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## HOMELAND ENERGY CORP.

### Management's Discussion and Analysis

**For the three and nine months ended September 30, 2007**

*(All amounts stated in Canadian dollars, unless otherwise indicated)*

*This interim report, including the interim financial statements and this Management's Discussion & Analysis, contains certain "Forward-Looking Statements" that are prospective and reflect management's expectations regarding Homeland Energy Corp.'s ("Homeland") future growth, results of operations, performance and business prospects and opportunities. Forward looking statements are not based on historical facts, but rather on current expectations and projections about future events, and are therefore subject to risks and uncertainties which could cause actual results to differ materially from the future results expressed or implied by the forward looking statements. Forward-looking information can often be identified by forward-looking words such as "anticipate", "believe", "expect", "goal", "plan", "intend", "estimate", "may", "could", "should" and "will" or the negative 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 herein, including without limitation, statements regarding potential mineralization, resources and reserves, estimates of future production, unit costs, costs of capital projects and 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 failures to obtain required governmental, environmental or other project approvals, inflation, changes in exchange rates, fluctuations in commodity prices, delays in the development of projects, general business and economic conditions, industry risks and other factors.*

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

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Introduction

This discussion and analysis of the operating results and financial condition of Homeland Energy Corp. ("**Homeland**", or the "Company") for the three and nine months ended September 30, 2007 should be read in conjunction with the unaudited consolidated financial statements for the same period, as well as the audited annual financial statements and related notes for the year ended December 31, 2006, and is intended to provide the reader with a review of the factors that affected the Company's performance during the three and nine months ended September 30, 2007 and the factors reasonably expected to impact future operations and results.

The interim financial statements and related notes of Homeland have been prepared in accordance with accounting principles generally accepted in Canada ("**Canadian GAAP**") and are expressed in Canadian dollars. All amounts in this report are in Canadian dollars, except where otherwise indicated.

*Qualified Person*

The Homeland exploration and development programs are carried out under the supervision of Homeland Mining and Energy (SA) (Pty) Ltd's Managing Director, Mr. Michael Nell. Mr. Nell is a qualified person, with more than 25 years of experience in the coal exploration, development and mining industry. Mr. Nell is responsible for the geoscientific and technical disclosure contained in this document.

Background

The Company was incorporated as Homeland Uranium Inc. under the laws of Ontario on December 7, 2004 and on September 5, 2006 received authorization from the Ontario Ministry of Consumer and Business Services to apply for continuance into another jurisdiction. On October 12, 2006, the Company was continued into the British Virgin Islands as Homeland Energy Corp., a company incorporated under the provisions of the BVI Business Companies Act, 2004. At that time the Company intended pursuing a listing on the Alternative Investment Market of the London Stock Exchange and had no business activity in Canada. Homeland is currently in the process of seeking a public listing for its common shares in Canada. The Company is classified as a development stage company.

The registered office of Homeland is located at Craigmuir Chambers, Road Town, Tortola, BVI. Homeland also has offices at:

- 144 Front Street West, Suite 780, Toronto, Ontario, Canada;
- 1 Berkeley Street, Suite 307, London, England; and
- Bureau de Paul Building 3, Corner Nelson Mandela Avenue and Paul Sauer Street, Witbank, South Africa.

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Nature of Business

Homeland is a private company focused on coal exploration and development in southern Africa. Homeland owns and has submitted applications for three advanced development / pre-development coal projects in South Africa and, through local subsidiary companies, has received prospecting rights for eight earlier-stage exploration properties in the Witbank, Middelburg and Carolina areas. Homeland is currently negotiating to acquire interests in a number of additional coal projects in South Africa, Botswana and Swaziland.

The Company complies fully with the Black Economic Empowerment requirements of the Minerals and Petroleum Resources Development Act via a number of shareholdings with companies owned by historically disadvantaged South Africans.

Homeland is also a significant shareholder of Homeland Uranium Inc., a Canadian company involved in the exploration and development of Uranium projects in Niger and the United States. Homeland views this as a strategic investment which it expects to retain for the foreseeable future.

Significant Events and Transactions

**Reverse take-over of Chrysalis Capital IV Corporation.**

On June 13, 2007, Homeland entered into an Acquisition Agreement with Chrysalis Capital IV Corporation ("**Chrysalis**") pursuant to which Chrysalis agreed to acquire all of the issued and outstanding common shares of Homeland. This transaction will serve as Chrysalis's Qualifying Transaction ("**QT**"). Although Homeland will become a wholly-owned subsidiary of Chrysalis, it will constitute a reverse take-over of Chrysalis inasmuch as the former shareholders of Homeland will own a substantial majority of the outstanding common shares of Chrysalis and five of the six members of the board of directors of Chrysalis will be designees of Homeland.

The transaction structure contemplates a wholly owned subsidiary of Chrysalis, incorporated under the laws of the British Virgin Islands ("**Chrysalis Sub**"), merging under the laws of the British Virgin Islands (the "**Merger**") with Homeland, whereby the separate existence of Chrysalis Sub will cease and Homeland will be the surviving corporation and a wholly-owned subsidiary of Chrysalis. Based on legal and tax advice, it was determined that eligible shareholders may be able to dispose of their Homeland common shares on a tax-deferred basis. Therefore, Chrysalis and Homeland agreed to implement a preceding step to the Merger whereby Chrysalis would make an Offer (the "**Offer**") to eligible shareholders to purchase all of their issued and outstanding Homeland common shares and thereby facilitate such tax deferral. [The Offer is not

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available to shareholders who are resident in, or subject to the Laws of, the United States of America.] Eligible shareholders who tender their Homeland common shares pursuant to the Offer will receive the identical consideration (i.e. one Chrysalis common share) as if they tendered their Homeland common shares in connection with the Merger. Consequently, the Offer is the first of two steps to enable Chrysalis to acquire all of the Homeland common shares as contemplated by the Acquisition Agreement.

The following is a summary of the principal terms of the QT:

- (a) On or immediately prior to the closing of the proposed QT, the Chrysalis common shares will be consolidated by a ratio of 2:1 (the "**Consolidation**"), and the Homeland common shares will be subdivided on a 4:1 basis (the "**Share Split**"). The number of outstanding Homeland and Chrysalis stock options and warrants and their respective exercise prices will be adjusted accordingly to take into account the Share Split.
- (b) As consideration for the acquisition of all of the outstanding securities of Homeland, Chrysalis will issue one Chrysalis common share for each one Homeland common share outstanding immediately prior to the Merger (after the Consolidation / Share Split).
- (c) Upon completion of the QT, all outstanding Homeland warrants and stock options will be exchanged for Chrysalis warrants or stock options, as the case may be, on a one-for-one basis with characteristics similar to the Homeland warrants and stock options.

The Offer is open for acceptance until 5:00 p.m. (Toronto time) on December 3, 2007, unless extended. Shareholders who wish to accept the Offer must properly complete and execute a Letter of Transmittal and deposit it, together with certificate(s) representing their Homeland common shares, at the office of the Depository. Chrysalis intends to acquire the remaining Homeland common shares not deposited under the Offer pursuant to the Acquisition Agreement. The details of any QT, including the timing of its implementation and the consideration to be received by the Shareholders, would necessarily be subject to a number of considerations, including the number of Homeland common shares acquired pursuant to the Offer. The consideration to be paid to Shareholders pursuant to the QT will be equal in amount to and in the same form as that payable under the Offer.

Based on the current issued and outstanding Homeland Common Shares, there will be 130,519,120 Homeland common shares (post-Share Split) issued and outstanding immediately prior to the closing of the QT. When combined with the 3,672,813 Chrysalis common shares (post-Consolidation) that are currently issued and outstanding, there will be an aggregate of 134,191,933 Chrysalis common shares issued and outstanding.

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Additional Homeland common shares may be issued prior to the closing of the QT. There currently exist Homeland warrants outstanding to purchase an aggregate of 800,000 Homeland common shares (post-Share Split).

