FINANCIAL STATEMENTS

CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2008 and 2007

Smith Nixon LLP
Chartered Accountants
Suite 1900, 390 Bay Street
Toronto, Ontario
M5H 2Y2

T: 416.361.1622
F: 416.367.1238
www.smith-nixon.com

AUDITORS' REPORT

To the Shareholders of
Homeland Uranium Inc.

We have audited the consolidated balance sheet of Homeland Uranium Inc. as at December 31, 2008 and the consolidated statements of loss and deficit and cash flow for the year then ended. These consolidated financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit 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 company as at December 31, 2008 and the results of its loss and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

The financial statements of the company as at December 31, 2007 were audited by other auditors who expressed an opinion without reservation in their report dated April 22, 2008.

Smith Nixon LLP

Licensed Public Accountants
Chartered Accountants
Toronto, Ontario
March 20, 2009

CONSOLIDATED BALANCE SHEETS

[in Canadian dollars]

As at	$ **December 31** **2008**	$ December 31 2007
ASSETS		
Current		
Cash and equivalents	**10,102,265**	1,169,371
Short-term investments *[note 6 [a]]*	**---**	17,093,300
Accounts receivable and prepaid expenses	**1,090,408**	1,113,301
Total current assets	**11,192,673**	19,375,972
Investment in Macusani Yellowcake Inc. shares *[note 6 [b]]*	**1,656,954**	---
Investment in Macusani Yellowcake Inc. warrants *[note 6 [b]]*	**598,328**	---
Property, plant and equipment, net *[note 9]*	**502,099**	621,669
Mineral properties and deferred exploration expenditures *[note 10]*	**12,452,743**	11,097,240
Long-term other assets *[notes 7 and 8]*	**430,840**	93,824
	26,833,637	31,188,705
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	**971,811**	1,253,016
Total current liabilities	**971,811**	1,253,016
Future income tax liability *[note 16]*	**2,450,000**	2,065,000
	3,421,811	3,318,016
Shareholders' equity		
Common shares *[note 13 [a]]*	**22,968,831**	22,968,831
Stock options and warrants *[notes 13 [b] and [c]]*	**7,210,994**	6,081,725
Deficit	**(6,767,999)**	(1,179,867)
Total shareholders' equity	**23,411,826**	27,870,689
	26,833,637	31,188,705

Commitments - *[note 14]*
Subsequent events *[note 17]*

On behalf of the Board:

John Cook
Signed
Director

Stephen Coates
Signed
Director

CONSOLIDATED STATEMENTS OF LOSS AND DEFICIT

[in Canadian dollars]

	$	$
	Year ended	Year ended
	December 31	December 31
	2008	2007
INCOME		
Interest earned	**450,521**	451,899
EXPENSES		
Project development and other exploration expenses	**32,533**	138,112
Corporate and investor relations expenses	**737,801**	597,789
Professional fees	**413,665**	212,556
Office rent and general expenses	**177,437**	54,609
Depreciation *[note 9]*	**57,736**	20,827
Stock options *[note 13[g]]*	**1,129,269**	247,413
Impairment of mineral properties *[note 10]*	**4,009,435**	**---**
Unrealized gain on Macusani Yellowcake Inc. warrants	**(127,574)**	**---**
Foreign exchange loss (gain)	**(391,649)**	201,433
	6,038,653	1,472,739
Loss before income tax	**5,588,132**	1,020,840
Income tax expense	**---**	151,000
Loss for the year	**5,588,132**	1,171,840
Deficit, beginning of year	**1,179,867**	**---**
Income allocated to net investment by Parent	---	8,027
Deficit, end of year	**6,767,999**	1,179,867
Loss per common share – basic and diluted	**($0.11)**	($0.03)
Weighted average number of common shares outstanding – basic and diluted	**52,834,100**	35,791,663

See accompanying notes

CONSOLIDATED STATEMENTS OF CASH FLOWS

[in Canadian dollars]

