HOUSTON LAKE MINING INC.

FINANCIAL STATEMENTS

For the six months ending September 30, 2010
(Unaudited and Prepared by Management)

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3) (a), if an auditor has not performed a review of the interim financial statements, the financial statements must be accompanied by a notice indicating that the statements have not been reviewed by an auditor. The accompanying unaudited interim financial statements of the Company have been prepared by and are the responsibility of the Company's management. The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

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1. BALANCE SHEET (at September 30, 2010, and March 31, 2010 (unaudited))

HOUSTON LAKE MINING INC. BALANCE SHEET (UNAUDITED)

	(Unaudited) Sept 30, 2010	(Audited) March 31, 2010
Assets		
Current		
Cash and cash equivalents	**$ 9,637**	$ 21,610
Cash restricted for flow-through expenditures	**355,153**	824,480
GST/HST receivable	**46,880**	27,613
Prepaid expenses	**16,436**	30,714
	$ 428,106	$ 904,417
Investment in mining properties (Note 4.3)	**9,296,877**	8,785,043
Property, plant and equipment (Note 4.4)	**28,369**	30,831
	$ 9,753,352	$ 9,720,291
Liabilities and Shareholders' Equity		
Current		
Accounts payable and accrued liabilities (Note 4.5)	**$ 220,563**	$ 164,352
Due to related party (Note 4.5)	**125,000**	125,000
	$ 345,563	$ 289,352
Future income tax liability	**908,035**	908,035
Shareholders' equity		
Share capital (Note 4.6)	**11,306,307**	11,134,745
Contributed surplus (Note 4.6.5)	**2,166,380**	2,122,942
Deficit	**(4,972,933)**	(4,734,783)
	8,499,754	8,522,904
	$ 9,753,352	$ 9,720,291

Figure I: Houston Lake Mining Inc. Balance Sheet (Unaudited)

2. STATEMENT OF OPERATIONS (for three and six months ended September 30, 2010, and 2009 (unaudited))

HOUSTON LAKE MINING INC. STATEMENT OF OPERATIONS (UNAUDITED)

	Six Months Ended Sept. 30, 2010	Six Months Ended Sept. 30, 2009	Three Months Ended Sept. 30, 2010	Three Months Ended Sept. 30, 2009
Revenue	**$ -**	$ -	$ -	$ -
Expenses				
General administrative	**233,643**	287,680	121,949	162,955
Amortization	**4,646**	6,456	2,350	3,229
	238,289	294,136	124,299	166,184
Less: Interest income	**(139)**	(182)	(56)	(13)
	238,150	293,954	124,243	166,171
Net income (loss) for the period	**(238,150)**	(293,954)	(124,243)	(166,171)
Deficit, beginning of period	**(4,734,783)**	(3,652,020)	(4,848,690)	(3,779,803)
Deficit, end of period	**$ (4,972,933)**	$ (3,945,974)	$ (4,972,933)	$ (3,945,974)
Net income (loss) per share (basic)	**$ (0.006)**	$ (0.009)	$ (0.004)	$ (0.005)
Weighted average common shares outstanding	**43,258,507**	34,475,561	34,657,638	34,657,638

Figure II: Statement of Operations

3. STATEMENT OF CASH FLOWS (for three and six months ended September 30, 2010, and 2009 (unaudited)

HOUSTON LAKE MINING INC. STATEMENT OF CASH FLOWS (UNAUDITED)

	Six Months Ended Sept. 30, 2010	Six Months Ended Sept. 30, 2009	Three Months Ended Sept. 30, 2010	Three Months Ended Sept. 30, 2009
Cash provided by (used in)				
Operating activities				
Net income (loss) for the period	**$ (238,150)**	$ (293,954)	$ (124,243)	$ (166,171)
Items not involving cash				
Amortization	**4,646**	6,456	2,350	3,229
	(233,504)	(287,498)	(121,893)	(162,942)
Changes in non-cash working capital balances				
Accounts receivable	**(19,267)**	19,532	(39,413)	608
Prepaid expenses	**14,278**	(37,765)	8,125	(16,085)
Accounts payable and accrued liabilities	**56,211**	(31,771)	7,065	14,062
	(182,282)	(337,502)	(146,116)	(164,357)
Investing activities				
Investment in mining properties	**(511,834)**	(430,526)	(302,873)	(146,426)
Cash restricted for flow-through expenditures	**469,327**	410,989	242,947	175,164
Purchase of property, plant and equipment	**(2,184)**	-	(1,291)	-
	(44,691)	(19,537)	(61,217)	28,738
Financing activities				
Increase in loans receivable	**-**	10,000	-	10,000
Advances for shares received	**-**	249,802	-	249,802
Issuance of common shares	**171,562**	214,999	171,562	-
Issuance of warrants	**43,438**	-	43,438	-
	215,000	474,801	215,000	259,802
Increase (decrease) in cash during the period	**(11,973)**	117,762	7,667	124,183
Cash and cash equivalents, beginning of period	**21,610**	34,343	1,970	27,922
Cash and cash equivalents, end of period	**$ 9,637**	$ 152,105	$ 9,637	$ 152,105

Figure III: Statement of Cash Flows

4. NOTES TO FINANCIAL STATEMENTS

For Six Months Ended September 30, 2010 and March 31, 2010 (Unaudited)

4.1 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.

