



News Release

## Homeland Energy Group Provides Operations Update, Financing Strategy and CEO Update

**Toronto, Canada (November 18, 2009) - Homeland Energy Group Ltd. (TSX: HEG)** ("Homeland" or the "Company") wishes to announce that it has entered into an agreement with Nedbank Capital, a division of Nedbank Limited ("Nedbank") to amend the terms of the existing credit facility. Under the terms of this agreement, the Company will be required to invest a further R70 million by January of 2010.

The first step in meeting this obligation will be to complete a private placement with the Company's largest shareholder, GMR Energy Limited ("GMR"). Under the terms of the private placement, Homeland will issue up to 27,465,100 common shares, or 10% of the Company's current outstanding capital at a price to be determined based on the market price at the time of closing. Closing is anticipated to be in the week of November 23, 2009 and is subject to approval by the Toronto Stock Exchange. In anticipation of this private placement, the Company has received an advance from GMR of approximately CAD\$2.7 million.

In addition, as required under the amendment of the credit facility with Nedbank, GMR has agreed to loan to the Company approximately CAD\$4.2 million by no later than November 30, 2009. The terms of this loan are in the process of being negotiated.

The Company is currently exploring its alternatives to raise the balance of the funds required to satisfy NedBank, including a rights offering. If such a rights offering is undertaken, GMR will be entitled to have the loan referred to above repaid to the extent of their participation in such rights offering.

The private placement and the loan are exempt from the valuation requirements of Multilateral Instrument 61-101 – *Protection of Minority Security Holders in Special Transactions* ("MI 61-101") by virtue of the exemption contained in section 5.5(c) as both transactions involve the issuance of securities for cash. The private placement is exempt from the minority shareholder approval requirements of MI 61-101 by virtue of the exemption contained in section 5.7(a) as the proceeds from the private placement will not exceed 25% of the Company's market capitalization and the loan is exempt from these requirements by virtue of the exemption contained in section 5.7(f) as the loan will be made on reasonable commercial terms.

The required R70 million will be reinvested in the business through working capital, ongoing commissioning requirements and necessary capital expenditures. This is necessary to establish the required infrastructure to access the life of mine reserves.

Operations Update and Background to the private placement:

## **OPERATIONS**

The Kendal life-of-mine plan requires entry into 4 reserve blocks, 3 of which have already been accessed. The fourth reserve area will be accessed during 2010 which will complete the life-of-mine boxcut requirements. Boxcut entry requires high cost and delivers no coal for a period of  $\pm 3$  months. On completion of this fourth boxcut, Kendal will be well positioned for the next 12-15 years to mine at steady-state costs. The Phase 2 infrastructure is nearing completion which will allow for coal transportation to the washing plant by conveyor from Block D and future Block E.

Investigative studies are in place to reduce the amount of fines produced during mining operations to alleviate associated problems in the washing plant. Correct sizing of coal from blasting is also being investigated to avoid oversize.

Excessive in-seam stone results in the use of a mobile crusher prior to feeding the coal to the plant. A primary vibrating grizzly and jaw crusher is planned to alleviate this problem as the existing feeder breaker is not designed to crush the in-seam stone. In addition, wet screening and spirals are also being planned to eliminate fines in the sized product as well as increasing yields by reclaiming ultra-fine product presently discarded with the slurry.

KPMG Advisory Services have been engaged to assist in the optimization of Kendal operations. In Phase 1, the prime target and objectives were identified during October 2009. Phase 2, which is the implementation of action plans, commenced in November 2009. With KPMG's value added input and assistance, the Kendal operation is now progressing toward optimized peak performance.

## **MARKETING**

On average, during Q3, product sales were approximately 90% higher than Q2 following the plant upgrades conducted in April / May. Subsequent to this quarter requirements for the domestic market reduced following the slump in global and local markets.

Kendal is negotiating off-take contracts for 2010 for sized product within the steel and textile markets. Several onetime high tonnage off take sales are currently being negotiated. This will help to reduce the high volumes of saleable stock sitting on site.

Kendal is currently in advanced negotiations for a 6 to 12 month contract for the sale of the 4 Seam run of mine. This sale includes the delivery of the total 100,000 metric tonnes on stockpile during November and December 2009, followed by a monthly delivery of approximately 40,000 metric tonnes thereafter.

As well as spot sales of discard tonnage, Kendal is also negotiating a long-term agreement expected to take effect very shortly.

## **COST AND CAPITAL REQUIREMENTS**

Due to the slump in the global and local markets, tough competition and on going production start up issues at the Kendal plant, the operation has experienced a funding gap. This is primarily due to necessary capital expenditures in order to improve plant performance and the completion of Phase 2 construction. Further funding may be required from other sources if optimization and market prices do not improve over the next year. While the company has had a difficult year, the Kendal operation will be positioned for long term productivity enhancements following the capital improvements that have been implemented in 2009.

Finally, the Board wishes to report that it remains engaged in a new search for a CEO. A final announcement will be made in due course.

**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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