

FINANCIAL STATEMENTS

Homeland Uranium Inc.



**CONSOLIDATED
FINANCIAL STATEMENTS**

As at

December 31, 2007



■ Ernst & Young LLP
Chartered Accountants
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April 22, 2008

Homeland Uranium Inc.
120 Adelaide Street West, Suite 2400
Toronto, Ontario
M5H 1T1

Re: Auditors' Consent

We consent to the use of our audit report dated March 18, 2008 to the shareholders of Homeland Uranium Inc. (the "Company") on the version of the financial statements of the Company comprising the consolidated balance sheets of the Company as at December 31, 2007 and 2006, and the consolidated statements of earnings, retained earnings and cash flows for each of the years in the two year period ended December 31, 2007, to be filed with securities regulatory authorities on SEDAR on or about April 22, 2008.

We have performed only limited procedures, including enquiries of the Company's management with respect to events occurring between the date of our audit report and the date of this consent. We have not performed any procedures subsequent to the date of this consent.

This consent is provided to the Company for use solely in connection with the filing of these financial statements pursuant to the continuous disclosure provisions of the applicable securities legislation; accordingly, we do not consent to the use of our audit report for any other purpose.

Yours very truly,

Chartered Accountants
Licensed Public Accountants

AUDITORS' REPORT

To the Shareholders of
Homeland Uranium Inc.

We have audited the consolidated balance sheets of **Homeland Uranium Inc.** as at December 31, 2007 and 2006 and the consolidated statements of loss and deficit and cash flows for the years then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 2007 and 2006 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Toronto, Canada,
March 18, 2008

Ernst and Young LLP

Chartered Accountants
Licensed Public Accountants

Homeland Uranium Inc.

CONSOLIDATED BALANCE SHEETS

[in Canadian dollars]

As at	December 31, 2007 \$	December 31, 2006 \$
ASSETS		
Current		
Cash	1,169,371	74,464
Short-term investments <i>[note 4]</i>	17,093,300	—
Accounts receivable and prepaid expenses	1,113,301	—
Total current assets	19,375,972	74,464
Property, plant and equipment, net <i>[note 5]</i>	621,669	27,069
Mineral properties and deferred exploration expenditures <i>[note 6]</i>	11,097,240	7,703,311
Long-term other assets <i>[notes 7 and 8]</i>	93,824	—
	31,188,705	7,804,844
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	1,253,016	9,475
Total current liabilities	1,253,016	9,475
Future income tax liability	2,065,000	2,037,000
	3,318,016	2,046,475
Shareholders' equity		
Common shares <i>[note 11 [a]]</i>	22,968,831	—
Net investment by Parent <i>[note 10]</i>	—	5,758,369
Stock options and warrants <i>[notes 11 [b] and [c]]</i>	6,081,725	—
Deficit	(1,179,867)	—
Total shareholders' equity	27,870,689	5,758,369
	31,188,705	7,804,844

See accompanying notes

On behalf of the Board:

John Cook
Signed
Director

Stephen Coates
Signed
Director

Homeland Uranium Inc.

CONSOLIDATED STATEMENTS OF LOSS AND DEFICIT

[in Canadian dollars]

Year ending December 31

	2007	2006
	\$	\$
INCOME		
Interest earned	451,899	----
EXPENSES		
Project development expenses	138,112	3,312
Corporate and investor relations expenses	597,789	38,539
Professional fees	212,556	12,499
Office rent and general expenses	54,609	5,485
Depreciation [note 5]	20,827	2,903
Stock options [note 11[c]]	247,413	—
Foreign exchange loss (gain)	201,433	165,988
	1,472,739	228,726
Loss before income tax	1,020,840	228,726
Income tax expense	151,000	—
Loss and comprehensive loss for the year	1,171,840	228,726
Deficit, beginning of year	----	—
Income (loss) allocated to net investment by Parent	8,027	(228,726)
Deficit, end of year	1,179,867	—
Earnings (loss) per common share – basic and diluted	\$(0.03)	—
Weighted average number of common shares outstanding – basic	35,791,663	—

See accompanying notes

Homeland Uranium Inc.

