

HOMELAND ENERGY GROUP LTD.

August 27 Closing Price: \$0.95

Stock Symbol: HEG: TSX

Recommendation: Speculative Buy (No Change)

Target Price: 1-Year: \$2.15 (No change)

RECENT DEVELOPMENT: ACQUISITION OF U.S. COAL PRODUCER

Homeland Energy Group Ltd. has agreed to purchase U.S. Central Appalachian bituminous coal producer Appolo Fuels Inc. and its associated coal marketing firm Diversified Energy Inc. for US\$105 million plus finders' fees. (The shares are up strongly today on the news, compared with last night's close of \$0.95.)

Appolo's properties are reported to host 114.3 million short tonnes (Mt) of Measured and Indicated in-situ, high volatile A bituminous coal resources, along with 17.7 Mt of Inferred resource. Current Appolo mine production of 1.6 Mt per annum is expected to increase to 2.0 million Mtpa in 2009. The company's recent coal sales contracts have been at US\$130/t.

Included in the acquisition cost are the entire Appolo resource base, all operating machinery, processing and rail facilities, and Diversified Energy Inc.

Homeland will likely finance the transaction with debt, and is negotiating with several potential lenders. Forward sales of coal to current Appolo coal purchasers are another possible financing source.

COMMENT: *The acquisition of Appolo is estimated at an attractive 1x 2009 cash flow. As part of its strategy, the Company has gained geographical diversification beyond southern Africa. This acquisition is a significant addition of high-quality thermal coal reserves and immediate production, representing a strategic step for Homeland in the direction of becoming a mid-tier international energy concern.*

THE COMPANY

Homeland Energy is a multi-faceted energy play, with exposure to coal mining, uranium, infrastructure development and the voracious demand for energy in the southern Africa region.

RECOMMENDATION

We continue to rate the shares of Homeland Energy as a Speculative Buy with a Target Price of \$2.15.

Continued ...

RATINGS HISTORY

Date	Report Type	Recommendation	Stock Price	Target Price
Apr. 21, 2008	Initiating	Speculative Buy	\$1.11	\$2.15
June 4, 2008	Bulletin	No Change	\$1.67	No Change
Aug. 28, 2008	Bulletin	No Change	\$0.95	No Change

High-Low Since Initiating: \$2.05-\$0.67

NOTE: eResearch reports on Homeland Energy Group Ltd. and other companies are available FREE on our website at www.eresearch.ca.

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