

Financial Statements of

HOUSTON LAKE MINING INC.

Three months ending June 30, 2013 and 2012
(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.

Houston Lake Mining Inc.
Statement of Financial Position
Unaudited

	June 30, 2013	March 31, 2013
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Assets		
Current		
Cash and cash equivalents	\$ 437,239	\$ 355,211
Cash restricted for flow-through expenditures	-	154,163
HST and other receivables	16,824	38,949
Prepaid expenses	9,056	1,705
Current portion of loan receivable (Note 4g)	60,000	60,000
	523,119	610,028
Loan receivable (Note 4g)	250,000	250,000
Investments – FVTPL (Note 3)	182,946	464,402
Exploration and evaluation assets (Note 4)	1,143,808	1,022,888
Property, plant and equipment (Note 5)	9,560	10,214
	\$ 2,109,433	\$2,357,532
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Liabilities and Shareholders' Equity		
Current		
Accounts payable and accrued liabilities (Note 6)	\$ 242,271	\$ 642,615
Due to related party (Note 6)	114,923	114,923
	357,194	757,538
Deferred tax liability	-	-
	357,194	757,538
Shareholders' equity		
Share capital (Notes 7)	13,472,740	12,789,682
Advances for shares to be issued	-	183,058
Contributed surplus (Note 7)	3,061,242	3,061,242
Deficit	(14,781,743)	(14,433,988)
	1,752,239	1,599,994
	\$ 2,109,433	\$ 2,357,532

Houston Lake Mining Inc.
Statement of Operations, Comprehensive Loss and Deficit
Unaudited

For the three months ended June 30	2013	2012
Revenue	\$ -	\$ -
Expenses		
Unrealized loss – FVTPL	281,456	-
Consulting	-	30,000
Wages and benefits	12,035	11,346
Professional fees	7,000	6,161
Insurance	2,477	5,244
General and administrative	20,747	3,877
Telephone	4,069	2,996
Office and equipment rental	2,250	2,250
Depreciation	654	1,579
Bank charges and interest	718	778
Vehicle and travel	16,144	189
Currency exchange and rounding	205	-
	347,755	64,420
Less: Other income	-	-
Net loss before tax and the items below	(347,755)	(64,420)
Loss on sale of exploration and evaluation property	-	(137,029)
Net loss before tax	(347,755)	(201,449)
Income tax expense (recovery)		
Deferred	-	-
	(347,755)	(201,449)
Deficit, beginning of period	(14,433,988)	(6,844,549)
Deficit, end of period	\$ (14,781,743)	\$ (7,045,998)
Net loss per share (basic)	\$ (0.004)	\$ (0.004)
Common shares outstanding	73,204,181	54,119,056

Houston Lake Mining Inc.
Statement of Changes in Shareholders' Equity
Unaudited

	Share Capital		Advances for Shares to be Issued	Contributed Surplus	Accumulated Other Comprehensive Loss	Deficit
	Shares (#)	\$	\$	\$	\$	\$
<u>Period Ending June 30, 2012</u>						
Balance March 31, 2012	54,119,056	12,524,748	-	2,840,954	-	(6,844,549)
Net income and comprehensive loss for the period						
Transactions during the quarter						(201,449)
Share based compensation on vested options	-	-		-		
Balance at June 30, 2012	54,119,056	12,524,748	-	2,840,954	-	(7,045,998)
<u>Period Ending June 30, 2013</u>						
Balance March 31, 2013	63,019,056	12,789,682	183,058	3,061,242	-	(14,433,988)
Net income and comprehensive loss for the period						(347,755)
Transactions during the quarter	-	-		-	-	-
Shares for debt	5,000,000	250,000				
Private placement	7,217,639	433,058	(183,058)			
Balance at June 30, 2013	75,236,695	13,472,740	-	3,061,242	-	(14,781,743)

Houston Lake Mining Inc.
Statement of Cash Flows
Unaudited

For the three months ended June 30 **2013** **2012**

Cash provided by (used in)

Operating activities

Net loss for the period	\$ (347,755)	\$ (201,449)
Items not involving cash		
Depreciation of property, plant and equipment	654	1,579
Loss on sale of exploration and evaluation property	-	137,029
Unrealized loss on investment - FVTPL	281,456	-
	(65,645)	(62,841)
Changes in non-cash working capital balances		
HST and other receivables	22,125	4,546
Prepaid expenses	(7,351)	(5,319)
Accounts payable and accrued liabilities	(400,344)	31,545
	(451,215)	(32,069)

Investing activities

Addition to exploration and evaluation assets	(120,920)	(2,553)
Proceeds from sale of exploration and evaluation property	-	99,985
Cash restricted for flow-through expenditures	154,163	14,007
	33,243	111,439