CONSOLIDATED STATEMENTS OF CASH FLOWS

[in Canadian dollars]

Year Ending December 31	2007	2006
	\$	\$
OPERATING ACTIVITIES		
Loss for the year	(1,171,840)	(228,726)
Add (deduct) items not affecting cash		
Depreciation	20,827	2,903
Stock options	247,413	
Foreign exchange loss (gain) on future income tax liability	(123,000)	170,000
Foreign exchange loss on short-term investments	329,200	
Income tax expense	151,000	
Share based payment in project development expenses	92,000	
	(454,400)	(55,823)
Changes in non-cash working capital balances related to operations		
Accounts receivable and prepaid expenses	(403,301)	
Accounts payable and accrued liabilities	280,289	
Cash used in operating activities	(577,412)	(55,823)
INVESTING ACTIVITIES		
Mineral properties and deferred exploration expenditures	(2,955,388)	(1,579,025)
Additions to property, plant and equipment	(653,316)	(29,972)
Increase in short-term investments	(17,422,500)	
Increase in long-term other assets	(93,824)	
Cash used in investing activities	(21,125,028)	(1,608,997)
FINANCING ACTIVITIES		
Issuance of common shares and warrants	24,587,241	
Financing costs	(2,033,158)	
Net investment by Parent	243,264	1,739,284
Cash provided by financing activities	22,797,347	1,739,284
Net increase in cash during the year	1,094,907	74,464
Cash, beginning of year	74,464	
Cash, end of year	1,169,371	74,464

See accompanying notes

Homeland Uranium Inc.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

[in Canadian dollars, except where otherwise noted]

1. BASIS OF PRESENTATION

Homeland Uranium Inc. [the "Corporation"] was incorporated under the laws of Ontario on December 29, 2006 as 2123493 Ontario Inc. by Homeland Energy Corp. [the "Parent"], a mining company incorporated under the laws of Ontario and continued in the British Virgin Islands. On January 19, 2007, the Corporation changed its name to Homeland Uranium Inc. The Parent, which changed its name to Homeland Energy Group Ltd. in March 2008, held coal and uranium interests in Africa and North America and decided to divest its uranium interests into a new separate Canadian entity. Under an agreement, the Parent transferred all of its USA and Niger uranium assets which were held either directly or indirectly through the Parent's subsidiaries, at a recorded book value of \$6.157 million in return for 16 million shares of the Corporation [note 10]. This transfer was done on February 1, 2007. The Corporation completed a seed financing for total gross proceeds of \$1.84 million and the issuance of 8 million shares of the Corporation at a price of \$0.23 per share. The Corporation further issued 400,000 shares to several individuals for services rendered towards the acquisition of another Uranium property. A further 3.6 million shares remain in escrow until the property is formally acquired.

Whereas the Parent had an original 100% control position of the Corporation as at February 1, 2007 and the fact that the purchase and the acquisition occurred between two related entities, the accounting was prepared on the basis of continuity of interests. Under this accounting, the Corporation is deemed to have acquired the Uranium assets of the Parent at book value. Subsequent to the acquisition, the Corporation's financial statements presented for comparative purposes reflect the financial position, results of operations and cash flows as if the Corporation existed in the period of comparison and was managing those transferred assets.

The Parent's operations had shared staff and services prior to February 1, 2007. Historically, the Parent has maintained accounting records necessary to support its consolidated financial statements and for other internal and tax reporting purposes. While the amounts applicable to the Uranium assets for periods prior to February 1, 2007 can be derived directly from the accounting records of the Parent, it has been necessary to allocate certain items in the manner described below.

Cash, property, plant and equipment, mineral properties and deferred exploration expenses and future income tax liability as at December 31, 2006 have been directly derived from the accounting records of the Parent.

Shared expenses incurred by the Parent for periods prior to February 1, 2007 have been allocated on a pro rata basis using the estimated percentage of time spent by individual employees on the Uranium assets during the relevant period. For purposes of allocating the shared expenses to the Uranium assets, certain expenses which did not relate to the operation of the Uranium assets, such as those related to the financing costs of the Parent, have been excluded from the pool of expenses used to calculate the allocation.

For parts of the period prior to February 1, 2007, the subsidiaries of the Parent comprising the Uranium assets had separate bank accounts related to the Uranium assets. For purposes of presentation of the statement of cash flows prior to February 1, 2007 for parts of the period when the subsidiaries of the Parent comprising the Uranium assets did not have separate bank accounts, cash receipts and disbursements were deemed to be transferred to and from Parent's corporate account with the respective inflow and outflow of cash and are presented as "Net investment by Parent".

Nature of operations

The Corporation is a development stage company engaged in the business of acquisition and development of uranium resource properties across the world. The Corporation has not yet determined whether its properties contain reserves that are economically recoverable and the ability to recover amounts from these properties is dependent upon a number of factors including environmental risks, legal and political risks, the discovery of economically recoverable reserves, confirmation of the Corporation's interest in the underlying properties, the ability of the Corporation to obtain necessary financing to complete the development, future profitable production or proceeds from the disposition of the properties. The Corporation is considered to be a development stage enterprise as it has yet to generate significant revenue from operations.

