Financial Statements of

HOUSTON LAKE MINING INC.

Three months ending June 30, 2010 and 2009
(Unaudited and Prepared by Management)

Houston Lake Mining Inc.
Balance Sheet

	(Unaudited) June 30, 2010	(Audited) March 31, 2010
Assets		
Current		
Cash and cash equivalents	$ 1,970	$ 21,610
Cash restricted for flow-through expenditures	598,100	824,480
Goods and Services Tax receivable	7,467	27,613
Prepaid expenses	24,561	30,714
	632,098	904,417
Investment in mining properties (Note 3)	8,994,004	8,785,043
Property, plant and equipment (Note 4)	29,428	30,831
	$ 9,655,530	$ 9,720,291

	(Unaudited) June 30, 2010	(Audited) March 31, 2010
Liabilities and Shareholders' Equity		
Current		
Accounts payable and accrued liabilities (Note 5)	$ 213,498	$ 164,352
Due to related party (Note 5)	125,000	125,000
	338,498	289,352
Future income tax liability	908,035	908,035
Shareholders' equity		
Share capital (Note 6)	11,134,745	11,134,745
Contributed surplus (Note 6)	2,122,942	2,122,942
Deficit	(4,848,690)	(4,734,783)
	8,408,997	8,522,904
	$ 9,655,530	$ 9,720,291

Houston Lake Mining Inc.
Statement of Operations
(Unaudited)

For the three months ended June 30	2010	2009
Revenue	$ -	$ -
Expenses		
General and administrative	111,694	124,725
Amortization	2,296	3,227
	113,990	127,952
Less: Other income	(83)	(169)
	113,907	127,783
Net income (loss) for the period	(113,907)	(127,783)
Deficit, beginning of period	(4,734,783)	(3,652,020)
Deficit, end of period	$ (4,848,690)	$ (3,779,803)
Net income (loss) per share (basic)	$ (0.001)	$ (0.004)
Common shares outstanding	42,497,638	34,291,484

Houston Lake Mining Inc.
Statement of Cash Flows
(Unaudited)

For the three months ended June 30	2010	2009
Cash provided by (used in)		
Operating activities		
Net income (loss) for the period	**$ (113,907)**	$ (127,783)
Items not involving cash		
Amortization of property, plant and equipment	**2,296**	3,227
	(111,611)	(124,556)
Changes in non-cash working capital balances		
Goods and Services Tax receivable	**20,146**	18,924
Prepaid expenses	**6,153**	(21,680)
Accounts payable and accrued liabilities	**49,146**	(45,833)
	(36,166)	(173,145)
Investing activities		
Addition to investment in mining properties	**(208,961)**	(284,100)
Cash restricted for flow-through expenditures	**226,380**	235,825
Purchase of property, plant and equipment	**(893)**	-
	16,526	(48,275)
Financing activities		
Issuance of common shares	**-**	214,999
	-	214,999
Increase (decrease) in cash during the period	**(19,640)**	(6,421)
Cash and cash equivalents, beginning of period	**21,610**	34,343
Cash and cash equivalents, end of period	**$ 1,970**	$ 27,922

1. Basis of Presentation

The interim financial statements (the "financial statements") of Houston Lake Mining Inc. (the "Company") have been prepared by management in accordance with the accounting principles and methods of application disclosed in the financial statements for the year ended March 31, 2010.

The financial statements do not include all disclosures required by Canadian Generally Accepted Accounting Principles for annual financial statements and accordingly the financial statements should be read in conjunction with the Company's annual report for the year ended March 31, 2010 filed with the Canadian securities regulatory agencies on August 6, 2010.

2. Significant Accounting Policies

(a) Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated amortization. Cost is net of related investment tax credits and government grants. Amortization based on the estimated useful life of the asset is calculated as follows:

Computer equipment	- 55/45/30%	diminishing balance basis
Computer software	- 33 %	diminishing balance basis
Furniture and fixtures	- 20 %	diminishing balance basis
Vehicles	- 30 %	diminishing balance basis
Field equipment	- 30%	diminishing balance basis

Property, plant and equipment that is acquired during the year is amortized at one-half of the stated rate.

