

**HOMELAND ENERGY GROUP LTD.**

**UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**MARCH 31, 2010**

**(Stated in Canadian Dollars)**

**HOMELAND ENERGY GROUP LTD.**  
**UNAUDITED INTERIM CONSOLIDATED BALANCE SHEETS**  
*(Stated in Canadian Dollars)*

	March 31, 2010	December 31, 2009
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 3,285,102	\$ 7,650,261
Restricted cash	527,820	540,398
Accounts receivable	4,711,995	6,045,258
Deposits and prepaid expenses	165,892	229,923
Inventory (note 7)	8,501,443	8,149,210
	17,192,252	22,615,050
Long-term Deposits and Prepaid Expenses	15,305	15,670
Investments (note 8)	2,072,440	2,017,074
Long-term Loans Receivable (note 9)	9,685,727	9,664,922
Exploration and Development Properties (note 11)	5,285,293	5,216,521
Property, Plant and Equipment (note 10)	29,398,453	30,081,459
Other	-	3,998
	\$ 63,649,470	\$ 69,614,694
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued liabilities	\$ 10,728,137	\$ 18,207,397
GMR loan payable (note 12)	8,185,728	5,022,912
Current portion of credit facilities (note 12)	20,659,670	20,527,869
	39,573,535	43,758,178
Asset Retirement Obligations	427,269	437,449
	40,000,804	44,195,627
<b>Shareholder's Equity</b>		
Capital Stock (note 13)	87,040,612	87,040,612
Contributed Surplus (note 13 (b))	7,907,528	7,907,528
	94,948,140	94,948,140
Accumulated Deficit	(70,744,920)	(68,902,015)
Accumulated Other Comprehensive Loss	(554,554)	(627,058)
	(71,299,474)	(69,529,073)
	\$ 63,649,470	\$ 69,614,694

Going Concern (note 2)  
Commitments and Contingencies (notes 12 and 17)

Approved on behalf of the Board:

Signed: "B.V.N. Rao"  
B.V.N. Rao, Director

Signed: "Jeff Lowe"  
Jeff Lowe, Director

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

**HOMELAND ENERGY GROUP LTD.**  
**UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF**  
**OPERATIONS AND DEFICIT**  
**THREE MONTHS ENDED MARCH 31**  
*(Stated in Canadian Dollars)*

	2010	2009
		(As Restated) (see note 19)
<b>Revenue</b>	\$ 6,465,712	\$ -
Cost of Goods Sold		
Mining and processing expense	6,175,714	-
Depletion, depreciation and amortization	471,828	-
<b>Gross Loss</b>	<b>(181,830)</b>	<b>-</b>
<b>Expenses</b>		
Management and administrative expenses	\$ 364,462	\$ 894,606
Office and general	671,286	584,836
Stock-based compensation	-	1,648,876
Interest expense	769,690	396,390
Travel and accomodation	47,345	310,538
Legal and audit fees	141,655	252,546
Professional and consulting fees	176,286	519,034
Director's fees	42,279	30,000
Amortization	18,000	74,001
Transfer agent and filing fees	23,851	46,660
Foreign exchange (gain) loss	(294,808)	39,817
	<b>1,960,046</b>	<b>4,797,304</b>
<b>Loss before Other Items</b>	<b>(2,141,876)</b>	<b>(4,797,304)</b>
Other Items		
Interest income from loans and receivables	316,109	309,734
Interest income from held for trading investments	-	106,342
Other income	-	16,813
Equity loss from investment in Homeland Uranium Inc. (note 8(a))	(17,138)	(62,013)
Transaction break fee	-	(6,348,950)
Loan placement fees	-	(50,000)
<b>Loss before Income Taxes</b>	<b>(1,842,905)</b>	<b>(10,825,378)</b>
Income taxes	-	-
<b>Net Loss for the Period</b>	<b>(1,842,905)</b>	<b>(10,825,378)</b>
<b>Deficit - Beginning of Period</b>	<b>(68,902,015)</b>	<b>(33,302,701)</b>
<b>Deficit - End of Period</b>	<b>\$ (70,744,920)</b>	<b>\$ (44,128,079)</b>
<b>Loss per share - Basic and Diluted</b>	<b>\$ (0.01)</b>	<b>\$ (0.05)</b>
<b>Weighted Average Number of Basic and Diluted Common Shares Outstanding During the Period</b>	<b>302,115,756</b>	<b>197,493,750</b>

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

**HOMELAND ENERGY GROUP LTD.**  
**UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE**  
**LOSS AND ACCUMULATED OTHER COMPREHENSIVE LOSS**  
**THREE MONTHS ENDED MARCH 31**  
*(Stated in Canadian Dollars)*