Although the Corporation has taken steps to verify title to the mineral properties on which it is conducting exploration and in which it has an interest, 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 political uncertainty.

The Canadian dollar is the principal currency of the Corporation's business.

Risks and uncertainty

The Corporation faces risks and uncertainties such as the ability to obtain the financing necessary to complete the development of its properties and/or realizing proceeds from the sale of its properties and risk of the Corporation's licenses and/or permits being revoked as a result of title disputes or a failure to comply with agreements. Such risks and uncertainties could result in material write-down of the mineral properties.

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The significant accounting policies are summarized as follows:

Basis of consolidation

These consolidated financial statements include the accounts of the Corporation from December 29, 2006, and its subsidiaries, Homeland Uranium, Inc. ["USA Sub"], a 100% owned Utah corporation; Pan African Uranium Corp. ["Ontario Sub"], a 100% owned Ontario registered corporation from January 27, 2006 and Uranium International Limited Niger ["Niger Sub"], a branch of the Ontario Sub, registered in Niger from April 30, 2007. All intercompany transactions and balances have been eliminated on consolidation.

Mineral properties

The costs relating to acquisition, exploration and development of mineral properties, less recoveries, are capitalized by project until the commencement of commercial production. If commercially profitable reserves are developed, capitalized costs of the related project will be reclassified as mining assets and amortized on a unit of production method. If it is determined that capitalized acquisition, exploration and development costs are not recoverable over the estimated life of the property, or the project is sold or abandoned, the project cost is written down to its realizable value.

The recoverability of the amounts shown as mineral properties and deferred exploration expenditures is dependent upon the existence of economically recoverable reserves, the ability of the Corporation to obtain necessary financing to complete the exploration and development, and future profitable production or proceeds from the disposition of such properties.

Property, plant and equipment

Property, plant and equipment are recorded at cost less accumulated depreciation. Depreciation is provided over the estimated useful lives of the assets on a straight-line basis over the following periods:

Computer and office equipment	3 years
Automotive equipment	3 to 5 years
Furniture and fixtures	10 to 20 years
Exploration equipment	3 to 5 years

Stock-based compensation

The fair value method of accounting for stock options is used. The fair value of option grants is calculated using the Black-Scholes option pricing model and is recognized as compensation expense over the vesting period of those grants with a corresponding adjustment to stock options and warrants. On the exercise of stock options, the consideration paid by the employee and the related amounts in stock options and warrants are credited to common share capital.

Foreign exchange translation

Transactions denominated in foreign currencies are translated into Canadian dollars at the rate of exchange in effect at the time of the transaction. Monetary assets and liabilities are translated into Canadian dollars at the year-end rates of exchange and non-monetary assets and liabilities are translated at historical rates of exchange. Exchange gains or losses arising on translation are recorded in the consolidated statement of loss and deficit.

Financial statements of the Corporation's integrated foreign operations are translated into Canadian dollars using the temporal method. Under this method, monetary assets and liabilities denominated in foreign currencies are translated at current rates of exchange with the resultant gains or losses recognized in the consolidated statement of loss, while non-monetary items are translated at historical rates of exchange. Expenses are translated using rates of exchange approximating those in effect when the transactions occur.

Income taxes

The Corporation uses the liability method of accounting for income taxes. Under the liability method, future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. A valuation allowance is recorded against any future tax asset if it is more likely than not that the asset will not be realized. The effect on future tax assets and liabilities of a change in tax rates is recognized in earnings in the year that includes the date of enactment or substantive enactment.

Fair value of financial instruments

The carrying values of all of the short term investments, accounts receivable, accounts payable and accrued liabilities on the balance sheet approximate their fair values due to their short-term maturities or variable interest rates.

3. CHANGES IN ACCOUNTING POLICY

Effective January 1, 2007, the Corporation adopted four new accounting standards issued by the Canadian Institute of Chartered Accountants ("CICA") in 2005: Handbook Section 1530 *Comprehensive Income*; Handbook Section 3855 *Financial Instruments - Recognition and Measurement*; Handbook Section 3861 *Financial Instruments -*

Presentation and Disclosure; and Handbook Section 3865 *Hedges*. These accounting policy changes were adopted on a prospective basis; accordingly, comparative amounts for prior periods have not been restated.