	$ Year ended December 31 2008	$ Year ended December 31 2007
OPERATING ACTIVITIES		
Loss for the year	**(5,588,132)**	(1,171,840)
Add (deduct) items not affecting cash		
Impairment of mineral properties	**4,009,435**	---
Depreciation	**57,736**	20,827
Stock options	**1,129,269**	247,413
Write down on property, plant and equipment	**46,920**	---
Foreign exchange loss (gain) on future income tax liability	**385,000**	(123,000)
Unrealized gain on Macusani Yellowcake Inc. warrants	**(127,574)**	---
Foreign exchange loss on short-term investments	---	329,200
Income tax expense	---	151,000
Share based payment in project development expenses	---	92,000
	(87,346)	(454,400)
Changes in non-cash working capital balances		
Accounts receivable and prepaid expenses	**22,893**	(403,301)
Accounts payable and accrued liabilities	**(515,491)**	280,289
Cash used in operating activities	**(579,944)**	(577,412)
INVESTING ACTIVITIES		
Mineral properties and deferred exploration expenditures	**(5,025,703)**	(2,955,388)
Additions to property, plant and equipment	**(90,035)**	(653,316)
Decrease in short-term investments	**17,093,300**	(17,422,500)
Investment in Macusani Yellowcake Inc.	**(2,127,708)**	---
Increase in long-term other assets	**(337,016)**	(93,824)
Cash provided by (used by) investing activities	**9,512,838**	(21,125,028)
FINANCING ACTIVITIES		
Issuance of common shares and warrants	---	24,587,241
Financing costs	---	(2,033,158)
Net investment by Parent	---	243,264
Cash provided by financing activities	---	22,797,347
Net increase in cash and equivalents during the year	**8,932,894**	1,094,907
Cash and equivalents, beginning of year	**1,169,371**	74,464
Cash and equivalents, end of year	**10,102,265**	1,169,371

See accompanying notes

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 12]*. 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 and 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 Corporation'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 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.

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

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 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.

Use of estimates

The preparation of financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenue and expenses during the year. The most significant estimates and assumptions include the impairment of the mineral exploration properties and the valuation of stock-based compensation. Actual results could differ materially from those estimates. Management believes that the estimates are reasonable.

Financial instruments

All financial instruments are classified into one of the following five categories: held-for-trading, held-to-maturity, loans and receivables, available for sale financial assets or other financial liabilities. All financial instruments, including derivatives, are measured in the balance sheet at fair value except for loans and receivables, held-to-maturity-investments and other financial liabilities which are measured at amortized cost using the effective interest method. Subsequent measurement and changes in fair value will depend on their initial classification, as follows: held-for-trading financial assets are measured at fair value and changes in fair value are recognized in the statement of loss in the period in which they arise; available for sale financial instruments are measured at fair value with changes in fair value recorded in other comprehensive income until the investment is de-recognized or impaired at which time the amounts would be recorded in the statement of loss.

The Corporation has made the following classifications:

Cash and equivalents	Held-for-trading
Short-term investments	Held-for-trading
Accounts receivable	Loans and receivables
Accounts payable and accrued liabilities	Other liabilities
Investment in Macusani Yellowcake Inc. warrants	Held-for-trading
Other long-term assets	Held-for-trading

Transaction costs are expensed as incurred for financial instruments classified as held-for-trading. For other financial instruments, transaction costs are expensed on initial recognition. The Corporation accounts for regular purchases and sales of financial assets using trade date accounting. Fair market value represents the amount that would be exchanged in an arm's length transaction between willing parties and is best evidenced by a quoted market price, if one exists.

Investments

Investments in companies which the Company is able to significantly influence are accounted for using the equity method. Under the equity method, the original cost of the shares is adjusted for the Corporation's share of post-acquisition earning or losses less dividends.

Cash and equivalents

Cash and equivalents include highly liquid short-term investments which may be settled on demand without penalty or within a maximum of 90 days period from the date of purchase.

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.

Asset retirement obligations

The Corporation is subject to the provisions of CICA Handbook Section 3110, Asset Retirement Obligations, which requires the estimated fair value of any asset retirement obligations to be recognized as a liability in the period in which the related environmental disturbance occurs and the present value of the associated future costs can be reasonably estimated. As of December 31, 2008 and 2007 the Corporation has not incurred and is not committed to any asset retirement obligations in respect of its mineral exploration 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 period-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.

Loss per share

Basic loss per share is calculated by dividing the loss for the year by the weighted average number of common shares outstanding during the year. The diluted loss per share gives effect to the exercise of any option or warrant for which the exercise price is lower than the average market price during the year using the treasury stock method. For the year ended December 31, 2008, the weighted average shares outstanding for purposes of calculating diluted loss per share was 52,834,100.