	2010	2009
		(As Restated) (see note 19)
<b>Comprehensive Loss</b>		
Net loss for the period	\$ (1,842,905)	\$ (10,825,378)
Other comprehensive gain	72,504	2,236,496
<b>Comprehensive Loss</b>	<b>\$ (1,770,401)</b>	<b>\$ (8,588,882)</b>
 <b>Accumulated Other Comprehensive Income</b>		
Balance - Beginning of Period	\$ (627,058)	\$ (6,617,510)
<b>Other comprehensive income (loss) for the period</b>		
Unrealized gain (loss) on available for sales securities	72,504	2,236,496
	\$ 72,504	\$ 2,236,496
<b>Balance - End of Period</b>	<b>\$ (554,554)</b>	<b>\$ (4,381,014)</b>

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

**HOMELAND ENERGY GROUP LTD.**  
**UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**THREE MONTHS ENDED MARCH 31**  
*(Stated in Canadian Dollars)*

	2010	2009
		(As Restated) (see note 19)
<b>Cash Flows From (Used In):</b>		
<b>Operating Activities:</b>		
Net loss for the period	\$ (1,842,905)	\$ (10,825,378)
Items not affecting cash -		
Amortization and depletion	489,828	74,001
Stock-based compensation	-	1,648,876
Foreign Exchange	(298,547)	117
Equity Loss from investment in Homeland Uranium Inc.	17,138	62,013
Accrued interest expense	609,530	400,260
Accrued interest income	(30,985)	(309,720)
Issuance of common shares, for break fee	-	5,050,000
Issuance of common shares, for loan issuance fee	-	50,000
Changes in non-cash working capital items	(6,429,836)	1,273,576
	(7,485,777)	(2,576,255)
<b>Investing Activities:</b>		
Exploration and development properties	(68,772)	(1,629,981)
Acquisition of property, plant and equipment	193,178	(520,299)
Long-term loans receivable	-	(56,185)
Loan from GMR	-	-
	124,406	(2,206,465)
<b>Financing Activities:</b>		
Issuance of common shares, for cash	-	3,155,302
Proceeds from short-term debt	2,996,212	2,500,000
Share issuance costs	-	(52,428)
	2,996,212	5,602,874
<b>Change in Cash and Cash Equivalents</b>	<b>\$ (4,365,159)</b>	<b>\$ 820,154</b>
<b>Cash and Cash Equivalents - Beginning of Period</b>	<b>\$ 7,650,261</b>	<b>\$ 7,815,158</b>
<b>Cash and Cash Equivalents - End of Period</b>	<b>\$3,285,102</b>	<b>\$8,635,312</b>

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

**HOMELAND ENERGY GROUP LTD.**  
NOTES TO THE UNAUDITED INTERIM CONSOLIDATED  
FINANCIAL STATEMENTS  
**Three Months ended March 31, 2010 and 2009**  
*(Stated in Canadian Dollars)*

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**1. NATURE OF OPERATIONS AND BASIS OF PRESENTATION**

**Homeland Energy Group Ltd.** ("Homeland" or the "Company") was incorporated under the *Canada Business Corporations Act* on October 12, 2006. The Company was set up as a capital pool company under the policies of the TSX Venture Exchange (the "Exchange") and was listed on the Exchange on February 12, 2007. Following the closing of its qualifying transaction on February 29, 2008, see note 3, the principal activity of the Company changed to "the acquisition, exploration, development and operation of energy related resource properties" primarily in Southern Africa, but with a broader focus of investigating appropriate opportunities globally. The Company was a development stage entity, as defined by the Canadian Institute of Chartered Accountants Accounting Guideline 11, until September 30, 2009.

On October 1, 2009, the Company commenced commercial production of coal from its Kendal project in South Africa. Homeland also owns an advanced-stage coal development project in South Africa (namely the Eloff Mineral Property) and a number of earlier-stage exploration properties in South Africa.

The business of mining and exploring for minerals involves a high degree of risk and there can be no assurance that current exploration and development programs, or mining operations, will result in profitable mining operations. The recoverability of the carrying value of Homeland's mining and exploration and development properties, and indeed the Company's continued existence, is dependent upon the ability of the Company to preserve its interests in the underlying properties and to achieve profitable operations and/or to dispose of its interests in these mining and exploration and development properties on an advantageous basis. Changes in future conditions could require material write downs in the carrying value of the mining and exploration and development properties.

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

These interim consolidated financial statements include the assets, liabilities and operations of Homeland Energy Group Ltd. and its direct and indirect subsidiaries and variable interest entities where the Company is the primary beneficiary, and were prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP") for interim financial statements.