(a) Comprehensive Income (Section 1530)

Section 1530 sets out reporting and disclosure standards with respect to comprehensive income and its components. Comprehensive income is composed of net income and other comprehensive income. The Corporation does not have any components of comprehensive income except for net income and therefore this policy has had no impact on the Corporation's financial statements.

(b) Financial Instruments – Recognition and Measurement (Section 3855); Presentation and Disclosure (Section 3861)

Section 3855 sets out standards for recognizing and measuring financial assets, financial liabilities and non-financial derivatives. It requires that financial assets and financial liabilities, including derivatives, be measured at fair value on initial recognition and recorded on the balance sheet. Measurement in subsequent periods depends on whether the financial instrument has been classified as held-for-trading, available-for-sale, held-to-maturity, loans and receivables, or other financial liabilities. Section 3861 sets out standards for the presentation and disclosure of financial instruments.

Financial assets and financial liabilities held-for-trading are measured at fair value with changes in those fair values recognized in net income. Financial assets and financial liabilities considered held-to-maturity, loans and receivables, and other financial liabilities are measured at amortized cost using the effective interest method of amortization. Available-for-sale financial assets are measured at fair value with unrealized gains and losses recognized in other comprehensive income. Investments in equity instruments classified as available-for-sale that do not have a quoted market price in an active market are measured at cost.

The Corporation has made the following classifications:

- Cash, short-term investments and interest bearing deposits are classified as “held-for-trading” and measured at fair value. Gains and losses resulting from change in fair values are recorded in net income.
- Accounts receivable is classified as “loans and receivables” and are recorded at amortized cost, which upon their initial measurement is equal to their fair value. Subsequent measurements are recorded at amortized cost using the effective interest rate method.
- Accounts payable is classified as “other financial liabilities” and are initially measured at their fair value. Subsequent measurements are recorded at amortized cost using the effective interest rate method.

(c) Hedges (Section 3865)

Section 3865 sets out standards on the use of hedge accounting. The Corporation currently does not have any hedges in place and therefore this policy has had no impact on the Corporation's financial statements.

(d) Impact upon adoption of CICA Handbook Sections 1530, 3855, 3861 and 3865

The adoption of these new accounting standards has had no significant impact on the Corporation's consolidated financial statements.

(e) Accounting changes

Effective January 1, 2007, the Corporation adopted the revised CICA Handbook section 1506 Accounting Changes, relating to changes in accounting policies, changes in accounting estimates and errors. Adoption of these recommendations had no effect on the consolidated financial statements for the year ended December 31, 2007, except for the disclosure of accounting changes that have been issued by the CICA but

have not yet been adopted by the Corporation because they are not effective until a future date (refer to Future Accounting Standards below).

(f) Future accounting standards

On December 1, 2006, the CICA issued three new accounting standards: Handbook Section 1535, Capital Disclosures; Handbook Section 3862, Financial Instruments – Disclosures; Handbook Section 3863, Financial Instruments – Presentation. These standards are effective for interim and annual financial statements for the Corporation's reporting period beginning on January 1, 2008. Section 1535 specifies the disclosure of (i) an entity's objectives, policies and processes for managing capital; (ii) quantitative data about what the entity regards as capital; (iii) whether the entity has complied with any capital requirements; and (iv) if it has not complied, the consequences of such non-compliance. The new Handbook Sections 3862 and 3863 replace Handbook Section 3861, Financial Instruments – Disclosure and Presentation, revising and enhancing its disclosure requirements, and carrying forward unchanged its presentation requirements. These new sections place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the entity manages those risks.

In March 2007, the CICA approved Handbook Section 3031, Inventories, which replaces the existing Handbook Section 3030, Inventories. This standard is effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2008, with earlier application encouraged. The standard provides more guidance on the measurement and disclosure requirements for inventories.

In February 2008, the CICA issued Handbook Section 3064, Goodwill and Intangible Assets, replacing CICA 3062, Goodwill and Other Intangible Assets, and CICA 3450, Research and Development Costs. New Section 3064 addresses when an internally developed intangible asset meets the criteria for recognition as an asset. The CICA also issued amendments to Section 1000, Financial Statement Concepts, and Accounting Guideline AcG-11, Enterprises in the Development Stage. EIC-27, Revenues and Expenditures during the Pre-operating Period, will not apply to entities that have adopted Section 3064. These changes are effective for fiscal years beginning on or after October 1, 2008, with earlier adoption permitted, and will be adopted by the Company effective January 1, 2009. The objectives of the changes are to reinforce a principle-based approach to the recognition of costs as assets and to clarify the application of the concept of matching revenues and expenses in CICA 1000. Collectively, these changes bring Canadian practice closer to IFRS and U.S. GAAP by eliminating the practice of recognizing as assets a variety of startup, pre-production and similar costs that do not meet the definition and recognition criteria of an asset.