Financing activities

Issuance of shares – private placement	250,000	-
Issuance of shares – shares for debt	250,000	-
Loan from related party	-	12,577
	500,000	12,577

Increase in cash during the period	82,028	91,947
Cash and cash equivalents, beginning of period	355,211	7,005
Cash and cash equivalents, end of period	\$ 437,239	\$ 98,952

Houston Lake Mining Inc
Notes to Financial Statements
For Three Months Ended June 30, 2013 and 2012 (Unaudited)

1. Nature of Operations and Going Concern

Nature of Operations

Houston Lake Mining Inc. (the "Company" or "HLM") was incorporated as 646215 Alberta Inc. by Certificate of Incorporation issued pursuant to the Business Corporations Act (Alberta) on March 13, 1995. The name of the Company was changed to its present name, Houston Lake Mining Inc., by Certificate of Amendment dated April 21, 1995.

The registered address of the Company is 2736 Belisle Drive, Val Caron, Ontario,

The Company is listed on the Toronto Venture Exchange ("TSX-V") under the symbol "HLM."

The Company's principal activity is the acquisition, exploration and development of mining properties.

Going Concern

These financial statements, including comparatives, have been prepared using International Financial Reporting Standards ("IFRS") applicable to a going concern, which assumes continuity of operations and realization of assets and settlement of liabilities in the normal course of business for the foreseeable future, which is at least, but not limited to, one year from June 30, 2013. The Company is subject to risks and challenges similar to companies in a comparable stage of exploration and development.

As a result of these risks, there is significant doubt as to the appropriateness of the going concern assumption. There is no assurance that the Company's funding initiatives will continue to be successful and these financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and statement of financial position classifications that would be necessary if the going concern assumption were inappropriate. These adjustments could be material. The Company will have to raise additional funds to advance its exploration and development efforts and, while it has been successful in doing so in the past, there can be no assurance that it will be able to do so in the future.

Houston Lake Mining Inc
Notes to Financial Statements
For Three Months Ended June 30, 2013 and 2012 (Unaudited)

2. Significant Accounting Policies

(a) Basis of presentation and statement of compliance

These interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The Company operates in one segment defined as the cash generating unit (CGU) which is Canada.

The Company's IFRS accounting policies have been applied consistently in all periods in preparing the financial statements for the three months ended June 30, 2013, and the comparative information for the three months ended June 30, 2012.

These financial statements comply with IFRS issued and outstanding as of August 7, 2013.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis, except for financial instruments designated at fair value through profit and loss, which are stated at their fair value.

(c) Presentation and functional currency

The Company's presentation currency and functional currency is the Canadian dollar.

(d) Financial instruments

Financial assets and financial liabilities are recognized when the Company becomes party to a contractual agreement.

Financial assets are initially measured at fair value and classified into one of the following specified categories: fair value through profit or loss ("FVTPL"), held-to-maturity ("HTM"), available-for-sale ("AFS") and loans and receivables. Instruments classified as FVTPL are measured at fair value with unrealized gains and losses recognized in the Statement of Operations, Comprehensive Loss and Deficit. HTM instruments and loans and receivables are measured at amortized cost using the effective interest rate method. AFS instruments are measured at fair value with unrealized gains and losses recognized in other comprehensive income.

Financial liabilities are classified as either FVTPL or other financial liabilities. Financial liabilities classified as FVTPL are measured at fair value with unrealized gains and losses recognized in the Statement of Operations, Comprehensive Loss and Deficit. Other financial liabilities, including borrowings, are initially measured at fair value and subsequently measured at amortized cost using the effective interest rate method.

Houston Lake Mining Inc
Notes to Financial Statements
For Three Months Ended June 30, 2013 and 2012 (Unaudited)

2. Significant Accounting Policies (Continued)

(d) Financial instruments (continued)

All financial instruments that are measured at fair value are categorized into one of the three hierarchy levels, as described below, for disclosure purposes. Each level is based on the transparency of the inputs used to measure the fair values of assets and liabilities.

Level 1 – inputs are unadjusted quoted prices of identical instruments in active markets

Level 2 – inputs other than quoted prices included in Level 1 that are observable for the comparable asset or liability, either directly or indirectly.

Level 3 – one or more significant inputs used in a valuation technique are unobservable in determining fair values of the instruments.

Transaction costs directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities recorded at fair value through profit or loss for the period are recognized immediately in the Statement of Operations, Comprehensive Loss and Deficit.

Financial assets and financial liabilities are offset and reported on the Statement of Financial Position only if there is an enforceable legal right to offset the recognized amounts, and an intention to realize the asset and settle the liability simultaneously.

The fair value of financial instruments traded in active markets (such as FVTPL and AFS securities) is based on quoted market prices at the date of the Statement of Financial Position. The quoted market price used for financial assets held by the Company is the current bid price.

