



Houston Lake Mining Inc.

ANNUAL INFORMATION FORM

For the year ended March 31, 2010

This Annual Information Form ("AIF"), for Houston Lake Mining Inc. ("Houston" or the "Company"), is prepared with an effective date of March 31, 2010, unless otherwise indicated. Other continuous disclosure documents, including the Company's press releases and quarterly and annual reports are available through its filings with the securities regulatory authorities in Canada at www.sedar.com ("SEDAR") and are also available on the Company's website www.houstonlakemining.com.

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1. GLOSSARY OF TECHNICAL INFORMATION

The estimated mineral reserves and mineral resources discussed herein have been calculated in accordance with the Canadian Institute of Mining, Metallurgy and Petroleum (“**CIM**”) – Definitions Adopted by CIM Council on December 11, 2005 (the “**CIM Standards**”) which were adopted by the Canadian Securities Administrators’ National Instrument 43-101 Standards of Disclosure for Mineral Projects (“**NI 43-101**”). The following definitions are reproduced from the CIM Standards:

The term “**mineral reserves**” means the economically mineable part of a measured or indicated mineral resource demonstrated by at least a preliminary feasibility study. This study must include adequate information on mining, processing, metallurgical, economic and other relevant factors that demonstrate, at the time of reporting, that economic extraction can be justified. A mineral reserve includes allowances for dilution and losses that may occur when the material is mined. A “**proven mineral reserve**” is the economically mineable part of a measured mineral resource demonstrated by at least a preliminary feasibility study. This study must include adequate information on mining, processing, metallurgical, economic and other relevant factors that demonstrate, at the time of reporting, that economic extraction is justified. A “**probable mineral reserve**” is the economically mineable part of an indicated mineral resource, and in some circumstances a measured mineral resource, demonstrated by at least a preliminary feasibility study. This study must include adequate information on mining, processing, metallurgical, economic and other relevant factors that demonstrate, at the time of reporting, that economic extraction can be justified.

The term “**mineral resources**” means a concentration or occurrence of natural, solid, inorganic or fossilized organic material in or on the earth’s crust in such form and quantity and of such a grade or quality that it has reasonable prospects for economic extraction. The location, quantity, grade, geological characteristics and continuity of a mineral resource are known, estimated or interpreted from specific geological evidence and knowledge. A “**measured mineral resource**” is that part of a mineral resource for which quantity, grade or quality, densities, shape and physical characteristics are so well established that they can be estimated with confidence sufficient to allow the appropriate application of technical and economic parameters, to support production planning and evaluation of the economic viability of the deposit. The estimate is based on detailed and reliable exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes that are spaced closely enough to confirm both geological and grade continuity. An “**indicated mineral resource**” is that part of a mineral resource for which quantity, grade or quality, densities, shape and physical characteristics can be estimated with a level of confidence sufficient to allow the appropriate application of technical and economic parameters, to support mine planning and evaluation of the economic viability of the deposit. The estimate is based on detailed and reliable exploration and test information gathered through appropriate techniques from location such as outcrops, trenches, pits, workings and drill holes that are spaced closely enough for geological and grade continuity to be reasonably assumed. An “**inferred mineral resource**” is that part of a mineral resource for which quantity and grade or quality can be estimated on the basis of geological evidence and limited sampling and reasonably assumed, but not verified. The estimate is based on limited information and sampling gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes.

The following technical terms may be used in this AIF, and may appear capitalized or in lower case, without any difference in meaning:

Adamellite: Quartz monzonite. A medium to coarse-grained plutonic rock containing major plagioclase, orthoclase, and quartz, with minor biotite, hornblende, and accessory apatite, zircon, and opaque oxides.

Advance royalty - A form of royalty where the payment is made before the start of commercial production.

Albite – A plagioclase sodium feldspar.

Alkalic - Containing either sodium or potassium.

Alteration - Any change in the mineral composition of a rock that is brought about by physical or chemical means

Amblygonite: A natural fluorophosphate of aluminum and lithium having the approximate formula, $2\text{LiF} \cdot \text{Al}_2\text{O}_3 \cdot \text{P}_2\text{O}_3$. It should contain 10.1% Lithia, but actual samples average 8.2% due to partial replacement of the

Lithia by soda and potash, partial alteration of the mineral to nonlithium minerals and the presence of impurities. It is the least expensive source of alumina-phosphate and is the highest Lithia containing lithium minerals. It produces opacity in glass dinnerware. Its usage is restricted due to its relatively limited availability.

Amphibolite grade metamorphism: A metamorphic facies assemblage of minerals formed at moderate to high pressures between 450 and 700°C during regional metamorphism.

Andesite – Igneous rock of intermediate composition.

Ankerite - An iron rich carbonate mineral.

Anomalous rare earth elements (Pakeagama): Lithium (Li), Rubidium (Rb), Cesium, Beryllium (Be), Tantalum (Ta), columbium (Cb), Niobium (Nb), Tin (Sn), Gallium (Ga), Germanium (Ge), Hafnium (Hf).

Anomaly - Geochemical and/or geophysical data, which deviates from the norm.

Aplite: A light-colored igneous rock characterized by a fine-grained saccharoidal (i.e., aplitic) texture. Aplites may range in composition from granitic to gabbroic, but the term aplite with no modifier is generally understood to mean granitic aplite, consisting essentially of quartz, potassium feldspar, and acid plagioclase. The term, from a Greek word meaning simple, was in use before 1823. glass manufacture.

Archean - Oldest rocks of the Precambrian Era, older than about 2.5 billion years.

Argillaceous: Pertaining to, largely composed of, or containing clay-size particles or clay minerals, such as an argillaceous ore in which the gangue is mainly clay; esp. said of a sediment (such as marl) or a sedimentary rock (such as shale) containing an appreciable amount of clay.

Argillite: A compact rock, derived either from mudstone (claystone or siltstone), or shale, that has undergone a somewhat higher degree of induration than mudstone or shale but is less clearly laminated and without its fissility, and that lacks the cleavage distinctive of slate.

Assay - An analysis to determine the presence, absence or quantity of one or more chemical components.

Au – Chemical symbol for the element gold.

Basalt – Common dark and fine grained extrusive mafic volcanic rock.

Base Metal - A metal, such as copper, lead, nickel, zinc or cobalt.

Belt - A specific elongate area defined by unique geologic characteristics.

Beryl: A hexagonal mineral, $\text{Be}_3\text{Al}_2\text{Si}_6\text{O}_{18}$; green, blue-green, and other pale tints; in granite pegmatites, mica schists, and an accessory mineral in felsic igneous rocks; the chief source of beryllium. Transparent and colored gem varieties include emerald, aquamarine, morganite, heliodor, golden beryl, bixbite, and vorobievite.

Breccia - Rock fragmented into angular components surrounded by a mass of finer grained material.

Bronzite – An orthorhombic mineral (pyroxene) consisting of a ferriferous variety of Enstatite and often having a lustre like that of bronze.

Carbonate - Mineral calcium carbonate (CaCO_3) and often a rock composed principally thereof.

Chalcopyrite – Copper iron sulphide (CuFeS_2).

Chlorite - A green platy iron-magnesium rich metamorphic mineral.

Claim (Mineral) – The area that confers mineral exploration/exploitation rights to the registered holder under the laws of the governing jurisdiction.

Clinopyroxene – Pyroxenes that crystallize in the monoclinic system and are commonly greenish in colour.

Collar - The top of a drill hole.

Columbite, Tantalite, Niobite: A natural oxide of niobium, tantalum, ferrous oxide, and manganese found in granites and pegmatite $[(\text{Fe},\text{Mn})(\text{Nb},\text{Ta})^2 \text{O}_6]$. Some tin or tungsten may be present in the mineral. Iron black to brownish black in colour; streak, dark red to black; luster, submetallic; Moh's hardness, 6; specific gravity, 5.2 to 7.9 See also: tantalite.

Columbium (CB): Also called niobium (Nb). A shiny, white, soft, and ductile metallic element. Symbol, Nb (niobium) or Cb (columbium). The name niobium was adopted by the International Union of Pure and Applied Chemistry. Many chemical societies and government organizations refer to it as niobium, but most metallurgists, metals societies, and commercial producers still refer to the metal as columbium. Found in niobite (or columbite), niobite-tantalite, pyrochlore, and euxenite. Used as an alloying agent in carbon and alloy steels, in nonferrous metals, and in superconductive magnets.

Conglomerate - A sedimentary rock composed of rounded to subrounded transported fragments greater than 2 millimetres (pebbles, cobbles, boulders) cemented into a solid mass.

Dacitic – Igneous rock intermediate in compositions between andesite and rhyolite.

Diamond Drilling/Drill Hole - A method of obtaining a cylindrical core of rock by drilling with a diamond

impregnated bit.

Diabase - A common basic igneous rock usually occurring in dykes or sills.

Diopside – A calcium-magnesium silicate (clinopyroxene), $\text{CaMg}(\text{Si}_2\text{O}_6)$, that is coloured white to light -green. The colour deepends with the addition of iron. Moh's hardness: 5 to 6; specific gravity: 3.2 to 3.3. It is found in regionally metamorphic rocks.

Dip - The angle at which a stratum is inclined from the horizontal.

Dyke - A tabular body of igneous rock cross cutting the host strata at a high angle.

Epithermal - A hydrothermal deposit formed close to surface at low temperature and pressure.

Elbaite: A trigonal mineral, $3[\text{Na}(\text{Li},\text{Al})_3\text{Al}_6(\text{OH},\text{F})_4(\text{BO}_3)_3\text{Si}_6\text{O}_{18}]$; tourmaline group; occurs in triangular and hexagonal prisms; varicolored; commonly zoned, pyroelectric and piezoelectric; in granites and granite pegmatites; and used as gemstone (pink rubellite, blue indicolite, green verdolite, colorless achroite, zoned pink-white-green watermelon tourmaline).

Enstatite – A pyroxene mineral, $\text{MgO} \cdot \text{SiO}_2$. Its colour is yellowish- or greenish – gray.

Fault - A fracture in a rock along which there has been relative movement between the two sides either vertically or horizontally.

Fe - Chemical symbol for the element iron.

Feldspar - A group of common aluminosilicate minerals.

Felsic - Igneous rock composed principally of feldspars and quartz.

Ferriferous – A synonym for ferruginous (iron bearing).

Fertile - As in fertile granite. For example, a parental rock that gives rise to rare metal pegmatite.

Fluvial/fluvialite - Sedimentary material found in river beds.

Fold - Bend in strata or any planar structure.

Foliation - Parallel orientation of platy minerals or mineral banding in rocks.

Footwall - The wall or rock on the underside of a vein or structure.

Formation - A body of rock identified by lithological characteristics and stratigraphic position.

Fracture - A break in the rock, the opening of which allows the entry of mineral-bearing solutions.

Fuchsite - Mica with a characteristic (emerald) green colour arising from the presence of chrome or vanadium.

Gabbro – A fine to coarse grained, dark coloured crystalline igneous intrusive rock composed mainly of calcic plagioclase, clinopyroxene and sometimes olivine.

Gabbro-Norite – An igneous rock that is made up mainly of clinopyroxene and orthopyroxene and can contain upwards of 1/3 feldspar.

Geochemistry/Geochemical - Study of variation of chemical elements in rocks or soil.

Geology/Geological – Study of the Earth's history and life, mainly as recorded in rocks.

Geophysics/Geophysical - Study of the earth by quantitative physical methods, either by surveys conducted on the ground, in the air (by fixed wing aircraft or helicopter) or in a borehole or drillhole.

Gold – A heavy, soft, ductile, malleable precious metal used in jewelry, dentistry, electronics and as an investment.

Grams per tonne (g/t) – A unit of measurement commonly used to quantify the concentration of precious metals.

Granoblastic: Pertaining to a homeoblastic type of texture in a nonschistose metamorphic rock upon which recrystallization formed essentially equidimensional crystals with normally well sutured boundaries.

Granophyre: An irregular microscopic intergrowth of quartz and alkali feldspar.

Granophyric: Of or pertaining to granophyre

Greenstone belt - Area underlain by metamorphosed volcanic and sedimentary rocks, usually in a continental shield.

Greywacke - Grey sandstone consisting of poorly sorted grains of quartz, feldspar and rock fragments in a clay matrix.

Hangingwall - The wall or rock on the upper side of a vein or structure.

Hectare - A square of 100 metres on each side.

Hematite - Black to reddish brown, non-magnetic iron oxide (Fe_2O_3).

Holmquistite: An orthorhombic mineral, $\text{Li}_2(\text{Fe},\text{Mg})_3\text{Al}_2\text{Si}_8\text{O}_{22}(\text{OH})_2$; amphibole group, with $\text{Mg}/(\text{Mg}+\text{Fe}^{2+}) = 0.1$ to 0.89; in granite pegmatites. A bluish-black silicate of lithium, magnesium, iron and aluminum with fluorine and hydroxyl. A lithium-bearing variety of glaucophane (or amphibole). Monoclinic, prismatic.

Holocrystalline – Rocks consisting entirely of crystalline minerals and no glass. The minerals may or may not have crystal boundaries, and the rocks may be granular or porphyritic.

Horizon - A defined layer within a stratigraphic sequence, having unique characteristics distinguishing it from the rest of the sequence.

Igneous - A classification of rocks formed from the solidification from a molten state.

Ilvaite: An orthorhombic and monoclinic mineral, $\text{CaFe}_2\text{FeSi}_2\text{O}_7\text{O}(\text{OH})$; in prisms with vertically striated faces; compact, massive, or fibrous; in some magnetite orebodies, in zinc and copper ores, in contact deposits in dolomitic limestone, and in sodalite syenite near Julianehaab, Greenland.

Infill drilling - Any method of drilling intervals between existing holes, used to provide greater geological detail and to help establish resource/reserve estimates.

Intrusive/Intrusions - An igneous rock that invades older rocks.

Iron formation (banded) - Chemically precipitated rock consisting of repeated thin layers of chert (silica) and iron oxides commonly magnetite and/or hematite.

Ironstone - A sedimentary rock containing a substantial proportion of iron.

IP/Induced polarization - Method of ground geophysical surveying employing an electrical current to determine indications of mineralization through the measurement of resistivity and chargeability.

JV/Joint venture - business arrangement usually between companies that defines each parties vested interest in an asset.

Komatiite - A volcanic rock containing a high concentration of magnesium and generally a low concentration of silica.

Lepidolite, lithia mica: A fluorosilicate of potassium, lithium and aluminum, $\text{K}^2\text{Li}^3\text{Al}^2(\text{AlSi}^3\text{O}^1)^2(\text{O},\text{OH},\text{F})_4$; monoclinic; colour, pink, lilac and grayish-white; luster, pearly; perfect micaceous cleavage; comparatively rare mineral found in pegmatite dykes. Usually associated with other lithium-bearing minerals such as pink and green tourmaline, amblygonite and spodumene. Used as a source of lithium and in heat-resistant glass

Mafic - An igneous rock composed chiefly of dark iron and manganese silicate minerals.

Magnetic Survey - A geophysical survey conducted on the earth's surface that measures variations in the earth's magnetic field caused by variations in rock type or geological structures.

Magnetite - Black, magnetic iron ore, an iron oxide (Fe_3O_4).

Mapping - The art and science of recording geological observations on a map.

Massive - Solid (without fractures) wide (thick) rock unit.

Melanocratic - Sixty to 100% of the (igneous) rock is made up of dark minerals.

Metamorphism/Metamorphic/Meta - A process whereby the composition of rock is modified by heat and pressure/A class of rock affected by metamorphism.

Mg - Chemical symbol for the element magnesium.

Mineralization - The concentration of metals and their chemical compounds in a body of rock.

Mineral Indicators for Rare Earths: blue fluorapatite, deep green elbite, high rubidium in feldspar, presence of pollucite, efficient zonal process, see anomalous elements.

Molybdenite - Molybdenum sulphide (MoS_2)

Mudstone - A fine grained sedimentary rock originally composed of clay and mud.

Mylonite: A hard, compact rock with a banded or streaky structure produced by Extreme granulation in both strike-slip and thrust fault zones.

Niobium: see columbium

NSR - Net Smelter Royalty - Royalty based on the actual gold sale price received less the cost of refining

Ore - Rock containing mineral(s) or metals that can be economically extracted to produce a profit.

Orogen/Orogeny - Deformation of a belt of rocks through folding and faulting, in many places accompanied by metamorphic and intrusive rocks that form mountains/the process of mountain building.

Orthopyroxene - Pyroxenes that crystallize in the orthorhombic system and are commonly brownish in colour.

Outcrop - An exposure of bedrock at the surface.

Pelite: A sediment or sedimentary rock composed of the finest detritus (clay- or mud-size particles); e.g., a mudstone, or a calcareous sediment composed of clay and minute particles of quartz. The term is equivalent to the Latin-derived term lutite.

Pelitic: Pertaining to or characteristic of pelite; especially said of a sedimentary rock composed of clay, such as a pelitic tuff representing a consolidated volcanic ash consisting of clay-size particles.

Peraluminous: Said of igneous rocks in which the molecular proportion of alumina exceeds that of soda, potash, and lime combined.

Peridotite – A general term for essentially non-feldspathic plutonic rocks consisting of olivine, with or without other mafic minerals. The other mafic minerals maybe amphiboles, pyroxenes or, less likely, micas. Minerals of the spinel group may be present.

Petalite: A monoclinic mineral, $\text{LiAlSi}_4\text{O}_{10}$; perfect cleavage; vitreous; resembles spodumene; a source of lithium salts; in granite pegmatites.

Pillowed - Volcanic rock texture that formed from the bulbous cooling of magma when cooled quickly in water.

Plunge - The vertical angle an ore body makes between the horizontal plane and the direction along which it extends, longitudinally to depth.

Pluton - Body of rock exposed after solidification at great depth.

Pollucite: An isometric mineral, $(\text{Cs}, \text{Na})_2\text{Al}_2\text{Si}_4\text{O}_{12} \cdot \text{H}_2\text{O}$; zeolite group; forms a series with analcime; colorless; occurs in granite pegmatites; a source of cesium and a minor gemstone.

ppb – Concentration in parts per billion.

ppm – Concentration in parts per million.

Porphyry - A rock consisting of larger crystals embedded in a more compact finer grained groundmass.

Prospecting – The art and science of searching for mineral deposits.

Proterozoic - The youngest part of the Precambrian from 2450 - 570 million years ago.