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 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 period that includes the date of enactment or substantive enactment.

3. CHANGE IN ACCOUNTING PLOICIES

On December 1, 2006, the CICA issued three new accounting standards: Capital Disclosures (Handbook Section 1535), Financial Instruments - Disclosures (Handbook Section 3862), and Financial Instruments Presentation (Handbook Section 3863). These new standards became effective for the Corporation on January 1, 2008.

Capital Disclosures

Handbook 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 noncompliance. The Corporation has

included disclosures recommended by the new Handbook section in Note [4] to these consolidated financial statements.

Financial Instruments
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. The Corporation has included disclosures recommended by the new Handbook section in Note [5] to these consolidated financial statements.

Amendments to Section 1400 - General Standards of Financial Statement Presentation
In June 2007, the CICA amended Handbook Section 1400, Going Concern, to include additional requirements to assess and disclose an entity's ability to continue as a going concern. Section 1400 is effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2008. The adoption of these amendments has had no material impact on the financial statements.

Future accounting changes

Goodwill and Intangible Assets
In February 2008, the CICA approved Handbook Section 3064, "Goodwill and Intangible Assets" which replaces the existing Handbook Sections 3062, "Goodwill and Other Intangible Assets" and 3450 "Research and Development Costs". This standard is effective for interim and annual financial statements relating to fiscal years beginning on or after October 1, 2008, with earlier application encouraged. The standard provides guidance on the recognition, measurement and disclosure requirements for goodwill and intangible assets.

The Corporation is currently assessing the impact of this new accounting standard on its consolidated financial statements.

4. CAPITAL MANAGEMENT

The Corporation's objective when managing capital is to maintain adequate levels of funding to support development of its exploration projects, to expand regional exploration activities within Niger and the USA and to maintain corporate and administrative functions.

The Corporation considers its capital to be equity, which is comprised of share capital, warrants, stock options and deficit, which at December 31, 2008 totaled $23,411,826 (2007 - $27,870,689).

The Corporation manages its capital structure in an effort to provide sufficient funding for its development projects. Funds are primarily secured through equity capital raised by way of private placements. There can be no assurances that the Corporation will be able to continue raising equity capital in this manner.

The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Corporation's management to sustain future development of the business.

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

There were no changes in the Corporation's approach to capital management during the year ended December 31, 2008. The Corporation is not subject to externally imposed capital requirements.

5. FINANCIAL INSTRUMENTS

The Corporation's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including fair value, interest rate and foreign exchange rate).

Risk management is carried out by the Corporation's management team with guidance from the Audit Committee under policies approved by the Board of Directors. The Board of Directors also provides regular guidance for overall risk management.

Credit risk
Credit risk is the risk of loss associated with counterparty's inability to fulfill its payment obligations. The Corporation's credit risk is primarily attributable to accounts receivable. Financial instruments included in accounts receivable consist of accrued interest and deposits held with consultants and other service providers. All accounts receivable and deposits held with consultants and other service providers are in good standing. As of December 31, 2008, a total of $1,090,408 represented the maximum credit exposure on accounts receivable out of which $710,000 was a 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. Management believes that the credit risk concentration with respect to financial instruments included in accounts receivable is minimal.

Liquidity risk
Liquidity risk refers to the risk that the Corporation will not be able to meet its financial obligations when they become due, or can only do so at excessive cost. The Corporation's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at December 31, 2008, the Corporation had a cash and equivalents balance of $10,102,265 (December 31, 2007 - $1,169,371) and current liabilities of $971,811 (December 31, 2007 - $1,253,016). All of the Corporation's financial liabilities, with the exception of $710,000, have contractual maturities of less than 30 days and are subject to normal trade terms.

Interest rate risk
Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Corporation has cash balances and no interest-bearing debt. The Corporation's current policy is to invest excess cash in short-term, liquid and highly rated financial instruments, such as cash and other short-term guaranteed deposits, all held with major Canadian financial institutions. The Corporation periodically monitors the investments it makes and is satisfied with the creditworthiness of its financial institutions.

A 10% fluctuation in the interest rate, based on the Corporation's financial instruments as at December 31, 2008, could result in an estimated interest gain or loss of $20,000.