Subject to the approval of the Exchange, up to 10% of the issued and outstanding common shares shall be reserved for issuance to directors, officers, employees and consultants pursuant to the Chrysalis' stock option plan approved at the meeting of the holders of Chrysalis common shares held on September 20, 2007 (the "Chrysalis Stock Option Plan"). Based on the current outstanding stock options, the foregoing shares reserved for issuance pursuant to the Chrysalis Stock Option Plan shall include options to purchase up to 362,500 Chrysalis common shares (post-Consolidation) outstanding as of the date hereof and options to purchase up to 10,400,000 Homeland common shares (post-Share Split) outstanding as of the date hereof. Chrysalis has also issued 164,688 agent's options and 36,250 charitable options (post-Consolidation).

Following the completion of the QT and assuming that all of the outstanding options and warrants have been exercised, 145,955,371 common shares of the resulting issuer will be issued and outstanding on a fully diluted basis.

*Chrysalis Capital VI Corporation*

Chrysalis is a "capital pool company" created in accordance with TSX Venture Exchange (the "**Exchange**") policies, and at present does not own any assets other than cash. To date, Chrysalis has not conducted any active business operations, except as described herein. Since its incorporation, the principal activities of Chrysalis have consisted of the financing the company through an initial public offering, the initial listing of the Chrysalis common shares on the Exchange, the identification of potential acquisitions, the negotiation of the Acquisition Agreement and efforts to implement the QT.

Chrysalis was incorporated on October 12, 2006, pursuant to the filing of articles of incorporation under the CBCA. The articles of incorporation of Chrysalis were amended by the filing of articles of amendment dated January 25, 2007 to delete share transfer restrictions. The principal and registered head office of Chrysalis is located at Suite 2702, 401 Bay Street, P.O. Box 136, Toronto, Ontario, M5H 2Y4.

The Chrysalis Common Shares are listed and posted for trading on the Exchange under the symbol **CIV.P**.

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**Financing Initiatives**

To date, Homeland has issued securities and a convertible debenture totalling approximately \$34 million. Recent financing initiatives undertaken have included:

- On May 2, 2006, Homeland closed a brokered private placement of 3,111,900 Homeland common shares (pre-Share Split) at a price of US\$2.00 per Homeland common share for total gross proceeds of US\$6,223,800 (\$6,988,200).
- On September 10, 2006, Homeland closed a brokered private placement of 362,500 Homeland common shares (pre-Share Split) at a price of US\$2.00 per Homeland common share for total gross proceeds of US\$725,000 (\$812,797).
- On June 12, 2007, Homeland entered into a Loan Agreement with GC-Global Capital Corp. in the principal amount of US\$2.0 million through a Convertible Debenture on the following terms:
  - interest rate of 12% per annum;
  - principal repayable after 24 months, or earlier at the option of Homeland;
  - convertible by the lender into Homeland common shares, at £1.25 per Homeland common share (pre-Share Split) prior to the date of any initial public offering, or at the lesser of (a) US\$4.50 (pre-Share Split) and (b) a 25% discount to the initial public offering price per Homeland common share on or following the date of the initial public offering; and
  - 5,000,000 common shares of Homeland Uranium Inc. pledged as security.
- On June 21, 2007, Homeland closed a brokered private offering of 3,969,230 Homeland common shares (pre-Share Split) at a price of £1.25 per share, for gross proceeds of £5.0 million.
- On August 17, 2007, Homeland closed a brokered private offering of 670,690 Homeland common shares (pre-Share Split) at a price of \$3.20 per share, for gross proceeds of \$2,146,208.

Homeland also contemplates undertaking a financing in connection with the proposed Merger with Chrysalis.

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**Purchases and Sales of Mineral Properties**

On January 27, 2006, Homeland acquired Pan African Uranium Corp. through the issuance of 7,300,000 Homeland common shares (pre-Share Split) for total deemed value of US\$3,650,000 (\$4,188,010). Homeland received \$759,325 in cash and the balance was recorded as mineral property, attributable to the uranium projects in Niger; that have subsequently been sold to Homeland Uranium Inc.

By virtue of a share purchase agreement dated June 14, 2006, Homeland acquired 100% of the outstanding common shares of Ferret Coal Holdings (Pty) Ltd., to be held through a wholly owned South African registered subsidiary company, Homeland Mining and Energy SA (Pty) Ltd ("HME"). Homeland paid cash consideration to the vendors of \$2,105,016 (ZAR 13,000,000). Ferret Coal Holdings holds Homeland's 74% interest in the Kendal Project.

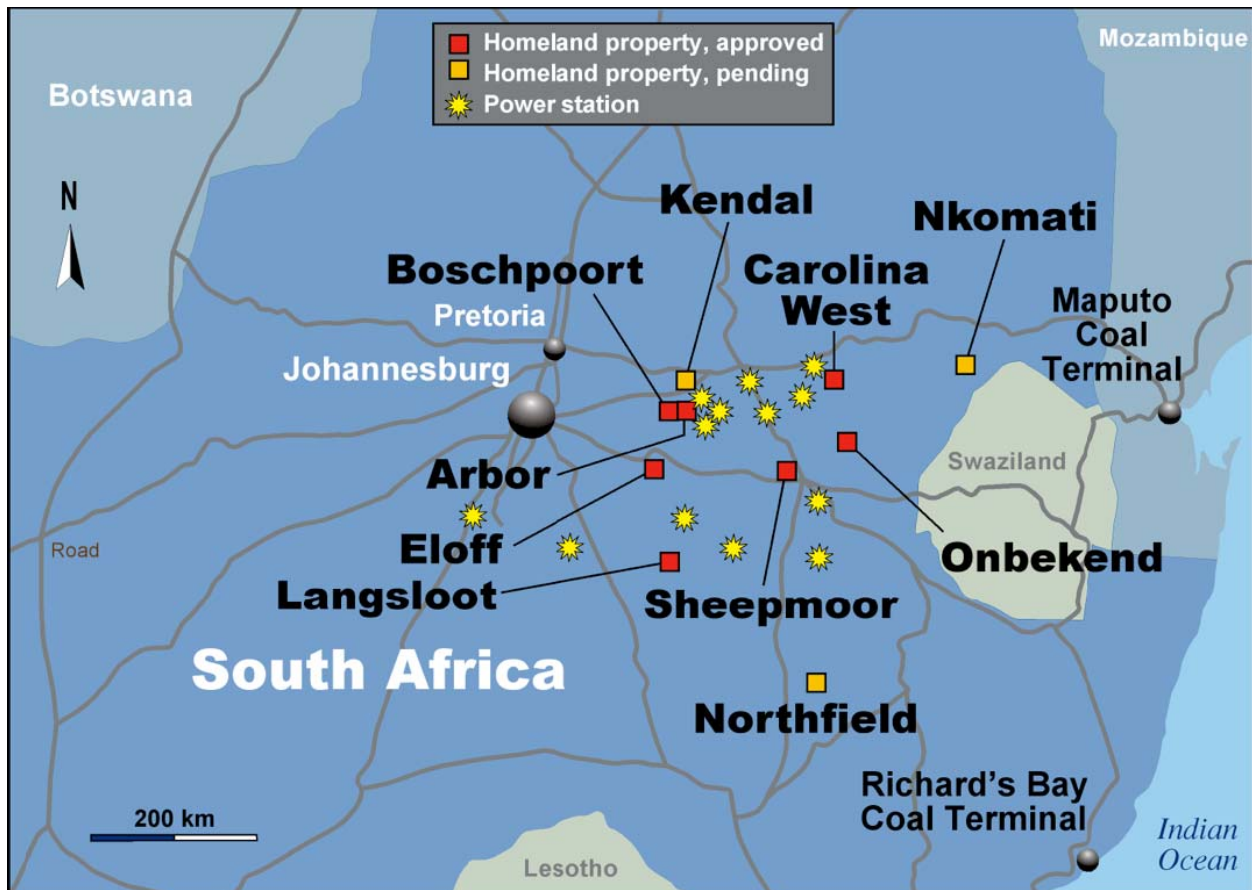
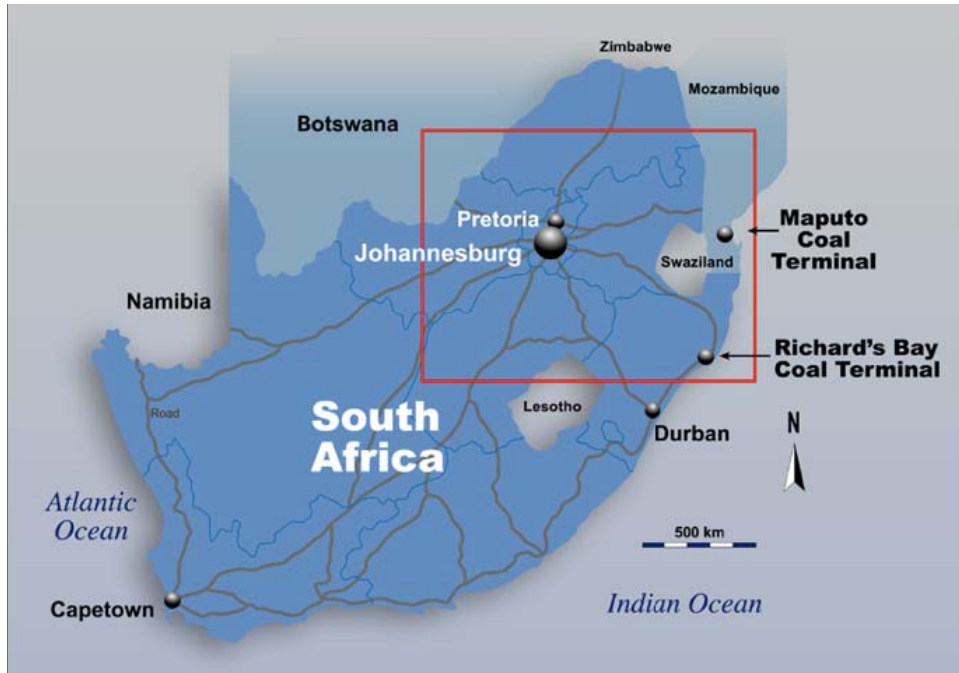
On February 1, 2007, Homeland completed a transaction entered into in December 2006 to sell its uranium assets to Homeland Uranium Inc., a private Canadian company, in return for 16 million common shares. Following financings by Homeland Uranium that raised \$1.84 million through the issue of 8 million common shares at \$0.23 per share and \$23 million through the issue of nearly 29 million units at \$0.80 per unit, each unit consisting of one common share and one-half of one purchase warrant and each whole purchase warrant entitling the holder to purchase one additional common share at a price of \$1.25 per share expiring June 19, 2009, Homeland's interest in Homeland Uranium Inc. has decreased to approximately 39% of the issued and outstanding shares. Homeland participated to the extent of \$5 million in the unit offering and has granted a call option on 2.5 million of these units at \$1.00 per unit for a period of 12 months. Homeland views this as a strategic investment, which it expects to retain for the foreseeable future.