Equity instruments issued by the Company are recognized at the proceeds received, net of direct issuance costs.

Financial instruments recognized in the statement of financial position include cash and cash equivalents, cash restricted for flow-through expenditures, HST receivable and other receivables, accounts payable and accrued liabilities, and due to related party. The respective accounting policies are described below:

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, bank balances, and investments in money market instruments in Canada with maturities of three months or less. Cash and cash equivalents are classified as fair value through profit or loss and is measured at fair value.

Cash restricted for flow-through expenditures

Cash restricted for flow-through expenditures consists of bank balances and is classified as fair value through profit or loss and is measured at fair value.

Houston Lake Mining Inc
Notes to Financial Statements
For Three Months Ended June 30, 2013 and 2012 (Unaudited)

2. Significant Accounting Policies (Continued)

(d) Financial instruments (continued)

HST receivable and other receivables

HST receivable and other receivables are initially recognized at fair value and are subsequently measured at amortized cost using an effective interest rate method. HST receivable and other receivables are classified as loans and receivables.

Investments

Investments reported at fair-value-through-profit-and-loss (FVTPL) are recorded at fair value with the difference between fair value and cost being recorded as unrealized gain or loss in value of investments on the Statement of Operations, Comprehensive Loss and Deficit. In the case of securities listed on stock exchanges, the fair value means the latest bid price. Investments available for sale are measured at fair value with changes in fair value reported in other comprehensive income until the financial asset is disposed of, or becomes impaired. Investments for which reliable quotations are not readily available are valued at their fair value using a valuation model and market inputs.

Accounts payable and accrued liabilities

Accounts payable and accrued liabilities are initially recognized at fair value and classified as other financial liabilities, and subsequently measured at amortized cost.

Due to related party

Due to related party is initially recognized at fair value and classified as other financial liabilities and subsequently measured at amortized cost.

(e) Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation. Depreciation 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.

2. Significant Accounting Policies (Continued)

(f) Leased assets

Where substantially all of the risks and rewards incidental to ownership of a leased asset have been transferred to the Company (a "finance lease"), the asset is treated as if it had been purchased outright. The amount initially recognized as an asset is the lower of the fair value of the leased property and the present value of the minimum lease payments payable over the term of the lease. The corresponding lease commitment is shown as a liability. Lease payments are split between interest and capital. The interest element is charged to the Statement of Operations, Comprehensive Loss and Deficit over the period of the lease and is calculated so that it represents a constant proportion of the lease liability. The capital element reduces the balance owed to the lessor.

Where substantially all of the risks and rewards incidental to ownership are not transferred to the Company (an "operating lease"), the total rentals payable under the lease are charged to the Statement of Operations, Comprehensive Loss and Deficit on a straight-line basis over the lease term. The aggregate benefit of lease incentives is recognized as a reduction of the rental expense over the lease term on a straight-line basis.

(g) Exploration and evaluation assets

Exploration assets

Exploration expenditures relating to resource properties in which a legal right to explore has been obtained and an interest is retained are deferred and are carried as an asset until the results of the projects are known. If a project is unsuccessful or if exploration has ceased because continuation is not economically feasible, the cost of the property is written off. The fair value of resource properties acquired in exchange for the issuance of the Company's shares is determined by the trading price of the Company's shares on a three day average trading price before and after the shares are issued.

Option payments paid by the Company are capitalized against resource property costs when paid. Option payments received by the Company are deducted from resource property costs when received. No gain or loss on disposition of a partial interest is recorded until all carrying costs of the interest have been offset by proceeds of sale or option payments received or paid.

Evaluation assets

Evaluation expenditures relating to the evaluation of a resource property are capitalized until the property is brought into production, at which time costs are amortized on a unit-of-production basis over economically recoverable reserves, or abandoned or the interest is sold.

If a project is successful and production has occurred, the exploration expenditures and related deferred evaluation expenditures are amortized by charges against income from future mining operations.

Exploration and evaluation expenditures, which are general in nature and cannot be associated with a specific group of mining claims, and general administrative expenses, are expensed in the year in which they are incurred.

Houston Lake Mining Inc
Notes to Financial Statements
For Three Months Ended June 30, 2013 and 2012 (Unaudited)

2. Significant Accounting Policies (Continued)

(h) General

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

(i) Income Taxes

Income taxes are calculated using the asset and liability method. Under this method deferred income tax assets and liabilities are recognized for timing differences between the tax and accounting basis of assets and liabilities, and for the recognition of accumulated capital and non-capital losses, which in the opinion of management are more likely than not to be realized before expiry. Deferred tax assets and liabilities are presented as a non-current item and measured at the tax rates that are expected to be in effect in the period when the asset is expected to be realized or the liability is expected to be settled, based on the tax rates that have been enacted or substantially enacted by the end of the reporting period. The effect on deferred income tax assets and liabilities resulting from a change in enacted or substantially enacted tax rates is included in income in the period in which the change is enacted or substantively enacted.

