

INTRODUCTION

Houston Lake Mining Inc. (TSX-V:HLM) is a vertically integrated resource company actively exploring for gold, platinum group metals and rare metals with a strategic focus on northwestern Ontario.

The Company's shares are listed on the TSX Venture Exchange under the symbol HLM and the head office is located in Sudbury, Ontario.

The following management discussion and analysis should be read in conjunction with the Corporation's audited annual financial statements for the years ended March 31, 2010 and 2009, which were prepared in accordance with generally accepted accounting principles in Canada. All amounts are expressed in Canadian dollars unless otherwise stated.

Additional information regarding the Company can be found on SEDAR at www.sedar.com. The Corporation's web site is www.houstonlakemining.com.

OVERVIEW

Since start-up in 1995, Houston Lake has acquired 100% interests in 12 properties that comprise the Company's three significant project groups: the West Cedartree Gold Project near Kenora, the Tib Lake PGM Project near Thunder Bay and the Pakeagama Lake Rare Metals Project near Red Lake. Our objective is to limit future dilution and increase shareholder value by becoming a gold producer.

West Cedartree Gold Project

The West Cedartree Gold Project (WCGP) contains four or more gold zones contained within 1,673.6 hectares near Kenora, Ontario. The development plan is to first outline three possible open pit working areas (Angel Hill, Dogpaw Lake No. 1 Vein, and

Dubenski Mineralized Zone) in order to inotentially support a proposed mill facility

Angel Hill Gold Zone ("AHGZ")

The AHGZ has an estimated inferred mineral resource of 106,400 tonnes grading 2.97 g/mt Au at a cutoff of 2 g/mt (or 49,700 tonnes grading 4.77 g/mt Au at a cutoff of 4 g/mt). The inferred mineral resource was determined by systematic channel sampling of a 130m strike length of the AHGZ and by systematic drilling to a depth of 75m.

In the spring of 2006 a bulk sample was taken from the AHGZ and processed at a third party mill. A total of 1,041.2 tonnes yielded an average head grade of 5.67 g/mt Au. The total contained gold was 5,903.6 grams and 5,490.4 grams of gold was produced at a reported recovery of 93%. The Company received a cash settlement of \$131,893.84 and a net profit of \$51,848.12.

Subsequent to the bulk sample, stripping has extended the AHGZ for another 70m along strike. A nine hole, 1,037m drill program successfully extended the AHGZ to a vertical depth of 100m. Six of the nine drill holes returned results in excess of 7g/mt Au. In 2007 three drill holes totalling 315m were drilled into the southerly extension of the AHGZ and successfully extended the zone for a strike length of over 280m. The AHGZ remains open to depth and along strike.

IP surveys in 2006 and 2007 have depicted a prominent chargeability anomaly. This anomaly can be traced for an overall strike length of at least 2.8km. In 2009 prospecting, mechanized stripping and IP surveys extended the AHGZ to over 3.3km.

Dogpaw Lake Gold Property ("DPL")

In May of 2006, Houston Lake obtained a option on the 226.4 hectare Dogpaw Lake gold property (DPL) that adjoins the WCGP. The DPL became the Company's chief

exploration focus in 2007 and a 100% ownership was attained last year.

A 2,561m delineation drilling program commenced in February of 2007. Fourteen of the 17 drill holes intersected significant gold grades of more than 3 g/mt. The continuity of the Dogpaw No. 1 Vein gold mineralization has also been established to the maximum depth tested of 210m.

A fall, 2007 surface program of mechanized stripping, washing, detailed mapping and channel sampling was completed in the vicinity of the Dogpaw Lake No. 1 Vein. The newly exposed No. 2 and 4 Veins returned high grade gold results. These form a single gold mineralizing system that has been traced for over 310 metres along strike and to depth of 210 metres.

A 34 hole, 3,209m drill program was completed by Spring of 2008. The aim of the program was to expand upon and infill the No. 1 Vein resource and begin defining the resource laterally under the No. 2 Vein. 36 of 47 holes intersected gold values of 3 g/mt gold or higher. Down hole geophysics has identified a conductive anomaly extending from the vicinity of the No. 1 Vein. Drilling is recommended to follow up on this target.

A 14 hole, 2062m drill program was completed by September of 2008 and targeted the No. 2 Vein. The deepest hole in this drill program intersected 11.05 g/t Au. Recent channel sampling also extended the width of the gold mineralization. Channel sampling yielded 4.31 g/t Au over 5.50 m at Dogpaw Vein No. 4.

Initial sampling of the Veins No. 5 & 6 returned up to 13.88 g/t Au. Results have been received from Vein No. 6 which yielded gold grades of up to 22.19 g/t Au. This may extend the Vein No. 1, No. 2 and No. 4 system to a strike length of over 500 metres. The aim of these programs is to upgrade the

historic gold resources and complete a NI 43-101 resource calculation.