Foreign currency risk
Foreign exchange risk arises from future commercial transactions and recognized assets and liabilities denominated in a currency that is not the entity's functional currency. The risk is measured using cash flow forecasting. The Corporation's functional currency is the Canadian dollar and major purchases are transacted in Canadian dollars. The Corporation funds certain operations, exploration and administrative expenses in Niger and the United States on a cash call basis using US dollar currency converted from its Canadian dollar bank accounts held in Canada. The Corporation maintains US dollar bank accounts in Canada and the United States. The Corporation is subject to gains and losses due to fluctuations in US dollar and Niger currency against the Canadian dollar.

A 10% fluctuation in the foreign exchange rate, based on the Corporation's foreign denominated financial instruments as at December 31, 2008, could result in an estimated foreign exchange gain or loss of $200,000.

Fair value
The Corporation has, for accounting purposes, designated its cash and equivalents, the warrants on the Macusani Yellowcake Inc. investment and long-term other assets as held-for-trading, which are measured at fair value. Accounts receivable are classified for accounting purposes as loans and receivables, which are measured at amortized cost which approximates fair market value due to its short-term nature. Accounts payable and accrued liabilities are classified for accounting purposes as other financial liabilities, which are measured at amortized cost which also approximates fair market value due to its short-term nature. Fair market value represents the amount that would be exchanged in an arm's length transaction between willing parties and is best evidenced by a quoted market price, if one exists.

6. INVESTMENTS

[a] **SHORT-TERM INVESTMENTS -** Short-term investments are comprised of variable rate Canadian dollar denominated guaranteed investment certificates which expired during the course of year 2008. As at December 31, 2008, the Corporation had no short-term investments.

[b] **INVESTMENT IN MACUSANI YELLOW CAKE INC.** - Pursuant to a share purchase agreement between the Corporation and Macusani Yellowcake Inc. (TSXV-YEL) (“Macusani”) dated October 15, 2008, the Corporation has acquired 7,619,047 units of Macusani at a price of $0.2625 per unit for total purchase price of $2 million. Each unit is comprised of one common share and 0.6 of a common share purchase warrant, with each whole warrant exercisable for a 24-month period to acquire an additional common share at a price of $0.35 per share. As at December 31, 2008, the market value of these warrants was $598,328. As at December 31, 2008, the Corporation owned approximately 23.5% of the issued and outstanding common shares of Macusani on a non-diluted basis. The Corporation has also acquired certain exclusivity rights until September 15, 2009 to negotiate and enter into an agreement respecting a business combination between the two companies. The exclusivity rights also preclude Macusani from soliciting other transactions regarding a change of control and provide Homeland with matching rights before Macusani may accept, approve or recommend an unsolicited change of control transaction.

The Corporation opted to use the equity method of accounting for this investment due to the fact that the Corporation owns over 20% of the issued and outstanding common shares of the investee and therefore has the ability to significantly influence their strategic operating, investing and financing policies.

7. LONG-TERM OTHER ASSETS

Long-term other assets are comprised of two cash deposits denominated in US dollars that mature on October 23, 2009 and March 2, 2012 with an average effective yield of 4.01% 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 1.5%.

8. BANK LOAN FACILITIES

As at December 31, 2008, the Corporation had a business loan agreement with Vectra Bank, Colorado that allowed credit facilities of up to US$86,000. The Corporation has drawn a letter of credit of US$86,000 in favour of the State of Colorado Mine and Land Reclamation on this facility. The Corporation has pledged as collateral a US$91,081.58 cash deposit included in long-term other assets.

9. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consist of the following:

	December 31, 2008			December 31, 2007		
	Cost	**Accumulated Depreciation**	**Net Book Value**	**Cost**	**Accumulated Depreciation**	**Net Book Value**
	$	**$**	**$**	**$**	**$**	**$**
Computer and office equipment	153,652	40,847	112,804	104,888	9,054	95,834
Automotive equipment	319,269	115,541	203,728	316,488	34,967	281,521
Furniture and fixtures	125,918	35,028	90,890	92,240	11,773	80,467
Exploration equipment	124,660	29,984	94,676	169,673	5,826	163,847
Outstanding, end of period	**723,499**	**221,400**	**502,099**	**683,289**	**61,691**	**621,669**

Total amount of depreciation on property, plant and equipment for the year 2008 amounted to $162,684 [2007 – 79,544] out of which $57,736 [2007 – 20,827] was expensed and $104,948 [2007 – 58,717] was capitalized to mineral properties.