(j) Flow-Through Shares

The Company will, from time to time, issue flow-through shares to finance a portion of its exploration programs. Pursuant to the terms of flow-through share agreements, the Company agrees to incur qualifying expenditures and renounce the tax deductions associated with these qualifying expenditures to the flow-through subscribers at an agreed upon date.

Flow-through shares are reported at issue price. If the flow-through shares are issued at a premium to the market price of non-flow through or hard dollar shares at the date of announcement, such premium or excess proceeds is reported as a liability on the Statement of Financial Position. When the related expenditures are incurred, and the tax deductions renounced to the unit holders, the Company reverses the related deferred tax liability on the Statement of Financial Position, and reduces the deferred tax expense on the Statement of Operations, Comprehensive Loss and Deficit.

(k) Provisions

Rehabilitation provision

The Company is subject to various government laws and regulations relating to environmental disturbances caused by exploration and evaluation activities. The Company records the present value of the estimated costs of legal and constructive obligations required to restore the exploration sites in the period in which the obligation is incurred. The nature of the rehabilitation activities includes restoration, reclamation and re-vegetation of the affected exploration sites.

Houston Lake Mining Inc
Notes to Financial Statements
For Three Months Ended June 30, 2013 and 2012 (Unaudited)

2. Significant Accounting Policies (Continued)

(k) Provisions (continued)

Rehabilitation provision (continued)

The rehabilitation provision generally arises when the environmental disturbance is subject to government laws and regulations. When the liability is recognized, the present value of the estimated cost is capitalized by increasing the carrying amount of the related mining assets. Over time, the discounted liability is increased for the changes in present value based on current market discount rates and liability specific risks. Additional environmental disturbances or changes in rehabilitation costs will be recognized as additions to the corresponding assets and rehabilitation liability in the year in which they occur.

The Company did not have a rehabilitation provision as at June 30, 2013 or March 31, 2013.

Other provisions

Provisions are recognized for liabilities of uncertain timing or amount that have arisen as a result of past transactions, including legal or constructive obligations. The provision is measured at the best estimate of the expenditure required to settle the obligation at the reporting date. If the Company is virtually certain that some or all of a provision will be reimbursed, for example under an insurance contract, such reimbursement is recognized as a separate asset. Provisions may be discounted using a current pre-tax rate that reflects the risks specific to the liability. The expense relating to any provision is presented in the Statement of Operations, Comprehensive Loss and Deficit.

(l) Share capital

Financial instruments issued by the Company are defined as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's common shares and warrants are classified as equity instruments.

Incremental costs directly attributable to the issue of new shares, stock options or warrants are shown in equity as a deduction, net of tax, from the proceeds.

(m) Use of Estimates

The Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

The effect of a change in an accounting estimate is recognized prospectively by including it in comprehensive income in the period of the change, if the change affects that period only, or in the period of the change and future periods, if the change affects both.

Information about critical judgments in applying accounting policies that have the most significant risk of causing material adjustments to the carrying amounts of assets and liabilities recognized in the financial statements within the next financial year are discussed next.

Houston Lake Mining Inc
Notes to Financial Statements
For Three Months Ended June 30, 2013 and 2012 (Unaudited)

2. Significant Accounting Policies (Continued)

(m) Use of Estimates (continued)

Rehabilitation provisions

Rehabilitation provisions are based on internal estimates. Assumptions, based on the current economic environment, are made which management believes are a reasonable basis upon which to estimate the future liability. These estimates take into account any material changes to the assumptions that occur when reviewed regularly by management. Estimates are reviewed annually and are based on current regulatory requirements. Significant changes in estimates of contamination, restoration standards and techniques will result in changes to provisions from period to period. Actual rehabilitation costs will ultimately depend on future market prices for the rehabilitation costs which will reflect the market condition at the time the rehabilitation costs are actually incurred. The final cost of the recognized provisions may be higher or lower than currently provided for.

As at June 30, 2013 and March 31, 2013 there were no rehabilitation provisions.

Exploration and evaluation assets

The application of the Company's accounting policy for exploration and evaluation assets requires judgment in determining whether it is likely that future economic benefits will flow to the Company, which may be based on assumptions about future events or circumstances. Estimates and assumptions made may change if new information becomes available. If, after an expenditure is capitalized, information becomes available suggesting that the recovery of the expenditure is unlikely, the amount capitalized is written off in the profit or loss in the period the new information becomes available.

Title to mineral property interests

Although the Company has taken steps to verify title to mineral properties in which it has an interest, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects.