Pyrite - Iron sulphide mineral (FeS_2).

Pyroxene – A calcium/sodium ferromagnesium silicate.

Pyroxenite – A coarse-granited, holocrystalline rock consisting mainly of pyroxenes. Accessories may include biotite, hornblende and olivine.

Pyrrhotite – A slightly to moderately magnetic sulphide or iron that is often associated with the nickel sulphide, pentlandite. The mineral can contain nickel, and the elevated values for nickel in the gabbros of Tib Lake may be indicative of this. Nickel is a potential indicator element, along with copper, for Pt/Pd mineralization. The determination of distribution patterns for nickel and copper, especially, maybe a key to locating Pt/Pd mineralization.

Quartz - A mineral composed of silicon dioxide.

Rare Earth Elements; Rare Earths: A group of rare metals very similar to one another and to aluminum in many properties. Thorium is very closely associated in nature with this group, and the source of thorium salts is monazite.

Rare Earth Metals - A group of widely distributed metals comprising Scandium (At. No. 21), Yttrium (At. No. 39), and 15 elements of atomic numbers 57 to 71, inclusive. They have the same arrangement of the two external shells of electrons in their atoms and resemble one another very closely in chemical and physical properties, being thus most difficult to separate from each other. It is to this, rather than their actual rarity in nature, that they so described. The metals are divided into three groups (cerium, terbium and yttrium) based upon the methods used to separate them from their ores

Rare Earths - A series of widely distributed but relatively scarce minerals, principally oxides of the rare earth metals.

Rhyolite – Igneous rock of felsic (silica rich) composition.

Rubellite- A pink gem variety of elbaite.

Sausseritization - The replacement of (plagioclase in particular) in basalts and gabbros by a fine-grained aggregate of zoisite, epidote, calcite, sericite and zeolite. The iron-magnesium minerals may be chloritized during the process.

Sandstone – A sedimentary rock composed mainly of sand-sized quartz and/or feldspar.

Schist – Rocks of medium-grade metamorphism with well developed lamellar minerals.

Sediment - Solid material that has settled down from a state of suspension in a liquid; may be transported and deposited by wind, water or ice, chemically precipitated from solution, or secreted by organisms, forms in layers in loose unconsolidated form.

Sedimentary - Pertaining to or containing sediment or formed by its deposition.

Sericite - Generally light coloured iron, magnesium and sodium rich mica.

Shear - A planar zone of deformed rock caused by the movement of the rock.

Siliceous - A rock rich in silica.

Sill - A tabular body of igneous rock conforming to the strata it invades.

Siltstone – A sedimentary rock with an intermediate grain size finer than sandstone with a higher clay fraction.

Soil Sampling - Systematic collection of soil samples from a series of different locations in order to study the

distribution of its geochemical composition.

Specific gravity - The density of a substance relative to the density of water.

Splay – Branch of a fault.

Spodumene- A monoclinic mineral, $\text{LiAlSi}_2\text{O}_6$; pyroxene group; prismatic cleavage; in granite pegmatites in crystals up to scores of meters long (called logs); a source of lithium; may be of gem quality (lavender kunzite, green hiddenite). Formerly called triphane.

Stockwork – A local higher density of veins/stringers at numerous orientations

Strike - Direction or trend of a geologic structure.

Stringer - A very small vein or irregular filament of mineral(s) cutting a rock mass, occurs independently or as a branch of a larger vein.

Structure/Structural - Pertaining to geological structure such as folds, faults, etc.

Sulphide/Sulphidation - A group of minerals in which one or more metals are found in combination with sulphur/rock that has been sulphidized.

Syenite - An felsic intrusive igneous rock composed chiefly of the mineral orthoclase

Tantalite: A mineral series ferrotantalite-manganotantalite; unless specified it refers to ferrotantalite, an orthorhombic mineral, FeTa_2O_6 ; black; in pegmatites; the main source of tantalum.

Tantalum (Ta): A rather brittle, lustrous, hard, heavy, gray metallic element. Symbol Ta. Occurs principally in the mineral columbite-tantalite, $(\text{Fe,Mn})(\text{Nb,Ta})_2\text{O}_6$. Widely used to fabricate chemical process equipment, nuclear reactors, and aircraft and missile parts. Used to make electrolytic capacitors, vacuum furnace parts, and surgical appliances.

Tonalite - A coarse-grained igneous rock, quartz-mica diorite. Two varieties are distinguished: soda tonalite, with albite in excess of anorthite, and lime tonalite, with anorthite in excess of albite. Compare to ademellite. They are biotitic at Pakeagama

Tholeiite – Mafic volcanic rock with higher silica and lower sodium, potassium and magnesium content.

Tourmaline - Any member of the trigonal mineral group, $\text{XY}_3\text{Z}_6(\text{BO}_3)_3\text{Si}_6\text{O}_{18}(\text{OH,F})_4$ where X is Na partially replaced by Ca, K, Mg, or a vacancy, Y is Mg, Fe^{2+} , Li, or Al, and Z is Al and Fe^{3+} ; forms prisms of three, six, or nine sides; commonly vertically striated; varicolored; an accessory in granite pegmatites, felsic igneous rocks, and metamorphic rocks. Transparent and flawless crystals may be cut for gems.

Tuff/Pyroclastics - A rock formed of compacted volcanic fragments.

Turbidite - Submarine landslide along a continental slope containing large masses of sediment.

Ultramafic – A dark coloured igneous rock with a low silica content and characterized by mafic minerals, such as olivine, amphibole and pyroxene.

Unconformity - A surface of erosion that separates younger rocks from older rocks.

Uralitization – The process whereby primary pyroxene ~~is~~ uralite, which is a fibrous or acicular variety of hornblende.

Vein - A thin sheet-like intrusion into a fissure or crack, commonly bearing quartz /a small vein or cluster of veins.

Volcanic - Descriptive of rocks originating from volcanic activity.

Volcano-sedimentary - A mix of rocks formed by volcanic and sedimentary processes.

2. FORWARD-LOOKING/SAFE HARBOUR STATEMENT AND FAIR DISCLOSURE STATEMENT

This AIF may contain certain forward looking statements concerning the future performance of the business of Houston Lake Mining Inc. (“Houston”) or the “Company”), its operations and its financial performance and condition, as well as management’s objectives, strategies, beliefs and intentions. These forward-looking statements are based on information currently available to the Company and the Company provides no assurance that actual results will meet management’s expectations. Forward-looking statements include estimates and statements that describe the Company’s future plans, objectives or goals, its ability to access capital, the speculative nature of mineral exploration and development, fluctuating commodity prices, competitive risks and reliance on key personnel, and include words to the effect that the Company or management expects a stated condition or result to occur. This list is not exhaustive of the factors that may affect any of the Company’s forward-looking statements. Statements relating to estimates of reserves and resources are also forward-looking statements as they involve risks and assumptions, including but not limited to assumptions with respect to future commodity prices and production economics, that the reserves and resources described exist in the quantities and

grades estimated and are capable of economic extraction. Forward-looking statements may be identified by such terms as “believes”, “anticipates”, “expects”, “estimates”, “may”, “could”, “would”, “will”, or “plan”. All forward-looking information is inherently uncertain and subject to risks, uncertainties, and a variety of assumptions to address future events and conditions. These and other factors should be considered carefully and readers should not place undue reliance on the Company’s forward-looking statements. The Company does not undertake to update any forward-looking statement that may be made from time to time by the Company or on its behalf, except in accordance with applicable securities laws.

3. HISTORICAL RESOURCE ESTIMATES

Houston’s projects include properties with historical resource estimates which are not compliant with National Instrument 43-101 (“NI 43-101”). These estimates are sourced from various government and company archives which provide information on the geology and extent of the mineralization. A “qualified person” has not done sufficient work to classify the historical estimate as a current mineral resource or mineral reserve. Houston is not treating historical estimates as current mineral resources or mineral reserves as defined by NI 43-101 and historical estimates should not be relied upon.

4. INCORPORATION OR ORGANIZATION OF THE ISSUER

Houston Lake Mining Inc. was incorporated as 646215 Alberta Inc. by Certificate of Incorporation issued pursuant to the provisions of the Business Corporations Act (Alberta) on March 13, 1995. The name of the Corporation was changed to Houston Lake Mining Inc. and the private company restrictions were removed by Certificate of Amendment dated April 21, 1995. The head office is located at 2892 White Street, Val Caron, Ontario P3N 1B2, and the registered office of the Corporation is located at 3300, 421 7 Avenue SW, Calgary Alberta, T2P 4K9.

Houston’s public documents may be accessed at www.sedar.com. For further information on Houston, please visit our website at www.houstonlakemining.com or email at houston@houstonlakemining.com.

5. GENERAL DEVELOPMENT OF THE BUSINESS

Houston is in the business of exploring for mineral resources and acquires mineral exploration properties from time to time through staking, joint ventures and purchases. During the last three years, Houston has concentrated on mineral exploration in the Northwestern Ontario region, focusing primarily on gold exploration properties. Houston’s secondary focus is on rare metal properties and on platinum group properties whereby the company continues to seek purchasers or joint ventures.

Exploration expenditures for the relevant fiscal year over the last three years have been \$1,893,219 in 2008, \$1,150,965 in 2009, and \$2,415,025 in 2010, reflecting a significant increase in expenditures with focus on advancement of the West Cedartree Gold Project.

Over the last three years, several option agreements have resulted in vesting by both Houston and third parties reflecting the current status of the West Cedartree Gold Project and Tib Lake PGM Projects.

Houston’s mineral properties are all in good standing. Houston has kept current the applicable mining taxes payable on patented and leased claims. Also, adequate exploration expenditures have been incurred and filed for unpatented (staked) claims resulting in banked exploration assessment credits which are appropriately allocated to all contiguous unpatented claims to maintain them in good standing.

General development of the business over the last three years is listed below:

In March 2010, Houston appointed Mr. Trevor R. Walker as President of the Company and accepted the resignation of Robert Callander from the Board of Directors.

Houston undertook exploration in winter 2009/2010 conducting a 4,900-metre Phase IV, forty four-hole diamond

drill program on the Dubenski Gold Zone on its West Cedartree Gold Project where previous drilling had taken place in March 2009.

In January 2010, Houston completed a non-brokered private placement financing ("Placement") and issued 540,000 structured flow-through units ("Unit") at \$0.25 per Unit for aggregate gross proceeds of \$135,000. Each Unit was comprised of one common share and one-half common share purchase warrant ("Warrant"). Each whole Warrant entitles the holder to purchase one common share at an exercise price of \$0.30 for the first 12 months from closing and at an exercise price of \$0.35 for a further 12 month period. The estimated fair value of these Warrants is \$6,987 using the Black Scholes model and was reported as reduction in share capital on the Balance Sheet and credited to contributed surplus in shareholders' equity. The weighted average fair value amounted to \$0.16 per Warrant. Share issue costs associated with this financing were \$10,800 in cash finders' fees and \$2,844.00 in legal and TSX.V fees.

In January 2010, Mr. Grayme E. Anthony resigned from positions of President, CEO and Director. Mr. Trevor R. Walker was appointed as Interim President.

In December 2009, Houston completed a non-brokered private placement financing ("Placement") and issued 2,000,000 structured flow-through units ("Unit") at \$0.25 per unit for aggregate gross proceeds of \$500,000. Each Unit was comprised of one common share and one-half common share purchase warrant ("Warrant"). Each whole Warrant entitles the holder to purchase one common share at an exercise price of \$0.30 for the first 12 months from closing and at an exercise price of \$.35 for a further 12 month period. The estimated fair value of these Warrants is \$103,977 using the Black Scholes model and was reported as reduction in share capital on the Balance Sheet and credited to contributed surplus in shareholders' equity. The weighted average fair value amounted to \$0.05 per Warrant. Share issue costs associated with this financing were \$40,000 in cash finders' fees and \$8,748.00 in legal and TSX.V fees.

In November 2009, Houston completed an updated NI 43-101 resource estimate following a \$1M drill program in 2008 on the Dubenski Property. The indicated and inferred resources for the Dubenski Gold Zone were significantly upgraded to 62,700 indicated ounces (551,000 tonnes @ 3.53 g/t) and 1,800 inferred ounces (22,000 tonnes @ 2.57 g/t). An independent review concluded that a 6,500m drill program was recommended to follow up on these results.

In November 2009, Houston completed a non-brokered private placement financing ("Placement") and issued 4,000,000 structured flow-through units ("Unit") at \$0.25 per Unit for aggregate gross proceeds of \$1,000,000. Each Unit was comprised of one common share and one-half common share purchase warrant ("Warrant"). Each whole Warrant entitled the holder to purchase one common share at an exercise price of \$0.30 for twelve months, and \$0.35 for 24 months from the closing. The estimated fair value of these Warrants is \$222,046 using the Black Scholes model and was reported as reduction in share capital on the Balance Sheet and credited to contributed surplus in shareholders' equity. The weighted average fair value amounted to \$0.06 per Warrant. Share issue costs associated with this financing were \$81,000 in cash finders' fees and \$16,399.00 in legal and TSX.V fees.

In September 2009, Houston completed a non-brokered hard dollar private placement financing ("Placement") and issued 1,300,000 units (Unit") at \$0.25 per Unit for aggregate gross proceeds of \$325,000. Each Unit was comprised of one common share and one-half common share purchase warrant ("Warrant"). Each whole Warrant entitled the holder to purchase one common share at an exercise price of \$0.40 for 12 months and \$.50 for 24 months from closing. The estimated fair value of these Warrants is \$83,753 using the Black Scholes model and was reported as reduction in share capital on the Balance Sheet and credited to contributed surplus in shareholders' equity. The weighted average fair value amounted to \$0.06 per Warrant. Share issue costs associated with this financing were \$7,125 in cash finders' fees and \$7,062.00 in legal and TSX.V fees.

In June 2009, Houston completed a non-brokered private placement financing ("Placement") and issued 400,000 structured flow-through units ("Unit") at \$0.35 per Unit for aggregate gross proceeds of \$100,000. Each Unit was comprised of one common share and one-half common share purchase warrant ("Warrant"). Each whole Warrant

entitled the holder to purchase one common share at an exercise price of \$0.35 for 24 months from closing. The estimated fair value of these Warrants is \$19,409 using the Black Scholes model and was reported as reduction in share capital on the Balance Sheet and credited to contributed surplus in shareholders' equity. The weighted average fair value amounted to \$0.10 per Warrant. Share issue costs associated with this financing were valued at \$10,000.00 in cash finders' fees and \$2,459.00 in legal and TSX.V fees.

Houston maintains its option earn-in program on the Dubenski property. A 1600 metre drill program is scheduled for summer of 2010 in order to provide holes to conduct downhole geophysical surveys to assist in mineralization targeting and to partly test the down-dip and plunge of the Dubenski Gold Zone.

6. DESCRIPTION OF THE BUSINESS

Houston Lake Mining Inc. ("Houston" or the "Company") is a Canadian mineral resource exploration and development company incorporated pursuant to the laws of Business Corporations Act (Alberta) on March 13, 1995. The Company has no properties in current production and no production revenues at the present time. The Company is operated by an experienced geological and management team which maintains a low-cost, efficient Sudbury-based exploration operation with its own field office, equipment, and drill core logging and storage facility (core shack) on the West Cedartree Gold Project in Northwestern Ontario.

Houston is a "reporting issuer" in the Canadian provinces of Ontario, Alberta and British Columbia. The Company's common shares trade on the TSX Venture Exchange ("TSX.V") under the symbol HLM.

The Company holds an extensive, high-quality exploration portfolio with three projects located in the mining friendly jurisdiction of Northwestern Ontario. Since start-up in 1995, Houston Lake has acquired 100% interests in 8 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. The company's objective is to limit future dilution and increase shareholder value by becoming a gold producer.



Figure I: Houston's Key Exploration Projects

Houston's primary focus is on the West Cedartree Gold Project ([Figure I](#)) located just outside Kenora, Ontario. The Kenora area once produced more than ½ of Ontario's gold but was abandoned for other gold rushes/camps before the area's potential could be realized.

The Kenora area lies in the second largest greenstone belt in the Canadian Shield and has never been explored using modern exploration techniques. Today, there are a number of exploration companies in the area and Houston was one of the first companies to explore and consolidate properties. Other Ontario greenstone belts have hosted numerous world class gold mines and the Kenora area is considered by many as the next major gold mining district in central/eastern Canada.

The West Cedartree Gold Project consists of eight 100 percent owned and optioned contiguous properties. The eight contiguous properties are: McLennan, Dogpaw Lake, Dogpaw West, Dubenski, Jesse (North), Gold Sun, West Cedartree and North Block. In total West Cedartree is comprised of over 16-hundred hectares, and covers a six kilometre strike length of the key geology. The project has three principal high-grade gold bearing zones that have quantifiable resources. In chronological order of acquiring rights to the claim areas they are:

- Angel Hill Gold Zone;
- Dogpaw Gold Zone; and
- Dubenski Gold Zone.

The company's overriding goal with this project is to identify enough resources to justify an on-site mill or alternatively supply a third party mill. In 6 defined gold zones, the mineralization itself is exposed at surface and is therefore amenable to low cost open pit mining.