The Corporation is currently assessing the impact of these new accounting standards on its financial statements.

4. SHORT-TERM INVESTMENTS

Short-term investments are comprised of variable rate Canadian dollar denominated guaranteed investment certificates with an average effective yield of 4.21%, and fixed rate United States dollar denominated guaranteed investment certificates with an average effective yield of 4.73 % as at December 31, 2007. The terms for the Canadian dollar investments expire in June and July 2008 while the United States dollar investments expire in August 2008.

5. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consist of the following:

	December 31, 2007			December 31, 2006		
	Cost	Accumulated Depreciation	Net Book Value	Cost	Accumulated Depreciation	Net Book Value
Computer and office equipment	104,888	9,054	95,834	1,493	117	1,376
Automotive equipment	316,488	34,967	281,521	---	---	---
Furniture and fixtures	92,240	11,773	80,467	28,479	2,786	25,693
Exploration equipment	169,673	5,826	163,847	---	---	---
Outstanding, end of year	683,289	61,619	621,669	29,972	2,903	27,069

6. MINERAL PROPERTIES AND DEFERRED EXPLORATION EXPENDITURES

The Corporation is engaged in the business of the acquisition and development of mineral resource properties across the world, with an emphasis on uranium based resources. As at December 31, 2007, the Corporation's mineral properties are comprised of:

USA properties

During the year ended December 31, 2007, the Corporation expended a total of \$1,840,115 [year ended December 31, 2006 - \$ 1,411,177] on the acquisition, exploration and development of the USA properties. As at December 31, 2007, the cumulative net expenditures on these properties were \$4,048,451 [December 31, 2006 - \$ 2,208,336].

Niger Concessions

The Corporation was granted Uranium exploration concessions in January 2007 and approved by a governmental order on May 31, 2007. The concessions are located in the Agadez-Arlit district of northern Niger and are held in the name of Uranium International Limited Niger, a branch of the Corporation's Ontario subsidiary. These concessions are granted until November 30, 2010. The key terms of the agreement include:

- [a] 50% of the concessions must be relinquished on or before November 30, 2010.;
- [b] a minimum expenditure of US\$2,125,000 per concession during the three year period [note 13[a]];
- [c] a 10% free carried interest for the state in the mining phase with an option to acquire an additional 20% at market value;
- [d] exemptions during the exploration period include:
 - value added tax;
 - corporate income tax;
 - income tax for expatriate employees;
 - land tax
 - licence contributions
 - mining flat tax and other registration fees
 - import duties on certain equipment and spare parts;
- [e] a sliding scale mining royalty between 5.5% to 12% of the market value of production on FOB terms;
- [f] exemptions during the mining phase include:
 - value added tax until the date of production
 - apprentice and scheduled taxes on industrial and business profits for three years from production;
 - land and mining flat taxes indefinitely;

- import duties on certain equipment and spare parts.

During the year ended December 31, 2007, the Corporation expended a total of \$1,553,814 [year ended December 31, 2006 - \$5,494,975] on the acquisition, exploration and development of mineral properties in Niger. As at December 31, 2007, the cumulative net expenditures on these properties were \$7,048,789 [December 31, 2006 - \$5,494,975].

7. LONG-TERM OTHER ASSETS

Long-term other assets are comprised of an United States dollar cash deposit that matures on March 3, 2012 with an effective yield of 4.55% and a deposit with the Department of Natural Resources of the State of Utah as a reclamation guarantee for the Utah properties with an effective yield of 3.21%.

8. BANK LOAN FACILITIES

As at December 31, 2007, the Corporation had a business loan agreement with Vectra Bank, Colorado that allowed credit facilities of up to US\$50,000. The Corporation has drawn a letter of credit of US\$50,000 in favour of the State of Colorado Mine and Land Reclamation on this facility. The Corporation has pledged as collateral a US\$51,905 cash deposit included in long-term other assets.

9. RELATED PARTY TRANSACTIONS

During the year ended December 31, 2007, the Corporation paid \$66,750 to Grove Communications for corporate and investor relation services. The owner of Grove Communications is a director of the Corporation.

During the year ended December 31, 2007, the Corporation paid \$13,522 to the Parent towards office rent.