Exploration and Development Update

In situ coal resources at July 31, 2007, as reported by SRK Consulting (South Africa) (Pty) Ltd according to the requirements of the Canadian National Instrument 43-101:

Project	Measured (Mt)	Indicated (Mt)	Inferred (Mt)	Total (Mt)
Kendal	8.7	0.7	25.2	34.6
Eloff	0.0	0.0	382.0	382.0
Grand Total	8.7	0.7	407.2	416.6

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**Kendal Mineral Property, Mpumalanga Province, South Africa [Development Stage]**

The Kendal Project is a moderate coal resource, largely opencastable, partly underlying farming (maize and livestock) land, and elsewhere has historically supported mining operations supplying coal to the local industry. The Project lies in the west-central region of the Witbank Coalfield, and is expected to supply coal to the power generating industry and / or the domestic industrial market in South Africa. The Kendal Project is located at Latitude 26°04' South, Longitude 28°59' East, some six kilometres west of the town of Ogies in Mpumalanga Province of South Africa. The elevation of the project is some 1,570 metres above mean sea level.

Homeland is in the process of securing all necessary surface rights through the purchase of lands covered by the area of interest. The Company is also in the process of securing the mineral rights to the Kendal Project by way of a Mining Right Application submission to the Department of Minerals and Energy. Homeland owns 74% of the subsidiary company, Ferret Coal (Kendal) (Pty) Ltd, which has made the application.

Several prospecting drilling campaigns have been carried out in the Project area of approximately 587 hectares. There exist some 40 historical boreholes, which together with the further 45 planned by Homeland will result in a borehole density of 14.5 boreholes / 100 hectares. Exploration is carried out using vertical diamond drilled fully cored boreholes of a TNW size (60.5 mm core diameter). Coal resource estimates include only presently defined opencastable resources.

Homeland has carried out a conceptual mine plan based on the results of previous exploration campaigns. Potential markets have been identified and various contractors have been approached to determine their willingness to participate in the operation. Much of the required plant and equipment has been constructed and erection of the plant and equipment on site is almost complete. Formulation of the necessary contractual arrangements will be completed on grant of the Mining Right.

*Average In Situ (raw) Coal Qualities associated with the Kendal Project as at 31 July 2007*

<b>Seam Name</b>	<b>Calorific Value (MJ/kg)</b>	<b>Ash Content (%)</b>	<b>Volatile Matter (%)</b>	<b>FC (%)</b>
No. 4 Seam <sup>1</sup>	19.52	33.2	20.9	42.2
No. 3 Seam <sup>2</sup>	25.85	17.7	27.1	51.5
No. 2 Seam <sup>3</sup>	23.55	22.2	20.9	53.2

**NOTES:**

1. Qualities representative of Block D only
2. Qualities representative of Block D only
3. Qualities representative of Blocks C, D and F only

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**Eloff Mineral Property, Mpumalanga Province, South Africa [Pre-development Stage]**

The Eloff Project is a significant coal resource, largely opencastable, underlying predominantly farming (maize and livestock) land, which has historically been considered for supplying a low grade of coal to the power generating industry. A component of the resource could be upgraded for local industrial consumption or international export markets. Investigations continue into the feasibility of using the coal as feedstock to a coal-to-liquids process. The Eloff Project lies in the western extremity of the Witbank Coalfield, and the surrounding areas have supported a number of mining operations, both historically and currently. The Eloff Project is located at Latitude 26°15' South, Longitude 28°42' East, some 10 kilometres to the south of the town of Delmas in Mpumalanga Province of South Africa. The elevation of the project is some 1,600 metres above mean sea level.

Homeland has secured the mineral rights to the Eloff Block by way of a Prospecting Right (Protocol Number 141/2006), granted by the Department of Minerals and Energy to Tshedza Mining Resources (Pty) Limited ("Tshedza"). HME currently owns 50% of Tshedza, and has an option on a further 1% for ZAR 1.00, and has an option on a further 23% on commercial terms. Homeland is currently preparing an application for a Mining Right. The surface rights necessary to start construction of the surface infrastructure and mine access have yet to be acquired or secured.

The project is located close to a number of current and defunct mining operations. Several prospecting drilling campaigns have been carried out in the area, the most recent being commissioned by Homeland in May 2007. Some 155 boreholes (65 historical and 90 current campaign) have been drilled over an area of approximately 5,028 hectares. There are an additional 54 holes that are still required to be drilled as part of the current campaign within the same area. Once the campaign is complete there will be at least 209 holes, for a borehole density of 4.2 boreholes / 100 hectares. Exploration is carried out using vertical diamond drilled fully cored boreholes of a TNW size (60.5 mm core diameter).

The above coal resource estimates are, however, based exclusively on the modelling of historical data. In addition, only presently defined opencastable resources are estimated and reported.

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*In Situ (raw) Coal Qualities associated with the Eloff Block as at 31 July 2007:*

Seam Name	Calorific Value (MJ/kg)	Ash Content (%)	Volatile Matter (%)	FC (%)
No. 4 Lower	20.36	32.14	23.38	41.38
No. 2	17.44	36.99	17.39	34.78

NOTE: Coal qualities are based on historical borehole data averages

**Northfield Mineral Property, Kwa-Zulu Natal Province, South Africa [Development Stage]**

The Northfield Project is a small resource of tailings material resulting from the processing of the coal from the Northfield Colliery. The Project lies in the north western Kwa-Zulu Natal Coalfield, and is located close to a number of defunct mining operations. The Northfield Project is located at Latitude 28°08' South, Longitude 30°08' East to the north west of the town of Glencoe in Kwa-Zulu Natal Province of South Africa. The elevation of the project is some 1,380 metres above mean sea level.