10. 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, 2008, the Corporation's mineral properties are comprised of:

USA properties

As at December 31, 2008, the Corporation, through its USA subsidiary, held seven properties in the state of Colorado and one property in the state of Utah. The properties in Colorado consist of Atkinson Mesa, CNX, Dry Creek, Norma Jean, Slickrock, TEX and VEX. The property in Utah consists of Deremo West.

The Corporation leases the mining rights directly from the Bureau of Land Management for all of these properties with the exception of Wray Mesa, which the Corporation signed a lease to purchase agreement with a third party to secure its mining rights *[Note 14[b]].*

During the year ended December 31, 2008, the Corporation expended a total of $3,129,038 [2007 - $1,840,115] on the acquisition, exploration and development of the USA properties. During 2008, the Corporation elected to abandon the Big Indian and Wray Mesa properties and therefore wrote down a total of $4,009,435. The write-down comprised of $441,219 for Big Indian property and $3,568,216 for Wray Mesa property. As at December 31, 2008, the cumulative net expenditures on the remaining USA properties were $3,168,054 [2007 - $4,048,451].

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 14[a]]*;

[c] a 10% free carried interest for the state in the mining phase with an option to acquire up to 30% 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, 2008, the Corporation expended a total of $ 2,235,900 [2007 - $1,553,814] on the acquisition, exploration and development of mineral properties in Niger. As at December 31, 2008, the cumulative net expenditures on these properties were $9,284,689 [2007 - $7,048,789].

11. RELATED PARTY TRANSACTIONS

During the year ended December 31, 2008, the Corporation paid $67,000 [2007 - $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 12]*.

As at December 31, 2008, 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 one-time honorarium compensation for extraordinary time spent in the establishment and financial viability of the Corporation.

During the year ended December 31, 2008, the Corporation paid $3,500 [2007 – $10,000] to Tormin Resources Limited as consulting fees. The owner of Tormin Resources is a Director of the Corporation. Additionally, the Corporation has made an agreement to rent out one of its offices to Tormin Resources on a part-time basis for $750 per month starting May 1, 2008. During the year ended December 31, 2008, the Corporation has received $6,000 from Tormin Resources towards this rent agreement.

The above transactions, occurring in the normal course of operations, are conducted on terms that approximate market value and are measured at the exchange amounts.

12. 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 2007 $	USA 2006 $	USA 2005 $	Niger 2007 $	Niger 2006 $	Total $
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)*
	$	*4,286,835*

*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.

13. 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 12]*	16,000,000	6,157,059
Seed financing *[note 13[d]]*	8,000,000	1,839,961
Lighthouse share issuance *[note 13[e]]*	4,000,000	733,700
Brokered private placement *[note 13[f]]*	28,434,100	14,879,811
Sub-total	56,434,100	23,610,531
Shares issued on condition *[note 13[e]]*	---	(641,700)
Common shares, December 31, 2007	**56,434,100**	**22,968,831**
Common shares, December 31, 2008	**56,434,100**	**22,968,831**

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

	$
Balance, December 31, 2006	—
Brokered private placement warrants *[note 13[f]]*	4,776,929
Broker Warrants *[note 13[f]]*	1,057,383
Balance, December 31, 2007	**5,834,312**
Balance, December 31, 2008	**5,834,312**

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

	$
Balance, December 31, 2006	—
Issuance of stock options – Series 1 *[note 13[g]]*	247,413
Balance, December 31, 2007	**247,413**
Issuance of stock options - Series 1 *[note 13[g]]*	170,777
Issuance of stock options - Series 2 *[note 13[g]]*	951,315
Issuance of stock options - Series 3 *[note 13[g]]*	7,177
Balance, December 31, 2008	**1,376,682**

[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, 2008, 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 year ended December 31, 2008, 2,845,000 new options were issued and 140,000 options were forfeited. No options were exercised during the period. The following summary sets out the activity in outstanding stock options:

	Options \#	Weighted average exercise price $
Outstanding, December 31, 2006	**—**	**N/A**
Year 2007		
Granted	2,300,000	0.50
Exercised	—	N/A
Expired	—	N/A
Outstanding, December 31, 2007	**2,300,000**	**0.50**
Year 2008		
Granted	2,845,000	0.80
Forfeited	(140,000)	0.58
Exercised	—	N/A
Expired	—	N/A
Outstanding, December 31, 2008	**5,005,000**	**0.67**

The details of options outstanding at December 31, 2008 are as follows:

Number of stock options \#	Remaining contractual life [years]	Exercise price per share	Expiry date
2,200,000	3.4	$0.50	May 7, 2012
2,645,000	4.2	$0.80	March 6, 2013
160,000	4.9	$0.80	November 21, 2013
5,005,000			

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, 2008 until certain conditions related to this project are met.