Dubenski Gold Property

In May of 2007 Houston Lake acquired the right to purchase a 100% interest in the advanced stage Dubenski gold property, for a total consideration of \$4.5 million in cash payments and 700,000 common shares subject to a 2.5% net smelter royalty ("NSR"). The Dubenski property hosts a historic mineral resource (1998) of 355,286 tonnes averaging 6.32 g/mt Au for the Shaft, Central and East Zones to a depth of 150m.

Consulting firm Watts Griffis and McOuat (WGM) has completed a 17 hole, 1799m drill program aimed at upgrading the historic Shaft Zone resource to modern standards. Drilling encountered spectacular gold values grading as high as 8.0m of 40.99 g/mt gold, 9.0m of 40.70 g/mt gold, 7.0m of 35.31 g/mt gold and 22.0m of 35.68 g/mt gold. An IP survey was completed to generate targets from near surface to depths of up to 400m.

A Phase II, 22 hole, 2,232m drill program was completed in December with the aim of expanding the Shaft Zone along strike and to depth. Subsequent to that a Phase III program was completed and successfully extended the gold mineralization to 365m along strike.

A NI43-101 report on the Shaft Zone gold resource was completed by WGM in November of 2009. An uncapped resource estimate of 177,400 tonnes grading 7.32 g/mt Au was indicated while 118,700 tonnes grading at 5.63 g/mt Au were inferred.

A new NI 43-101 resource calculation was done in November 2009 and it included the first three drill phases. A total indicated and inferred resource of 573,000 tonnes grading 3.50 g/t Au is been estimated. This results in an 84% increase in the indicated category.

A Phase IV, 38 hole, 4,845m drill program was completed in March 2010 with the aim of further expanding the Shaft Zone along strike and to depth. The program successfully extended the gold mineralization to 425m along strike. Gold mineralization was defined to a maximum depth of 130m. 64 of 95 drill holes from the Phase I, II, III, and IV drill programs encountered grades of 3.50 g/t Au or higher.

Geophysical surveys have depicted a 1.7km IP chargeability anomaly that encompasses the Dubenski Mineralized Zone (DMZ) and the Peninsula Zone to the east. New IP surveying has defined targets at depth along this trend.

Tib Lake Project

The 2,496 hectare Tib Lake PGM property (2.5% NSR) is located just 15km from a 15000 tpd mill at Lac des Iles mine. The property covers 100% of the highly prospective Lower Zone of the Tib gabbro, the largest exploration target for platinum group metals in the vicinity of the LDI mine.

Four PGM occurrences have been documented in the Lower Zone: the Jewelweed, the Road, the West Shore and the Kuhner. The Kuhner Occurrence is the main site of previous exploration. Previous drilling intersected core lengths of: 18.5m grading 1.58 g/mt PGE's (Pt-Pd-Au), 22.0m of 1.46 g/mt PGE's and 14.5m grading 1.12 g/mt PGE's. HLM is currently reviewing options to advance the project.

Pakeagama Rare Metals Project

The Pakeagama Lake Rare Metals Project (100% owned, 2.5% NSR) has the three key attributes of globally exploited pegmatite deposits: large size, high concentration of rare metals and internal zonation.

In 2007 Houston Lake negotiated the retirement of the annual advance royalty and staked additional claims to expand the land position at Pakeagama Lake to 2,304 hectares. In October Houston Lake carried out geological mapping and soil sampling in the vicinity of the rare metals pegmatite. A \$300,000 mechanized trenching and drilling program is independently recommended.

EXPLORATION STANDARDS

Houston Lake conducts exploration activities in accordance with "Exploration Best Practices Guidelines" established by the Canadian Institute of Mining, Metallurgy and Petroleum (CIM) and conforms to NI 43-101 standards. Houston Lake's exploration programs are managed by Qualified Persons as defined by NI 43-101.

EXPLORATION ACTIVITIES AFFECTING THE BALANCE SHEET

During the twelve months ended March 31, 2010 Houston Lake invested \$1,150,965 in the mining properties. A total of \$934,769 was spent in acquisition and exploration costs for the Dubenski property. Exploration costs were \$110,675 for the DPL while \$101,821 was expended on the West Cedartree property. Total expenditures of \$3,700 were incurred on the Pakeagama Lake project.

FINANCING ACTIVITIES

Ongoing exploration was funded out of the treasury. Houston Lake issued 8,781,425 common shares for gross proceeds of \$2,240,999 during the nine month period.

RESULTS OF OPERATIONS

For the twelve months ended March 31, 2010 Houston Lake incurred a net loss of \$325,968 (\$0.008/share) compared to a net loss of \$351,767 (\$0.010/share) in 2009.

CAPITAL STOCK

The issued capital in the Company increased from 33,716,213 issued and outstanding shares as at March 31, 2009 to 42,497,638 shares as at March 31, 2010.