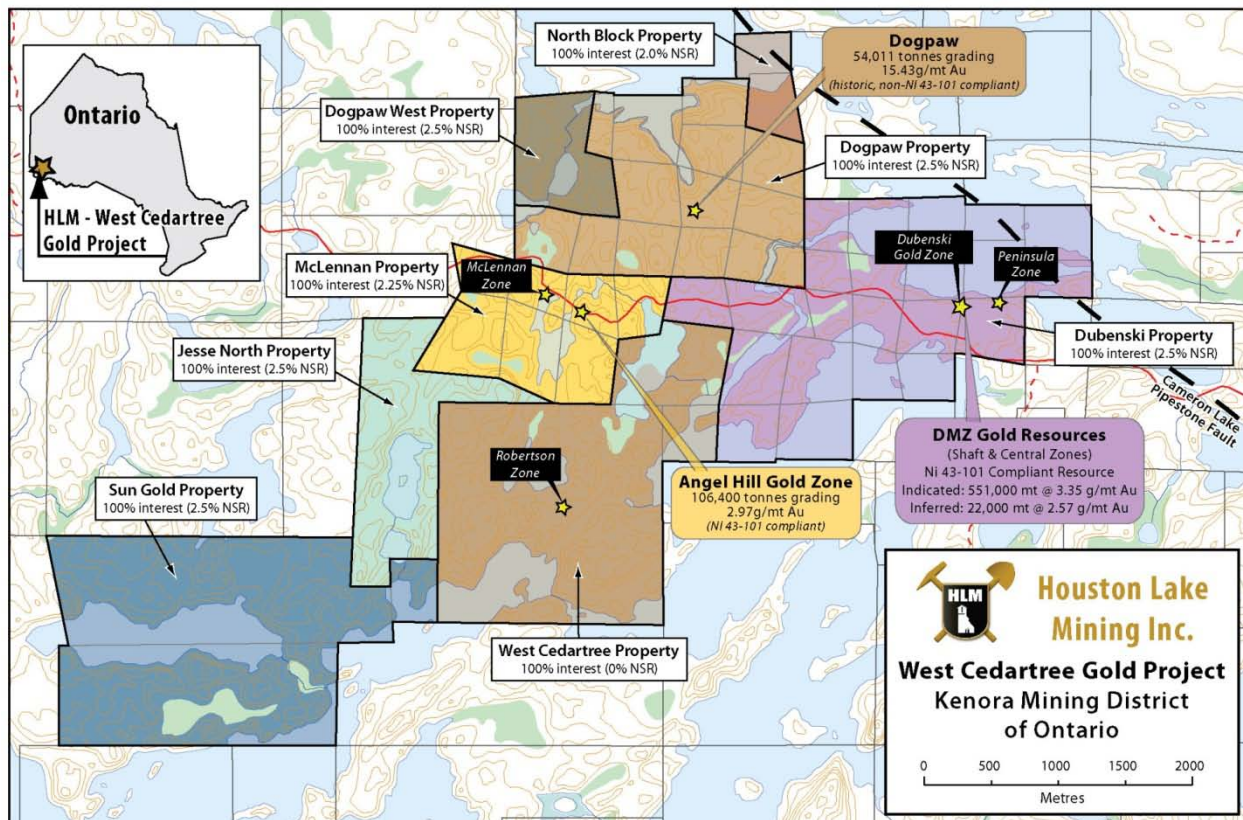


Figure II: Houston's West Cedartree Gold Project and Kenora District Gold Resources

Houston's properties straddle or are closely associated with the Cameron Lake- Pipestone Lake Fault ("Cameron"). Such a fault is typically a key structural feature of most gold-producing areas in the world. Historic production in the region is associated with the Cameron, which include past producing Cameron Lake Mine by Nuinsco Resources Limited. The Cameron Lake Mine is no longer in production, but was recently purchased by Coventry Resources Ltd. in 2009.

The West Cedartree Gold Project is located in the Dogpaw Township, 70 km southeast of Kenora, Ontario along Highway 71, a major all-season route. The West Cedartree Gold Project hosts numerous gold-bearing zones and intersections along a 12km corridor with known mineralization and is a largely contiguous land package consisting of 103 claim units or approximately 1,687 hectares.

The West Cedartree Project includes both completed ownership agreements and one option being earned in. All claims are 100%-owned by Houston except for the properties subject to option agreements; the Dubenski Property remains to be vested.

Houston's primary focus within the West Cedartree Gold Project is the area directly associated with the Dubenski Property as it is located on a shear zone from the Cameron Lake Fault.

The regional geology is characterized by two volcanic sequences designated the Lower Sequence and the Upper Sequence. The Lower Sequence, the Rowan Lake Group is comprised of submarine ultramafic to mafic volcanics and minor interflow sediments. The Upper Sequence, the Kakagi Lake Group is comprised of an intermediate to felsic volcanoclastic sequence. These units form a regional synclinal fold that lies south of the property. This fold plunges to the southeast.

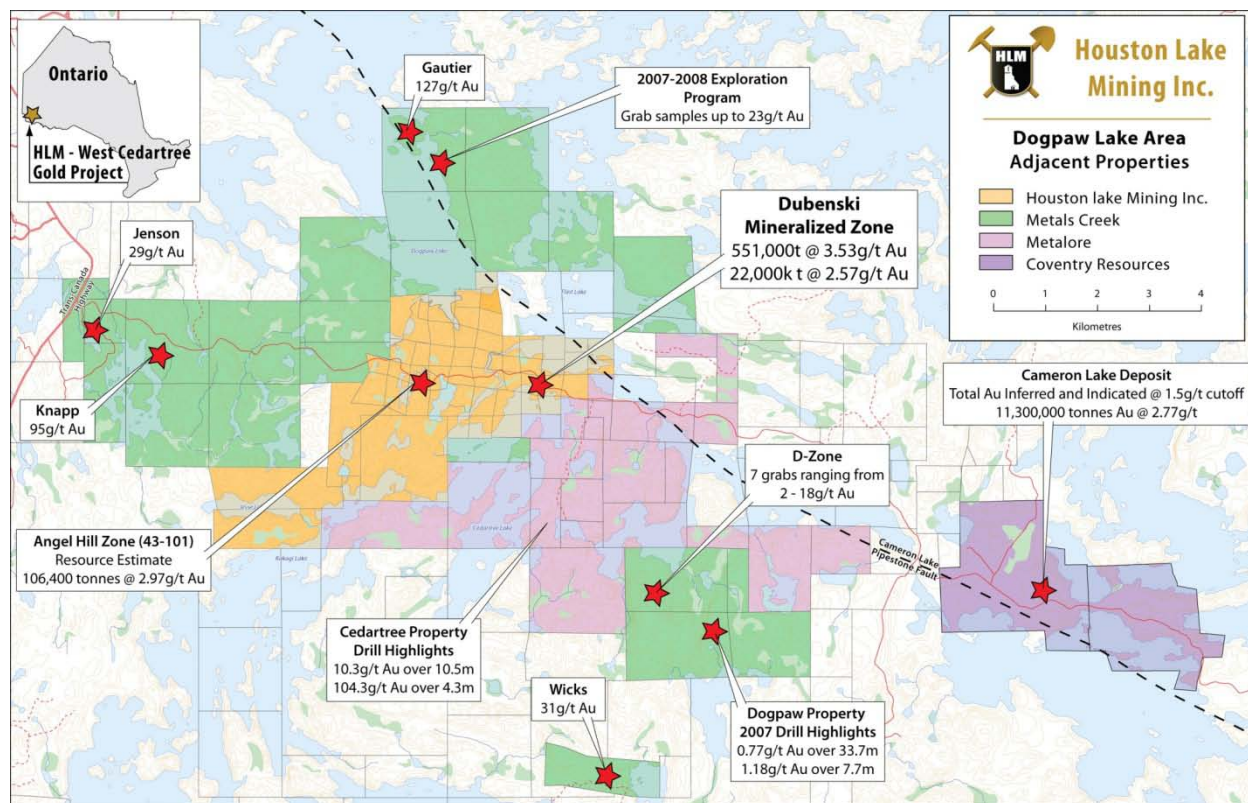


Figure III: West Cedartree Gold Project Exploration Area Geology and Gold Intercept/Zone Locations

In areas underlain by mafic volcanics the topography is generally low and undulating with relief generally below 15 metres. Outcrops tend to be infrequent in these areas. However, where underlain by the Kakagi Lake gabbro sills and felsic volcanics, the topography is more pronounced and may vary from 15 metres to 120 metres. Large outcrop exposures are common. Hills are elongated along NNE-SSW trend which is parallel to the direction of the major geological units. The trend of the hills may terminate abruptly where cut by numerous faults and lineaments of a variety of orientations.

Lakes and swamps are an important component of the landscape in the region. Drainage is controlled by geologic contacts or by lineaments. The predominance of a thick portion of the Kakagi Lake gabbro sill to the west of the project area causes local drainage to flow outward into Cedartree Lake and Cedartree River to the east and into Emms Bay of Kakagi Lake to the south, and to Flint Lake and Dogpaw Lakes to the North. The water level in Kakagi Lake is controlled by a dam at the outlet of Kakagi Lake into Cedartree Lake.

The vegetation is, for the most part mature Great Lakes – St Lawrence forest. Jack pine and birch tend to dominate in higher elevations. Spruce, alder, and occasionally cedar are found in low lying areas. Grasses are prolific in the swamps. The Company's exploration activities are seasonal in nature, being dictated in part by weather and ground conditions on its various properties which may limit access at certain times of the year.

Several gold mineralization settings have been discovered in the West Cedartree Gold Project:

1) Mineralization occurs as fine grained free gold, concentrated along foliation planes concentrated within a 300-ft-wide zone of quartz-sericite-pyrite schist in the Flint Lake Shear. This shear forms an east-west splay off the Cameron-Pipestone Fault and occurs on the Dubenski property. Cameron Lake gold deposit occurs in similar structural setting on splays off the Cameron-Pipestone Fault, five km to the southeast of Dubenski property.

2) Basaltic lavas and pyroclastics intruded by gabbro & quartz feldspar porphyry sills are associated with the

McLennan, Dogpaw Lake, Dogpaw West, Jesse (North), Gold Sun, West Cedartree and North Block Properties. Gold mineralization is associated with north-south trending shear zones at the contact of or internal to the gabbro sills. Shear zones are related to Pipestone Lake-Cameron Lake Fault Zone (major conduit for gold deposits in region).

These distinct geological settings contain most of the gold zones discovered to date on the property. An extensive digital geological database covering the area is being built and updated and refined on an ongoing basis facilitating Houston's activities on the West Cedartree Project in 2010.

Houston spent \$1,150,965 on exploration activities during the fiscal year ending in 2010, primarily on the Dubenski Property portion of the West Cedartree Gold Project. Expenditures on other properties and projects were made to maintain the properties in good standing. All material results were published by way of press release, filed on SEDAR and posted on Houston's website. Further information is also contained in "Note 3: Mineral properties and deferred costs" of the 2010 Audited Consolidated Financial Statements.

6.1 Property Summary as at March 31

Houston has interests in a total of 103 claim units each approximately 16 hectares in area (total area 1,687 hectares) in the form of patents, leases and staked claims. Certain claim units in unsurveyed townships may be larger or smaller than the standard 16 hectares (40 acres).

All the properties are solely located in the West Cedartree Gold Project in the Dogpaw Township and are identified in [Figures II](#) and [III](#) above.

6.2 Land Tenure

Ontario staked mining claims require annual assessment credits of \$400 per claim unit and these obligations are met by distributing suitable banked assessment credits originally generated by completing and filing eligible exploration work. When mining claims are not contiguous, local expenditures may be necessary to keep those claims in good standing. Patents and leases are subject to a provincial mining tax on a calendar basis. Leases have 10 or 21 year terms and are renewable subject to certain criteria under the Mining Act.

6.3 Drilling, Sampling, Analysis and Security

Drilling for 2010, 2009, and 2008 was conducted by Laframboise Drilling Inc. headquartered in Earlton, Ontario and Morris Drilling Inc. based in Sudbury, Ontario. Primary analytical work and check/duplicate analyses has been by done both by TSL Laboratories in Saskatoon, Saskatchewan and by Accurassay Laboratories in Thunder Bay, Ontario.

9020-9354 Quebec Inc. was engaged from 2008 to Q4 2010 for the West Cedartree Project for project wide support and interpretation. Watts, Griffis and McOuat, based in Toronto, Ontario, provided geological consulting services in 2008, specifically on the Dubenski Project. In 2009 B.J. McKay Ltd. was hired for Dubenski Property Assessment and interpretive support at the company's service, and remains active to date. In Q3 2010 P&E Mining Consultants were engaged to provide resource calculations for the Dubenski Gold Zone. All drill intersections are being reported using drilled widths and gold values that may include averaged duplicate, second cuts, and metallic assays.

Historical drilling and geological data is sourced from government assessment and company files and considered indicative of geology and mineralization. Assay results may not be reliable. Core sizes range from BQ to NQQ.

More recent drill programs since 2000 have used primarily NQ sized core with some NQ2 as determined by drilling situations and program design. Results from these programs are believed reliable with the inclusion of extensive duplicates and metallic analyses when warranted. Relationships between the sample length and the true thickness of the mineralized intercepts may not be well understood due to data density, multiple vein orientations, folding, and changes in drill dip and azimuth. Significant current intersections have been summarized under the project area drilling.

Houston's drill core samples on the West Cedartree Gold Project are prepared at the company's core logging and storage facility, an area of patented ground on the West Cedartree Gold Project where all core, pulps and rejects from post 2000 drilling is stored. A semi-permanent insulated building, suitable for winter operations, is available for core logging and sample preparation including diamond saws, office area and core logging and display areas.

Sample lengths are determined by the geological logging with samples ranging from 0.20 to 1.5 metres in length. Typical sample lengths are 0.5 to 1.0 metres. All mineralized sections of drill core considered significant are split using a diamond saw after being marked and tagged with one-half being retained as a reference sample and the other half being used for assay purposes as directed by the project geologist and "Qualified Person". Sample intervals and corresponding sample numbers are entered into the standardized core log sheets by computer. The samples selected for assay are individually bagged and shipped by bonded carrier to Accurassay Laboratories in Thunder Bay, Ontario and by bonded carrier to TSL Laboratories Ltd. in Saskatoon, Saskatchewan, or other labs as required.

Typically core samples are dried, crushed by jaw crusher and further reduced to approximately 6 to 10 mesh using a rolls crusher. The jaws and rolls are cleaned with a wire brush and air jet and by processing barren material. A Jones riffle is used to take a 300-400-gram sub-sample for pulverizing. The remaining reject portion is bagged and stored. After reducing a nominal -100 or -200 mesh with a pulverizer, the sample is thoroughly blended and sent to the fire assay department. A 1-assay ton portion (29.166 g) is used for fire assaying. This process results in a particle of gold that, in the normal assay method, is weighed (gravimetric).

For geochemical analysis or where lower detection is required, the gold is dissolved and determined by Atomic Absorption Spectrophotometry. This is done after collecting the precious metals with a fire assay fusion.

For metallic gold assays, the total sample is dried if necessary, crushed and pulverized, then screened using a 100 mesh screen. The -100 mesh portion is mixed and assayed in duplicate by fire assay gravimetric finish as well as all of the +100 mesh portion. All individual assays are reported as well as the final calculated value.

Repeat or check assays are done regularly on original pulp and occasionally on second pulp prepared from the stored reject. Standard pulps and blanks are also used for control samples. Selected samples, determined on the basis of showing significant variability, defining zones, or having noted visible gold during logging, are reprocessed using metallic assay methodologies. Up to 15% of pulps displaying a range of values are re-assayed by another laboratory (TSL Laboratories or Accurassay Laboratories Ltd.) as checks using internal standards. Rejects and pulps are stored for any additional analytical work.

6.4 Risk Factors

The following is a brief description of the certain risk factors Houston's operations and industry which may have a material impact on its financial performance, business and operations.

Mineral Exploration and Development Activities

The business of mineral exploration and extraction involves a high degree of risk. Few properties that are explored are ultimately developed into production and there is a risk that none of the Company's properties will ultimately be developed into productive mines. Unusual or unexpected formations, formation pressures, seismic activity, fires, power outages, labour disruptions, flooding, explosions, rock bursts, cave-ins, landslides, variations in grade, deposit size, density and other geological problems, hydrological conditions, metallurgical and other processing problems, mechanical equipment performance problems, the unavailability of materials and equipment including fuel, unanticipated transportation costs, unanticipated regulatory changes, unanticipated or significant changes in the costs of supplies including, but not limited to, petroleum, and adverse weather conditions and other conditions involved in the drilling and removal of material, any of which could result in damage to, or destruction of, mines and other producing facilities, damage to life or property, environmental damage and possible legal liability, are other risks involved in extraction operations and the conduct of exploration programs. Although Houston carries liability insurance with respect to its mineral exploration operations, it may become subject to liability for damage to life and property, environmental damage, cave-ins or hazards against which it cannot insure or against which it

may elect not to insure.

Uncertainty of Mineral Resources

The figures for mineral resources and reserves stated in this AIF, or in the documents incorporated by reference, are estimates and no assurance can be given that the anticipated tonnages and grades will be achieved or that the indicated level of recovery will be realized. Market fluctuations and metal prices may render resources uneconomic.

The Company's mineral projects are in the exploration stage. Until mineral resources on these exploration properties are categorized as "mineral reserves" under NI 43-101, the known mineralization at these projects is not determined to be economic. The Company's ability to put these properties into production will be dependent upon the results of further drilling and evaluation. There is no certainty that expenditure made in the exploration of the Company's mineral properties will result in identification of commercially recoverable quantities of ore or that mineral reserves will be mined or processed profitably. Such assurance will require completion of final comprehensive feasibility studies and, possibly, further associated exploration and other work that concludes a potential mine at each of these projects is likely to be economic.

Current Global Financial Condition

The world economy is on the mend. After a sharp, broad and synchronized global downturn in late 2008 and early 2009, an increasing number of countries have registered positive quarterly growth of gross domestic product (GDP), along with a notable recovery in international trade and global industrial production. World equity markets have also rebounded and risk premiums on borrowing have fallen. The recovery is uneven and conditions for sustained growth remain fragile. Credit conditions are still tight in major developed economies, where many major financial institutions need to continue the process of deleveraging and cleansing their balance-sheets. The rebound in domestic demand remains tentative at best in many economies and is far from self-sustaining. Much of the rebound in the real economy is due to the strong fiscal stimulus provided by Governments in a large number of developed and developing countries and to the restocking of inventories by industries worldwide. Consumption and investment demand remain weak, however, as unemployment and underemployment rates continue to rise and output gaps remain wide in most countries. Looking forward, the developed world faces many risks and uncertainties such as a premature exit from the stimulus measures and a hard landing of the dollar due to the renewed widening of the global imbalances. In terms of policy measures to predict the medium to long term global financial conditions, particular attention should be made to fiscal stimulus measures in the short run, the continued focus on the rebalancing of economic growth in a number of respects, better policy coordination, strengthened global governance and more decisive reforms of the global financial system.

Fluctuation of Mineral Prices

The price of gold and other base, rare elements and precious metals has fluctuated widely in recent years.

GOLD

Gold prices are subject to significant fluctuations and are affected by a number of factors which are beyond the control of the Company. Such factors include, but are not limited to, interest rates, foreign exchange rates, inflation or deflation, fluctuation in the value of the United States dollar and foreign currencies, global and regional supply and demand, and the political and economic conditions of major gold-producing countries throughout the world. Future significant gold price declines may result in material write-downs of the Company's mineral properties and deferred costs.