Income taxes

Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. Management believes they have adequately provided for the probable outcome of these matters; however, the final outcome may result in a materially different outcome than the amount included in the tax liabilities.

In addition, the Company recognizes deferred tax assets relating to tax losses carried forward to the extent there are sufficient taxable temporary differences (deferred tax liabilities) relating to the same taxation authority and the same taxable entity against which the unused tax losses can be utilized. However, utilization of the tax losses also depends on the ability of the taxable entity to satisfy certain tests at the time the losses are recouped.

2. Significant Accounting Policies (Continued)

(m) Use of Estimates (continued)

Share-based payment transactions

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them. The Company uses the Black-Scholes model to value stock options.

(n) Stock Based Payments

Where equity-settled stock options are awarded to employees, the fair value of the stock options at the date of grant is charged to the Statement of Operations, Comprehensive Loss and Deficit over the vesting period. Performance vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each reporting date so that, ultimately, the cumulative amount recognized over the vesting period is based on the number of options that eventually vest. Non-vesting conditions and market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether these vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition or where a non-vesting condition is not satisfied.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to the Statement of Operations, Comprehensive Loss and Deficit over the remaining vesting period. Where equity instruments are granted to employees, they are recorded at the fair value of the equity instrument granted at the grant date. The grant date fair value is recognized in comprehensive loss over the vesting period, described as the period during which all the vesting conditions are to be satisfied.

When equity instruments are granted to non-employees, they are recorded at the fair value of the goods or services received in comprehensive loss, unless they are related to the issuance of shares. Amounts related to the issuance of shares are recorded as a reduction of share capital. When the value of goods or services received in exchange for the stock based payment cannot be reliably estimated, the fair value is measured by use of a valuation model. The expected life used in the model is adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations. All equity-settled stock based payments are reflected in contributed surplus, until exercised. Upon exercise, shares are issued from treasury and the amount reflected in contributed surplus is credited to share capital, adjusted for any consideration paid.

The Company values stock options using the Black-Scholes model.

Houston Lake Mining Inc
Notes to Financial Statements
For Three Months Ended June 30, 2013 and 2012 (Unaudited)

2. Significant Accounting Policies (Continued)

(o) Income Recognition

Income from the sale of mineral products, when they occur, are recorded on a gross basis when title passes to an external party. The Company recognizes income 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.

(p) Comprehensive Income

Comprehensive income is the change in equity (net assets) of the Company during a reporting period from transactions and other events and circumstances from non-owner sources. It includes all changes to equity during a period except those resulting from investments by owners and distributions to owners. Comprehensive income is comprised of net income for the period and other comprehensive income. This standard requires certain gains and losses that would otherwise be recorded as part of net earnings to be presented in "other comprehensive income" until it is considered appropriate to recognize in net earnings.

The Company had no comprehensive income or loss transactions, other than its net loss, presented in the Statement of Operations, Comprehensive Loss and Deficit, nor has the Company accumulated other comprehensive income during the reporting periods.

(q) Loss Per Share

Basic earnings (loss) per share are computed by dividing income (loss) and comprehensive income (loss) available to common shareholders by the weighted average number of common shares outstanding during the year. The computation of diluted earnings per share assumes the conversion, exercise or contingent issuance of securities only when such conversion, exercise or issuance would have a dilutive effect on earnings per share. The dilutive effect of convertible securities is reflected in diluted earnings per share by application of the "if converted" method. The dilutive effect of outstanding options and warrants and their equivalents is reflected in diluted earnings per share by application of the treasury stock method.

(r) Impairment

Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

A previously recognized impairment loss may be reversed, to the extent of previously recorded losses, if the asset subsequently recovers.

2. Significant Accounting Policies (Continued)

(r) Impairment (continued)

Non-financial assets

Impairment tests on intangible assets with indefinite useful economic lives are undertaken annually at the financial year-end. Other non-financial assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Indications of impairment such as significant decrease in its market price, evidence of obsolescence and physical damage, carrying amount of the net assets is more than its market capitalization, or significant adverse change in use.

Where the carrying value of an asset exceeds its recoverable amount, which is the greater of value in use and fair value less disposal costs, the asset is written down accordingly. If the carrying amount of an asset exceeds its estimated recoverable amount, the asset is written down and the impairment loss is recognized in the Statement of Operations, Comprehensive Loss and Deficit.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the asset's cash-generating unit, which is the smallest group of assets in which the asset belongs for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets.

A previously recognized impairment loss may be reversed only if there has been a change in the estimates used to determine the recoverable amount of the asset. If this is the case, the carrying amount of the asset is increased to its recoverable amount and is recognized in the Statement of Operations, Comprehensive Loss and Deficit. The increased amount cannot exceed the carrying amount that would have been determined had no impairment been recognized for the asset.