**HOMELAND ENERGY GROUP LTD.**  
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**2. GOING CONCERN**

These interim consolidated financial statements have been prepared on a going concern basis in accordance with Canadian GAAP, which assumes that the Company will be able to continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business.

At March 31, 2010, the Company had cash and cash equivalents of \$3,285,102 and a working capital deficiency of \$22,381,283. The Company does not have sufficient funds available to pay its trade payables and debt obligations due under the Nedbank Limited ("Nedbank") facility (see note 12 at March 31, 2010). The Company is currently in default of its loan with Nedbank and as a result the entire loan has been classified as a current liability, which has resulted in the large working capital deficiency position. The Company has and continues to be in a period where high capital costs are being incurred, while commissioning issues with respect to the recent plant modifications have been experienced. The Company has negotiated agreements with certain suppliers and contractors to extend normal creditor payment terms and is working with Nedbank on restructuring its debt facility. The Company is currently considering various options in order to bring the loan back into good standing.

The Company has a need for working capital for operations and for the exploration and development of its properties. Because of continuing operating losses and a working capital deficiency, the Company's continuance as a going concern is also dependent upon its ability to obtain adequate financing and to reach profitable levels of operation. It is not possible to predict whether financing efforts will be successful or if the Company will attain profitable levels of operations.

These interim consolidated financial statements do not reflect any adjustments in the carrying values of the assets and liabilities, the reported expenses, and the balance sheet classifications used that would be necessary if the going concern assumption were not appropriate. Such adjustments could be material.

**3. SIGNIFICANT ACCOUNTING POLICIES**

These interim consolidated financial statements have been prepared in accordance with Canadian GAAP for interim financial statements. Certain information and note disclosure normally included in the annual consolidated financial statements prepared in accordance with Canadian GAAP have been omitted. These interim consolidated financial statements should be read together with the Company's consolidated financial statements for the year ended December 31, 2009. In the opinion of management, all adjustments considered necessary for the fair presentation have been included in these interim consolidated financial statements. Operating results for the three months ended March 31, 2010 may not necessarily be indicative of the results that may be expected for the year ending December 31, 2010.

The accounting policies followed in preparing these interim consolidated financial statements are those used by the Company as set out in the consolidated financial statements for the year ended December 31, 2009.

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**4. FUTURE ACCOUNTING CHANGES**

**International Financial Reporting Standards ("IFRS")**

In January 2006, the CICA Accounting Standards Board ("AcSB") adopted a strategic plan for the direction of accounting standards in Canada. As part of that plan, accounting standards in Canada for public companies are expected to converge with International Financial Reporting Standards ("IFRS") by 2011. In accordance with CSA Staff Notice 52-320, as the majority of the Company's current activities are located in South Africa, the Company currently prepares the bulk of its accounts in accordance with IFRS and then converts to Canadian GAAP. The Company continues to monitor and assess the impact of the convergence of Canadian GAAP and IFRS.

**Business combinations, consolidated financial statements and non-controlling interests**

In January 2009, the CICA issued Section 1582, Business Combinations, Section 1601, Consolidated Financial Statements, and Section 1602, Non-controlling interests, which replace Section 1581, Business Combinations and Section 1600, Consolidated Financial Statements. Section 1582 establishes standards for the accounting for business combinations that is equivalent to the business combination accounting standard under International Financial Reporting Standards ("IFRS"). Section 1582 is applicable for business combinations with acquisition dates on or after January 1, 2011. Early adoption of this section is permitted. Section 1601 together with Section 1602 establishes standards for the preparation of consolidated financial statements. Section 1601 is applicable for the Company's interim and annual consolidated financial statements for fiscal years beginning on or after January 1, 2011. Early adoption of this section is permitted. If the Company chooses to early adopt any one of these sections, the other two sections must also be adopted at the same time. The Company is currently assessing the impact of these new accounting standards on its consolidated financial statements.

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**5. CAPITAL MANAGEMENT**

The Company's capital consists of its shareholders equity and its credit facilities. The Company's objectives in managing its capital are to ensure sufficient liquidity to pursue its strategy of organic growth combined with strategic acquisitions, ensure externally imposed capital requirements relating to its credit facilities are being met, and to provide returns to its shareholders.

The Company manages its capital structure and makes adjustments to it in light of general economic conditions, the risk characteristics of the underlying assets and the Company's working capital requirements. The properties in which the Company currently has an interest are in the exploration, development and commercial production stages; as such the Company remains dependent on external financing to fund many of its activities. In order to carry out its planned acquisition, exploration and development activities, and to pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed. In order to maintain or adjust its capital structure, the Board of Directors may approve the issue of shares or the undertaking of other activities as deemed appropriate under the specific circumstances.

