3. Monitoring and Acting

Directors, individually and collectively, have the responsibility for monitoring the Company's performance against goals and revising strategy as appropriate.

4. Approving Policies and Procedures for implementing strategy

Directors, individually and collectively, have the responsibility for approving all significant policies and procedures and ensuring compliance with all laws and regulations while adhering to the highest ethical and moral standards.

5. Reporting to shareholders on the performance of the business.

Directors, individually and collectively, have the responsibility for the integrity of and timely reporting to shareholders, in addition to the approval of all dividends.

6. Approval and completion of routine legal requirements

Directors, individually and collectively, are responsible for ensuring all legal requirements, documents and records have been properly prepared, approved and maintained.