PGM's (Platinum/Palladium)

Average platinum and palladium price forecasts have climbed since early 2010 as quickly rising spot prices and hopes for an uptick in investment and industrial demand boost analysts' expectations for the metals. Both metals have climbed since January 2010, lifted by investment demand and expectations for a recovery in buying by the automotive sector, the major consumer of platinum and palladium. For both platinum and palladium, 2010 could be a year of re-stocking for the two metals, from both an automotive and wider industrial perspective. Palladium in particular will benefit from a recovery in car sales. The main growth markets for car sales will be China and the

United States, both of which chiefly use gasoline engines, which use a higher loading of palladium than platinum. The primarily diesel-consuming European car sector is at risk from regional economic instability and has also seen a rise in substitution of palladium for platinum in its diesel engines. Palladium price is showing signs that it is better supported than platinum as it is more leveraged to the U.S. recovery and growing Chinese vehicle demand, and far less leveraged to the still weak European economy.

Rare Earth Metals

The rush is on for companies and governments outside of China to get a foothold in the market for rare earth metals after a diplomatic spat with Japan raised fears China could shut down its exports. Chinese Ministry of Commerce has stated that the country is cutting its quotas for rare earth exports by as much as 30% next year. China wants to protect the metals from over-exploitation as the country faces the possibility of some reserves running dry within 15 to 20 years at current production rates. China denies any rare earth export ban, but it does produce roughly 95% of global supply and Japan is the largest importer. It is noted that China has also ratcheted down its export quotas by an average of 12% annually over the past five years.

The situation has prompted a variety of actions by both corporations and governments. For example, the U.S. House of Representatives recently passed the Rare Earth and Critical Materials Revitalization Act of 2010, while a second act, the Rare Earth Supply-Chain Technology and Resource Transformation Act, has been introduced in US Congress.

Currency fluctuations

Currency fluctuations may affect the costs the Company incurs in its operations and may affect the Company's operating results and cash flows. Gold is sold throughout the world based principally on the United States ("US") dollar gold price. The Company's financial assets and liabilities and operating costs are principally denominated in Canadian dollars. The Company has no US dollar hedging program due to its minimal exposure to financial gain or loss as a result of US dollar foreign exchange fluctuations against the Canadian dollar.

History of Net Losses

To date, the Company has not recorded any significant revenues from operations. The Company has no properties in current production and no production revenues at the present time.

There can be no assurance that significant losses will not continue in the near future or that the Company will be profitable in the future. The Company's operating expenses and capital expenditures may increase in subsequent years as expenditures are required for consultants, personnel and equipment associated with advancing exploration and development of its mineral properties. The Company expects to continue to incur losses unless and until such time as it enters into commercial production and generates sufficient revenues to fund its continuing operations. The development of the Company's properties will require the commitment of substantial resources. There can be no assurance that the Company will generate any revenues or achieve profitability.

The ability of the Company to continue operations is dependent upon obtaining the necessary financing to complete the exploration and development of its properties and/or the realization of proceeds from the sale of its properties.

Possible Loss of Interests in Mineral Properties

Houston must spend certain minimum amounts on mineral exploration to satisfy ongoing assessment work required on staked claims as well mining taxes on patented and leased claims. Houston is the operator in all of its option agreements. Houston may lose a portion or all its interest in certain mineral properties if it fails to make such payments on a timely basis. Houston may not be able to obtain the necessary licenses or permits to conduct exploration and development operations on its mineral properties, and may not realize any benefits from its exploration activities on such properties.

Title Risks

Houston holds an interest in its properties through mining leases, and patented and staked claims administered by Provincial governments under their respective Mining Acts. Certain disputes may arise with mining claims such as

disputes over title and over the precise area and location of such claims. There is no guarantee that title will not be challenged or impaired. Although title to its material properties have been reviewed by the Company, no assurances can be given that there are no title defects affecting the properties. Title insurance generally is not available for mining claims in Canada and the Company's ability to ensure that it has obtained secure title to individual mineral properties may be severely constrained. There may be challenges to the title of the properties in which the Company may have an interest, which, if successful, could result in the loss or reduction of the Company's interest in the properties. Houston has not conducted surveys of all of the claims in which it holds direct or indirect interests, therefore, the precise area and location of such claims may be in doubt. Accordingly, the properties may be subject to prior unregistered liens, agreements, transfers or claims including native land claims, and title may be affected by, among other things, undetected defects. In addition, Houston may be unable to conduct work on the properties as permitted or to enforce its rights with respect to its properties.

Environmental Risks

Mining operations have inherent risks and liabilities associated with pollution of the environment and the disposal of waste products occurring as a result of mineral exploration and development. Laws and regulations involving the protection and remediation of the environment and the governmental policies for implementation of such laws and regulations are constantly changing and are generally becoming more restrictive. Houston cannot give any assurance that, notwithstanding its precautions, breaches of environmental laws, even inadvertent or environmental pollution will not materially and adversely affect its financial condition and its results from operations. Previous mining operations may have caused environmental damage at certain of Houston's properties. It may be difficult or impossible to assess the extent to which such damage was caused by Houston or by the activities of previous operators, in which case, any indemnities and exemptions from liability may be ineffective. There is no assurance that future changes in environmental regulation, if any, will not adversely affect the Company's operations. Environmental hazards may exist on the properties on which the Company holds interests which are unknown to the Company at present and which have been caused by previous or existing owners or operators of the properties.

Risks Relating to Statutory and Regulatory Requirements

There is no assurance that all permits which may be required for future exploration or development will be obtainable on reasonable terms or on a timely basis, or that such laws and regulations would not have an adverse effect on any project which the Company may undertake. Failure to comply with applicable laws, regulations and permits may result in enforcement actions there-under, including the forfeiture of claims, orders issued by regulatory or judicial authorities requiring operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment or costly remedial actions.

Competition

The Company competes with other exploration and development companies. The business is intensely competitive and many other companies have greater financial and technical resources and experience. Such competition may result in the Company being unable to acquire desired properties, recruit or retain qualified employees, or acquire the capital necessary to fund its operations and explore and develop its properties. The Company's inability to compete with other exploration and development companies could have a material adverse effect on the Company's results of operations.

Dependence on Key Management and Employees

The success of the operations and activities of Houston is dependent to a large extent on the efforts and abilities of its management and outside consultants. Investors must be willing to rely to a significant extent on management's discretion and judgment, as well as the expertise and competence of outside consultants. The Company does not have in place formal programs for succession of management and training of management, nor does it hold key person insurance on these individuals. The loss of one or more of these key employees or contractors, if not replaced, could adversely affect the Company's profitability, results of operations and financial condition.

Market Price of Securities

There can be no assurance that there will be an active and sustainable market for the securities of the Company.

Securities of junior exploration companies have experienced substantial volatility in the past. The price of the securities of the Company is likely to be significantly affected by short-term changes in commodity prices and other precious metal prices or other mineral prices.

Market Price Volatility

The market price of securities of many junior exploration companies, particularly those that are not yet in commercial production like Houston, have experienced a high level of price and volume volatility in recent years and have experienced wide fluctuations in prices which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. There can be no assurance that future fluctuations in price will not occur.

7. WEST CEDARTREE GOLD PROJECT

7.1 Introduction

The West Cedartree Gold Project ([Figure 1](#)) continues to be the current primary focus of Houston's exploration programs. Detailed information is available on SEDAR and referenced as follows;

2009 A Technical Review of the Dubenski Gold Property, Kenora Ontario, by Paul Dunbar, P.Geo. , dated January 27, 2007, filed by Houston on SEDAR February 2, 2009;

2009 Technical Report and Updated Resource Estimate on the Dubenski Gold Property, Kenora Ontario, by B.J. McKay Ltd. and P&E Mining Consultants Inc., dated December 18, 2009, filed by Houston on SEDAR December 18, 2009;

2005 Exploration Summary and Mineral Resource Estimate for the Angel Hill Gold Zone, Kenora Ontario, by Dean R. Cutting, B.Sc., P.Geo, dated October 20, 2005, filed by Houston on SEDAR October 24, 2005;

Exploration of the current contiguous land position of 1,675 hectares in Dogpaw Township is ongoing as sole-risk exploration. The project properties are a combination of leased claims, licences of occupation, and staked claims.

The currently dominant identified gold mineralization is found in Precambrian age epithermal greenstone (basaltic volcanic rocks) hosted vein deposit similar to those discovered in the Red Lake and Timmins gold camps; they are normally structurally controlled. Mineralization concentrated in major fault or shear structures through carbonatization and silicification alteration include the Dubenski Gold Zone, Angel Hill Gold Zone, McLennan Gold Zone and Dogpaw Gold Zone.

Past drill programs (2010) on the Dubenski Gold Zone, the 2006-2007 Angel Hill Gold Zone drilling and 2006 bulk sample and 2006-2008 Dogpaw drilling have confirmed the continued significant gold potential of this geological setting.

The West Cedartree Gold Project has the potential to develop significant gold resources through exploration. Drilling completed in fiscal years ending in 2007-2009 on the Dubenski Property resulted in an updated NI 43-101 resource estimate completed by B.J. McKay Ltd. and P&E Mining Consultants Inc., of a 62,700 indicated plus 1,800 inferred ounce gold resource.

Table 1: Dubenski Resource Estimate (Indicated/Inferred)

Cut-Off Au g/t	INDICATED			INFERRED		
	Tonnes	Au g/mt	Au oz.	Tonnes	Au g/mt	Au oz.
Pit 0.65 g/t	524,000	3.55	59,800	12,000	1.96	800
UG 2.5 g/t	27,000	3.26	2,900	10,000	3.32	1,000
TOTAL	551,000	3.53	62,700	22,000	2.57	1,800

The Angel Hill Gold Zone has an inferred historical resource of 10,162 ounces gold as modelled by Dean R. Cutting, B.Sc., P.Geo and E.Grayme Anthony, B.Sc., P.Geo., M.B.A. (Exploration Summary and Mineral Resource Estimate for the Angel Hill Gold Zone) filed by Houston on SEDAR, October 24, 2005).

Table 2: Angel Hill Gold Zone Resource Estimate (Inferred)

	Cutoff Grade	Tonnes	Au Grade (g/mt)	Total grams Au	Short Tons	Au Grade (oz /st)	Contained Au oz.
AHGZ Envelope	None	587,500	0.59	346,625	647,608	0.017	11,144
2g/t Envelope							
Lens 1a	2 g/t Au	90,600	2.99	270,894	99,869	0.087	8,709
Lens 2a	2 g/t Au	15,800	2.86	45,188	17,417	0.083	1,453
Lens 1a + 2a	2 g/t Au	106,400	2.97	316,082	117,286	0.087	10,162
4g/t Envelope							
Lens 1b	4 g/t Au	41,600	4.80	199,680	45,856	0.140	6,420
Lens 2b	4 g/t Au	8,100	4.59	37,170	8,929	0.134	1,196
Lens 1b + 2b	4 g/t Au	49,700	4.77	236,850	54,785	0.139	7,616

7.2 Property Description and Location

The West Cedartree Gold Project is located in the Kenora Mining Division of Northwestern Ontario within NTS block 52 F/05, this can be seen in figure I. The center of the project area lies at Latitude 49°15'N, Longitude 93°53'W, about 70 kilometres (42 miles) southeast of Kenora and 15 kilometres (9 miles) southeast of the town of Sioux Narrows. The project consists of a large mining claims package concentrated in Dogpaw Lake Township. The project now encompasses 53 claims with a combination of 9 claims with 59 claim units, 22 license of occupation claims, and 22 leased claims all totalling approximately 1,687 hectares. All but 8 patented claims (8units) include surface rights.

7.2.1 Dubenski Property

On May 1, 2007, Houston signed an agreement for the sole option to purchase the Dubenski Property leasehold from Numco (a Winnipeg, Manitoba Co.). The Company's option interest is in 363.6 hectares which consists of 22 leased claims. The Vendor retains 2.5% NSR and the Company may purchase 1.5% of the royalty for \$1,500,000. The option may be exercised by Houston at any time on or before April 30, 2017 with the claims remaining in Numco's name until that time. Houston shall not be entitled to exercise the Option until it has made payments to Numco that aggregate to a total of \$1,000,000 and 200,000 Shares. The purchase price payable by Houston is \$3,500,000 and 500,000 Common Shares plus any applicable taxes (Collectively call the "Exercise Price).

7.2.2 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.

7.2.3 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.

7.2.3.1 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.

7.2.3.2 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).

7.2.3.3 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.

7.2.3.4 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%.

7.2.4 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").

A listing and details of Houston's staked claims is available from the Ontario Mining Recorder.

Houston is not aware of any environmental liabilities within the West Cedartree Gold Project area and of any restrictions beyond those covered by existing legislation and regulation with respect to potential tailings and disposal sites should future development take place.

7.3 Accessibility, Climate, Local Resources, Infrastructure and Physiography

The West Cedartree Gold Project property's northern portion is crossed by the Cameron Lake Road and affords excellent access from Highway 71 to the properties ([Figure II](#)). This road has a restricted access and a permit from the Ontario Ministry of Natural Resources. The Cameron Lake Road leaves Highway 71 about 15 kilometres (9 miles) south of Sioux Narrows. Kilometre markings commence eastward from the sawmill and the project area is reached at Kilometre 8. The project is accessed centrally over logging and drilling roads of varying quality. Access to the south-western portions of the project area may be provided by float plane or by boat from the government dock on Kakagi Lake near Nestor Falls. The properties are reached via a 13 kilometre (7.2 mile) boat ride northward into Emms Bay on Kakagi Lake. The south-western portions of the project are accessed by boat on Cedartree Lake. Cedartree Lake can be reached by a short portage over the dam at the outlet of Kakagi Lake.

The property lies within a climatic region which is classified as Continental, with warm to hot summers and cold winters. Spring and autumn tend to be short and some of the large lakes in the region add to winter snowfall. Winters can have prolonged periods of extreme cold with average daily temperatures of -17.0 °C in January. The maximum average daily temperature is 20°C in July (source Statistics Canada). Precipitation is generally lowest in February (21 mm) and the highest in June (100mm), with a yearly total precipitation of 633 mm. The bulk of this occurs in the summer months, from May to September, in the form of summer showers and thunderstorms. The growing season is also in these five months. The average snow fall is about 158 cm with 132 frost free days (2002 Source: Environment Canada, Ontario Climate Centre). The maximum snow cover ranges between 52 and 57 cm and occurs during the months of January and February. Severe wind storms can occur during the winter months. In spring, rapid snowmelt or ice jamming can lead to flooding of local rivers.

Exploration can be carried out on a year-round basis. The project is snow-free from May to October, for a six month summer exploration season. Diamond drilling and ground geophysics can be carried out on a year-round basis, but may be more convenient in the winter when the ground and lakes are frozen.

The closest communities to the project are Nestor Falls and Sioux Narrows which are situated on Highway 71. These small towns survive largely on American fishing tourism during the summer months and have some restaurants, gas and grocery stores and power lines. Experienced manpower, a small airport, hospital, schools, banks, shopping centres and adequate housing are located in the town of Kenora, approximately 70 km north-northwest of the project. The population is 15, 177 (2006) statistics). Infrastructure, including truck, CN transcontinental rail line and the Trans-Canada Pipe Line which largely parallels Highway 17, traverse east-west through the Kenora corridor.

The project terrain is typical of the Canadian Shield which has been previously scoured by glacial activity to produce a region of relatively low relief with numerous lakes, rivers and low-lying areas which outline faults and rocks that are less resistant to weathering. Topographic features such as bays, inlets, peninsulas and straits tend to be elongated in the direction of the strike of the geological formations. The Property is predominately lowland terrain relief up to 15m, typically underlain by mafic metavolcanic rocks and little bedrock exposure at surface. The remaining area is underlain by mafic to ultramafic sills, intermediate to felsic metavolcanics and felsic intrusions. These areas are characterized by good bedrock exposure, with hills elongated parallel to the trend of the rock units and relief varying from 15-125 m (Norontex Exploration Ltd., 1983).

According to Lengyel (1998), the region is well covered with spruce, pine, alder and birch trees. There is ample water from rivers and lakes in and around the project to support exploration and development work.

7.4 History

The Rainy Lake region of the Northwestern Ontario has been prospected for gold since the late 1800's. According to Adams (1974), many gold showings were discovered and two gold mines went into production for a short time; the Gold Panner Mine operated in 1899 on Caviar Lake and the Flint Lake Mine operated on the north shore of Flint Lake in 1901. Since then, exploration in the Rainy Lake region has focused on gold, with some interest on mafic/ultramafic sills and metavolcanics in the early 1970's for their base metal potential.

7.4.1 Dubenski Property

The Dubenski claim ground has been actively explored for gold since the early 1930's. Historical exploration work has included prospecting, surface trenching, sampling, geological mapping, ground geophysical and geochemical surveys and diamond drilling by numerous operators, including major companies such as Noranda Mines Limited and its successor companies and Sherritt Gordon.

The Property was initially discovered by Albert Gauthier prospecting for Joseph Errington. In 1936 some surface trenching was done, followed by the completion of four diamond drillholes; the holes drilled from the lake ice. Some claims were then dropped because of an ownership dispute. The ground was subsequently staked by Norman Caswell and Percy Williams who optioned the property to Noranda in 1943. In 1945, Noranda cut an exploration grid and drilled the Caswell-Williams option, completing 40 holes, which tested a length of 915 m of shearing along the south shore of Flint Lake. Although gold mineralization of significant grade was intersected, the option was dropped in 1946 as a deposit of adequate size could not be defined.

Wampum Gold Mines Ltd. sunk a shaft to a depth of 27m on the "Shaft Zone" in 1946. Dogpaw Gold Mines Limited ("Dogpaw"), formally Wampum Gold Mines Ltd., acquired the property. In the early 1950s Dogpaw sunk a shaft called the Falnora Shaft, on the Shaft Zone to a depth of 40m and an 18m crosscut was extended northward from the 38m level. Work then ceased and the patent claims were allowed to lapse.

Gunnex Limited completed a ground magnetic and electromagnetic survey covering the property along the south shore of Flint Lake in 1969. It is assumed that the work was carried out under a joint venture agreement with A.D. Zeemel (Norontex, 1982). The survey covered portions of claims K273823, K273822, K273821 and K314926. Two anomalies trending roughly parallel to the south shore of Flint Lake were outlined; one zone was located approximately 150m north of the shaft and extended for some 610m east-west. The second anomaly was 90-120m north of the shore, and similarly 610m in length. These anomalies were interpreted to represent either pyrite rich shears or fault zones, however, the property was again dropped in 1971.