The Board of Directors reviews and approves all material transactions out of the ordinary course of business, including proposals on acquisitions or other major investments or divestitures, as well as capital and operating budgets.

The Company's externally imposed capital requirements, attributable to the Nedbank Limited Term Loan Facility Agreement ("Facility") entered into by its subsidiary, Ferret Coal (Kendal) (Pty) Ltd., with Nedbank Limited are as follows:

- (a) Debt Service Ratio by Ferret Coal (Kendal) (Pty) Ltd. of 1.3 times;
- (b) Loan Life Cover Ratio by Ferret Coal (Kendal) (Pty) Ltd. of 1.5 times; and
- (c) Debt to Equity Ratio by Ferret Coal (Kendal) (Pty) Ltd. of 70 : 30.

Failure to meet these capital requirements could result in an event of default by the Company's subsidiary under the terms of the Facility, and Nedbank Limited requiring the immediate repayment of the outstanding balance under the Facility. As at March 31, 2010, Ferret Coal (Kendal) (Pty) Ltd. was not in compliance with all of these externally imposed capital requirements. The Company has been in discussions with Nedbank and to date Nedbank has not formally notified the Company that it is in default. The Company is working with Nedbank on delaying the repayment of its debt facility and is considering various options to bring the loan back into good standing.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

There were no changes in the Company's approach to capital management during 2009 and 2010.

**HOMELAND ENERGY GROUP LTD.**  
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**6. FINANCIAL RISK FACTORS**

The Company's financial risk exposures and their impact on the Company's financial instruments are summarized below:

**(a) Fair value of financial instruments**

The estimated fair value of the Company's financial instruments has been determined based on the Company's assessment of available market information and appropriate valuation methodologies. However, these estimates may not necessarily be indicative of the amounts that the Company could realize in a current market exchange.

The Company's financial instruments are primarily comprised of cash and cash equivalents, restricted cash, accounts receivable, investments, long-term loans receivable, accounts payable and accrued liabilities, GMR loan payable and credit facilities. The carrying values of these items, excluding the GMR loan payable and credit facilities approximate their fair values due to the relatively short-term expected maturities of these instruments and/or the short-term that has passed from inception of these instruments. The fair values of long-term loans receivable and investments were calculated based on market information and the Company's best estimate. The fair value of the GMR loan payable and credit facilities approximates carrying value due to the short period of time that has passed from inception of these financial instruments.

The Company has designated its cash and cash equivalents, including restricted cash, as held-for-trading, which are measured at fair value. Financial instruments included in accounts receivable and long-term loans receivable are classified as loans and receivables, which are measured at amortized cost. The GMR loan payable, credit facilities, accounts payable and accrued liabilities, and other current liabilities are classified as other financial liabilities, which are measured at amortized cost.

Investments (excluding the investment in Homeland Uranium Inc.) are classified as available for sale. The investment in Homeland Uranium Inc. is considered using the equity method of accounting.

**(b) Foreign currency risk**

The Company's functional currency is the Canadian Dollar and major purchases are primarily transacted in Canadian Dollars and in South African Rand. The Company has funded certain exploration, development and administrative expenses in South Africa and the United Kingdom on a cash basis using funds converted from its bank accounts held in Canada. The South African operations were funded locally by way of the Nedbank Facility and utilizing cash held in South African Rand with South African financial institutions. Until "Completion" as defined in terms of the Nedbank Facility Agreement, i.e. until the commissioning of the Kendal Mine is complete and operations are at steady state, all cash held or generated in South Africa must remain in South Africa under the security provisions of the Nedbank operating loan. The South African operations are also funded by intercompany advances from the parent company.

The Company commenced selling coal and such sales are currently predominately denominated in South African Rand, the same currency in which the operating costs are incurred.

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**6. FINANCIAL RISK FACTORS (Continued)**

**(b) Foreign currency risk (continued)**

The Company does not use derivative instruments to reduce its exposure to foreign currency risk. The Company held cash and cash equivalents, in the following currencies, stated in Canadian Dollars at:

	March 31, 2010	December 31, 2009
Canadian Dollars	\$ 405,332	\$ 699,790
United States Dollars	23,560	5,042,807
British Pounds	-	95,862
South African Rand	2,847,342	1,807,743
Botswana Pula	8,868	4,059
	<b>\$ 3,285,102</b>	<b>\$ 7,650,261</b>

Other monetary assets and liabilities denominated in foreign currencies, consisting primarily of South African rand, are as follows:

	2010	2009
	\$	\$
Restricted cash	527,820	540,398
Accounts receivable	4,342,762	5,833,395
Long-term loans receivable	9,685,727	9,664,922
Accounts payable and accrued liabilities	9,766,669	17,642,944
Credit facilities	20,659,670	20,527,869

Revenue has been earned in South African Rand. Expenses totaling \$6,465,712 have been incurred in South African Rand.