During the year ended December 31, 2007, the Corporation paid US\$125,000 (\$132,612) to the Parent representing 50% of the cost of consulting services for the acquisition of the Niger concessions. The Parent issued 125,000 shares of its own, valued at US\$250,000 (\$294,800), to the consultant in return for their services [note 10].

As at December 31, 2007 accounts receivable and prepaid expenses include \$710,000 receivable from the Parent representing the Corporation's liability to a third party relating to the acquisition of Pan African shares, which the Parent has agreed to reimburse.

During the year ended December 31, 2007, the Corporation paid \$50,000 to Stephen Coates, a Director of the Corporation, as a onetime honorarium compensation for extraordinary time spent in the establishment and financial viability of the Corporation.

During the year ended December 31, 2007, the Corporation paid \$10,000 to Tormin Resources Limited as consulting fees. The owner of Tormin Resources is a Director of the Corporation.

10. ACQUISITION

Following the incorporation of Homeland Uranium Inc., by agreement dated April 14, 2007 with effective date of February 1, 2007, the Corporation entered into a material acquisition with the Parent in which the Corporation acquired the Uranium assets of the Parent in return for 16 million shares of the Corporation. From February 1, 2007, the operations of the acquired Uranium assets were funded by the Corporation.

As the Parent had an original 100% control position of the Corporation as at February 1, 2007 and the fact that the purchase and the acquisition occurred between two related entities, the transaction was accounted on the basis of continuity of interests. Under this accounting, the Corporation is deemed to have acquired assets of the Parent at book value. Subsequent to the acquisition, the Corporation's consolidated financial statements presented for

comparative purposes reflect the financial position, results of operations and cash flows as if the Corporation existed in the period of comparison and was managing those transferred assets.

The table below describes the type and value of assets that were acquired for the deemed value of \$6,157,059 as at February 1, 2007:

Description	USA	USA	USA	Niger	Niger	Total
	2007	2006	2005	2007	2006	
	\$	\$	\$	\$	\$	\$
Deferred exploration expenditures	94,337	959,677	522,815	115,490	150,823	1,843,142
Mineral properties	---	451,500	274,344	18,474	---	744,318
Cash	1,029	74,464	---	---	---	75,493
Mineral property applications – see note 1 below	---	---	---	---	5,344,152	5,344,152
Mineral property – see note 2 below	---	---	---	294,800	---	294,800
Property, plant and equipment (net)	(515)	27,069	---	---	---	26,554
Changes in future income tax liability	---	---	---	13,000	(2,037,000)	(2,024,000)
Changes in accounts payable and accrued liabilities	9,475	193,983	(203,458)	---	---	---
Due to the Parent	---	---	---	(147,400)	---	(147,400)
Net assets acquired	104,326	1,706,693	593,701	294,364	3,457,975	6,157,059

Note 1: By virtue of an amalgamation agreement dated January 27, 2006, the Parent acquired 100% of the outstanding common shares of Pan African Uranium Corp., formerly Uranium International Limited, a private Canadian company with mining interests in Niger. Under the terms of the agreement, Pan African shareholders received one Homeland common share, warrant or option for every two Pan African shares, warrants or options held.

Fair value of net assets acquired:

Mineral property applications	\$	5,344,152
Cash	\$	879,648
Accounts receivable and prepaid expenses	\$	8,296
Future income tax liability	\$	(1,867,000)
Accounts payable and accrued liabilities	\$	(78,261)
	\$	<u>4,286,835</u>

Note 2: In 2007, the Parent issued 125,000 common shares as consulting fees towards the acquisition of the Niger concessions. The Corporation made a cash payment of US\$125,000 to the Parent amounting to 50% of the total cost of issuance.

Note 3: The following table shows the net investment of the Parent on an annual basis during the years 2005, 2006 and 2007.

Description	2007 \$	2006 \$	2005 \$	Total \$
Net investment by Parent	398,690	5,164,668	593,701	6,157,059

Note 4: Prior to the acquisition date, the Parent did not charge the Corporation for certain costs related to shared services including office rent, administration and corporate services.

11. SHARE CAPITAL

[a] The Corporation is authorized to issue an unlimited number of common shares. The common shares have no par value.