The Company issued 8,671,425 common shares for gross proceeds of \$2,210,999 via private placement. Total issuance costs were \$249,418. The Company issued 110,000 common shares for proceeds of \$30,000 via option exercise during the twelve month period.

LIQUIDITY AND WORKING CAPITAL

Current assets of the Company were \$904,417 as at March 31, 2010 compared with \$515,375 as at March 31, 2009.

Working capital totaled \$615,065 as at March 31, 2010 compared to \$278,342 for the March 31, 2009 year ended. Current liabilities increased from \$237,033 at March 31, 2009 to \$289,352 for the current period. \$125,000 of the increased liability is due to a related party of HLM.

The Company's current rate of cash consumption, excluding expenditures on work programs is approximately \$20,000 per month. All of the Company's properties are 100% owned with minimal holding costs except the 100% optioned Dubenski property. A \$100,000 option payment was made in May of 2009.

OFF-BALANCE SHEET ARRANGEMENTS

As at March 31, 2010, the Company does not have off-balance sheet arrangements.

ASSET-BACKED COMMERCIAL PAPER

As at March 31, 2010, the Company does not have and has never had any exposure to asset-backed commercial paper.

RELATED PARTY TRANSACTIONS

During the twelve months ended March 31, 2010, the Company incurred a total of \$94,200 in expenditures with a director and companies controlled by directors. A total of \$115,066 was incurred in the 2009 twelve month period.

OUTLOOK

Houston Lake will continue to focus on exploration and development of the WCGP.

Houston Lake will focus on implementing the recommendations of the NI 43-101 report to further drill test the 1.7km long Dubenski Mineralized Zone along strike from and at depth beneath the Dubenski gold resource. 5000 metres is planned to be executed on the WCGP, more specifically 80% of this drilling is to be focused on the Dubenski property in order to work towards the objectives on the property.

We have initiated investigation of surface targets at Dogpaw and along the Angel Hill gold trend especially in the vicinity of the Robertson Occurrence.

The company expects to do future drilling on the Angel Hill gold trend in order to upgrade the historic resources there, and to increase resource potential for the WCGP. Houston Lake's overall goal is to identify enough resources at three locations (Angel Hill, Dogpaw and Dubenski Mineralized Zones) in order to economically justify a mill on site.

RISKS AND UNCERTAINTIES

Houston Lake's success is dependent on a number of factors, many of which are beyond the Company's control. Risks include metal price fluctuations and the low success rate

for the discovery of new deposits. Industry competition and lack of funding may also limit opportunities. Future political, regulatory and environmental changes could affect any aspect of the Company's business including property title, taxation, aboriginal issues and environmental protection. Houston Lake plans to manage these risks by the employment of experienced personnel and consultants.

EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES

Management is responsible for establishing and maintaining a system of controls and procedures over the public disclosure of financial and non-financial information regarding the Company. Such controls and procedures are designed to provide reasonable assurance that all relevant information is gathered and reported on a timely basis to senior management, including the President, acting Chief Executive Officer (CEO) and acting Chief Financial Officer (CFO) so that appropriate decisions can be made regarding public disclosure.

The system of disclosure controls and procedures includes, but is not limited to, the Company's Disclosure Policy and Code of Business Ethics, the effective functioning of Disclosure and Audit Committees, procedures in place to systematically identify matters warranting consideration of disclosure by the Disclosure Committee and verification processes for individual financial and non-financial metrics and information contained in annual and interim filings, including financial statements, MD&A filings and other documents and external communications.

As required by CSA Multilateral Instrument 52-109, Certification of Disclosure in Issuer's Annual and Interim Filings, an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures

was conducted, under supervision of Management, including the President, acting CEO and acting CFO, as of March 31, 2007. The evaluation included documentation review, enquiries and other procedures considered by management to be appropriate in the circumstances.

Based on that evaluation, the Interim President, acting CEO and acting CFO have concluded that the design and operation of the system of disclosure controls and procedures was effective as at year ended March 31, 2010. The President, acting CEO and acting CFO are also required, under Multilateral Instrument 52-109, to file certifications of the annual filings. Copies of these certifications may be found on SEDAR at www.sedar.com.

FORWARD LOOKING STATEMENTS

This report may contain forward-looking statements regarding the outlook for the Company's business and operational results. By nature, these risks and uncertainties could cause actual results to differ materially from what has been indicated. Factors that could cause actual results to differ materially from any forward-looking statement include, but are not limited to failure to establish estimated resources and reserves, the grade and recovery of ore which is mined from estimates, delays in or failure to obtain governmental, environmental or other project approvals and other factors including those risks and uncertainties identified above. The Company undertakes no obligation to update publicly or otherwise revise any forward-looking information as a result of new information, future results or other such factors which affect this information, except as required by law.

HOUSTON LAKE MINING INC.

Trevor R. Walker, MBA
President

July 28, 2010.