The foreign currency gain reported resulted primarily from the depreciation of the South African Rand relative to the Canadian Dollar and the Company having net South African Rand costs at its Kendal operation in South Africa. Based on the foreign currency denominated balances noted above as of March 31, 2010, a ten percent change in the value of all foreign currencies relative to the Canadian Dollar could result in a corresponding change in net loss of approximately \$1,300,000.

**(c) Commodity price risk**

The Company is exposed to price risk with respect to commodity prices. Homeland closely monitors commodity prices to determine the appropriate course of action to be taken by the Company. A ten percent change in commodity prices would have impacted the Company's revenues and net loss by approximately \$620,000 based on the commercial production revenues earned during the period ended March 31, 2010.

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**6. FINANCIAL RISK FACTORS (Continued)**

**(d) Interest rate risk**

The Company has cash and cash equivalent balances and, through a subsidiary company, senior interest-bearing debt. The Company's current policy is to hold its cash balances with reputable banking institutions in Canada, South Africa, the United Kingdom and Mauritius and to invest excess cash in investment-grade short-term deposit certificates where applicable. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks.

The Company is exposed to interest rate risk on its variable rate debt. At March 31, 2010, the outstanding balance on the Company's long-term credit Facility amounted to \$20,659,670 (ZAR 149.2 million). A one percent change in interest rates could result in a corresponding change in net loss of approximately \$200,000 on an annualized basis.

The Company is exposed to interest rate risk on its long term loans receivable. A one percent change in interest rates could result in a corresponding change in net loss of approximately \$97,000 on an annualized basis.

**(e) Credit risk**

Credit risk is the risk that a third party might fail to fulfill its performance obligations under the terms of a financial instrument. The Company's credit risk is primarily attributable to cash and cash equivalents, accounts receivable, deposits and prepaid expenses and long-term loans receivable. Cash equivalents consist of overnight deposits and savings accounts, which have been placed with reputable financial institutions, primarily in Canada and South Africa, from which management believes the risk of loss to be remote. Financial instruments included in accounts receivable, and deposits and prepaid expenses consist of sales receivables on 30-day terms, goods and services tax due from the Federal Government of Canada, value added tax due from the department of Inland Revenue in South Africa, and deposits with and receivables from unrelated companies. Management believes that the credit risk concentration with respect to financial instruments included in accounts receivable and deposits and prepaid expenses is low. Long-term loans have been made to entities in which the Company has a commercial interest in the technology being developed, and in which the Company's technical management believes there is a reasonable probability of successful implementation, or where the Company has the contractual ability to ensure repayment through the successful commissioning of the Kendal Colliery.

**HOMELAND ENERGY GROUP LTD.**  
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**6. FINANCIAL RISK FACTORS (Continued)**

**(f) Liquidity risk**

Liquidity risk is the risk that a financial instrument cannot be eliminated quickly, by either liquidating it or by establishing an off-setting position. The Company addresses the capital management process as described in note 5.

The Company's approach to managing liquidity risk is to attempt to ensure that it will have access to sufficient liquidity to meet liabilities as they fall due. As at March 31, 2010, the Company had cash and cash equivalents of \$3,285,102 (December 31, 2009: \$7,650,261) available to settle current liabilities of \$39,573,535 (December 31, 2009: \$43,758,178). The Company is currently in default on its long-term loan (see note 12) and as a result the loan is callable at any time. Therefore, the full amount of the loan, \$20,659,670, has been classified as a current liability. Except for the \$20,659,670 loan and the loan payable to GMR, all of the Company's current liabilities have contractual maturities of 30 days and are subject to normal trade terms. Certain of these payables are currently overdue. The loan payable to GMR was extended to June 30, 2010. Further extensions will be sought as necessary.

**7. INVENTORY**

Inventory consists of stock-piled run-of-mine ore and finished goods. During the period from January 1, 2010 to March 31, 2010, inventory valued at \$5,939,842 was expensed. Prior to October 1, 2009, no amounts with respect to inventory were expensed as the Company capitalized its pre-production reserves and costs. At March 31, 2010, inventory was written down to its net recoverable value by an impairment charge of \$1,513,700 which has been included in cost of goods sold. Coal inventory was valued at \$8,501,443 at March 31, 2010, consisting of stock-piled run-of-mine ore \$3,633,694, stock-piled discard ore \$2,227,872 and finished goods \$2,639,877. Coal inventory is pledged as collateral for the existing Nedbank loan.