In 1971, the property was staked by Paul Dubenski, Sr., a diamond driller from Kenora. Paul Dubenski optioned the property to Noranda in 1973. An exploration grid was cut that fairly successfully duplicated the original 1945 Noranda grid and the grid was mapped at a scale of 1" to 200ft. Noranda also carried out a two-phase 27 hole, 2,464m diamond drilling program focused on the Shaft Zone from 1973 to 1974.

Noranda completed ground VLF, EM and magnetometer geophysical surveys over the entire grid in 1974. The survey was completed on the exploration grid with lines spaced at 60 m (200 ft) and 120 m (400 ft) intervals covering 19 of the 22 property claims. A series of east-west striking EM conductors of interest (referred to as "Area A") were identified which were recommended for drill testing. A VLF anomaly was also identified along the Shaft Zone, however, it was uncertain if this anomaly had a direct association with the gold-bearing zones. One suggestion was that the anomaly could be caused by water filled fractures in the vicinity of the shaft.

The property was optioned to Sherritt Gordon in 1980. Sherritt Gordon completed a 16 hole (1,217 m) diamond drilling program aimed primarily at further defining the resource potential of the Shaft Zone. The company also completed a geochemical and ground EM and magnetic survey, geological mapping and a trench/channel sampling program. According to Norontex (1983), drilling confirmed many of the Noranda assay results. Furthermore, 21 old trenches were channel sampled at the Shaft Zone and west of this zone. Trenches D-1-82 to D-5-82 returned values ranging from nil to 7.89 g Au/t (0.23 oz/tons Au). Geochemical sampling included the collection of 129 humus samples and a couple of dozen birch bark samples.

A review of the geological reports indicate on various drillhole location plan maps that at least 17 trenches have previously been excavated along the Dubenski Shear Zone, on or before 1982. Trenching has been concentrated at the Shaft Zone, between the Shaft Zone and East Zone, and above the East Zone. For example, there are nine trenches covering a 91.5 m strike length of the Peninsula East Zone, located between the 1945 Noranda holes DH-6 to DH-4. The assay results for the majority of these trenches are not known. The option agreement was terminated in 1983 and all interests were transferred back to 525400 Ontario Inc.

Anyox Metals Ltd. contracted Norontex to prepare a qualifying report to evaluate the Dubenski claim group in 1983. The report included an historical review of all exploration historical exploration work, compilation of all drill data and the calculation of a gold resource for the Shaft Zone. A two-phase exploration program including grid restoration, stripping, trenching, geological mapping, geochemical surveying and diamond drilling was recommended, however, no field exploration work was undertaken.

Dubenski Gold Mines actively explored the property from 1984 to 1988. The exploration programs consisted of line cutting, bulldozing, hydraulic washing, prospecting, shaft dewatering and rehabilitation, trench channel sampling and diamond drilling.

The exploration grids established by Noranda and Sherritt Gordon were re-cut at the same line orientation. Hydraulic washing using high pressure water pumps was undertaken to facilitate channel sampling and expose rock formations at surface at the Shaft Zone. Five trenches were channel sampled. Channel sampling results of the five trenches (T-15 to T-19) were disappointing, with the exception of Trench 17, which returned 10.97 g Au/t (0.32 oz/tons Au; sample 17-15) and 0.58 g Au/t (0.017 oz/tons Au; sample 17-14) over sample lengths of 1.52 m.

Two surface diamond drilling programs were undertaken from 1984 to 1987 with the completion of 47 holes totalling 6,911.7 m, and a 1988 underground drilling program where 12 holes were drilled off the Falnora Shaft (located in the Shaft Zone), from the 36.3 m station, for a total of 759.5 m. Drilling was focused at the Shaft Zone, new Central Zone and Peninsula East Zone, resulting in the "calculation of a probable reserve" for the Shaft Zone and a "drill indicated reserve" for the Central Zone in 1987.

Avalon Ventures Ltd. ("Avalon") acquired the property in December 1996 and established a new grid, conducted an IP survey and completed additional diamond drilling.

Prior to the acquisition of the Property by HLM no further exploration work had been conducted on the Property since the completion of Avalon's work in 1998.

7.4.2 West Cedartree Properties

7.4.2.1 Dogpaw Lake Property

On the Dogpaw Lake property, gold was originally discovered by a prospector named Dalby, about 1900. After Dalby's initial work, the claims were allowed to lapse. In 1943, Jack Kent and Roy Martin, prospecting for Noranda Mines, rediscovered the No. 1 zone and staked the present claim group. In 1944, the claims were prospected and several other gold showings were found. In the same years, Noranda drilled 82 holes totalling 9,084 feet. At this time a mineral resource inventory was calculated. The No. 1, 1A and 2 vein systems are estimated to contain 59,520 short tons with a grade of 0.45 oz Au/st. With this work, the claims were patented and held until 1960 when they were sold to Consolidated Golden Arrow. The property was further prospected and redrilled by Golden Arrow in 1960 and 1961 with 32 holes totalling 8,790 feet. In 1974, Noranda mapped the property and conducted a magnetometer survey. The property was optioned by Nuinsco in December 1987. In 1988, Nuinsco's exploration program included 19 diamond drill holes totalling 7,651 feet and stripping on Zone No. 1 and 2. A mineral resource inventory of 18,229 short tons grading 0.26 oz Au/st to an elevation of -150 feet was calculated by Nuinsco on the No. 1 and 2 veins, to evaluate the possibility to extract the ore by open pit.

In November 1995, Larchex Mining Exploration Inc. built an all-weather road to the vein No. 1 and 2 site. Stripping and mapping of the vein system was done. In January 1996, a 500 ton bulk sample was trucked to Fort Frances and then shipped by rail to Noranda Horne smelter. The grade average was 0.21 oz Au/t due to a 30% dilution.

In 1996-1997, Houston optioned the Dogpaw Lake Property from Canadian Arrow Mines (formerly Consolidated Golden Arrow) and conducted an IP geophysical survey in 1997. Three subparallel northeasterly trending IP zones gave strong to very strong responses over a total strike length of 3.5km (2.17 miles). A 41 hole, 4,323m (14,180ft) diamond drill program was also completed in 1997. Whereby the option was not completed as the timing of Bre-X scandal crippled the junior mining market's ability to finance.

In 2006, Houston optioned the Dogpaw Lake Property. Under the Option Agreement, Houston Lake is required to issue 400,000 common shares and incur exploration expenditures of \$250,000 within 14 months and a further \$250,000 within 36 months. The 100% earn in interest is 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%. Houston has completed the option and its interest is vested.

7.4.2.2 McLennan Property

Mr. G.E. McLennan staked a group of nine claims (7 of these claims now form the McLennan Property of Houston Lake Mining Inc.) in 1944 to tie on to the south of the group of Dogpaw Lake Property claims. During the course of staking he discovered a one inch quartz vein which returned 0.3 oz/t gold.

The McLennan Property was optioned to Sylvanite Gold Mines Limited ("Sylvanite") in 1944. Sylvanite carried out prospecting and discovered the Main Showing (McLennan Gold Zone) in the northeast corner of claim K-10025. Visible gold was identified and spurred the company to complete a program of trenching in the same year. In late 1944 and early 1945, fourteen diamond drill holes totalling approximately 1,885 feet (575m) were put down along the Main Showing. Later in 1945 Sylvanite dropped its option on the property.

As of 1946, work on the property almost exclusively focused on the McLennan Gold Zone on Claim K-10025 and its southerly extension on to Claim K-10029.

In the central portion of Claim K-10026 a northerly striking shear zone with carbonatization and some silicification occurs. Gold is reported to occur in it but very little work has been done. Bright green chlorite occurs in this locality (R. Thompson, 1946).

In February 1997 the McLennan Property was purchased by Houston for cash from Mrs. P. McLennan and Marbank Minerals Inc. subject to a 0.75% Net Smelter Royalty held by Marbank. Houston optioned 55% of the property to affiliated company Inca Mining Corp in September of 1997. Inca carried out prospecting activities in the vicinity of the McLennan Gold Zone.

In 2001 Reginald F. Walker purchased the Inca 55% interest in the McLennan Property. In May of 2002, Houston optioned the remaining 55% in the McLennan Property subject to a 1.5% Net Smelter Royalty and optioned the adjacent Jesse North Property subject to a 2.5% Net Smelter Royalty from Mr. Walker. In Spring of 2003 Houston Lake earned its 100% interest in the McLennan and Jesse North properties.

7.4.2.3 West Cedartree Property

In 1944, E.M. Robertson and Company held several groups of claims west of Cedartree Lake and north of Kakagi Lake (West Cedartree Gold Property). The first group of the claim lies about a half mile (800m) northeast of the Cedartree Lake-Kakagi Lake portage. A silicified carbonatized zone about 25 feet wide was enclosed in massive gabbro. Six diamond drill holes totalling 150 feet (48m) in length were drilled and assay returns from the core reported a highest value of 0.04 oz/t gold over 5.5 feet. A second group of claims lies about a ½ mile north of the northern arm of Emms Bay. Eight claims (10043-46, K 10056, and K-10061-63) covered a northeasterly trending silicified carbonatized pyrite-bearing zone in gabbro. Channel sampling resulted in very low assay values for gold (R. Thompson, 1944).

7.4.2.4 Gold Sun Property and Dogpaw West

The area occurs south of Jessie Lake and on the northern and western sides of Emm Bay. The Gold Sun Mine existed in the late 1800s in the areas and according to J.A. Box (1900) "... other properties have been and are in operation in this vicinity, but they were not visited. I got some information from Mr. A.A. Atwater, manager of a property consisting of locations JC81 and 97, and FM 145, situated northwest of Crow Lake, and owned by the Gold Sun Mining Company Limited; head office, Windsor, Ontario. Six miners were employed all summer. Two tunnels, 45 and 70 foot long respectively and 600 feet apart had been driven to cut the same vein, besides stripping and blasting along the surface." J.P. Williams and N.S. Caswell claimed the area covering the Gold Sun prospect. Sylvanite Gold Mines Limited optioned the claims encompassing the property from Williams and Caswell in 1944. In a letter dated February 21, 1944, the showing of interest is described as a highly carbonatized zone carrying many quartz stingers and veinlets. The zone varied in width from 200 feet (60m) to 400 feet (120m) and had been traced for well over two miles (3.2 km) along strike (Letter from G.L. Holbrook to W.V. Moot, Vice President and Managing Director, Sylvanite Gold Mines Ltd.). In the spring of 1944, Sylvanite collared some diamond drill holes near the tip of the peninsula extending northeasterly into Kakagi Lake on claims K10211 and K10210. A carbonatized zone some 25 feet wide and with strike about 90 degrees (magnetic) was drilled through from both sides." (Thompson 1999). The claims were abandoned in early 1946. In 1982, an area covering the southern half of the property, was optioned from B.Perry by Bigstone minerals who in turn optioned the property to INCO. INCO conducted ground geophysical surveys, released an airborne survey flown in 1958, conducted sampling and diamond drilling. In 1984, Proteus Resources Inc. optioned from B.Perry what is the northern half of the current "Gold Sun" property tied to the northern boundary of the property being explored by INCO. Exploration activities consisted of an airborne geophysical survey, geological mapping, prospecting, trenching and diamond drilling. Based on a claim map included with Proteus' 1986 assessment report of work, they optioned from B.Perry the property that had been optioned to INCO.

In January of 2007 Houston announced that the company optioned 2 land packages made up of 28 claim units (448 hectares or 1107 acres) in the Cedartree Lake area from Endurance Gold Corporation (TSX.V:EDG) of Vancouver, B.C. of Ontario. The one year Dogpaw Lake Agreement required the Company to issue 100,000 common shares and to apply a total of \$56,000 in approved assessment work for a 100% interest in the two claim blocks. The ownership interest is subject to a 2.5% net smelter royalty ("NSR"). Houston can purchase up to 1.5% of the NSR for \$500,000 per 0.5%. The 28 claim units form two separate properties. The five claim unit Dogpaw West property adjoins Houston's 100% optioned Dogpaw Lake property while the 23 claim unit Gold Sun property adjoins the southern end of Company's West Cedartree property.

7.5 Geological Setting

Regional Geology

The West Cedartree Project is located within the Kakagi-Rowan Lakes greenstone belt, located on the western end of the Wabigoon Sub-province within the Archean Superior Province of the Canadian Shield (Lengyel, 1998; Eaton, 1974). The Wabigoon Sub-province is a granite-greenstone terrain separating the gneissic terrains of the Quetico Sub-province to the south and the Winnipeg River Sub-province to the north.

The stratigraphy of the Kakagi-Rowan Lakes greenstone belt consists of a lower and upper volcanic sequence. The lower sequence, the Rowan Group, is comprised of submarine ultramafic to mafic, komatiitic-tholeiitic volcanic flows and minor interflow sediments. The upper sequence, the Kakagi Lake Group, is comprised of intermediate to felsic tholeiitic to calc-alkaline volcanoclastic sequence. The upper volcanoclastic sequence has been intruded by the Kakagi sills, a series of syn- to post-volcanic ultramafic to mafic sills and dikes.

The West Cedartree Project is located in a northwest-southeast trending volcanic-sedimentary belt which extends from the Lake of the Woods in the northwest, to Pipestone Lake and beyond in the southeast (Norontex, 1983). This belt has been subjected to at least three deformational events and is wedged between batholithic complexes.

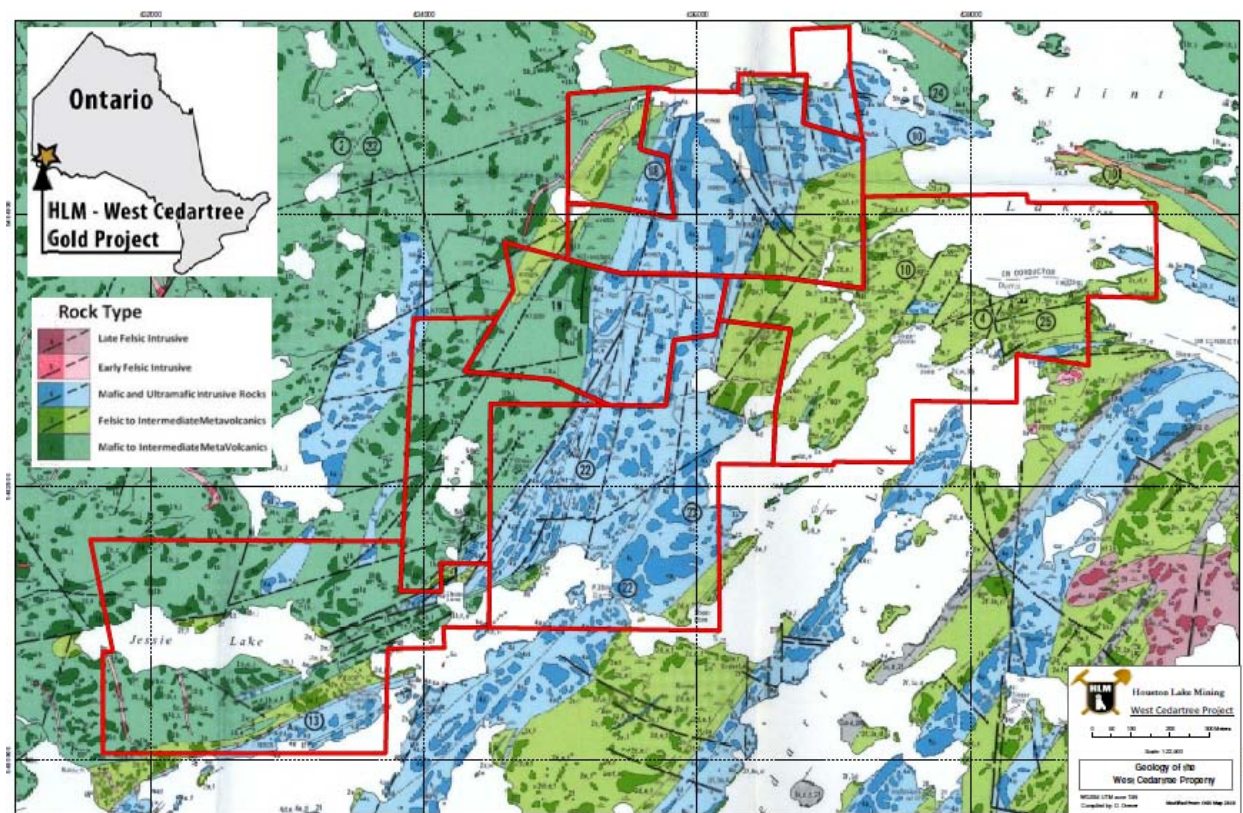


Figure IV: West Cedartree Gold Project Geology Map

The volcanic-sedimentary formations within this belt have been folded into a synclinal structure called the Emm Bay Syncline, located to the south of the Property. This syncline structure plunges to the east-northeast. These formations have been intruded by the Stephen Lake diorite stock. The three deformation events affecting this belt consist of the following (Campbell, 1999a):

- D1: a syn-depositional localized folding that was produced during arc development due to sediment loading and to diapiric emplacement of synvolcanic intrusions;

- D2: formed a series of recumbent east-west trending folds and thrust faults, potentially during arc consolidation or pre- to early accretion; and
- D3: occurred during the accretion of the volcanic arc with the older Archean proto-continent to the northwest.

The Emm Bay Syncline is truncated to the northeast by the northwest trending Pipestone-Cameron Fault, which is also referred to as the Pipestone-Cameron Deformation Zone ("PCDZ"). Offset stratigraphy along the PCDZ indicates that this zone may represent up to 3 km of apparent horizontal displacement. The amount of vertical displacement is unknown. Two systems of secondary faults, one trending west-southwest to east-northeast and the other striking north-south, have resulted in only minor dislocation of stratigraphy on a regional scale.

Property Geology – Dubenski

The following section is sourced from and is an update of the previous technical report on the Property by Dunbar and Kociumbas (2009).

"To date, the Property has only been systematically mapped by Noranda in 1973 (scale 1" to 200 ft), by the OGS in 1996 (scale 1:31,680) and finally by Avalon at a scale of 1:5,000 in 1997-1998" (Lengyel, 1998).