The Coking Qualities slime dump consists of dried fine tailings resulting from the processing of the coal from the now defunct Northfield Colliery. Homeland has carried out a conceptual mine plan. The potential markets have been identified and various contractors have been approached to determine their willingness to participate in the operation. Detailed planning and the formulation of the necessary contractual arrangements will be completed on grant of the Mining Permit. Homeland will acquire a 100% interest in the project upon the granting of the Mining Permit.

Management anticipates annual production of 350,000 tonnes, and a three year mine life.

**Exploration Projects**

Through its equity interest in Tshedza Mining Resources (Pty) Ltd and Nhlalala Mining (Pty) Ltd, the Company has a 50% interest in the following South African exploration properties. Homeland has an option to increase this interest to 51%, with regulatory approval, through the payment of ZAR 1.00 and a further option to increase its interest to 74% through the purchase of 23% from the Black Economic Empowerment Partner for market value.

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*Onbekend*

Prospecting License Granted, 7,077 acres, resource definition drilling has commenced

*Arbor (Vlakvarkfontein)*

Prospecting License Granted, 2,761 acres, drilling has commenced

*Boschpoort*

Prospecting License Granted, 4,065 acres, resource definition drilling has commenced

*Carolina*

Prospecting License Granted, 21,483 acres, resource definition drilling has commenced

*Sheepmoor*

Prospecting License Granted, 474 acres, drilling to commence in 2008

*Langsloot*

Prospecting License Granted, 2,940 acres, drilling to commence in 2008

*Witrاند*

Prospecting License Granted, 3,897 acres, drilling has commenced

*Halfgewonnen*

Prospecting License Granted, 4,206 acres, desktop evaluation has commenced

*Applications for Prospecting*

4 Applications for prospecting in Witbank, Middelberg and Standerton areas of eastern South Africa

The Company is also seeking to expand its project base regionally:

Homeland has a joint venture with two local groups in Swaziland to acquire an anthracite deposit with an estimated in-situ resource of 70 million tones.

The company is currently negotiating for mineral rights in southern Botswana.

Reporting Period

At September 30, 2007, the Company had net working capital of \$7.1 million (December 31, 2006: \$2.4 million), including cash and equivalents of \$5.6 million (December 31, 2006: \$2.4 million). Working capital will be used for exploration and development expenditure as well as to support corporate overheads.

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**Exploration Expenditures**

Mineral exploration costs formed the bulk of the Company's expenditures in the period. These costs are set out in the following table:

	Three months to September 30 2007 \$	Six months to June 30 2007 \$	Year ended December 31 2006 \$	Year ended December 31 2005 \$
<i>Coal Properties:</i>				
Acquisition costs	-	-	2,520,246	-
Property costs	972	3,431	10,766	-
Consulting	141,987	204,109	733,926	-
Management	159,814	-	-	-
Drilling	280,621	83,695	-	-
Analysis	125,487	-	-	-
Infrastructure	209,633	-	-	-
Earthworks	204,224	-	-	-
Surveying	3,979	-	-	-
Other	(1,290)	10,902	10,610	-
Translation adjustment (non-cash)	422,809	-	(208,096)	-
	<b>1,548,236</b>	<b>302,137</b>	<b>3,067,452</b>	<b>-</b>
<i>Uranium Properties:</i>				
Acquisition costs	-	147,400	3,527,510	-
Property costs	-	-	469,974	274,344
Consulting	-	265,358	844,197	469,832
Management	-	-	-	-
Drilling	-	-	-	-
Analysis	-	-	-	-
Infrastructure	-	-	-	-
Earthworks	-	-	-	-
Surveying	-	-	-	-
Other	-	-	262,460	52,983
Translation adjustment	-	-	-	-
	<b>-</b>	<b>412,758</b>	<b>5,104,141</b>	<b>797,159</b>
<b>Total cost to the Company</b>				
	<b>\$ 1,548,236</b>	<b>\$ 714,895</b>	<b>\$ 8,171,593</b>	<b>\$ 797,159</b>

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These costs were incurred on the following primary components of the exploration program in the nine months to September 30, 2007:

- a significant drilling program – 90 holes drilled to date – commenced at Eloff in the second quarter of 2007 and continued throughout the third quarter (\$35,800 and \$269,182 respectively), while limited drilling for water was undertaken at Kendal in the two quarters (\$47,895 and \$11,439 respectively). The coal that has been sampled is being analysed at Witlab (Pty) Ltd, a coal and mineral analytical laboratory;
- the Kendal Project included a defunct operation, with certain areas having been mined out, an old coal preparation plant, and a waste dump. In the three months to September 30, 2007 significant effort was spent on dismantling the old plant, removing the old dump (sold) and preparing the project site for the construction of the new crushing and screening, and washing plants. Work on infrastructure and earthworks, including plant construction, continued into the fourth quarter in preparation for the commissioning of the plants before the end of 2007; and
- management and consultants spent significant time on matters related to the applications for mining licences (Kendal, Northfield and Eloff) and the compilation of mining and related plans, including negotiating with the proposed mining subcontractors and drafting of the necessary contracts. Environmental assessments have begun at Eloff in support of the mining licence application.
- As the translation loss (gain) resulting from the movement in the South African vs. the Canadian currency is as a result of the advancement of funds for the purpose of exploration and development, this component of the periodic translation loss (gain) is capitalized to Mineral Properties.

### **Results of operations**

The net loss for the three months ended September 30, 2007 was \$1,553,157, compared with \$1,392,134 and \$964,519 in the three months ended June 30 and March 31, 2007 respectively (fiscal 2006: \$514,552, \$248,157 and \$741,013 respectively). Included in the net loss for the three months ended September 30, 2007 (and the three months ended June 30 and March 31, 2007) was \$246,652 (\$523,364 and \$229,122) of management and administrative services, \$197,949 (\$191,862 and \$185,356) of professional and consulting fees and \$402,361 (\$147,235 and \$195,493) of travel and accommodation expenses.

Management and administrative services expenditure has increased significantly since 2006 (\$133,172, \$101,797 and \$131,639 in the three quarters respectively) as a result of the additional staff hired in both South Africa and Canada. In the third quarter of 2007, however, the reported expense decreased as the exploration and development projects began to be charged an attributable portion of the technical staff's salary.

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The significant cost of professional consultants included audit fees, in both Canada and South Africa, legal fees, in both Canada and South Africa (largely attributable to the legal title opinion and the numerous contracts negotiated in the early stages of the various projects), as well as the fees paid to SRK Consulting (South Africa) (Pty) Ltd with regards the Competent Persons Reports associated with the Merger.

The increase in travel expenses in the third quarter was attributable to the relocation costs associated with the 2006 transfer of the Chief Executive Officer from Toronto to London, England. Frequent visits by London and Toronto based management to South Africa, attendance of directors at in-person Board Meetings, and the costs associated with negotiations with potential investors, customers and partners have resulted in consistently high travel costs throughout the period.

A significant component of the net loss for 2007 was \$901,819 of stock-based compensation (2006: \$457,033), being the calculated value of the stock options granted and/or vested during the period. Stock-based compensation is a non-cash expense. The fair value of the stock options was estimated using the Black-Scholes option pricing model, assuming a risk-free interest rate of 4% per annum, expected volatility of 100%, an expected dividend rate of nil and an expected life of 2.5 years. The exercise price of all share purchase options granted was greater than or equal to the market price at the grant date.

The substantial increase in office and administration expenses from \$18,949 in the first nine months of 2006, to \$152,825, \$82,943 and \$48,241 in the third, second and first quarter of 2007, respectively, is due to the higher level of exploration and development activities and the resultant expansion of the office facilities and management structure. The Company now has full time staff in offices in London, Toronto and Witbank, South Africa.

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Quarterly Information

(In thousands of Canadian dollars, except per share amounts)

Fiscal Period	Revenue	Net Loss	Net Loss per	Total Assets	L.T. Liab.	Dividends
			Share (\$)			
2007 - Q3	-	1,553	(0.06)	27,716	1,993	-
2007 - Q2	-	1,392	(0.05)	26,305	2,121	-
2007 - Q1	-	965	(0.04)	17,319	-	-
<b>Total</b>	-	<b>3,910</b>	<b>(0.15)</b>	<b>N/A</b>	<b>N/A</b>	-
2006 - Q4	-	1,445	(0.07)	13,231	-	-
2006 - Q3	-	515	(0.02)	13,828	-	-
2006 - Q2	-	248	(0.01)	12,830	-	-
2006 - Q1	-	741	(0.05)	5,534	-	-
<b>Total</b>	-	<b>2,949</b>	<b>(0.15)</b>	<b>N/A</b>	<b>N/A</b>	-
<b>2005</b>	-	<b>683</b>	<b>(0.10)</b>	<b>N/A</b>	<b>N/A</b>	-

As the Company has no revenue at this point in time, the net loss results primarily from corporate overheads, including stock based compensation, and interest expense related to the convertible debenture. Income is generated through interest earned on overnight deposits. Stock-based compensation is a non-cash expense representing an estimate of the fair value of options granted to directors, officers and consultants of the Company calculated by applying the Black Scholes option pricing model.