**8. INVESTMENTS**

	March 31, 2010	December 31, 2009
Homeland Uranium Inc. ("HUI")	\$ 1,774,455	\$ 1,791,593
- 11,888,348 (Dec 31, 2009 - 11,888,348) common shares		
Aviva Corporation Ltd.	297,984	225,480
- 4,000,000 (Dec 31, 2009 - 4,000,000) common shares		
Other	1	1
	<b>\$ 2,072,440</b>	<b>\$ 2,017,074</b>

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**9. LONG-TERM LOANS RECEIVABLE**

In May 2008, Homeland funded a loan to aid a private Black Economic Empowerment (“BEE”) company in South Africa to purchase 26% of Ferret Coal (Kendal) (Pty) Ltd. (“Kendal”). The loan bears interest at the South African prime overdraft rate with the related equity interest in the Kendal Mine pledged as security for the loan. The carrying amount of the loan at March 31, 2010 is ZAR 69,933,048 (\$9,685,727), including accrued interest of ZAR 14,813,785 (\$1,847,231). Repayment of the loan will take place out of dividends or other payments accruing to the borrower in respect of the Kendal Mine, or out of the proceeds of their disposal to a third party purchaser in terms of the loan agreement. The Company’s minority BEE partner will be entitled to future earnings based on their respective ownership of shares, but only once this loan account plus interest has been paid. Any outstanding balance on the loan will be repaid to Homeland in 20 years.

**10. PROPERTY, PLANT AND EQUIPMENT**

	March 31, 2010		
	Cost	Accumulated Amortization	Net
Mining property, plant and machinery	\$ 29,385,942	\$ 1,542,334	\$ 27,186,608
Motor vehicles	357,209	152,291	204,918
Office furniture and equipment	210,079	133,739	76,340
Computer Equipment	275,086	187,720	87,366
Land and buildings	676,920	-	676,920
Leasehold improvements	250,370	175,851	74,519
Conveyor System	1,356,782	265,000	1,091,782
	\$ 32,512,388	\$ 2,456,935	\$ 29,398,453

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**11. EXPLORATION AND DEVELOPMENT PROPERTIES**

Homeland is engaged in the business of the acquisition, exploration, development, and operation of resource properties in South Africa, while evaluating advanced opportunities globally. The following table summarizes exploration and development property activity during the period ended March 31, 2010:

	Net Book Value December 31, 2009	Expenditures for the Period	Net Book Value March 31, 2010
Eloff	\$ 2,778,679	\$ -	\$ 2,778,679
Northfield	2,434,460	2,356	2,436,816
Other	3,382	66,416	69,798
	<u>5,216,521</u>	<u>68,772</u>	<u>5,285,293</u>

**12. CREDIT FACILITIES**

	Note	March 31, 2010	December 31, 2009
Nedbank - Non-revolving facility	(a)	\$ 20,659,670	\$ 20,527,869
GMR Loan Payable	(b)	8,185,728	5,022,912
Less: Current portion		(28,845,398)	(25,550,781)
Long-term Portion		-	-

- (a) The Company entered into a Term Loan Facility Agreement signed September 29, 2008, with Nedbank Limited to finance the development of a mine at the Kendal property in South Africa. The Facility is secured by guarantees from, and pledges of shares by, certain group companies and is repayable from June 2010 through September 2014. Amounts drawn down under the Facility bear interest at the Johannesburg Interbank Agreed Rate of ("JIBAR") plus 4.75% per annum prior to the Company utilizing the full Facility, and at the rate of JIBAR plus 4.10% per annum following completion (as defined in the Facility). Undrawn amounts are subject to a commitment fee of 0.50% per annum.

As at March 31, 2010, Ferret Coal (Kendal) (Pty) Ltd. ("Kendal") was not in compliance with its externally imposed capital requirements and as a result is in default. As the loan is in default it can be called at any time and therefore has been presented as a current liability. The loan is fully secured by all of the assets of Kendal. The Company has been in discussions with Nedbank and to date Nedbank has not formally notified the Company that it is in default. The Company is working with Nedbank on delaying the repayment of its debt facility and is considering various financing options to bring the loan back into good standing.