The Property is underlain by a series of felsic, mainly dacitic, tuffs with minor intercalated sediments such as argillites, sandstones and cherts and minor gabbroic intrusive rocks (Norontex, 1983). South of the Property, these gabbroic rocks appear in differentiated mafic sills alternating and concordant with felsic volcanic rocks. No complete stratigraphic column has been established for the Property. Stratigraphy strikes between 105° to 110° and dips sub-vertically.

The following geological discussion incorporates observation from Avalon's 1997-1998 mapping program, structural studies and their completed diamond drilling programs, and has been sourced directly from Campbell (1999a).

Geological mapping and structural studies provide evidence that the host rocks of the mineralization at the Shaft Zone, while extensively altered, have not been subjected to intense ductile (simple) shear, and that rocks outside the main Dubenski trend are essentially undeformed. In addition, the strong fabric recognized on surface and in drill core at the Shaft Zone was generated by a regional compression event (end member simple shear) that post dates the dominant gold emplacement event.

The geological mapping has resulted in some major changes to the initial geological interpretation of the Property, which includes an overall change in orientation of the stratigraphy from east-west to north-northeast in most areas outside the main Dubenski trend.

The majority of the Property is underlain by two distinct formations of felsic volcanic rocks: the Kakagi Lake Formation; and a series of overlying finer grained felsic volcanic rocks, the Cedartree Lake Formation. The lower Kakagi Lake Formation rests conformably on a basal sequence of mafic volcanic rocks which comprise the dominant bedrock of the adjacent HLM property, contiguous to the west of the Property.

The Kakagi Lake Formation is defined mainly by a coarse pyroclastic unit, predominantly a coarse tuff breccia consisting of large blocks of basaltic to dacitic composition, within a tuffaceous matrix of intermediate to felsic composition. This unit comprises most of the western portion of the Property. The variability in block size and composition strongly suggests the origin is slump breccias, as opposed to true vent pyroclastic agglomerates. The geological environment suggested by these rock types is indicative of great instability in the volcanic stratigraphy during formation, possibly regional subsidence contemporaneous with volcanism. Several thin horizons of fine-grained tuff occur intercalated within the coarse units and could potentially be used as stratigraphic marker horizons, at least over short distances.

Overlying the Kakagi pyroclastics are tuffaceous sediments, cherts, tuffs, and minor dacitic flows of the Cedartree Lake Formation. These are felsic, probably dacitic to rhyolitic in chemical composition, and have a high proportion of cherty beds. Mapping indicates that these rocks underlie the East Cedartree property and the eastern half of the Property. Good exposures occur all along the east shore of Cedartree Lake, and the south shore of Flint Lake. Individual units range from massive tuff to crystal tuff, fine grained pyroclastics with abundant cherty sediments, reworked volcanoclastics, and lesser lapilli tuff. Primary features such as graded bedding and layering in tuffaceous units, flame structures and millimetre scale lamina in cherty units is clearly evident. The general trend of stratigraphy is in the order of 010° to 040° azimuth, with moderate dips to the east. The lack of penetrative foliation or any small scale folding or crenulation attests to the fact that these rocks are essentially undeformed to within 200 m of the main Dubenski trend.

The contact between these two regional formations, labelled as a transition zone on the geological plan map, transects the Property along the northeastern end of Cedartree Lake in a north-northeastern direction. Its actual location through the Property is partially interpreted on diamond drill results. Current evidence indicates the Shaft Zone is spatially associated with this contact.

A fold structure located in the central portion of the Property has been interpreted and is based on limited geological information at this time.

Several mafic sill intrusions occur with the volcanic stratigraphy, and may belong to the Kakagi sill intrusive event. One occurrence of gabbro occurs in the central portion of the Property. Smaller occurrences are commonly noted throughout the stratigraphy. The sills are composed of subhedral pyroxene and / or hornblende phenocryst phases, set in a fine-grained ground mass of plagioclase and mafic minerals. Their morphology can be quite variable within the stratigraphy, as noted at the stripped outcrop at the junction of the main road with the Shaft Zone trail. Here a small intrusion can be seen exhibiting both conformable and cross-cutting relationships with the enclosing host rocks. Some of these mafic intrusions are reflected geophysically as magnetic highs, while others are non-magnetic, suggesting two different intrusive phases.

Dubenski Gold Deposit Geology

The following section is quoted from the previous technical report on the Property by Dunbar and Kociumbas (2009).

“Diamond drilling has determined that the main gold deposit comprising the Shaft Zone, Central Zone and East Zone is underlain by felsic to intermediate tuffs, lapilli tuffs, ash tuffs and agglomerates (Pearson, 1985). Lesser amounts of felsic to intermediate flows, as well as minor porphyries and mafic flows, are also present. Avalon concluded from the analyses of whole rock data that the mafic volcanic rocks are actually calc-alkaline basalts to andesite rocks (Lengyel, 1998). Geological correlation between drillholes is very difficult due to the frequent changes in rock types and / or alteration. Outcrop stripping has shown evidence of local small-scale folding. Noranda interpreted several northeast, northwest and east-west trending faults in the area.

According to Norontex (1983), the apparent geological sequence, progressing from north to south upward through the stratigraphy of the Shaft Zone, is as follows:

“cherty sediments and felsic tuffs, felsic tuffs and agglomerate, felsic to intermediate tuffs, banded felsic to intermediate tuffs, felsic to intermediate tuffs, quartz-sericite phyllite and silicified sericitic felsic tuff, lapilli tuff, sugary silicified quartz-carbonate zone, felsic to intermediate banded tuff and intermediate to mafic tuffs with feldspar porphyry and or andesite rocks.”

“Widespread greenschist facies-type metamorphism has affected all of the rock types on the Property. Alteration is apparently related to the shear zones and is described in terms of silicification, carbonatization and sericitization (Norontex, 1983). In most cases, original textural features have been obliterated, with the rocks now described as quartz-sericite schist, chlorite schist and talc schist. Silicification zones are fairly common, often associated with the felsic rock types. Sericite alteration is variable between the felsic and felsic to intermediate rocks.”

The recent drilling on the east end of the Property intersected a 50 m wide sequence of finely bedded and laminated, pyritic, chert in the “hanging-wall” volcanic sequence.

Dubenski Gold Deposit Types

The following section is quoted from the previous technical report on the Property by Dunbar and Kociumbas (2009).

“The primary deposit type being explored for on the Property is a Precambrian age epithermal greenstone (basaltic volcanic rocks) hosted vein deposit similar to those discovered in the Red Lake and Timmins gold camps; they are normally structurally controlled. In Ontario, these types of deposits are the most abundant and significant, in terms of gold content, in deformed Archean greenstone belts. Gold mineralization usually occurs within 1 to 2 km from surface.

These deposits are usually formed in areas of active volcanism around the margins of continents where gold mineralization is deposited from hot hydrothermal (“HT”) fluids that are mainly derived from a magmatic source at depth. The HT fluids carry metals in solution through a series of fractures (shear and breccias zones) in the rocks where metals are deposited through either a boiling process or when solutions cool or are mixed with groundwater. Mineralization is mostly concentrated in major fault or shear structures. Ore minerals are deposited as disseminated sulphides in the fractures, forming veins (often multiple quartz and / or quartz-carbonate veins) or stockwork vein systems. The host rocks are also usually mineralized and altered. These systems can contain gold-silver and base metals with quartz, carbonate and pyrite as well as high concentrations of arsenic and copper with a lower silver-to-gold ratio. Silicification and iron carbonate are the most common alteration features. For more information regarding this deposit type, the reader is directed to the paper by Dubé and Gosselin (2007).”

Dubenski Property Target Mineralization 2009

The following section is sourced and updated from a technical report on the Property by Dunbar and Kociumbas (2009).

Gold is the only mineral known to occur in economically important amounts on the Property and has been concentrated at the Dubenski Gold Deposit. Here, gold mineralization is associated with a “shear zone” that has been traced for a strike length of 915 m, approximately on strike with the volcanic stratigraphy and following roughly the south shore of Flint Lake. The structural control mechanism for concentrating gold mineralization within this deposit is still not clearly understood. It has been suggested that the gold deposit is either syngenetic stratabound in origin, or may have originated as an epigenetic deposit related to a later stage shearing and brecciation event.

The Dubenski Gold Deposit is comprised of three zones which are more or less continuous along strike. From west to east, these zones are called the Shaft Zone, the Central Zone (comprised of the Near Surface Zone and Deep East Zone) and the Peninsula East Zone (also referred to as just the “East Zone”). To date, diamond drilling has determined that gold is the most concentrated within the Shaft Zone. Gold mineralization is hosted by felsic to intermediate tuffs and lapilli tuffs (Pearson, 1985). According to Norontex (1983), the mineralized structure dips vertical to steeply south, concordant with the volcanic sedimentary formations, having the same strike of the orebody and parallels stratigraphy (105° to 110°), rather than the shearing direction (85°-90° strike, dipping steeply north). Alteration is manifested by silicification, carbonatization and sericitization, resulting in quartz-sericite schist, chlorite schist and talc schist.

Previous operators have made the following observation regarding the mineralization of the Dubenski Deposit (Pearson, 1985 and 1986; Norontex, 1983; Adams, 1974; Eaton, 1974):

- Gold appears to be concentrated within zones of sericite schist (felsic tuffs) and in association with lenses of pyrite mineralization and in zones / lenses of silicification. However, not all siliceous zones carry gold;

- There is a strong relationship between gold and alteration, although not all alteration zones are mineralized;
- Although there is no direct correlation between gold and pyrite content, pyrite is always associated with gold. However, the reverse is not always the case. Pyrite content can reach up to 15 modal percent;
- Gold-bearing zones appear to be enriched in arsenic, only geochemically, as no arsenopyrite has been reported;
- In drill core, visible gold occurs along foliation planes and less commonly as disseminations. Often core samples returning greater than 8.57 g Au/t carry visible flecks or films of gold along foliation planes; and
- Gold accessory minerals consist of black chlorite and sericite associated with silicification. Trace amounts of fuchsite occur in siliceous felsic zones.”

Results of the recent drilling indicate that the previously defined zones, Shaft Zone and Central Zone, form one continuous sheet of mineralization that has been designated the Dubenski Gold Zone (“DGZ”). The historical zone names, Shaft Zone, Central Zone, and Peninsula Zone have been maintained for reference.

Figure V, cross section 23+40E, is typical of the Dubenski Gold Zone. The section clearly shows the South, North and Footwall Zones. The drilled thickness of the DGZ varies from 1.2 m in diamond drillhole DB08-39 to 38.9 m in diamond drillhole DB09-47. The average sample length for the latest two drilling programs was 1.0 m.

The Dubenski Gold Zone strikes east-west and dips steeply, 85° to the south. Figure V as seen below shows at station 23+40E a typical cross section for the Dubenski Gold Zone.

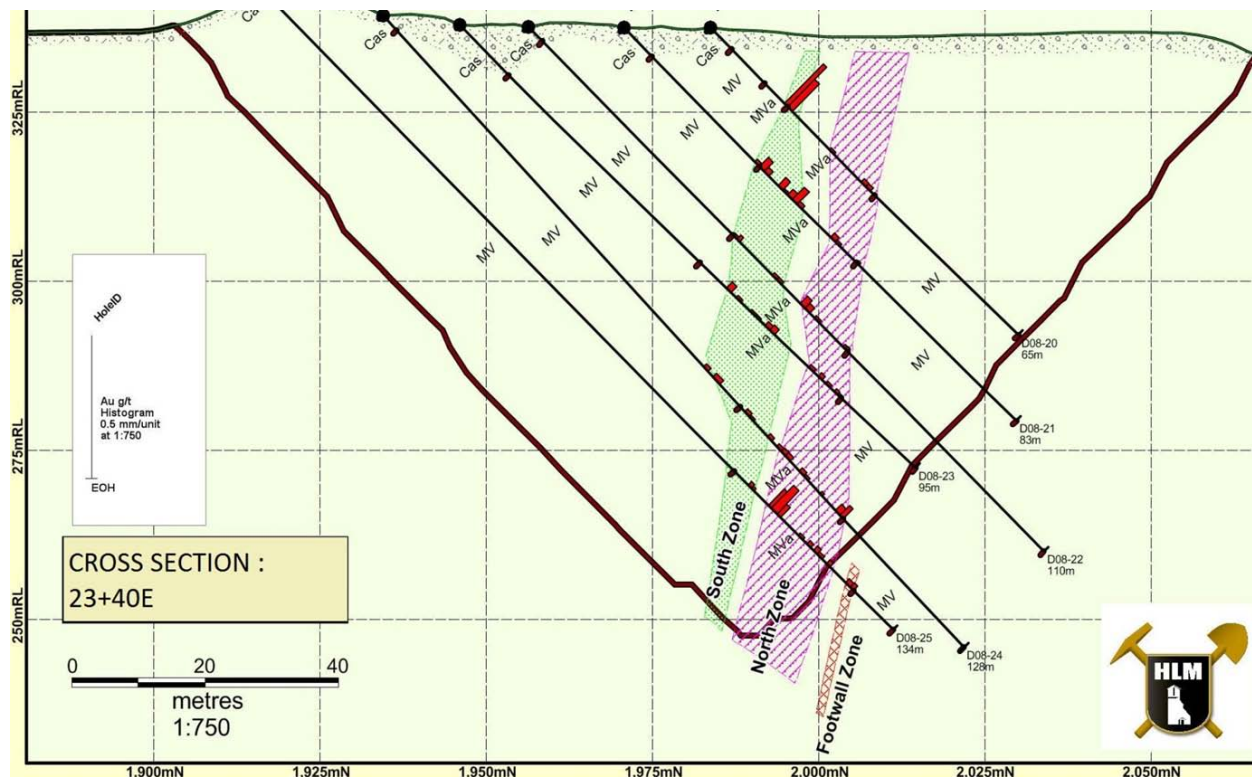


Figure V: Typical Dubenski Gold Zone

Property Geology – West Cedartree Properties

The West Cedartree Gold Project area can be divided into three lithological domains from west to east: the Snake Bay Formation (SBF) of the Rowan Lake Group, the Kakagi gabbro sill and the Emm Bay Formation (EBF) of the Kakagi Lake Group. The SBF dominates the western portions of the property and stratigraphically underlies the

EBF. The SBF consists of interlayered massive, pillowed and porphyritic mafic flows. Mafic tuff and lapilli tuff are moderately sorted mafic hayclastites and broken pillow breccias. This assemblage is indicative of deposition into a shallow water environment (Johns, 1985).

The extreme eastern portion of the property is underlain by the compositionally intermediate rocks of the EBF which stratigraphically overlies the SBF. Most of the formation is composed of interbedded heterolithic, matrix supported lapilli tuff to pyroclastic breccias debris flows and monolithic pyroclastic flows. Thick, massive, poorly developed beds, lack of grading and lithologic complexity indicates that both the debris flows and pyroclastic flows were deposited in a proximal volcanic environment (Johns, 1985).

Most of the property is underlain by a thick Kakagi gabbro sill which strikes NNE-SSW across the project area. It has been postulated by some authors that the Kakagi sills are synvolcanic with the SBF. Johns (1985) notes that the porphyritic gabbros have rounded plagioclase phenocrysts very similar to that displayed by fine grained massive and pillowed flows of the SBF. This may be true of the pod-like bodies of gabbro that are restricted in occurrence to the mafic metavolcanic formation. However, it is clear that a number of the Kakagi sills intrude into the younger formations of the Kakagi Lake Group. Therefore, all of the sills must postdate the mafic volcanism and much of the intermediate volcanic deposition.

“The Kakagi sill that occurs on the property is distinct from the five other sills in the Cedartree Lake area. The sill is the lowermost (interposed between the underlying SBF and overlying EBF), perhaps the thickest (reaching almost 1.4km or 4500 feet thick at its widest point) and the most lithologically heterogeneous of the Kakagi sills in the region. The West Cedartree gabbroic sill is a differentiated intrusion. Basal portions of the sill are dominantly ultramafic in composition and reach up to 200m thick in the southern portions of the property. The ultramafic portion narrows gradually through the central portions and is apparently not present at the northern extremity of the project.

The major lithological formations strike roughly north-northeasterly across the properties. Pristine contact of the major rock units have not been directly measured though gabbro sill/mafic volcanic and internal ultramafic/gabbro sill contacts appear to dip steeply to the east. These contacts may in part reflect local shearing and/or faulting. The direction of younging of the major formations is consistently to the east across the project area. The differentiation trend in the gabbro sill is also in agreement with this easterly facing direction.

The deformational history of the property is complex and at least two deformation events are expressed as is indicated by small scale features such as folded, pinch and swell or boudinaged carbonate or quartz veins (see Regional Geological Setting). Numerous faults and lineaments of a number of orientations are present in the local geology. Disruptions in the continuity of the north-northeasterly magnetic features frequently trend in an east-west (ENE to ESE) direction. These magnetic features display both sinistral and dextral dislocations.

Shearing generally trends NNE-SSW which is subparallel to the major geological contacts. Shearing is frequently accompanied by widespread carbonate and iron-carbonate alteration. The Angel Hill Gold Zone is characteristic of a shear with associated alteration but atypically contains fuchsite and silica alteration. At the Kakagi Lake-Cedartree Lake portage shearing trends in an approximately east-west direction and is accompanied by carbonate alteration” (Cutting, 2005).

Target Mineralization – West Cedartree Properties

Gold mineralization has been investigated at three localities on the West Cedartree Gold Project. The McLennan Gold Zone, the Angel Hill Gold Zone and the Dogpaw Lake Gold Zone form three similar types of mineralization. All three gold zones share an association with intense carbonatization and silicification along distinct structures or lithological contacts.

“The McLennan Gold Zone (MGZ) has been historically explored by surface trenching and pitting as well as shallow drilling. The zone has not been intensively explored by Houston. However, gold values from minor sampling appeared to duplicate historic work on the zone. Gold occurs within a 3.0-5.0m wide carbonatized zone contained

within mafic metavolcanic massive flows of the Snake Bay Formation at the western contact of the basal Kagaki Sill. Gold is associated with sulphides, brecciation, stringer sulphide veining, quartz–carbonate veining and silicification.