4.2 SIGNIFICANT ACCOUNTING POLICIES

4.2.1 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:

Description	Amortization	Method
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

Table I: Amortization Method

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

4.2.2 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.

4.2.3 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.

4.2.4 General

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

4.2.5 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.

4.2.6 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.

4.2.7 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.

4.2.8 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.

4.2.9 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.

4.2.10 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.

4.2.11 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.

4.3 INVESTMENT IN MINING PROPERTIES

	Sept 30, 2010	March 31, 2010
Acquisition Costs:		
Dogpaw Lake Property – Kenora, Ontario (4.3.1)	$ 237,720	$ 237,720
West Cedartree Property - Kenora, Ontario (4.3.2)	192,156	192,156
North Block Property – Kenora, Ontario (4.3.3)	4,000	4,000
Tib Lake Property - Thunder Bay, Ontario (4.3.4)	71,395	71,395
Pakeagama Lake Property - Red Lake, Ontario (4.3.5)	428,208	428,208
Dubenski Property – Kenora, Ontario (4.3.6)	476,000	376,000
	1,409,479	1,309,479
Deferred Exploration Costs:		
Dogpaw Lake Property – Kenora, Ontario (4.3.1)	$ 2,121,947	$ 2,120,682
West Cedartree Property - Kenora, Ontario (4.3.2)	1,745,394	1,653,334
North Block Property - Kenora, Ontario (4.3.3)	5,182	5,182
Tib Lake Property - Thunder Bay, Ontario (4.3.4)	513,134	513,134
Pakeagama Lake Property - Red Lake, Ontario (4.3.5)	318,267	311,527
Dubenski Property – Kenora, Ontario (4.3.6)	3,183,474	2,871,705
	7,887,398	7,475,564
	$ 9,296,877	$ 8,785,043

Table II: Investment in Mining Properties

4.3.1 Dogpaw Lake Property

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.

4.3.2 West Cedartree Property

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.

4.3.2.1 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.

4.3.2.2 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).

4.3.2.3 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.

4.3.2.4 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%.

4.3.3 North Block

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").

4.3.4 Tib Lake Property

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.

4.3.5 Pakeagama Lake Property

The Pakeagama Lake Rare Metals Project is located 160 kilometres north of Red Lake, Ontario in the Red Lake Mining Division. Claim KRL1232441 is composed of 16 units for a total of 256 hectares. The claim is owned 100% by the company, and it is subject to a 2% net smelter return.

4.3.6 Dubenski Property

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.

4.4 PROPERTY, PLANT AND EQUIPMENT

	Sept 30, 2010 (unaudited)		March 31, 2010 (audited)	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Furniture and fixtures	$ 23,091	$ 16,881	$ 22,196	$ 16,241
Exploration equipment	27,504	18,315	26,214	16,807
Computer equipment	50,164	48,430	50,164	47,918
Computer software	10,042	9,904	10,042	9,875
Vehicles	50,081	38,983	50,081	37,025
	$ 160,882	$ 132,513	$ 158,697	$ 127,866
Net book value		$ 28,369		$ 30,831

Table III: Property, Plant and Equipment

4.5 RELATED PARTY TRANSACTIONS

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

	Sept. 30,2010 (Unaudited)	Sept 30,2009 (Unaudited)
Investment in mining properties	$ -	$ 37,200
Consulting	-	18,000
Office and equipment rental	4,500	4,500
	$ 4,500	$ 59,700

Table IV: Related Party Transactions

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.

Included in accounts payable is $36,423 owing to two corporations controlled by a director of the company and $879 owing to directors of the corporation.

The $125,000 loan is 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.

A total of $161,423 is owed to companies controlled by a director.

4.6 SHARE CAPITAL

4.6.1 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.

4.6.2 Issued

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

Common Shares	Sept 30, 2010 (Unaudited)	
Balance, beginning of period	42,497,638	$ 11,134,745
Issued during the period	1,666,666	250,000
Share issue costs		(35,000)
Value of options		(43,438)
Balance, end of period	44,164,304	$ 11,306,307

Table V: Period Changes for Share Capital

4.6.3 Warrant Issues

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

Expiry Date	Exercise Price	Number of Shares
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
July 9, 2012	0.20/0.25	833,333
		6,843,477

Table VI: Outstanding Warrants

4.6.4 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 September 30, 2010, which have been granted by the Board of Directors:

Expiry Date	Option Price	Number of Shares
March 3, 2011	0.32	200,000
April 26, 2011	0.47	50,000
May 10, 2012	1.00	450,000
December 18, 2013	0.30	400,000
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
June 30, 2012	0.15	133,333
November 6, 2012	0.64	200,000
February 12, 2013	0.40	187,500
October 1, 2013	0.40	250,000
June 1, 2015	0.20	1,000,000
		3,459,033

Table VII: Outstanding Options

4.6.5 Contributed Surplus

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

4.7 SUBSEQUENT EVENTS

On September 22, 2010, the company entered into an agreement providing for an Equity Line Facility ("ELF"). Under the terms of the ELF, HLM has discretion to raise up to $10,000,000 of capital during the next three years through the issue of common shares.