



## News Release

# Homeland Energy Group Provides Operations Update for Kendal Colliery & Exploration Projects in South Africa

- Smooth restart after shut-down for processing plant improvements at Kendal
- Kendal plant improvements allow for higher throughput, greater efficiency, and better yield

**Toronto, Canada (May 28, 2009) - Homeland Energy Group Ltd. (TSX: HEG)** ('Homeland' or 'the Company') is pleased to provide an update on the status of its Kendal Colliery following a planned shut-down for plant improvements and on its key exploration projects in South Africa.

"While the first year of any operation is filled with a certain amount of excitement, it is also the year in which the operations team makes adjustments and improvements to ensure the operations run according to expectations, and we have done just that with the Kendal Colliery", commented Stephen Coates, President and CEO. "The Kendal processing plant was modular construction and designed for a broad range sized coal products. The improvements we have just completed customize the plant to our specific environment."

### *Processing Plant*

Homeland's Kendal Colliery coal beneficiation (processing) plant was shut down from 13 April 2009 to 23 April 2009 to allow for plant upgrades and improvements. Initial construction of the modular processing plant was completed in April 2008. Following commissioning and ramp up to capacity in the following months, it was determined that several additions and improvements were necessary to bring the plant up to capacity and to accommodate future production expansion. To that end, the original screens were removed and replaced with more robust screens to eliminate the need for re-screening material with a resultant effect of increased plant throughput. In addition, a mineral sizer was added to the plant, also increasing plant throughput and substantially increasing plant yield.

Following these upgrades, the Kendal plant is running at +20% better than original plant capacity, and plant yields are in the +50% range, a significant increase over the yields

from previous months and is expected to produce in excess of 60,000 tonnes per month of saleable coal. Management expects total operating costs will be in the range of ZAR270 to ZAR300 per saleable tonne at full production (US\$29.45 to US\$32.50 at current exchange rates). March production was 109,639 ROM tonnes, in line with budget.

Plans for Kendal include a further production expansion in 2010 to increase the monthly ROM from approximately 120,000 tonnes per month to approximately 180,000 tonnes per month. Homeland owns 74% of the Kendal Colliery with the remaining 26% owned by Homeland's Black Economic Empowerment (BEE) partner.

### ***Mining at Kendal***

While production at the processing plant was impaired due to the planned shut-down and excessive rainfall in the first three months of 2009, mining activity continued according to plan. A third box cut was opened in January allowing for three active mining areas to the end of June 2009, at which time the first boxcut mining area will close as planned. Phase II mining plans at Kendal include opening a fourth boxcut in the first quarter of 2010. The third and fourth mining block is approximately 2km from the Kendal processing plant. For the first year of active mining at the third block, material will be transported overland via truck to the plant. During that time, an overland conveyor system will be constructed to allow for direct plant feed from the pit.

### ***Sales & Marketing of Kendal Coal***

A total of 60,000 - 65 000 tonnes of saleable coal per month is forecasted. Currently approximately 50% of the coal is sold contractually while the remaining 50% is sold on the spot market, either domestically or to the export market.

From the fourth quarter of 2009, 50% of the coal will be sold contractually on the domestic market, 25% contractually on the export market with the remainder on the spot market.

### ***Exploration Programs***

Homeland currently has two high priority exploration programs in South Africa – Vlakvarkfontein and Onbekend. At Vlakvarkfontein, located 13 km from the Kendal Colliery, several test drill holes were completed in early 2009 adding to the resource definition drilling that has taken place on this 2800 hectare (7,000 acre) property since 2007. The qualities as received from the laboratory indicate that the thermal coal is of similar quality to the Kendal Colliery and the proximity suggests that the Kendal facility would be used to process this coal.

At Onbekend, Homeland is finalizing material for submission of a mining licence application. Resource definition drilling began in 2007 with the drilling of 88 holes totaling 2,885 metres and was followed by an addition drill program consisting of 25 holes. Drill results indicate that this target is of excellent quality, low phosphorous metallurgical coal. The company expects to complete the compilation of data and information for the submission for a mining licence within the next quarter.

**Homeland Energy Group Ltd. (TSX: HEG)** is a coal producer with operations in the Witbank area of South Africa. The company also has a large-scale development property in South Africa and exploration interests in Southern Africa. Homeland continues to seek out interests in additional coal projects in South Africa and neighbouring countries as well as internationally. Homeland is a significant shareholder in Homeland Uranium Inc., a Canadian uranium exploration company focused on projects in Niger and the United States. Homeland also has an aggressive global acquisition strategy with a focus on energy resources. Homeland Energy Group Ltd. is currently traded on the Toronto Stock Exchange under the symbol “HEG” with 274,650,688 common shares issued and outstanding. [www.homelandenergygroup.com](http://www.homelandenergygroup.com).

#### *Forward-Looking Statements*

*“This press release contains or refers to forward-looking information, including statements regarding the estimation of mineral resources, exploration results, potential mineralization, exploration and mine development plans, timing of the commencement of operations and estimates of market conditions, and is based on current expectations that involve a number of business risks and uncertainties. Factors that could cause actual results to differ materially from any forward-looking statement include, but are not limited to, failure to convert estimated mineral resources to reserves, the grade and recovery of ore which is mined varying from estimates at the Kendal Colliery, capital and operating costs varying significantly from estimates, the preliminary nature of metallurgical test results, delays in obtaining or failures to obtain required governmental, environmental or other project approvals, political risks, uncertainties relating to the availability and costs of financing needed in the future, changes in equity markets, inflation, changes in exchange rates, fluctuations in commodity prices, delays in the development of projects and the other risks involved in the mineral exploration and development industry. Forward-looking statements are subject to significant risks and uncertainties, and other factors that could cause actual results to differ materially*

*from expected results. Readers should not place undue reliance on forward-looking statements. These forward-looking statements are made as of the date hereof and the Company assumes no responsibility to update them or revise them to reflect new events or circumstances other than as required by law.”*

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