The Angel Hill Gold Zone on the McLennan Property has a surficial expression with 130m of strike. Gold mineralization occurs within an 8-20m wide alteration and shear zone that follows the contact between an ultramafic basal portion and the gabbroic upper portion of a large differentiated gabbro sill. The alteration consists of serpentinization, carbonatization, fuchsitization and silicification that have affected mainly the upper portions of the ultramafic unit. Most of the best gold mineralization occurs within highly fractured structurally complex central core sections of the zone and has an association with quartz veins, silicification, and fuchsite alteration. The gold itself within the Angel Hill Gold Zone does occur, at least in part, as coarse visible grains and specks up to 0.5 millimetres in size. The gold is relatively evenly distributed in the host rock occurring as coarse flakes (> 150 mesh), fine flakes (<150 mesh), and/or in combination with other metallic minerals including pyrite, chalcopyrite, arsenopyrite, galena, or molybdenite” (Cutting, 2005).

7.6 Exploration Programs (2010)

The current program on the West Cedartree property is aimed at outlining three open pit working areas (Dubenski Gold Zone, Angel Hill Gold Zone and the Dogpaw Gold Zone) in order to advance the company towards a production objective. Exploration outlays, salaries and other outlays were funded from treasury. During the twelve months ended March 31, 2010 Houston Lake invested \$1,149,966 in the mining properties. Of the total:

- \$934,769 was incurred in acquisition and exploration costs for the Dubenski property;
- \$110,675 was devoted to exploration on the Dogpaw Lake property;
- \$101,821 was expended on the West Cedartree property; and
- \$2,701 was spent on the Pakeagama Lake and Tib Lake properties.

7.6.1 Exploration - Dubenski Property

Since acquisition in 2007 of the Dubenski Property, Houston completed the following exploration work:

- A Phase I, 17 hole, 1,798.6 m NQ-sized diamond drill program aimed at providing a NI 43-101 compliant Mineral Resource estimate of the Shaft Zone gold deposit. This program was conducted in January and February, 2008 and was designed and managed by WGM. Readers are referred to WGM’s technical report (Dunbar and Kociumbas, 2009) for details on this drill program. DB08-05 was the best drill hole of the section and intersected 256.94 g/mt gold over a core length of 3.00 metres (7.494 oz/st gold over 9.84 feet) including 763.10 g/mt gold over 1.0 metres (22.257 oz/st gold over 3.28 feet).
- Cut approximately 23 line-km of new grid with lines spaced 50 and 100 m apart, oriented north-south. Pickets were established at 25 m stations. Approximately 40 % of the grid lies on lakes.
- Matrix GeoTechnologies Ltd. (“Matrix”) completed a 22.5 km ground Induced Polarization (“IP”) / Apparent Resistivity survey on 20 of the grid lines. The survey was conducted from February 5 to March 27, 2008. Eight Quantitative Sections were constructed including lines L23+00E and L23+50E that cross the Dubenski Shaft Zone gold deposit. This reconnaissance survey identified the 1.7 km long IP chargeability anomaly, the DMZ, encompassing the Shaft, Central and East Gold Zones.
- The completion of stripping and channel sampling approximately 400 m west of the Shaft Zone in an area that was initially stripped but not sampled by previous operators of the Property. Results did not exceed 1.0 g/t.
- A Phase II, 22 hole, 2,232.5 m diamond drill program completed in November-December 2008, designed and supervised by B.J. McKay Ltd. The best intercept from this program was 2.00 g/t over 22.45m, also 3.21 g/t over 9.45m in drillhole DB08-32.
- A Phase III, 18 hole, 2,000.0 m diamond drill program completed in March, 2009 designed and supervised by B.J.McKay Ltd. The best intercept from this program was 2.79 g/t over 38.9 m in drillhole DB09-47.

During Fiscal 2010 HLM completed the following exploration work on the Dubenski Property:

- Matrix GeoTechnologies Ltd. ("Matrix") completed a 5 km ground Induced Polarization ("IP") / Apparent Resistivity survey on six of the grid lines to fill in the area between two previous geophysical surveys. The survey was conducted in April and May 2009. Three subparallel IP chargeability trends were depicted. Trend 1 corresponds to the DMZ and is 900 m long and open in both directions. Trend 2 lies approximately 150 m south of Trend 1 and extends for 700 m. Trend 3 lies approximately 150 m south of Trend 2 and extends for 700 m. All three IP anomalies are continuous and are open at depth (HLM News Release, April 29, 2009). The Matrix survey work identified several high priority target anomalies for follow-up investigation and possible diamond drilling testing. The IP anomalies appear to be stronger at depth in the areas of known gold mineralization.
- Updated NI 43-101 mineral resource estimate was received. Gold ounces in the Indicated Category increased by 84%. A 10,730m drill program was recommended by P&E Consultants and B.J. McKay Ltd.
- Completed a Phase IV 4,900 m diamond drilling program on the Dubenski property. From December 2009 to March 2010 the drill program expanded the Dubenski mineralized zone from 365m to a length of 425m. It also confirmed that the Shaft and Central Zones are in fact one mineralized gold zone, renamed the Dubenski Gold Zone (DBGZ). The DGBZ is open in all directions.
- The most significant diamond drill hole of the program was DB10-70 encountering 19m of 9.99g/t gold, including 3.10m of 57.28g/t.

The recent drilling indicates that the previously outlined zones, Shaft Zone, East Zone and Central Zone etc are part of a larger continuous zone of alteration and mineralization that stretches from 22+30 E to 26+00E. This nomenclature has been maintained to facilitate digital modeling as each zone required a different capping value.

The known Dubenski gold deposit(s) along the DGZ are hosted by felsic to intermediate volcanoclastic rocks (tuffs, ashes and agglomerates), lesser amounts of intermediate volcanics and minor amounts of interbedded cherty sediments. Historically the deposit is comprised of three distinct gold zones which are concordant and parallel to the local volcanic stratigraphy. From west to east the shaft, central and peninsula zones made up the historical Dubenski Gold Zone. The third zone, the Peninsula Zone, lies east of the Central Zone under Flint Lake and would require drilling from the ice in winter or a barge in summer. This is a future exploration target to Houston Lake Mining Inc. 2010 exploration has factual evidence that the three zones are in fact, one continuous zone. To Q4 2010 the Dubenski Gold Zone has been tested to a vertical depth of 130m and is 425m in length.

B.J. McKay Ltd. has stated that "overall, the gold mineralized structure, referred to as the DMZ, dips vertical to steeply south, parallel to stratigraphy striking 105° to 110°, rather than the shearing direction which strikes 85° to 90°, dipping steeply north. Gold mineralization is concentrated within multiple pinch and swell zones / lenses or shoots of quartz-sericite schist (felsic to intermediate tuffs) in association with silicification and elevated pyrite mineralization. Not all silicified zones carry gold, and although gold is always associated with pyrite, the reverse is not always true. Typical accessory minerals to gold are black chlorite, quartz (± quartz and quartz-carbonate veins), sericite and occasionally trace amounts of fuchsite and chalcopyrite."

Dubenski Mineral Resource Mineral Resource and Mineral reserve estimates

The most current mineral resource estimate in compliance with NI 43-101 and CIM standards was done on the Dubenski Property on the West Cedartree Project. The resource estimate was undertaken by Eugene Puritch, P.Eng. and Antoine Yassa, P.Geo. of P&E, Brampton, Ontario. The effective date of the resource estimate was October 31, 2009 and does not include any drilling phases done subsequent this date.

Table 3: Dubenski Gold Zone Resource Estimate Utilization Optimized Pit Shell

	INDICATED			INFERRED		
Cut-Off Au g/t	Tonnes	Au g/mt	Au oz.	Tonnes	Au g/mt	Au oz.
Pit 0.65 g/t	524,000	3.55	59,800	12,000	1.96	800

UG 2.5 g/t	27,000	3.26	2,900	10,000	3.32	1,000
TOTAL	551,000	3.53	62,700	22,000	2.57	1,800

7.6.2 Exploration – West Cedartree Properties

7.6.2.1 McLennan Property

Prior to fiscal 2010, Houston accomplished the following significant exploration work on the Angel Hill and McLennan Gold Zones:

In 2003 a 130m segment of the Angel Hill Gold Zone on the McLennan property mechanically stripped, washed, sampled and mapped. The zone ranged from trace to 71.3 g/mt Au.

From 2003 to 2005 Houston conducted magnetic, VLF-EM and IP geophysics. These combined with gold showings on the Gold Sun Property show a strike potential of 3.3km.

In 2004 additional channel sampling in Angel Hill Gold Zone ranging from 0.59 g/mt Au to 115.5 g/mt Au.

In November 2003 to February 2004 a Phase I- 20 hole 1139m shallow diamond drilling program was carried out to test the Angel Hill Gold Zone. 0-40m depth was tested. Twelve of these holes intersected values of 2 g/mt Au or higher and 5 of those intersected grades higher than 1 oz/st Au.

In December of 2004 a Phase II - 7 hole, 701m diamond drill program performed further shallow testing of the Angel Hill Gold Zone to an approximate depth of 60m below the stripped area. Four of the 6 drill holes intersected values in excess of 2 g/mt Au and one drill hole exceeded 1 oz/st Au. One drill hole was done on the McLennan Gold Zone and returned 5.736 g/mt Au over 5.05m.

In Spring 2006 a Phase III nine hole 1037m (3402ft.) step out diamond drill program builds upon the results of two prior delineation drill programs which defined an inferred mineral resource from surface to a depth of 60m (196.8ft.) over a strike length of 200m at the Angel Hill Gold Zone. Seven bore holes of the drill program tested the depth extent of the gold zone. All seven drill holes successfully intersected the altered rocks of AHGZ and extended the zone to an approximate depth of 100m (328ft). The last two holes of the diamond drill program tested the McLennan Gold Zone ("MGZ"). Both of these drill holes intersected the sulphide mineralization characterizing the MGZ.

Six of the nine holes (and three of the last five holes) of the drill program encountered gold values in excess of 7 g/mt Au (0.204 oz/st Au). Holes 28 to 34 targeted the Angel Hill Gold Zone ("AHGZ") while holes 35 and 36 tested the subparallel McLennan Gold Zone ("MGZ"). Drill Hole 35 intersected a core length of 4.25m grading 6.69 g/mt Au (13.37ft. grading 0.195 oz/st Au) including 1.00m grading 15.86 g/mt Au (3.28ft. grading 0.463 oz/st Au).

In Spring 2006 a bulk sample from the Angel Hill gold sample was drilled, blasted and hauled to a third party mill for processing. A total of 1000 tonnes (1147.7 short tons) yielded an average head grade of 5.67 g/mt Au (0.165 oz/st Au). The total contained gold was 5,903.6 grams (189.8 ounces) and 5,490.4 grams (176.5 ounces) of gold was produced at a reported recovery of 93%.

In 2009 IP geophysics traced Angel Hill Gold Zone trend. The Angel Hill Gold Zone (AHGZ) forms the flank of a coincident magnetic and IP chargeability high that can be traced for over 3.3 km (1.98 miles) on the property. Values up to 1.22 metres grading 479 g/t gold have been intersected along this trend. This anomaly can be traced northward for a distance of 1.4km from the AHGZ bulk sample site and across the Dogpaw and Dogpaw West properties.

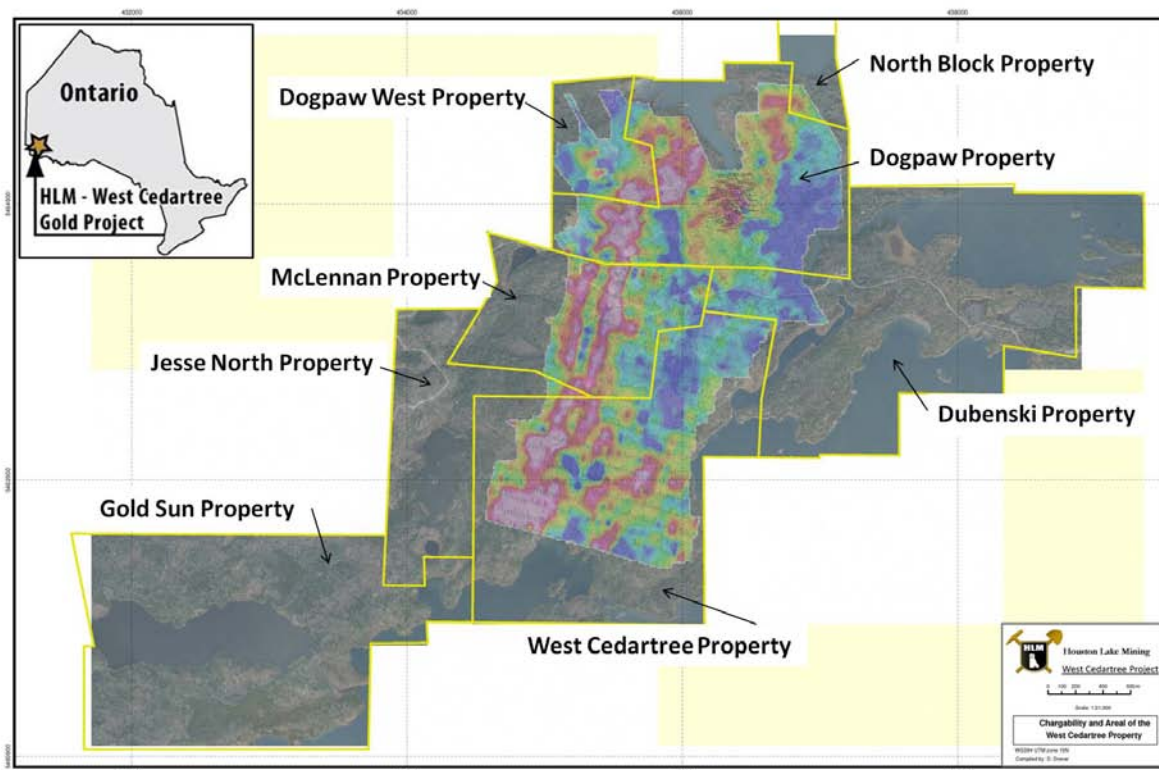


Figure VI: IP Chargeability Anomalies and Identified Gold Resources

Angel Hill Mineral Resource and Mineral reserve estimates

The most current mineral resource estimate in compliance with NI 43-101 and CIM standards was done on the McLennan Property's Angel Hill Gold Zone on the West Cedartree Gold Project. The resource estimate was undertaken by Dean R. Cutting, B.Sc., P.Geo and E. Grayme Anthony, B.Sc., P.Geo., M.B.A. The effective date of the resource estimate was October 20, 2005 and does not include any Phase III drilling phase done subsequent this date.

Table 4: Angel Hill Gold Zone Inferred Resource Estimate

	Cutoff Grade	Tonnes	Au Grade (g/mt)	Total grams Au	Short Tons	Au Grade (oz /st)	Contained Au oz.
AHGZ Envelope	None	587,500	0.59	346,625	647,608	0.017	11,144
2g/t Envelope							
Lens 1a	2 g/t Au	90,600	2.99	270,894	99,869	0.087	8,709
Lens 2a	2 g/t Au	15,800	2.86	45,188	17,417	0.083	1,453
Lens 1a + 2a	2 g/t Au	106,400	2.97	316,082	117,286	0.087	10,162
4g/t Envelope							
Lens 1b	4 g/t Au	41,600	4.80	199,680	45,856	0.140	6,420
Lens 2b	4 g/t Au	8,100	4.59	37,170	8,929	0.134	1,196
Lens 1b + 2b	4 g/t Au	49,700	4.77	236,850	54,785	0.139	7,616

7.6.2.2 Dogpaw Property

Prior to fiscal 2010, Houston accomplished the following significant exploration work on the Dogpaw Property:

- Two drill programs completed in 2007 and 2008 targeting the Dogpaw Veins No. 1 and No. 2. A total of 5,271 metres (17,289 feet) of diamond drilling was completed in 47 holes. Samples values assayed from trace to 435.6 g/mt Au (12.705 oz/st Au). The best result was received from Drill Hole DP-2007-042 which yielded a core length intersection grading 29.90 g/mt Au over 7.50m (0.872 oz/st Au over 24.60 ft.). Continuity of the Dogpaw Lake Vein No. 1 system has been established to a depth of 210 metres (689 feet) and traced along strike for 310 metres (1,017 feet) to include Veins No. 2 and No. 4.
- Identification of mineralized veins 1, 2, 4, 5 and 6.

During Fiscal 2010 HLM completed the following exploration work on the Dogpaw Property:

- A total of 70 channel samples from the Dogpaw Vein No. 6 were analyzed by fire assay. Sample results ranged from trace to 22.19 g/t Au (0.647 oz/t Au). The best intercept was on Line 6 which assayed 5.81 g/t Au over a width of 4.15 metres (0.170 oz/t Au over 13.61 ft.) and included 21.80 g/t Au over a width of 0.40 metres (0.636 oz/t Au over 1.31 ft.).
- A total of 91 channel samples from the Dogpaw Vein No. 5 were analyzed by fire assay. Sample results ranged from trace to 105.100 g/t Au (3.069 oz/t Au). The best channel intercept was on Line 9 which assayed 39.348 g/t Au over a width of 1.35 m (1.149 oz/t Au over 4.43 ft.) which included 105.100 g/t Au over a width of 0.50 m (3.069 oz/t Au over 1.64 ft.).
- Results from the Vein No. 6 sampling have established lateral continuity of veins No 1, 2 and 4 systems to a strike length of over 500 metres.

Dogpaw Property Mineral Resource and Mineral Reserve Estimates

Four main gold zones and ten documented gold occurrences have been discovered thus far on the property. An historic mineral resource estimate of 53,741 metric tonnes grading 15.43 g/mt Au (59,240 short tons grading 0.45 oz/st Au) remains after the removal of a 27,215 metric tonne (30,000 short ton) bulk sample grading 8.23 g/mt Au (0.24 oz/st Au). The tonnages, grades, assays and other technical data for the resource are taken from historical records prior to the implementation of NI 43-101. While the data are believed to have been acquired, processed and disclosed by persons believed to be technically competent, it is unverifiable at present.

A qualified person as defined under NI 43-101 has not done sufficient work to classify the historical estimate as current mineral resources or mineral reserves. Houston Lake is not treating the historical estimates as current mineral resources or mineral reserves as defined in NI 43-101 and the historical estimate should not be relied upon.