The general trend in increasing assets has resulted from the Company raising funds through private placements and investing in its exploration properties in Africa and its investment in Homeland Uranium Inc.

The long term liability recognized during the second quarter is a result of the convertible debentures issued in June 2007, as previously discussed.

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Liquidity

The following table summarizes the Company's cash flows and cash on hand:

	<b>September 30 2007</b>	December 31 2006	December 31 2005
	\$	\$	\$
Cash and equivalents	<b>5,603,121</b>	2,370,478	542,889
Working capital	<b>7,131,218</b>	2,438,197	910,580
Cash (used in)/generated by operating activities	<b>(4,052,283)</b>	(1,698,080)	(632,149)
Cash used in investing activities	<b>(10,243,053)</b>	(5,101,068)	(718,463)
Cash provided by financing activities	<b>17,527,979</b>	8,626,737	1,893,501

Cash used in operating activities for the quarter ended September 30, 2007 was \$1,505,684 and included administrative expenses and interest income of \$978,277 compared to \$300,070 used during the quarter ended September 30, 2006. Non-cash working capital used \$527,407 during the current quarter under review, compared \$225,230 for the quarter ended September 30, 2006.

Cash provided by financing activities was \$2,207,449 during the quarter ended September 30, 2007, compared to \$1,323,277 during the quarter ended September 30, 2006. Warrants and options were exercised generating \$166,931 during the current quarter, compared to \$161,355 during the quarter ended September 30, 2006. As well, the Company issued 670,690 common shares. Net of financing costs, this generated \$2,040,518 in cash. During the comparative quarter last year, the Company received \$1,161,922 net of financing costs.

Cash used in investing activities in the quarter ended September 30, 2007 was \$2,603,263, compared to \$1,176,728 during the quarter ending September 30, 2006. Expenditures on exploration and development used \$1,548,236 during the current quarter, compared to \$1,044,646 used during the comparative quarter. The Company used \$450,518 to fund equipment purchases during the quarter ended September 30, 2007 compared to \$50,761 during the comparative quarter, while a further \$385,975 was lent to mining contractors for the construction of equipment to be used on the Company's properties, but owned by the contractors (quarter ended September 30, 2006: \$81,321). Finally, \$218,534 was incurred in the current quarter (2006: nil) on due diligence associated with a possible investment in a South African company.

During fiscal 2007, to date, \$12,208,588 (2006: \$7,321,057) cash was raised, net of issue

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costs, through the private placement of common shares, a further \$2,884,260 (2006: \$532,500) from the exercise of warrants, and \$166,931 (2006: \$13,855) from the exercise of stock options.

In addition, on June 12, 2007, the Company entered into a Loan Agreement with GC-Global Capital Corp. in terms of which the Company borrowed the principal amount of US\$2 million through a Convertible Debenture on the following terms:

- interest rate of 12% per annum;
- principal repayable after 24 months, or earlier at the option of Homeland;
- convertible by the lender into Homeland common shares, at £1.25 per Homeland common share (pre-Share Split) prior to the date of any initial public offering, or at the lesser of (a) US\$4.50 (pre-Share Split) and (b) a 25% discount to the initial public offering price per Homeland common share on or following the date of the initial public offering; and
- 5,000,000 common shares of Homeland Uranium Inc. pledged as security.

Board of Directors and Management

Following completion of the Merger with Chrysalis, it is intended that Robert Munro will remain on the board of directors of Homeland Energy Corp. (Canada) and that A. Tom Griffis, Stephen E. Coates, Avrom E. Howard, Neil McLoughlin and Dr. Laurence Curtis will join the board of directors. Brief biographies for the proposed directors and officers of Homeland Energy Corp. (Canada) are set out below:

**A. Tom Griffis, Executive Chairman**

Mr. Griffis is the founder of Griffis International Limited ("GIL"), a private investment and corporate management firm based in Toronto, Canada. GIL is focused on emerging resources companies that require early- to mid-stage financing, located in Africa and South America. Mr. Griffis also founded Pan African Uranium, which was acquired by Homeland in 2006 and resulted in the granting of eight mining licences in Niger to Homeland. Mr. Griffis has served as Chairman/CEO of several public and private resource companies. Mr. Griffis was appointed to the board of directors of Homeland in February 2006 and became Chairman in April of that year.

Mr. Griffis is a retired LCol. in the Canadian Air Force and was a member of the Snowbirds aerobatic squadron in 1973-4. He returned to be team leader during the years 1979-80.

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**Stephen E. Coates, President, Chief Executive Officer and Director**

Mr. Coates founded Homeland in 2004 and serves as its President and Chief Executive Officer, as well as Chairman of Homeland Uranium Inc. 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.

Founder of Grove Communications Inc., 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. He has been a volunteer director of numerous service organizations and an active fundraiser. Mr. Coates is a director of and advisor to several private and public companies.

Mr. Coates resides in London, England where he manages the day-to-day affairs of the Company and its going public process.

**Avrom E. Howard, Director**

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 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 until recently acted as its President and Chief Executive Officer.

**Neil McLoughlin, Director**

Mr. McLoughlin has a degree in Economics and extensive experience in the financial industry. He has worked in Europe, the Middle East and Asia in corporate finance and investment management. He has lived in France for twenty years. Mr. McLoughlin was appointed to the board of directors of Homeland in October of 2006.

Mr. McLoughlin brings to Homeland his knowledge of the resource sector and the capital markets in the continental Europe, Asia Pacific and the Middle East. He has been a director and advisor to several boards and is a key source of knowledge on international financial markets.

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**Laurence Curtis, Director**

Mr. Curtis is a geologist with over 30 years of international experience in the natural resource sector, with direct experience in Africa, Greenland, North, South and Central America, and in the Pacific. Mr. Curtis has spent over 15 years working in the Caribbean Basin and has been responsible for several epithermal discoveries during this time. He 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, CEO and director for eleven years. In 2006 Intrepid Minerals merged with NuStar Mining to form Intrepid Mines Limited. Mr. Curtis is President, CEO and director of Intrepid Mines. Mr. Curtis is a member of the Association of the Professional Geoscientists of Ontario and is currently a director of High River Gold Mines Ltd and Alturas Minerals Corporation and was previous a director of Wheaton River and North American Metals.

**Robert Munro, Director**

Mr. Munro is the President, Chief Financial Officer and a co-founder of The Chrysalis Capital Group Inc. ("TCCG"), a private company focused on the creation of Capital Pool Companies and the consummation of qualifying transactions for such Capital Pool Companies. Mr. Munro was Vice-President of Chrysalis Capital Corporation (now PharmEng International Inc. - TSXV: PII), Director of Chrysalis Capital II Corporation (now Tangerine Payment Solutions Corp. - TSXV: TAN) and President, CFO and Director of Chrysalis Capital III Corporation (now U.S. Silver Corporation - TSXV: USA). Prior to joining TCCG, Mr. Munro served as Director, Data Product Management with Rogers AT&T Wireless Inc. ("**Rogers**"), from March 2003 to February 2006. Prior to joining Rogers, Mr. Munro was the founding Director of Venture Development with Exclamation from December 1999 to June 2002. Mr. Munro also acted as interim management to several of Exclamation's partner companies, and was one of the original founders of Points International, the reward management portal. Mr. Munro holds a Bachelor of Arts degree from Huron College, the founding college of the University of Western Ontario, as well as several certificates in Project Management from Ryerson University.