The options granted during 2007 and 2008 vest over an eighteen month period. As at December 31, 2008, 3,532,500 of all issued options were exercisable. The fair values of the options were estimated using the Black-Scholes option pricing model with the following assumptions:

	2007	2008
Expected option life [years]	5	5
Risk-free interest rate	4.6%	5.5%
Volatility	130%	130%
Dividend yield	0%	0%

[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	0.47	$1.25	June 19, 2009
6,058,925	0.61	$1.25	August 8, 2009
1,335,853	0.47	$0.80	June 19, 2009
562,500	0.61	$0.80	August 8, 2009
16,115,403			

14. 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). As at December 31, 2008, the Corporation has spent $ 3,789,714 on the eight Niger concessions which are well above the minimum expenditures of the first year.

The Corporation is obliged to pay annual land royalty fees to the government of Niger equivalent to CFA 1,000 ($2.61) per square kilometer in the first three year term of agreement ($9,460 in total). In the first, second and later terms of renewals, the land royalties are increased to CFA 2,000, CFA 3,000 and CFA 5,000 respectively per square kilometer.

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 as part of minimum spending commitments.

[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 and 2009	67,500	37,500	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.

As at December 31, 2008, the Corporation has paid the annual rental payments and claim fees in full and exceeded the minimum exploration expenditures for the year. The Corporation decided to drop the Wray Mesa property which was under license from Future Energy, LLC as described in Note [10].

On February 26, 2008, the Corporation signed a surface rights agreement with Mex & Sons L.L.L.P. to gain access and allow drilling activities in the Dry Creek property. The Corporation paid an annual fee of US$10.00 per acre (US$12,800 in total) and a onetime payment of US$125 per drill hole. The Corporation drilled two holes on this property during the year 2008. The terms of the agreement is valid for ten years, subsequent to

which, the Corporation will pay an annual fee of US$15.00 per acre (US$19,200 in total) and a drilling fee of US$175 per drill hole. The agreement expires on February 26, 2023.

[c] As at December 31, 2008, 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	680,000 cfa ($662)	November 30, 2009
Grand Junction, CO	Technical office rent	US$4,834 ($4,700)	August 31, 2010

15. 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 [10] to these financial statements sets out details of mineral properties and deferred exploration expenditures.

16. INCOME TAXES

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

	2008	2007
Statutory rate	34%	36%
Impact of foreign rates	-	(1%)
Tax losses not recognized	(25%)	(32%)
Tax assets not recognized	-	(15%)
Permanent differences	(9%)	(3%)
Effective tax rate	-	(15%)

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

	2008	2007
Mineral properties	$2,450,000	$2,507,000
US tax losses	-	($442,000)
	$2,450,000	$2,065,000

The Corporation has tax deductions that have not been recognized in the financial statements amounting to approximately $3,184,000 (2007 – $2,807,000), including non-capital losses of approximately $2,020,000 (2007 – $1,180,000) which can be carried forward to offset future taxable income until they expire in 2027 and 2028.

17. SUBSEQUENT EVENTS

On January 20, 2009, The Corporation provided a cash loan to its Parent in the amount of $2.5 million at an interest rate of 10% for a term of one year to cover its Parent's short-term cash obligations. Pledged against this loan are 22,250,000 shares of the Corporation owned by the Parent. In addition, the Parent issued 250,000 common shares priced at $0.20 per share to the Corporation as a placement fee in respect of this transaction. The loan was approved by the independent directors of both companies. As the Parent owns approximately 39% of the issued and outstanding capital of the Corporation, this transaction is a related party transaction within the meaning of Multilateral Instrument 61-101 ("MI 61-101"). The transaction is exempt from the valuation and minority shareholder approval requirements of MI 61-101 pursuant to the exemptions contained in sections 5.5(a) and 5.7(a)

of MI 61-101 in that the fair market value of the transaction does not exceed 25% of the Corporation market capitalization.

***