(s) Recent Accounting Pronouncements

The company is currently evaluating the impact on its financial statements of recent accounting pronouncements, as follows:

IFRS 9 Financial Instruments

IFRS 9 Financial Instruments was issued by the IASB and will replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value through profit or loss. IFRS 9 also replaces the models for measuring equity instruments. Such instruments are either recognized at fair value through profit or loss or at fair value through other comprehensive income (loss). IFRS 9 is effective for annual periods beginning on or after January 1, 2015.

2. Significant Accounting Policies (Continued)

(s) Recent Accounting Pronouncements (continued)

IFRS 10 Consolidated Financial Statements

IFRS 10, Consolidated Financial Statements, was issued by the IASB to replace IAS 27, Consolidated and Separate Financial Statement and SIC-12, Consolidation - Special Purpose Entities. IFRS 10 requires an entity to consolidate an investee when it has the power over the investee, is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Under existing IFRS, consolidation is required when an entity has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. IFRS 10 is effective for annual periods beginning on or after January 1, 2013.

IFRS 11 Joint Arrangements

IFRS 11, Joint Arrangements, supercedes IAS 31, Interest in Joint Ventures, and SIC-13, Jointly Controlled Entities - Non-Monetary Contributions by joint venture partners. IFRS 11 requires a joint venture partner to classify its interest in a joint arrangement as a joint venture or a joint operation. Joint ventures will be accounted for using the equity method of accounting whereas for a joint operation the joint venture partners will recognize its share of the assets, liabilities, revenues and expenses of the joint operation. Under existing IFRS, entities have the choice to proportionately consolidate or equity account for interests in joint ventures. IFRS 11 is effective for annual periods beginning on or after January 1, 2013.

IFRS 12 Disclosures of Interests in Other Entities

IFRS 12 Disclosures of Interests in Other Entities was issued by the IASB to create a comprehensive disclosure standard to address the requirements for subsidiaries, joint arrangements and associates including the reporting entity's involvement with other entities. It also includes the requirements for unconsolidated structured entities. IFRS 12 is effective for annual periods beginning on or after January 1, 2013.

IFRS 13 Fair Value Measurement

IFRS 13 Fair Value Measurement is a comprehensive standard for fair value measurement and disclosure requirements for use across all IFRS standards. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. It also establishes disclosures about fair value measurement. Under existing IFRS, guidance on measuring and disclosing fair value is dispersed among the specific standards requiring fair value measurements and does not always reflect a clear measurement basis or consistent disclosures. IFRS 13 is effective for annual periods beginning on or after January 1, 2013.

Houston Lake Mining Inc
Notes to Financial Statements
For Three Months Ended June 30, 2013 and 2012 (Unaudited)

3. Investments – FVTPL

The Company holds securities that have been designated as fair value through profit or loss (FVTPL) as follows:

	June 30, 2013		March 31, 2013	
	Market Value	Cost	Market Value	Cost
Long-term:				
Common shares in public Company	\$ 182,946	\$ 716,000	\$ 464,402	\$ 716,000

Market value is based on the quoted closing bid price of the securities at June 30, 2013, and March 31, 2013. The fair value of these securities may differ from the quoted trading price due to the effect of market fluctuations and adjustment for quantities traded.

Houston Lake Mining Inc.
Notes to Financial Statements
For Three Months Ended June 30, 2013 and 2012 (Unaudited)

4. Exploration and Evaluation Assets

Period Ending June 30, 2013

	Dogpaw Lake (a)	West Cedartree (b)	North Block (c)	Tib Lake (d)	Pakeagama Lake (e)	Dubenski (f)	Total
Acquisition Costs:							
Opening balance	\$ -	\$ -	\$ -	\$ -	\$ 305,250	\$ -	\$ 305,250
Additions	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-
Impairments	-	-	-	-	-	-	-
Closing balance	-	-	-	-	305,250	-	305,250
Deferred Exploration Costs:							
Opening balance	\$ -	\$ -	\$ -	\$ -	\$ 717,638	\$ -	\$ 717,638
Additions	-	-	-	-	120,920	-	120,920
Disposals	-	-	-	-	-	-	-
Impairments	-	-	-	-	-	-	-
Closing balance	-	-	-	-	838,558	-	838,558
Total acquisition and deferred exploration costs	\$ -	\$ -	\$ -	\$ -	\$ 1,143,808	\$ -	\$ 1,143,808

Houston Lake Mining Inc.
Notes to Financial Statements
For Three Months Ended June 30, 2013 and 2012 (Unaudited)