**Stephen Woodhead, Chief Financial Officer**

Mr. Woodhead is a member of the South African Institute of Chartered Accountants, having graduated from the University of Cape Town with a degree in Commerce and a post graduate diploma in Accounting. Mr. Woodhead has 16 years experience in the natural resource and public finance sectors. Before relocating from South Africa to Canada in 1997 to establish and manage the Canadian corporate headquarters of Trans Hex International Ltd., Mr. Woodhead worked for the Department of Finance (Special Investigations) in South Africa and as the corporate financial manager for Trans Hex

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Group Limited, a South African diamond producer listed on the Johannesburg Stock Exchange.

In May 2003, Mr. Woodhead was appointed Chief Financial Officer of Desert Sun Mining Corp., developer of the Jacobina gold mine in Brazil that was acquired by Yamana Gold Inc. in April 2006 in a transaction valued at approximately \$600 million at the time of its announcement. Mr. Woodhead has also acted as Chief Financial Officer of Admiral Bay Resources Inc. (oil and gas), Beartooth Platinum Corporation (platinum group metals), Longford Corporation (oil and gas), Aberdeen International Inc. (royalty) and Sanatana Diamonds Inc. (diamonds); as Vice President, Finance of Glass Earth Limited (gold) and Luiiri Gold Limited (gold); and has served as a director of Apogee Minerals Ltd. (silver).

*The key members of the technical team, based in Witbank, South Africa, are:*

**Michael Nell, Managing Director, Homeland Mining and Energy SA (Pty) Ltd ("HME")**

Mr. Nell is a mining engineer, formerly with Anglo Coal and Injula Mining, both of South Africa. Mr. Nell has spent 25 years in the coal and mining sectors in Africa and is responsible for development and overall day-to-day management of Homeland's coal mining operations.

**Martin Bartle, Executive General Manager (HME)**

Mr. Bartle, has held senior management positions with Exxaro Corporation, Eyesizwe Corporation and Anglo Coal, large South African coal producers, and is a recognized expert in Health, Safety and Training. Mr. Bartle has 27 years experience in training, SHEQ, risk and strategic management.

**Hanno Spangenberg, Engineering Manager (HME)**

Mr. Spangenberg has 18 years of experience in the coal mining sector. Trained and certificated as an Electrical Engineer, Mr. Spangenberg is responsible for site establishment and operations at Homeland's Kendal Mine, as well as overseeing planning and design of the Eloff Mine and other projects in South Africa. Mr. Spangenberg joined Homeland in 2006 from BHP Billiton, where worked as both a Senior Mining Engineer and Production Manager.

**Andrew Johnson, Mining Manager, Mining & Planning (HME)**

Mr. Johnson has 20 years of mining and exploration experience in Southern Africa, including a background in coal exploration and development in South Africa and

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Mozambique. Mr. Johnson is a Professional Mining Engineer experienced in operating and planning mines in Britain and southern Africa, specializing in coal. Mr. Johnson also has extensive experience with long term mine budgeting and financing.

*Key consultants to the South African technical team are:*

**George Gericke, Project Manager and Design Engineer Consultant**

With more than 25 years engineering experience in the mining and power generation industries, Mr. Gericke is a leading engineering consultant to the South African coal industry, specializing in beneficiation and project management.

**Rudolf Boer, Environmental Science Consultant**

Dr. Boer is President of Ferret Mining and Environmental Services. He is responsible for the preparation, submission and compliance of Homeland's environmental plans for its development projects. Dr. Boer was a principle of Ferret Coal Holdings, a company recently acquired by Homeland.

**Significant Accounting Policies and Estimates**

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

The Company's critical accounting policies are those that affect the financial statements and are summarized in Note 3 of the audited consolidated annual financial statements for the year ended December 31, 2006. Critical accounting policies and estimates in the period included capitalization of the costs relating to the acquisition, exploration and development of non-producing resource properties and the recognition of impairment of those assets, the valuation of warrants, stock options and tax accounts, contingent liabilities, and the choice of Generally Accepted Accounting Principles ("GAAP").

**Fair value**

Canadian GAAP requires that the Company disclose information about the fair value of its financial assets and liabilities. Fair value estimates are made at the balance sheet date, based on relevant market information and information about the financial

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instrument. These estimates are subjective in nature and involve uncertainties in significant matters of judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect these estimates.

The carrying value of amounts receivable, advances and prepaid expenses, accounts payable and accrued liabilities, and advances and prepayments reflected on the consolidated balance sheet approximate fair value because of the limited term of these instruments.

The carrying value of the convertible debenture is a reasonable estimate of its fair value due to the short period of time since the issuance of this financial instrument.

### **Mineral Properties**

The decision to capitalize exploration expenditures, and the timing of the recognition that capitalized exploration is unlikely to have future economic benefits, can materially affect the reported earnings of the Company. Homeland follows Canadian GAAP and in line with accepted industry practice for exploration and development companies has adopted the policy of deferring property specific acquisition, exploration and development costs. Deferred costs relating to properties that are relinquished, or where continued exploration is deemed inappropriate, are written off in the year such assessment is made. If Homeland adopted a policy of expensing all exploration costs, the Company's asset base, shareholders' equity, and loss from operations would be materially different. These deferred costs will be amortized on the unit-of-production basis over the estimated useful lives of the properties following the commencement of production. The cost of mineral properties includes any cash consideration paid, and the fair market value of shares issued on the acquisition of property interests. The recorded amounts represent actual expenditures incurred and are not intended to reflect present or future values. The Company reviews capitalized costs on its property interests on a periodic, or at least annual, basis and will recognize an impairment in value based upon current exploration results and upon management's assessment of the future probability of profitable revenues from the property or from the sale of the property. Management's assessment of the property's estimated current fair market value may also be based upon a review of other property transactions that have occurred in the same geographic area as that of the property under review.

### **Asset retirement obligations**

The Company is required to record a liability for the estimated future costs associated with legal obligations relating to the reclamation and closure of its exploration, development or mining properties. This amount is initially recorded at its discounted present value, with subsequent annual recognition of an accretion amount on the

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discounted liability. An equivalent amount is recorded as an increase to mineral properties and deferred exploration costs and amortized over the useful life of the properties.

As Homeland does not currently have any material legal obligations relating to the reclamation of its mineral properties, the adoption of this standard had no impact on the accounts of the Company.

New accounting pronouncements

On January 1, 2007, the Company adopted the Canadian Institute of Chartered Accountants ("CICA") Handbook Section 1530, *Comprehensive Income*; Section 3251, *Equity*; Section 3855, *Financial Instruments - Recognition and Measurement*; Section 3861, *Financial Instruments - Disclosure and Presentation*; and Section 3865, *Hedges*. These new standards resulted in no changes to amounts previously reported.

**Comprehensive Income**

Section 1530 establishes standards for reporting and presenting comprehensive income. Comprehensive income, composed of net income and other comprehensive income, is defined as the change in shareholders' equity from transactions and other events from non-owner sources. Other comprehensive income for the Company includes unrealized gains and losses on available-for-sale securities and changes in the fair market value of derivatives designated as cash flow hedges, all net of related income taxes. The components of comprehensive income are disclosed in the statement of operations and comprehensive income. Cumulative changes in other comprehensive income are included in accumulated other comprehensive income, which is presented as a new category in shareholders' equity.

**Financial Instruments**

Under the new standards, financial assets and liabilities, including derivative instruments, are initially recognized and subsequently measured based on their classification as "held-for-trading", "available-for-sale" financial assets, "held-to-maturity", "loans and receivables", or "other" financial liabilities. Held-for-trading financial instruments are measured at their fair value with changes in fair value recognized in net income for the period. Available-for-sale financial assets are measured at their fair value and changes in fair value are included in other comprehensive income until the asset is removed from the balance sheet. Held-to-maturity investments, loans and receivables and other financial liabilities are measured at amortized cost using the effective interest rate method. Derivative instruments, including embedded derivatives, are measured at their fair value with changes in fair value recognized in net income for

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the period, unless the instrument is a cash flow hedge and hedge accounting applies, in which case changes in fair value are recognized in other comprehensive income.

**Hedging**

Section 3865 specifies the circumstances under which hedge accounting is permissible and how hedge accounting may be performed. As at and during the nine month period ended September 30, 2007, the Company had no hedges.

The application of these new standards has had no impact on the Company's financial statements as at and for the nine month period ended September 30, 2007, and as such, a statement of comprehensive income has not been included in these financial statements.