Issued	Shares #	Amount \$
Common shares, December 31, 2006	—	—
Homeland Energy acquisition [note 9]	16,000,000	6,157,059
Seed financing [note 11[d]]	8,000,000	1,839,961
Lighthouse share issuance [note 11[e]]	4,000,000	733,700
Brokered private placement [note 11[f]]	28,434,100	14,879,811
Sub-total	56,434,100	23,610,531
Shares issued on condition [note 11[e]]	(3,600,000)	(641,700)
Common shares, December 31, 2007	52,834,100	22,968,831

[b] The change in the recorded value of warrants is as follows:

	\$
Balance, December 31, 2006	—
Brokered private placement warrants [note 11[f]]	4,776,929
Broker Warrants [note 11[f]]	1,057,383
Balance, December 31, 2007	5,834,312

[c] The change in the recorded value of stock-options is as follows:

	\$
Balance, December 31, 2006	—
Issuance of stock options [note 11[g]]	247,413
Balance, December 31, 2007	247,413

[d] In February 2007, the Corporation completed a non-brokered private placement for seed financing purposes that consisted of 8,000,000 common shares at a price of \$0.23 per common share for total net proceeds of \$1,839,961. No brokerage fees, warrants or cash commissions were payable with this issue.

[e] In February 2007, the Corporation agreed to issue 4,000,000 common shares in return for services rendered towards a prospective acquisition nicknamed the Lighthouse project. 400,000 of these common shares were issued without condition while the remaining 3,600,000 common shares are held in escrow on condition that the said acquisition is formally accomplished. For the purposes of these financial statements, 400,000 shares issued without condition has been accounted at \$92,000 and 2,790,000 shares issued to employees and held in escrow has been accounted at \$641,700. 810,000 shares issued to non-employees and held in escrow have not

been accounted and the amount of \$641,700 accounted for employee shares held in escrow have been reversed to common shares due to the condition to release these shares from escrow may never materialize.

- [f] On June 19, 2007, the Corporation closed the first tranche of a brokered private placement consisting of 16,316,250 subscription receipts at a price of \$0.80 per subscription receipt for total gross proceeds of \$13,053,000. On August 8, 2007, the Corporation closed the second and final tranche of the brokered private placement consisting of 12,117,850 subscription receipts for total gross proceeds of \$9,694,280. The total gross proceeds were \$22,747,280 for a total of 28,434,100 subscription receipts. The main Agent for this placement was Haywood Securities Inc. Each unit is convertible into one common share of the Corporation and one half of one common share purchase warrant of the Corporation. Each whole common share purchase warrant of the Corporation entitles the holder to purchase one additional common share of the Corporation at an exercise price of \$1.25 per share during the 24 months period ending June 19, 2009 for the first tranche of common share purchase warrants of the Corporation and August 8, 2009 for the second tranche of the common share purchase warrants of the Corporation. In conjunction with this funding, the Corporation paid cash brokerage fees and commissions to the Agent and other brokers amounting to \$1,377,321. In addition, the Agent and other brokers were issued 1,898,353 broker Warrants. Each broker compensation option entitles the holder to purchase one additional common share of the Corporation and one half of one common share purchase warrant of the Corporation at an exercise price of \$0.80 per broker compensation option during the 24 months period ending June 19, 2009 for the first tranche and August 8, 2009 for the second tranche. Share issue costs, legal and audit fees associated with the equity financing amounted to \$655,837. The subscription agreement included a penalty dilution clause that entitled the subscribers to the placement to additional units amounting to 20% of units subscribed in case the Corporation did not file a preliminary prospectus within six months of the respective closings. The Corporation did however file a preliminary prospectus within the prescribed period and was accepted by the regulatory authorities on February 13, 2008. The 20% dilution clause has thus become void. A value of \$4,776,929 was ascribed to the common share purchase warrants of the Corporation based on their fair value as determined using the Black-Scholes option valuation method. Similarly a value of \$1,057,383 was ascribed to the Warrants. As at December 31, 2007, none of the common share purchase warrants of the Corporation or the broker Warrants had been exercised.
- [g] The Corporation adopted a stock option plan under which options to purchase shares of the Corporation may be granted to directors, officers, employees and consultants of the Corporation. During the period between January 1, 2007 and December 31, 2007, no options were exercised. The following summary sets out the activity in outstanding stock options:

	Options #	Weighted average exercise price .\$
Year 2006		
Granted	—	N/A
Exercised	—	N/A
Expired	—	N/A
Outstanding, December 31, 2006	—	
Year 2007		
Granted	2,300,000	0.50
Exercised	—	N/A
Expired	—	N/A
Outstanding, December 31, 2007	2,300,000	0.50

The details of options outstanding at December 31, 2007 are as follows:

Number of stock options #	Remaining contractual life [years]	Exercise price per share	Expiry date
2,300,000	4.35	\$0.50	May 7, 2012
2,300,000			

Note: a further 100,000 stock options were conditionally granted on May 7, 2007 to a key individual associated with a project being developed, but have not been issued as of December 31, 2007 until certain conditions related to this project are met.