(b) Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand, bank balances and investments in money market instruments with maturities of three months or less.

(c) Investment in Mining Properties

The Company follows the practice of capitalizing all costs related to acquisition, exploration and development of mineral properties until such time as mineral properties are put into commercial production, sold or abandoned. If commercial production commences, these capitalized costs will be amortized prospectively on a unit-of-production basis based on estimated reserves. If the mineral properties are abandoned, the related capitalized costs are expensed.

The carrying value is reduced by the option proceeds received until such time as the property cost and deferred expenditures are reduced to nominal amounts.

The amounts shown for mineral properties represent costs incurred to date less write-downs, and are not intended to reflect present or future values.

2. Significant Accounting Policies (continued)

(d) General

Administrative, prospecting and general expenses are expensed in the year in which they are incurred

(e) Income Taxes

The Company follows the asset/liability method of accounting for income taxes. Under this method of tax allocation, future income 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 when the asset is realized or the liability is settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the period that substantive enactment or enactment occurs. Future tax assets are recognized to the extent that they are considered more likely than not to be realized.

(f) Flow-Through Shares

The Company has financed a portion of its exploration activities with flow-through shares. Shares were issued for cash in exchange for the company giving up the tax benefits arising from the exploration expenditures. The expenditures funded by flow-through arrangements are renounced to investors in accordance with tax legislation. The Company records such share issuances by crediting share capital for the value of cash consideration received. Share capital is reduced and future income taxes are increased by the foregone tax benefits related to the renounced tax deductions on the date the tax deductions are renounced.

Effective April 1, 2003, the Company adopted, on a prospective basis, the guidelines issued by the Emerging Issues Committee of the Canadian Institute of Chartered Accountants found in EIC 146 "Flow-Through Shares." The Company reduces share capital and records a Future Income Tax Liability on the date the tax deduction for expenditures is renounced to shareholders for the tax effect of the resulting taxable temporary differences using a substantially enacted tax rate.

(g) Measurement Uncertainty

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. The most significant area requiring estimates relates to the Company's investment in mining properties.

The carrying amounts of the investment in mining properties represent total expenditures for exploration and development at the balance sheet date. The amounts ultimately recovered could be materially different than the estimated values.

2. Significant Accounting Policies (continued)

(h) Stock Based Compensation

The Company follows the fair value method of accounting for all stock option awards. Under this method, the company recognizes a compensation expense for all stock options awarded since April 1, 2002, based on the fair value of the options on the date of grant which is determined by using an option-pricing model. The fair value of the options is expensed over the vesting period of the options. No compensation expense has been recorded for stock options issued to employees or directors before April 1, 2002.

(i) Financial Instruments

The carrying amounts for cash, accounts receivable and accounts payable on the balance sheet approximate fair value because of the limited term of these instruments.

Fair value estimates are made at the balance sheet date, based on relevant market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties in significant matters of judgment, and therefore, cannot be determined with precision. Changes in assumptions could significantly affect these estimates.

(j) Revenue Recognition

Revenue from the sale of mineral products are recorded on a gross basis when title passes to an external party. The Company recognizes revenue when persuasive evidence of an arrangement exists, delivery has occurred, the sales price is fixed or determinable and collection of the related receivable is reasonably assured. Title and risk of loss generally pass to the customer at the time of delivery of the product.

(k) Earnings (Loss) Per Share

Basic earnings (loss) per share are computed by dividing income available to common shareholders by the weighted average number of common shares outstanding during the year.