**Risks & Uncertainties**

Homeland's business of exploring for and developing coal deposits involves a variety of operational, financial and regulatory risks that are typical in the natural resource industry. The Company attempts to mitigate these risks and minimize their effect on its financial performance, but there is no guarantee that the Company will be profitable in the future, and Homeland's common shares should be considered speculative.

**Reverse take-over of Chrysalis Capital IV Corporation**

Completion of the Offer and Merger is subject to a number of conditions including, without limitation, the conditions set forth in the Acquisition Agreement and acceptance by the Exchange. The Homeland common shares subject to the Offer shall not be purchased and taken up by Chrysalis until immediately prior to the completion of the Merger. The following risk factors arise solely as a result of the completion of the Merger:

There has been limited trading in the Chrysalis common shares on the Exchange. There is no trading market for the shares of Homeland. If the Merger is completed, persons purchasing common shares of the resulting issuer may not be able to resell the shares and may have to hold the shares indefinitely. In addition, purchasers may not be able to use their shares for collateral for loans and may not be able to liquidate at a suitable price. Trading in the resulting issuer may be halted at other times for other reasons, including for failure by the Company to submit documents to the Exchange in the time periods required.

Neither the TSX Venture Exchange nor any securities regulatory authority will pass upon the merits of the transaction.

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**Nature of Mineral Exploration and Development Projects**

The business of exploration involves a high degree of risk. Few properties that are explored are ultimately developed into mines. Certain of Homeland's properties are in the exploration stage and at present do not have a known commercial coal deposit. Proposed exploration programs are an exploratory search to define such a deposit. The long-term profitability of the Company's operations will be in part directly related to the cost and success of its exploration programs, which may be affected by a number of factors that are beyond the control of the Company.

The Company's operations are subject to all the hazards and risks normally associated with the exploration and development of coal deposits, any of which could result in injury or damage to property, or the environment. The Company's operations may be subject to disruptions caused by unusual or unexpected formations, formation pressures, fires, power failures, flooding, explosions, cave-ins, landslides, the inability to obtain suitable or adequate equipment or machinery, labour disputes, or adverse weather conditions. Although the Company maintains insurance to cover normal business risks, the availability of insurance for many of the hazards and risks is extremely limited or uneconomical at this time. Through high standards and continuous improvement, Homeland works to reduce these risks.

In the event the Company is fortunate enough to define a coal deposit, the economics of commercial production depend on many factors, including the cost of operations, the size of the deposit and quality of the coal, proximity to infrastructure, financing costs and Government regulations, including regulations relating to prices, taxes, royalties, land tenure, land use, importing and exporting of coal and environmental protection. The effects of these factors cannot be accurately predicted, but any combination of these factors could adversely affect the economics of commencement or continuation of commercial production.

Success in establishing reserves is a result of a number of factors, including the quality of management, the Company's level of geological and technical expertise, the quality of land available for exploration and development, the availability of suitable contractors, and other factors. Substantial expenditures are required to establish reserves through drilling, to determine the optimal metallurgical process and to construct mining and processing facilities. Because of these uncertainties, no assurance can be given that exploration programs will result in the establishment or expansion of resources or reserves.

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**Financing risk, until such time as the Company is cash flow positive**

In the absence of cash flow from operations, Homeland relies primarily on the capital markets to fund operations. Although the Company has been successful in the past in obtaining financing through the sale of equity securities, and placement of debt instruments, there can be no assurance that additional funding will be available, or available under terms favourable to the Company. Failure to obtain such additional finance could result in delay or the indefinite postponement of further exploration and the development of the Company's properties.

Substantial additional funds for the establishment of Homeland's current and planned mining operations will be required. Coal prices, environmental rehabilitation or restitution, revenues, taxes, transportation costs, capital expenditures and operating expenses and geological results are all factors which will have an impact on the amount of additional capital that may be required. To meet such funding requirements, the Company may be required to undertake additional equity financing, which would be dilutive to shareholders. Debt financing, if available, may also involve restrictions on financing and operating activities. There is no assurance that additional financing will be available on terms acceptable to the Resulting Issuer or at all. If the Resulting Issuer is unable to obtain additional financing as needed, it may be required to reduce the scope of its operations or anticipated expansion, and pursue only those development plans that can be funded through cash flows generated from its existing operations.

**Government Regulations and Processing Licenses and Permits**

Homeland's exploration and development activities require permits from various government authorities, and are subject to extensive state, provincial and local laws and regulations governing Black Economic Empowerment and the repatriation of funds (specific to South Africa), prospecting, development, production, exports, taxes, currency movements, labour standards, occupational health and safety, mine safety and other matters, including issues affecting local "previously disadvantaged" populations. Although Homeland believes that its activities are currently carried out in accordance with all applicable rules and regulations, no assurance can be given that new rules and regulations will not be enacted or that existing rules and regulations will not be applied in a manner that could limit or curtail production or development. Amendments to current laws and regulations governing operations and activities of exploration and mining, or more stringent implementation thereof, could have a material adverse impact on the business, operations and financial performance of the Company. Further, the mining licenses and permits issued in respect of its projects may be subject to conditions which, if not satisfied, may lead to the revocation of such licenses. In the event of revocation, the value of Homeland's investments in such projects may decline. Homeland draws on the expertise and commitment of its management team, their

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advisors, its employees and contractors to ensure compliance with current laws and fosters a climate of open communication and co-operation with regulatory bodies.

**Title to Assets**

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

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

**Access to Land**

Several of the Homeland tenements are exploration licences and access to land within the tenement area is dependant upon leases being granted and, in the case of coal production, the acquisition or lease of freehold land or reaching an equitable access agreement with landholders. Homeland may be unable to reach agreement with landowners to enter property for intended exploration such as for seismic surveys and/or drilling programs or for any mining activities on terms favourable to Homeland or at all.

**No Mineral Reserves / Mineral Resources**

Mineral reserves are, in the large part, estimates and no assurance can be given that the anticipated tonnages and grades will be achieved or that the indicated level of recovery will be realized. Reserve estimates for properties that have not yet commenced production may require revision based on actual production experience. Market price fluctuations of commodities, as well as increased production costs or reduced recovery rates may render mineral reserves containing relatively lower grades of mineralization uneconomic and may ultimately result in a restatement of reserves. Moreover, short-term operating factors relating to the mineral reserves, such as the need for orderly development of the ore bodies and the processing of new or different mineral qualities may cause a mining operation to be unprofitable in any particular accounting period.

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**Volatility of Coal Prices**

The market price of coal is volatile and is affected by numerous factors that are beyond the Resulting Issuer's control. These include international supply and demand, the level of consumer product demand, international economic trends, currency exchange rate fluctuations, the level of interest rates, the rate of inflation, global or regional political events and international events as well as a range of other market forces. Sustained downward movements in coal market prices could render less economic, or uneconomic, some or all of the coal extraction and/or exploration activities to be undertaken by the Resulting Issuer.

**Personnel**

Homeland's performance is dependent upon the performance and continued services of its current key management. While it has entered into contracts and adopted a stock option plan with the aim of securing the services of the existing management, the retention of their services cannot be guaranteed. Accordingly, the loss of any key management of the Company may have an adverse effect on the future of the Company's business. Homeland competes with numerous other companies and individuals for the recruitment and retention of qualified employees and contractors.

Recruiting and retaining qualified personnel is critical to Homeland's success. The number of persons skilled in the acquisition, exploration and development of mining properties is limited and competition for such persons is intense. As Homeland's business activity grows, Homeland will require additional key executive, financial, operational, administrative and mining personnel. Although Homeland believes that it will be successful in attracting, training and retaining qualified personnel, there can be no assurance of such success. If Homeland is not successful in attracting and training qualified personnel, the efficiency of its operations could be affected, which could have a material adverse effect on Homeland's results of operations and profitability.

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

**Competition for New Properties**

Mines have limited lives and as a result, Homeland may in the future seek to replace and expand its reserves through the acquisition of new properties. In addition, there is a limited supply of desirable mineral lands available in areas where Homeland would consider conducting exploration and/or production activities. Because Homeland faces strong competition for new properties from other mining companies, some of which have greater financial resources than it does, Homeland may be unable to acquire attractive new mining properties on terms that it considers acceptable. Competition in

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the mining business for limited sources of capital could adversely affect Homeland's ability to acquire and develop suitable coal mines, coal developmental projects, coal producing companies or properties having significant exploration potential. As a result, there can be no assurance that Homeland's acquisition and exploration plans will yield new mineral reserves to replace or expand current mineral reserves.