The options granted during 2007 vest over an eighteen month period and their fair values were estimated using the Black-Scholes option pricing model with the following assumptions:

	2006
Expected option life [years]	5 years
Risk-free interest rate	4.6%
Volatility	130%
Dividend yield	zero

[h] The following summary sets out the activity in outstanding warrants and compensation options:

Number of Warrants/options #	Remaining contractual life [years]	Exercise price per share \$	Expiry date
8,158,125	1.47	\$1.25	June 19, 2009
6,058,925	1.61	\$1.25	August 8, 2009
1,335,853	1.47	\$0.80	June 19, 2009
562,500	1.61	\$0.80	August 8, 2009
16,115,403			

12. INCOME TAXES

The Corporation's effective tax rate for 2006 to 2007 differs from the Canadian statutory tax rate of 36% principally because of the non-recognition of tax losses and non-deductible expenses as follows:

	2007	2006
Statutory rate	36%	36%
Impact of foreign rates	(1%)	(1%)
Tax assets not recognized	(47%)	(8%)
Non-taxable / (deductible)	(3%)	(27%)
Effective tax rate	(15%)	-

The sources of deferred tax liabilities (assets) recognized in the financial statements are as follows:

	2007	2006
Mineral properties	\$2,507,000	\$2,575,000
US net operating losses	(\$442,000)	(\$538,000)
	\$2,065,000	\$2,037,000

The Corporation has tax deductions that have not been recognized in the financial statements amounting to approximately \$2,807,000 (2006 – nil), including a non-capital loss of approximately \$1,180,000 (2006 – nil) which can be carried forward to offset future taxable income until it expires in 2027.

13. COMMITMENTS

[a] Niger mineral properties

The Corporation is committed to spend a minimum of US\$300,000 per concession before November 30, 2008 (US\$2,400,000 for the eight concessions). For the years ending November 30, 2009 and 2010 the annual expenditures are increased to US\$500,000 and US\$1,325,000 respectively per concession (US\$4,000,000 and US\$10,600,000 for the eight concessions).

The Corporation is obliged to pay land royalty fees to the government of Niger equivalent to CFA 2,000 (\$4.41) per square kilometer in the first year (\$16,562 in total). In the second and third term of renewal, the land royalties are increased to CFA 3,000 and CFA 5,000 respectively per square kilometer (\$24,844 and \$41,406 in total for each year respectively). In addition, the Corporation has agreed to make cash payments to the government for the purpose of training Niger nationals equivalent to US\$10,000 per concession per year or US\$ 80,000 for its eight concessions.

[b] USA mineral properties

The Corporation holds a lease to purchase option, from Future Energy, LLC, for mineral properties in the USA. The agreement with Future Energy, LLC was signed on May 1, 2006 and carries the following commitments.

Year	Annual Rental Payments US\$	Claim Fees US\$	Minimum Exploration Expenditure US\$
2008/ 2009	67,500	40,500	392,000

The Corporation may exercise its "option to purchase" at any time up to 90 days following the end of the option period on April 30, 2009 by making a payment to the lessor of US\$900,000 and issuing 400,000 common

shares of the Corporation. In addition, the lessor is entitled to a 2% net smelter royalty. The Corporation may repurchase 50% of this royalty by paying the lessor an extra US\$1,250,000.

[c] As at December 31, 2007, the Corporation was committed to the following lease and rent agreements:

Location	Type	Monthly payment	Ending
Niamey, Niger	Exploration office rent	200,000 cfa (\$442)	March 1, 2010
Niamey, Niger	Accommodation and office rent	300,000 cfa (\$662)	May 31, 2010
Grand Junction, CO	Technical office rent	US\$4,834 (\$4,700)	August 31, 2010
Toronto, ON	Office rent	\$3,083	December 31, 2008

14. SEGMENTED INFORMATION

The Corporation operates in one industry segment, mineral exploration. The Corporation's exploration activities have been carried out in the USA and Niger. Note 6 to these financial statements sets out details of mineral properties and deferred exploration expenditures.

15. SUBSEQUENT EVENTS

- [a] The Corporation filed a final prospectus dated February 11, 2008 for qualification of the securities underlying subscription receipts and to offer up to 1,000,000 units to the public at a price of \$1.00 per share.
- [b] On March 6, 2008, the Corporation granted 2,685,000 stock options to directors, officers and consultants of the Corporation at an exercise price of \$0.80 per share. The options are valid for a period of five years from the date of grant and are vested over a period of eighteen months.