3. Investment in Mining Properties

	June 30, 2010	March 31, 2010
Acquisition Costs:		
Dogpaw Lake Property – Kenora, Ontario (a)	$ 237,720	$ 237,720
West Cedartree Property - Kenora, Ontario (b)	192,156	192,156
North Block Property – Kenora, Ontario (c)	4,000	4,000
Tib Lake Property - Thunder Bay, Ontario (d)	71,395	71,395
Pakeagama Lake Property - Red Lake, Ontario (e)	428,208	428,208
Dubenski Property – Kenora, Ontario (f)	476,000	376,000
	1,409,479	1,309,479
Deferred Exploration Costs:		
Dogpaw Lake Property – Kenora, Ontario (a)	$ 2,121,665	$ 2,120,682
West Cedartree Property - Kenora, Ontario (b)	1,661,141	1,653,334
North Block Property - Kenora, Ontario (c)	5,182	5,182
Tib Lake Property - Thunder Bay, Ontario (d)	513,134	513,134
Pakeagama Lake Property - Red Lake, Ontario (e)	312,427	311,527
Dubenski Property – Kenora, Ontario (f)	2,970,976	2,871,705
	7,584,525	7,475,564
	$ 8,994,004	$ 8,785,043

(a) Dogpaw Lake Property - Kenora

The 226.4 hectare (566 acre) Dogpaw Lake Gold Property is located adjacent to the Company's West Cedartree Property. The Company holds a 100% earn in interest subject to a 2.5% net smelter royalty ("NSR"). Houston Lake may purchase back up to 1.5% of the NSR for $500,000 per 0.5%. The property consists of 13 patented mining claims and one License of Occupation.

(b) West Cedartree Property – Kenora

The West Cedartree Gold Property is located in the Cedartree Lake area within the Kenora Mining District of Ontario, Canada. The property consists of four (4) parts: the Jesse (North) Property, the West Cedartree Property, the McLennan Property and the Dogpaw West and Gold Sun Properties. All four are contiguous and considered as one property for exploration purposes.

Jesse (North) Property

The Company earned a 100% interest in the 1 unpatented mining claim in the 176 hectare (435 acre) Jesse (North) Property. The vendor is a related party and holds a 2.5% net smelter royalty.

West Cedartree Property

The Company holds a 100% interest in the 20 claim unit West Cedartree Property. The 3 claims unpatented claims comprising the property cover 320 hectares (790 acres).

(b) West Cedartree Property – Kenora, Continued

McLennan Property

The Company has a 100% interest in 7 patented mining claims comprising the McLennan Property and covering 139.6 hectares (344.8 acres). One of the vendors retains a 0.75% net smelter royalty while a related party retains a 1.5% net smelter royalty.

Dogpaw West and Gold Sun Properties

The Company has a 100% interest on the 80 hectare (198 acre) Dogpaw West and the 368 hectare (909 acre) Gold Sun properties. The area includes 4 unpatented mining claims. The ownership interest is subject to a 2.5% net smelter royalty ("NSR"). The Company can purchase up to 1.5% of the NSR for $500,000 per 0.5%.

(c) North Block – Kenora

The Company has a 100% interest in the 1 unpatented claim 80 acre North Block Gold Property in the Cedartree Lake area within the Kenora Mining District of Ontario, Canada. The vendor retains a 2% net smelter royalty ("NSR").

(d) Tib Lake - Thunder Bay

The Company holds a 100% interest in the 20 unpatented 2,496 hectare (6,167 acre) Tib Lake PGM Property located in the Thunder Bay Mining District of Ontario. The vendor retains 2.5% NSR subject to a 1.0% buyback for $1 million.

(e) Pakeagama Lake – Red Lake, Ontario

Pakeagama Lake West Property

The Company has a 100% interest in the 1 mining claim (16 claim unit) Pakeagama Lake Northwest Property covering 256 hectares (632 acres). The vendor has the option to retain a 2.5% NSR. The Company has the right to purchase 1.5% of the royalty for $1,500,000.

(f) Dubenski Property - Kenora

The Company has a 100% option interest in 363.6 hectare (898.5 acre) Dubenski Gold Property. The property consists of 22 leased claims and is located adjacent the West Cedartree properties in the Kenora Mining District of Ontario. The vendor retains 2.5%. The Company may purchase 1.5% of the royalty for $1,500,000.