**Conflicts of Interest**

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

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

**Environmental**

Mining operations are subject to various environmental laws and regulations including, for example, those relating to waste treatment, emissions and disposal, and companies must generally comply with permits or standards governing, among other things, tailing dams and waste disposal areas, water consumption, air emissions and water discharges. Existing and possible future environmental legislation, regulations and actions could cause significant expense, capital expenditures, restrictions and delays in the Company's activities, the extent of which cannot be predicted and which may well be beyond the capacity of the Company to fund. The Company's right to exploit any

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minerals it discovers is subject to various reporting requirements and to acquiring certain Government approvals and there is no assurance that such approvals, including environmental approvals, will be granted without inordinate delays or at all.

### **Joint Ventures**

Homeland holds, and expects to hold in the future, interests in joint ventures. Joint ventures may involve special risks associated with the possibility that the joint venture partners may:

- have economic or business interests or targets that are inconsistent with those of the Company;
- be unwilling or unable to fulfil their obligations under the joint venture or other agreements;
- take action contrary to the Company's policies or objectives; or
- experience financial or other difficulties.

Any of the foregoing may have a material adverse effect on the results of operations or financial condition of the Company.

### **Use of Financial Instruments**

In fiscal 2007, to date, the Company did not enter into any specialized financial agreements to minimize its investment risk, currency risk or commodity risk. The principal financial instruments affecting the Company's financial condition and results of operations are currently its cash, amounts receivable and prepayments, accounts payable and accrued liabilities, and secured convertible debenture. The Company is subject to foreign currency exposure, as certain of its cash is retained in non-Canadian dollar denominated instruments.

### **Related Party Transactions**

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

- (a) During the nine months ended September 30, 2007, the Company paid Grove Communications Inc. \$60,488 (2006: \$148,876) in consulting and administration fees and in respect of investor relations work undertaken. The owner of Grove Communication Inc. is a director and officer of the company.

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Grove Communications Inc. shares office space with Homeland and during the nine months ended September 30, 2007 contributed \$16,036 (2006: Grove Communications Inc. and Odyssey Resources Limited contributed \$16,960 and \$33,920 respectively) towards the office rent and related facilities.

At September 30, 2007, accounts payable included \$14,272 (2005: amounts receivable included \$50,880) in respect of these transactions.

- (b) In South Africa, approximately \$112,000 (2006: \$123,000) was paid to a company owned by a director and significant shareholder of a subsidiary of HME as a retainer for services rendered in respect of the securing of prospecting rights.
- (c) In South Africa, approximately \$38,000 (2006: \$60,000) was paid in terms of the Agreement for the purchase of Ferret Coal Holdings (Pty) Ltd as a retainer to a company controlled by a former director and significant shareholder of that company, for environmental consulting and related services. These payments ceased in April 2007.
- (d) In the nine months ended September 30, 2007, 1,175,000 stock options were exercised by former employees and consultants at US\$0.50 per share, certain of which took advantage of a "cashless exercise program", and 975,000 common shares were issued. An additional 450,000 stock options were exercised by directors of the Company at US\$0.50 per share, with 390,000 common shares being issued.
- (e) The Board of Directors of Homeland granted 600,000 stock options to officers and employees in the nine months ended September 30, 2007 at prices ranging from US\$2.00 (in March 2007) to \$3.20 in (September 2007). All stock options granted expire after three years and vest over 24-months; one-third immediately, one-third after 12-months and one-third after 24-months

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Contractual Obligations and Commitments

**Lease Commitments**

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

	\$
2007	13,530
2008	54,122
2009	54,122
2010	54,122
	175,896

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

	\$
2007	13,445
2008	53,038
	66,483

**Surface Rights**

The Company has entered into an agreement to purchase certain surface rights at the Kendal project, dependent on Ferret Coal (Kendal) (Pty) Ltd. being granted their mining license. The purchase price is ZAR 4,800,000 (approximately \$700,000) of which ZAR 2,000,000 (approximately \$290,000) has already been paid as a deposit. The Company has made an offer to purchase additional surface rights at the Kendal project for ZAR 1,000,000 (approximately \$145,000).

**Corplo331 CC**

The Company has entered into an agreement to purchase the shares of Corplo331 CC, owner of the Northfield project, dependant on the granting of a Mining Permit for the Northfield project to the applicant, conversion of the close corporation to a private company, and the completion of due diligence. The purchase price is ZAR 12,000,000 (approximately \$1,740,000).

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**Madic Operations**

The Company has agreed to invest ZAR 6.3 million (approximately \$920,000) in Madic Operations to capitalize the development of the Madic continuous conveyor system, subject to a formal contract being entered into between the parties that would provide for the terms of repayment of the Company's initial investment, set out that the Company would have the right to purchase future systems at cost, and confirm the Company's 42% equity interest in Madic Operations.

The Company is party to certain management contracts. These contracts contain clauses requiring additional payments of up to \$1 million be made upon the occurrence of certain events, such as a change of control. As the likelihood of these events taking place is not determinable, the contingent payments have not been reflected in these consolidated financial statements.

Off-Balance Sheet Arrangements and Contingent Liabilities

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

Multilateral Instrument 52-109 Disclosure

**Evaluation of disclosure controls and procedures**

We have evaluated the effectiveness of our disclosure controls and procedures and have concluded, based on our evaluation that they are sufficiently effective to provide reasonable assurance that material information relating to the Company is made known to management and disclosed in accordance with applicable securities regulations.

**Internal controls over financial reporting**

The Chief Executive Officer and Chief Financial Officer, together with other members of management, after having designed internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial reporting in accordance with the issuer's GAAP as of September 30, 2007, have not identified any changes to the Company's internal control over financial reporting that would materially affect, or is reasonably likely to materially affect the Company's internal control over financial reporting.

Notwithstanding the above, Homeland, as a private company involved in the process of becoming a public company through the reverse take-over of Chrysalis, embarked early

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in 2007 on a process to improve the formalization of its internal control over financial reporting. This process will continue through the end of 2007.

Outlook

Calendar 2007 is an important year for Homeland. The Company has received Canadian NI 43-101 compliant technical reports from SRK Consulting (South Africa) (Pty) Ltd for its Kendal and Eloff Properties. It is moving ahead with its listing on the TSX Venture Exchange via the reverse take-over of Chrysalis Capital IV Corporation, a Capital Pool Company, with consideration being given to dual listing for its securities on the AIM in London and/or the Johannesburg Stock Exchange in South Africa in 2008. Cash flow is anticipated in late 2007 or early 2008 with the commissioning of the Kendal Mine, following the granting of a Mining Licence by the South African authorities.

Homeland's pipeline of prospects at different stages of development offers a well-balanced portfolio of quality exploration and development prospects. The Company's medium term aim is to develop into a mid-tier coal producer, while maintaining a significant strategic investment in a new global uranium prospect, Homeland Uranium Inc., which also anticipates listing on the TSX Venture Exchange in late 2007. The worldwide exploration industry has been severely diminished by acquisition and merger, which has dramatically reduced the commitment to greenfields exploration. Homeland intends to exploit a potential valuable gap by generating and managing the early stages of resource identification and development of significant coal deposits.

By the end of 2008, Homeland plans to complete exploration/confirmation drilling at the Eloff Property, conclude discussions for surface access and off-take, be in receipt of the necessary Mining Licence from the Department of Mines and Energy, and commence development of the mine infrastructure. Environmental assessments and mine planning will also take place at the more advanced of the exploration projects, with a further two exploration projects expected to move to feasibility stage.

For additional information, please refer to the Company's website at [www.homelandcorp.com](http://www.homelandcorp.com).

Subsequent Events

None.

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Supplement to the Financial Statements

**Outstanding Share and Option Data**

As at October 23, 2007, the following items were issued and outstanding:

- 32,629,780 common shares;
- 2,600,000 common share purchase options at an average price of \$1.25 per share, maturing at various dates until September 14, 2010; and
- 200,000 share purchase warrants with an exercise price of US\$2.00 per share and an expiry date of November 2, 2007.

October 31, 2007