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**12. CREDIT FACILITIES (Continued)**

At March 31, 2010, the Company had drawn down ZAR 125,000,000 (approximately \$17,312,500), (December 31, 2009 - ZAR 125,000,000 (approximately \$17,725,000)). The undrawn amount of the facility of ZAR 25,000,000 (approximately \$3,462,500) is not currently available as the loan is in default. The effective interest rate for the three months ended March 31, 2010 was 12.3290% Interest of ZAR 4,400,937 (\$609,530) for the three months ended has been incurred at March 31, 2010 (December 31, 2009 - ZAR 17,349,825 (\$2,460,205)). A waiver fee of ZAR 2,416,531 (\$334,690) has been capitalized to and forms part of the aggregate amount of all advances outstanding.

- (b) On November 30, 2009, the Company signed a promissory note in relation to a loan from GMR Energy (Mauritius) Limited to the Company of \$4,996,928. The funds were used to satisfy, in part, the Company's requirement under the Nedbank amendment to raise ZAR 70,000,00 by January, 2010. This loan was due March 31, 2010 and was subsequently deferred to June 30, 2010 and bears interest at LIBOR plus 600 basis points. Further extensions will be sought as necessary. The loan is secured by a pledge of certain noncore assets as well as a secondary position with respect to certain assets related to the Kendal Colliery that are already subject to a first priority pledge to Nedbank Limited. On January 15, 2010, GMR Energy (Mauritius) Limited advanced a further sum of \$2,996,212 bringing the total advanced to the Company to \$7,993,140. Three of the Company's directors are employees of GMR.

**13. CAPITAL STOCK**

Authorized -

Unlimited number of common shares with no par value.

Issued and outstanding common shares	Note	Number of Shares	Share Capital
Balance - December 31, 2009 and March 31, 2010		302,115,756	\$ 87,040,612

- (a) There are no common share purchase warrants outstanding at March 31, 2010.
- (b) The following table discloses the change in contributed surplus for the three months ended March 31, 2010:

Contributed surplus - December 31, 2009	\$ 7,907,528
Stock-based compensation	-
Contributed surplus - March 31, 2010	\$ 7,907,528

- (c) Prospectus Filing

On February 11, 2010 the Company filed a preliminary short-form prospectus in connection with the proposed offering of rights to subscribe for common shares of the Company.

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**14. COMMON SHARE PURCHASE OPTIONS**

Fixed Options	Options		Weighted Average Exercise Price
Outstanding at beginning of period	9,053,375	\$	0.37
Granted	-		-
Exercised	-		-
Expired	(1,842,125)		1.27
Forfeited	-		-
Outstanding at end of period	7,211,250		0.14
Options exercisable at end of period	7,211,250	\$	0.14

The fair value assigned to the stock options granted during the three months ended March 31, 2010 was \$nil (2009 - \$149,153). The Company recognized stock based compensation expense of \$nil during the three months ended March 31, 2010 (2009 - \$1,353,826) and increased contributed surplus by the same amount in respect of stock-based employee compensation awards under the Company's stock option plan. The Company also recognized stock based compensation expense of \$nil during the three months ended March 31, 2010 (2009 - \$295,050) and increased contributed surplus by the same amount in respect of stock-based non-employee compensation awards under the Company's stock option plan.

Included in contributed surplus at the end of the period are the following stock options at valuations estimated using the Black-Scholes option pricing model on the date of grant:

Expiry date	Exercise price per share \$	Options outstanding #	Options vested #
February 12, 2012	0.40	36,250	36,250
February 10, 2014	0.20	1,630,000	1,630,000
December 15, 2014	0.12	5,545,000	5,545,000
		<b>7,211,250</b>	<b>7,211,250</b>

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**15. SUPPLEMENTAL CASH FLOW INFORMATION**

	March 31 2010	December 31, 2009
<b>Cash and cash equivalents</b>		
Cash	\$ 3,264,790	\$ 7,629,329
Cash Equivalents	20,312	20,932
	<u>\$ 3,285,102</u>	<u>\$ 7,650,261</u>
	Three months ended March 31,	
	2010	2009

**Supplemental Cash Flow Information:**

Interest paid	\$ -	\$ -
Change in accrued exploration and development and property, plant and equipment	87,324	625,713
Shares issued for payment of transaction break fee	-	5,050,000
Shares issued for loan placement fee	-	50,000
Shares issued to GMR	-	34,532,899
Income taxes paid	-	-

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**16. RELATED PARTY TRANSACTIONS**

Transactions with related parties are measured at the exchange amounts and for the three months ended March 31, 2010 are as follows:

- (a) Homeland paid Grove Communications Inc. \$nil during the three month period ending March 31, 2010 (2009 - \$8,937) in fees in respect of investor relations and office administration work undertaken. The owner of Grove Communication Inc. is a former officer and director of the Company. Grove Communications also shared office space with Homeland and contributed \$nil during the three month period ending March 31, 2010 (2009 - \$3,850) towards the office rent and related facilities.
- (b) With the leasing of new premises in London in 2008, Juno Special Situations Corporation, a company with which a former director and an officer of Homeland are associated, agreed to share office space. At March 31, 2010, the Company had invoiced Juno for rental and recoveries of costs, and \$25,446 remains outstanding. This amount is unsecured, non-interest bearing with no fixed terms of repayment.
- (c) Expenses incurred to a South African company owned by a former director and significant shareholder of subsidiaries of the Company for services rendered in respect of the securing and maintaining of prospecting rights totaled approximately \$nil and for the three months ended March 31, 2010 versus \$27,076 for the three months ended March 31, 2009.
- (d) Legal services are provided by a law firm of which an officer of the Company is a partner. Homeland expensed \$62,601 during the three month period ending March 31, 2010 (2009 - \$107,180). Included in the accounts payable and accrued liabilities at March 31, 2010 was \$108,151 (2009 - \$50,284) owing to this firm. The amount is unsecured, non-interest bearing, with no fixed terms of repayment.
- (e) The Company and HUI have certain directors in common. As at March 31, 2010, the Company holds approximately 25.80% (March 31, 2009 - 39.42%) of HUI. See note 8(a).
- (f) Three of the Company's directors are employees of GMR. GMR and its affiliates are also the Company's largest shareholder. See note 12(b).

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**17. COMMITMENTS AND CONTINGENT LIABILITIES**

**(a) Environmental Contingencies**

The Company's mining and exploration and development activities are subject to various laws and regulations governing the protection of the environment. These laws and regulations are continually changing and generally becoming more restrictive. The Company conducts its operations so as to protect public health and the environment and believes its operations are materially in compliance with all applicable laws and regulations. The Company has made, and expects to make in the future, expenditures to comply with such laws and regulations.

**(b) Management Contracts**

The Company is not party to any outstanding agreements with officers that contain change of control clauses pursuant to which officers would be entitled to termination payments under certain circumstances. A change of control is defined as inter-alia the acquisition of 30% or more of the Company's issued and outstanding shares.

**18. SEGMENTED INFORMATION**

Substantially all of the Company's property, plant and equipment and exploration and development properties are located in South Africa.

Revenues have been earned from the sale of coal from mining operations (\$6,244,987) and from mining related services provided (\$220,725).

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**19. MADIC & NUMIN (RESTATEMENT)**

The Company has advanced a loan to Madic, of \$1,380,000 (ZAR 10,000,000), in order to capitalize the development of a continuous conveyor system for the mining industry. Madic shall repay the loan, plus interest calculated at a rate of 5% p.a., within a period of two years from the date the conveyor system is successfully installed; failing which interest shall accrue at the prime rate of interest until payment in full. In terms of this Loan Agreement, Homeland is entitled, but not obligated, to purchase at cost a maximum of four Madic continuous conveyor systems.

As part of this agreement, Homeland has acquired 45% of Madic at nominal value, and has simultaneously granted a call option in terms of which it could be compelled to sell 10% (the "Option Shares") back to the vendor at its then market value (including a proportionate interest in any loan account at face value). Should this option be exercised, Homeland would have the further option, *in lieu* of selling the Option Shares, to pay the market value of the Option Shares to the vendor at that time and retain the shares. Homeland is entitled to appoint one of the two directors of Madic.

In addition, Homeland has entered into a Loan Agreement and Share Purchase Option Agreement with an entity associated with Madic that is implementing the Madic system, in terms of which it has loaned to this entity company ("Numin") \$943,603 (ZAR 6,654,465). This loan bears interest at the prime lending rate less 1% and is repayable within one year. Homeland has been granted an option, for a period of three years, to purchase 20% of the issued share capital in Numin for a nominal value of ZAR 1 per share.

The Company previously recorded the advances and investments in Madic and Numin as investments in loans receivable, investments and other assets on the balance sheet of the Company. As at December 31, 2009, the Company determined that Madic and Numin are VIEs, and that the Company is the primary beneficiary of each entity. As a result, Madic and Numin have been consolidated in these financial statements. As a result, certain figures for the period ended March 31, 2009 have been restated as follows: increase in opening deficit of \$553,535, increase in office and general expense of \$130,000, increase in foreign exchange loss of \$40,000, increase in net loss for the period of \$170,000, and increase in ending deficit of \$723,535.

**20. SUBSEQUENT EVENTS**

Due to the need to change the accounting treatment for Numin and Madic the Company was unable to file the statements within the time frame required. The Company obtained a management cease trade order to allow the common shares to continue to trade while management worked to complete the applicable disclosure.