4. Exploration and Evaluation Assets (Continued)

Period Ending June 30, 2012

	Dogpaw Lake (a)	West Cedartree (b)	North Block (c)	Tib Lake (d)	Pakeagama Lake (e)	Dubenski (f)	Total
Acquisition Costs:							
Opening balance	\$ 237,720	\$ 192,156	\$ 4,000	\$ 31,395	\$ 281,250	\$ 576,000	\$1,322,521
Additions	-	-	-	2,500	-	-	2,500
Disposals	(28,270)	(27,786)	(107)	(33,895)	-	(43,822)	(133,880)
Impairments	-	-	-	-	-	-	-
Closing balance	209,450	164,370	3,893	-	281,250	532,178	1,191,141
Deferred Exploration Costs:							
Opening balance	\$ 2,192,543	\$ 2,196,594	\$ 5,182	\$ 513,134	\$ 410,395	\$ 3,191,387	\$ 8,509,235
Additions	53	-	-	-	-	-	53
Disposals	-	-	-	(513,134)	-	-	(513,134)
Impairments	-	-	-	-	-	-	-
Closing balance	2,192,596	2,196,594	5,182	-	410,395	3,191,387	7,996,154
Total acquisition and deferred exploration costs	\$ 2,402,046	\$ 2,360,964	\$ 9,075	\$ -	\$ 691,645	\$ 3,723,565	\$ 9,187,295

4. Exploration and Evaluation Properties (Continued)

(a) Dogpaw Lake Property – Kenora, Ontario

The Dogpaw Lake Gold Property is located adjacent to the Company's West Cedartree Property. In January 2013, the Company sold its interest in this property to an arm's length purchaser (see Note 4g).

(b) West Cedartree Property – Kenora, Ontario

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 held a 100% interest in the Jesse (North) Property. In January 2013, the Company sold its interest in this property to an arm's length purchaser (see Note 4g).

West Cedartree Property

The Company held a 100% interest in the West Cedartree Property. In January 2013, the Company sold its interest in this property to an arm's length purchaser (see Note 4g). The Company holds a net smelter royalty (NSR) of 2.5% of net smelter returns from this property.

McLennan Property

The Company held a 100% interest in the McLennan Property. In January 2013, the Company sold its interest in this property to an arm's length purchaser (see Note 4g).

Dogpaw West and Gold Sun Properties

The Company held a 100% interest in the Dogpaw West and the Gold Sun properties. In January 2013, the Company sold its interest in this property to an arm's length purchaser (see Note 4g).

(c) North Block – Kenora, Ontario

The Company held a 100% interest in North Block Gold Property in the Cedartree Lake area within the Kenora Mining District of Ontario, Canada. In January 2013, the Company sold its interest in this property to an arm's length purchaser (see Note 4g).

(d) Tib Lake - Thunder Bay, Ontario

The Company held a 100% interest in the Tib Lake PGM Property located in the Thunder Bay Mining District of Ontario. In May of 2012, the Company optioned the property (see Note 4g).

4. Exploration and Evaluation Properties (Continued)

(e) Pakeagama Lake – Red Lake, Ontario

Pakeagama Lake Property

The Company has a 100% interest in the Pakeagama Lake Property. The 100% ownership interest is subject to a 2.5% NSR subject to a 1.0% buyout provision.

Pakeagama Lake Southeast Property

The Company has a 100% interest in the Pakeagama Lake Southeast Property. The 100% ownership interest is subject to a 2.5% NSR subject to a 1.0% buyout provision. During fiscal year 2013, the Company issued 100,000 common shares and paid \$20,000 to two arms length individuals. The Company will issue 300,000 common shares and pay \$90,000 over the course of the remaining 3 years without exploration expenditure guarantees to earn a 100 percent interest from the two individuals.

(f) Dubenski Property – Kenora, Ontario

The Company had a 100% option interest in Dubenski Gold Property. The property is located adjacent the West Cedartree properties in the Kenora Mining District of Ontario. In January 2013, the Company sold it's interest in this property to an arm's length purchaser (see Note 4g).

(g) Optioning and Sale of Properties

In May of 2012, the Company optioned the Tib Lake property to an arm's length party. The company received \$40,000 in the second prior fiscal year, and \$100,000 in the prior fiscal year. At the end of the current year, the Company is owed \$310,000. The purchaser is required to spend \$1,600,000 on mineral exploration prior to exercising the option. Once the option is exercised, the Company will maintain a 2.5% net smelter royalty on certain mining claims. The purchaser has the option to buy back 1% of the net smelter royalty for \$1,000,000.

A summary of the required cash payments are as follows:

Cash	Due Date
Payments	
\$ 40,000	signing of Letter of Intent (received)
50,000	six month anniversary of signing of LOI (received)
50,000	first anniversary of signing of LOI (received)
60,000	second anniversary of signing of LOI
100,000	third anniversary of signing of LOI
150,000	fourth anniversary of signing of LOI
\$ 450,000	

4. Exploration and Evaluation Properties (Continued)

(g) Optioning and Sale of Properties (continued)

In January of 2013, the Company optioned the following properties to an arm's length party: Dogpaw Lake, West Cedartree (Jesse, West Cedartree, McLennan, Dogpaw West and Gold Sun), North Block, and Dubenski.