4. Property, Plant and Equipment

	June 30, 2010 (unaudited)		March 31, 2010 (audited)	
	Cost	**Accumulated Amortization**	Cost	Accumulated Amortization
Furniture and fixtures	**$ 23,091**	**$ 16,584**	$ 22,196	$ 16,241
Exploration equipment	**26,214**	**17,512**	26,214	16,807
Computer equipment	**50,164**	**48,174**	50,164	47,918
Computer software	**10,042**	**9,890**	10,042	9,875
Vehicles	**50,081**	**38,004**	50,081	37,025
	$ 159,592	**$ 130,164**	$ 158,697	$ 127,866
Net book value		**$ 29,428**		$ 30,831

5. Related Party Transactions

During the three months ended June 30, 2010, the Company incurred the following expenditures with a director and companies controlled by directors of the company:

	June 30,2010 (Unaudited)	June 30,2009 (Unaudited)
Investment in mining properties	$ -	$ 20,700
Consulting	-	6,900
General and administrative	-	-
Office and equipment rental	2,250	2,250
	$ 2,250	$ 29,850

The transactions above are in the normal course of operation and are measured at the exchange amount which is the amount of consideration established and agreed to by the related parties.

In the quarter, $11,718 of expenditures were funded by a loan from a corporation controlled by a director of the company. Included in accounts payable is $26,328 owing to two corporations controlled by a director of the company.

The amounts due to related party are owed to a corporation controlled by a director. The amount bears interest at the Royal Bank prime rate + 2%, is unsecured, and is due on demand.

.

6. Share Capital

Authorized:

a) unlimited number of common voting shares without nominal or par value

b) unlimited number of first preferred shares

c) unlimited number of second preferred shares

The First and Second Preferred Shares may be issued in one or more series. The Directors are authorized to fix the number of shares in each series and to determine the designation, rights, privileges, restrictions, and conditions attached to the shares of each series.

Issued:

The changes in share capital for the period are as follows:

Common Shares	**June 30, 2010 (Unaudited)**	
Balance, beginning of period	42,497,638	$ 11,134,745
Issued during the period – none	-	-
Balance, end of period	42,497,638	$ 11,134,745

6. Share Capital Continued

Warrant Issues:

As at June 30, 2010, the following warrants were outstanding:

Expiry Date	Exercise Price	Number of Shares
July 18, 2010	0.70	773,333
August 20, 2010	0.70	392,726
December 30, 2010	0.35	1,458,719
March 24, 2011	0.50	431,425
June 16, 2011	0.35	200,000
September 29, 2011	0.40/0.50	650,000
November 24, 2011	0.30/0.35	2,000,000
December 22, 2011	0.30/0.35	1,000,000
December 31, 2011	0.30/0.35	270,000
		7,176,203

Stock Option Plan:

The Company has a share option plan under which options to purchase common shares may be granted by the Board of Directors to directors, officers and employees of the Company and private corporations for terms of up to five years at a price not to exceed that permitted by any stock exchange on which the Company's shares are listed. The maximum number of options available for grant under the plan is 10% of the issued and outstanding shares with no more than 5% granted to any one director.

The following is a summary of the options outstanding at June 30, 2010, which have been granted by the Board of Directors:

Expiry Date	Option Price	Number of Shares
August 23, 2010	$ 0.225	150,000
January 9, 2011	0.27	100,000
March 3, 2011	0.32	200,000
April 26, 2011	0.47	50,000
May 10, 2012	1.00	700,000
December 18, 2013	0.30	540,000
May 11, 2011	0.61	25,000
June 16, 2011	0.25	40,000
November 24, 2011	0.25	320,000
December 22, 2011	0.25	160,000
December 30, 2011	0.25	43,200
November 6, 2012	0.64	200,000
February 12, 2013	0.40	187,500
October 1, 2013	0.40	250,000
		2,965,700

Contributed Surplus

Contributed surplus represents the amount reported as the fair value of stock options issued.

7. Subsequent Events

On July 9, 2010, the Company was approved to issue a maximum of 1,666,667 Flow Through common shares at a subscription price of $0.15 per share. Each Unit will consist of one common share of the company and one half of one share purchase warrant. Each full warrant will entitle the holder to purchase one additional common share at an exercise price of $0.20 for the first 12 months from closing and at $0.25 for a further 12 month period.