The company received in the prior fiscal year proceeds of \$100,000 at the time the Letter of Intent was signed, \$400,000 cash when the Asset Purchase Agreement was signed, plus 1,935,000 common shares of Coventry Resources Inc. (TSX.V: CYY) worth \$716,000 at the time the Asset Purchase Agreement was signed.

The Company maintains a 2.5% net smelter royalty (NSR) on net smelter returns from the West Cedartree property.

Houston Lake Mining Inc.
Notes to Financial Statements
For Three Months Ended June 30, 2013 and 2012 (Unaudited)

5. Property, Plant and Equipment

Period Ending June 30, 2013

	Exploration Equipment	Furniture & Fixtures	Vehicles	Computer Equipment	Computer Software	Total
Cost						
Beginning balance	\$ 28,301	\$ 26,091	\$ -	\$ 50,753	\$ 10,042	\$ 115,187
Additions	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
Closing balance	28,301	26,091	-	50,753	10,042	115,187
Accumulated depreciation						
Beginning balance	\$ 23,992	\$ 20,798	\$ -	\$ 50,141	\$ 10,042	\$ 104,973
Depreciation for year	323	265	-	66	-	654
Closing balance	24,315	21,063	-	50,207	10,042	105,627
Net book value	\$ 3,986	\$ 5,028	\$ -	\$ 546	\$ -	\$ 9,560

Houston Lake Mining Inc.
Notes to Financial Statements
For Three Months Ended June 30, 2013 and 2012 (Unaudited)

5. Property, Plant and Equipment

Period Ending June 30, 2012

	Exploration Equipment	Furniture & Fixtures	Vehicles	Computer Equipment	Computer Software	Total
Cost						
Beginning balance	\$ 31,501	\$ 26,091	\$ 50,081	\$ 50,753	\$ 10,042	\$ 168,468
Additions	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
Balance at June 30, 2012	31,501	26,091	50,081	50,753	10,042	168,468
Accumulated depreciation						
Beginning balance	\$ 22,981	\$ 19,475	\$ 43,683	\$ 49,626	\$ 10,042	\$ 145,807
Depreciation for year	639	331	480	129	-	1,579
Balance at June 30, 2012	23,620	19,806	44,163	49,755	10,042	147,386
Net book value	\$ 7,881	\$ 6,285	\$ 5,918	\$ 998	\$ -	\$ 21,082

Houston Lake Mining Inc.
Notes to Financial Statements
For Three Months Ended June 30, 2013 and 2012 (Unaudited)

6. Related Party Transactions

During the three months ended June 30, 2013 and 2012, the Company incurred the following expenditures companies controlled by a director of the company:

	June 30,2013 (Unaudited)	June 30,2012 (Unaudited)
Office rental	\$ 2,250	\$ 2,250

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 \$157,269 owing to three corporations controlled by a director of the company and \$1,749 owing to management.

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. Interest in the amount of \$4,452 has been accrued and remains unpaid at June 30, 2013.

7. Share Capital

(a) Authorized:

- Unlimited number of common voting shares without nominal or par value
- Unlimited number of first preferred shares
- 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.

(b) Warrant Issues:

As at June 30, 2013, the following warrants were outstanding:

<u>Expiry Date</u>	<u>Exercise Price</u>	<u>Number of Shares</u>
July 17, 2014	0.12	2,000,000
August 14, 2014	0.12	2,000,000
December 24, 2014	0.10	250,000
December 27, 2014	0.10	3,000,000
April 10, 2015	0.10	<u>7,217,639</u>
		<u>14,467,639</u>

During the quarter, 7,217,639 warrants were issued.

Houston Lake Mining Inc.
Notes to Financial Statements
For Three Months Ended June 30, 2013 and 2012 (Unaudited)

7. Share Capital Continued

(c) Stock Based Compensation:

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, 2013, which have been granted by the Board of Directors:

<u>Expiry Date</u>	<u>Option Price</u>	<u>Number of Shares</u>
December 18, 2013	0.30	400,000
July 17, 2014	0.12	100,000
August 14, 2014	0.12	100,000
December 24, 2014	0.10	40,000
December 27, 2014	0.10	200,000
June 1, 2015	0.20	1,000,000
January 27, 2016	0.145	300,000
June 7, 2016	0.14	1,400,000
February 1, 2018	0.10	<u>2,050,000</u>
		<u>5,590,000</u>

(d) Contributed Surplus

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

(e) Debt Settlement

During the quarter, the company issued 5,000,000 shares were issued to settle \$250,000 of debts owing to two related parties.