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8. TIB LAKE PGM PROJECT

8.1 Introduction

Houston has earned a 100% interest in the 4030 acre Tib Lake Palladium (Pd) Property which is located in the Thunder Bay Mining District of Ontario. The Tib Lake Project consists of 20 claims, totalling 154 claim units and is located approximately 100km north of the City Thunder Bay ([Figure 1](#)). Drilling has previously encountered a significant palladium intersection (1.68 g/t PGE's over 18.46m. or 0.05 oz/t over 60.6 ft.) at shallow depths (30m or 100ft.). Exploration has focused on a heterogeneous gabbro/gabbro breccia rock unit which is host to the majority of palladium occurrences on the property and is similar to that reported at the nearby Lac Des Iles mine. The Lac Des Iles mine is owned and operated by North American Palladium Ltd. Mining there began in 1993 with the Roby Zone Open Pit. In 2010, it reported indicated and measured reserves of 36,038,000 tonnes grading 3.18 g/t palladium, 0.26 g/t platinum, 0.22 g/t gold, 0.07% copper and 0.09% nickel. This mineralized rock unit is traceable over 2.5km (1.5 miles) from the Kuhner palladium occurrence to the Jewelweed palladium occurrence and is coincident with a moderate IP chargeability anomaly and a relatively low magnetic signature (sulphide response). Geological similarities between portions of the Lower Zone of the Tib Lake intrusion and the Roby deposit at the nearby Lac des Iles palladium mine of North America Palladium Ltd. have been noted by government and independent geologists.

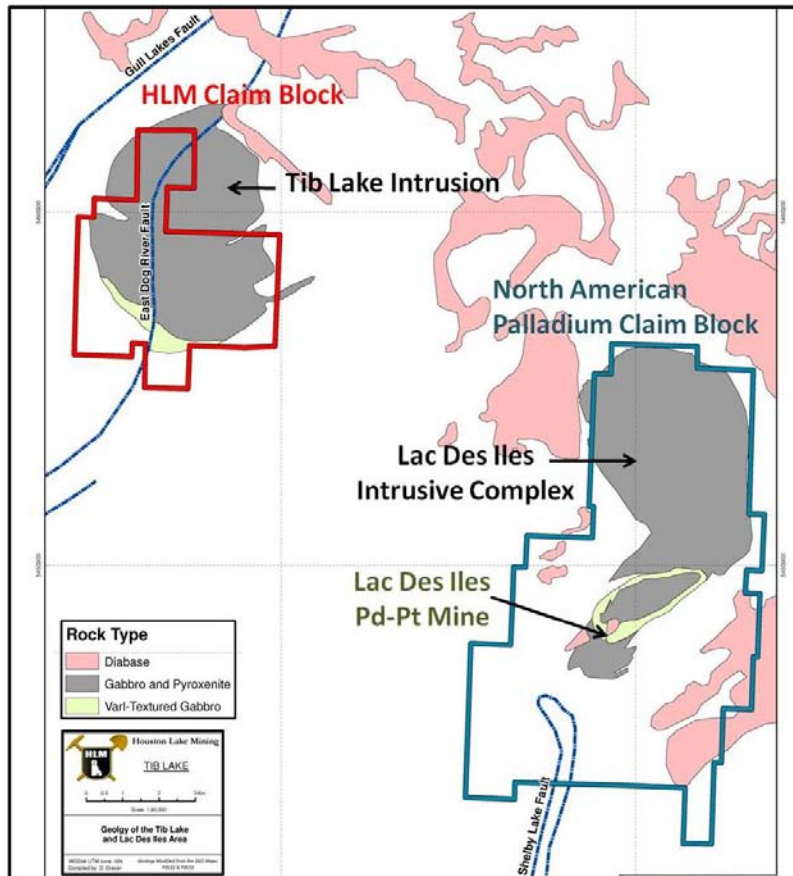


Figure VII: Basic Geology of the Tib Lake and Lac Des Isle Intrusions

The exploration potential of the Tib Lake PGM Project evolves from a synthesis formed from the generalized PGM ore deposit model, comparative observations of the geology of the Lac Des Iles mine vicinity and the Tib Lake gabbro, and previous exploration conducted on Houston's Tib Lake PGM project. Most recently a theory proposed by prominent geologist Walter V. Peredery, PhD suggests that "...the gossanous pegmatoid norite (GPN) layer is analogous to the Merensky Reef (MR) in the Bushveld complex in South Africa". (Tib Lake Property Examination, May 2003).

In March 2002, Houston formally optioned out the Tib Lake Project to Agnico-Eagle. Under the Tib Lake Option Agreement Agnico-Eagle has the right to earn a 50 percent interest by making cash payments of \$650,000 and expending \$3.6 million over four years. Agnico-Eagle would have the right to earn an additional 10 percent upon delivering a positive bankable feasibility study and will be the operator.

In February 2003 Houston announced that Agnico-Eagle Mines Limited (TSE:AGE,AEM-NYSE, "Agnico-Eagle") will not continue on its second year of a four year option to earn a 50 percent interest in the 1632 hectare (4030 acre) Tib Lake property which is located in the Thunder Bay Mining District of Northwestern Ontario.

In May 2006 Houston reached agreement with Magma Metals Limited ("Magma") of Perth, Western Australia for the option of Tib Lake. Under the Option agreement Houston Lake had received an initial cash payment of \$25,000 with a second payment of \$25,000 due by June 30, 2006. Magma was required to make exploration expenditures of \$CDN2.6 million and a total of \$CDN 400,000 in cash payments over a five year period. Houston Lake would have a 30% Free Carried Interest to the completion of a bankable feasibility study.

In January 2008 Houston received formal notice from Magma Metals Limited (ASX:MMB) of Perth, Western Australia that it had terminated its option on the property. Magma Metals was in the second year of the five-year

option, having made \$100,000 in cash payments and expended in excess of \$250,000 in exploration. Under the agreement, Magma was required to make a \$50,000 option payment that spring and complete \$1.3 million in exploration expenditures by the end of the third year.

Houston anticipates a buoyant palladium market and with the assemblage of an extensive land position that targets the Border and Lower Zones of the Tib Lake layered intrusion, the project is poised for an option and possible joint venture. Processes of magma mixing, deuteric fluidization, and sulphide precipitation are critical steps in the formation of PGE deposits found elsewhere in the world and are in evidence on Houston Lake's Tib Lake Palladium Property. Geologically sound parallels have been drawn between the producing Roby deposit at the nearby Lac des Iles palladium mine and portions of the Lower Zone of the Tib Lake intrusion. A drill hole from a previous program has intercepted significant palladium mineralization in a heterogeneous gabbro/gabbro breccia rock unit which is traceable for over 2.5km (1.5 miles).

8.2 Property Description and Location

The Tib Lake PGM Project is located approximately 100km north-northwest of Thunder Bay. The centre of the property is situated at latitude 49°14'22"N and longitude 89°47'35"W. The property is accessible by road from Thunder Bay by travelling west on Highway 17 for approximately 95 km, and then driving 50km to north-northeast from the highway on to the Bow water's Dog River logging road to the East Dog River. The north-south-trending East Dog River passes through the centre of the property. Driving from this point (i.e. East of the river) is not possible due to major washout but it can be traveled by snowmobile during the winter freeze.

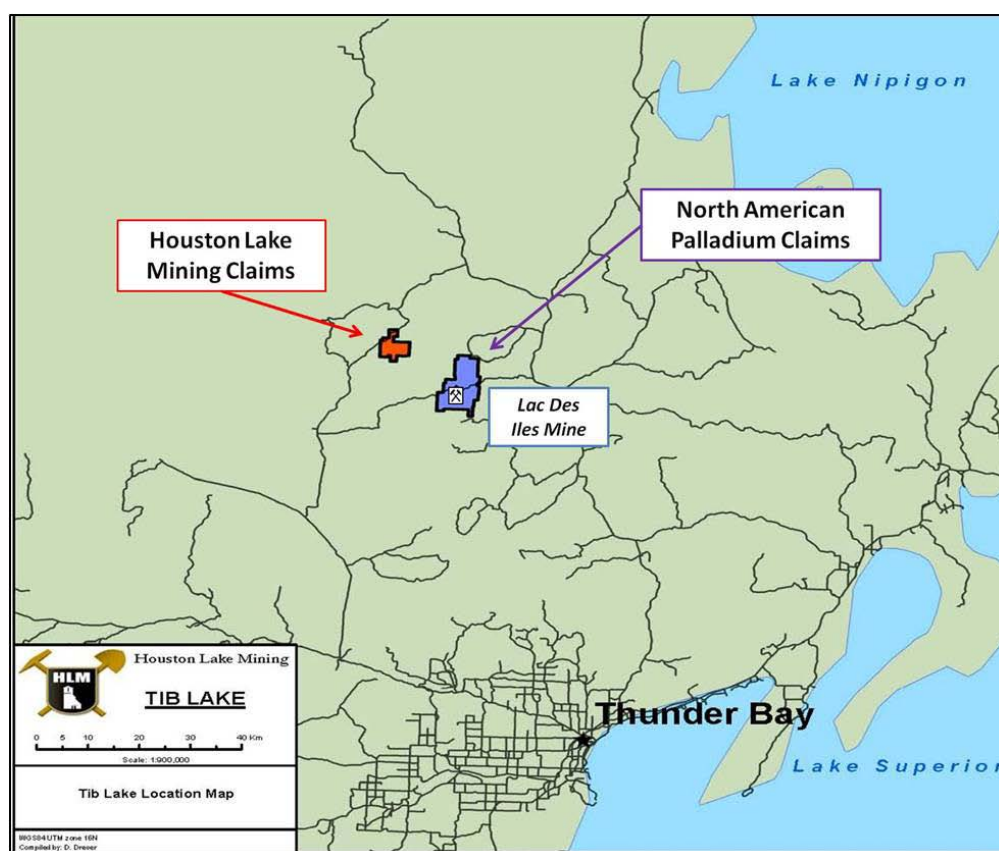


Figure VIII: Location of the Tib Lake PGM Project

The Tib Lake claim block is located approximately 100km north-northwest of Thunder Bay and 15km northwest of the Lac des Iles Pd-Pt mine. The claim block covers an area of approximately 20km², owned 100%, and is subject to a 2.5% Net Smelter Royalty.

The claim block covers the southern half and basal part of the Archaean Tib Lake Gabbro. The base of the intrusion contains a large zone of vari-textured gabbro (VTG) which hosts a number of PGE showings. Various types of VTG rocks host the mineralization at the large Lac des Iles Pd-Pt open pit mine while primary layering hosts the PGE mineralization in the underground mining environment. The Tib Lake VTG zone was the principal exploration focus of Magma Metals on the project.

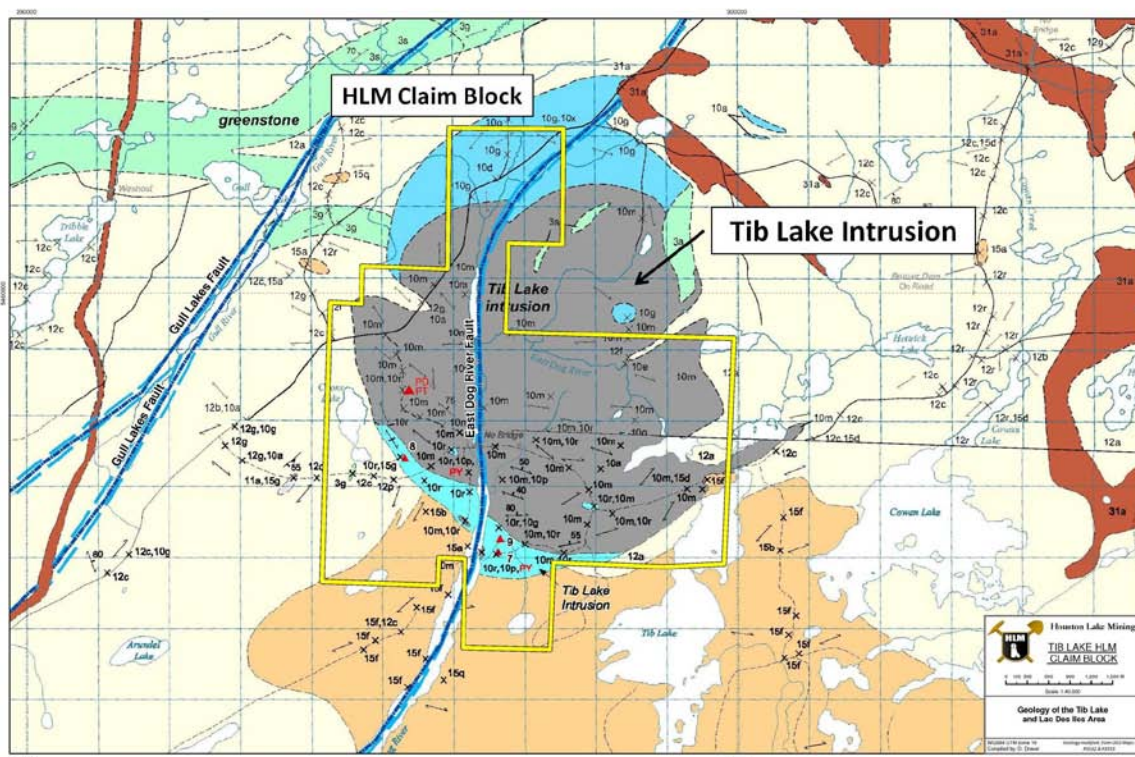


Figure IX: Tib Lake PGM Project Geology and Claim Block

8.3 Accessibility, Climate, Local Resources, Infrastructure and Physiography

To access the property, follow highway 17 for 99 kilometres west of Thunder Bay to the Dog River logging road. Topography within and adjacent to the property is of limited relief. Elevation ranges from 465m at the East Dog River to a high of 505m in the southeastern portion of the property (total relief = 40m). The area is generally characterized by low dry, locally swampy, ground. Tib Lake is the largest

mineralization, suggesting the sulphide content is too low to be delineated by this technique.

In 1975 Steppingstone Explorations Ltd. performed VLF and magnetometer surveys in the northwestern part of the property. The VLF survey outlined five, northwest-trending, shorter anomalies.

M.Ogden, on the behalf of R.P. Mackay, conducted geological mapping on the claims, situated to the north of the current Tib Lake PGM Project. The mapping identified sulfide mineralization (1 to 2% chalcopyrite, pyrite and pyrrhotite) in several areas within the gabbro host.

J.D. McCannel, on the behalf of Sandhurst Mines Ltd. Carried out VLF and magnetometer surveys within the east-central portion of the Tib gabbro. The surveyed area is situated immediately to the north from the eastern edge of the current property. The VLF survey outlined five, east-trending anomalies. No follow-up work was reported.

KC Kuhner and J.E. Nelson drilled a single hole (DDH-75-1, 150m) under the Kuhner occurrence, which is a precious and base metal sulphide (PGE-Ni-Cu) showing, situated in the southern Tib Lake property. These metals at the showing occur in association with up to 3% disseminated chalcopyrite, pentlandite, pyrrhotite and pyrite. Drill core samples from the hole 75-1 reportedly yielded up to 0.016 oz/t Pd and 0.008 oz/t Pt.

In 1976 Steppingstone Exploration Ltd. carried out a short diamond drill hole program (4 holes, totaling 321m) within and adjacent to areas of the northwestern portion of the current property. Up to 1%, disseminated sulphides (pyrite, pyrrhotite and chalcopyrite), from core samples of medium-to coarse-grained gabbro host, are reported in all four drill holes. No assay results were reported from any of the drill holes.

In 1978 J.Kondrat drilled a single 153m hole in the southeastern portion of the property. Both disseminated and 2mm wide seams of chalcopyrite and pyrrhotite are reported to occur within coarse-grained gabbro. No assay results were reported.

In 1982 Westmin Resources Ltd. conducted exploration programs east of the Kuhner occurrence within the southern portion of the Tib Lake property. The exploration program consisted of geological mapping, soil geochemistry and ground geophysical surveys. These surveys, particularly the geologic mapping, were successful in outlining a sulphide-bearing, pegmatitic gabbro eastward from the Kuhner occurrence. Numerous anomalous Cu and Ni values have been reported from this pegmatitic horizon.

In 1984, Park Avenue Resources carried out EM and magnetometer surveys, prospecting, trench blasting and sampling programs within the south-central portion of the property which includes the Kuhner occurrence. An area of sulphide mineralization (1 to 2% pyrite-pyrrhotite +/- chalcopyrite) was discovered in gabbro on the western side of the East Dog River. On the Kuhner occurrence, which is situated on the east of the river, sulphide-bearing (up to 3% pyrite, pyrrhotite and chalcopyrite) samples of norite taken from trenches yielded up to 2800 ppb Pd and 770 ppb Pt. The EM survey (horizontal loop method) failed to detect any significant conductive anomalies suggesting sulphide mineralization is too weak to be detected by this technique.

In 1994 to 1995 Obongo Precious Metal conducted a thirteen-hole (1339m) diamond drill program on the property. At the end of this period, an option agreement was negotiated with Canadian Reserve Gold Corporation but no further work was conducted on the claims encompassing the project.

In 1998 Houston optioned the properties from Obongo Precious Metal. Subsequently, a grid was established and geological mapping, ground magnetic survey, stripping and sampling were conducted in the southern portion of the project. The company also drilled one 154.53m hole (TL99-14) in 1999 and re-logged six historical holes, which were drilled by Obongo Precious Metals in 1994-1995. The best results were obtained from drill hole TL95-09 that was drilled under the Kuhner occurrence. Significant assay values were obtained from a 19.46m wide intercept at 47.61m-67.1m (1.10 g/t Pd, 0.36 g/t Pt., 0.19 g/t Au, 0.18% Ni and 0.14% Cu).

During 1999, a grid pattern (54 line kms) was cut over the property and surveyed by Mag and very low frequency EM. Mapping and some stripping was also carried out in the southern part of the project. Diamond drill hole TL99-

14 was drilled as a twin to TL 95-09. Reassaying of TL-95-09 yielded an intersection grading 1.60g/t TPM.

During the winter of 2000, an additional 15 line kms were cut and surveyed by Mag along with 40km of spectral induced polarization (IP). In the Fall, new mapping of the grid lines and diamond drilling of the Kuhner showing (TL00-15 & 16) and some of the IP anomalies were carried out. In total Houston drilled 6 holes. TL00-17 was drilled in the West Dog area – it intersected weakly anomalous PGE's. TL00-17 was drilled in the West Dog area – it intersected weakly anomalous PGE's. TL 00-18 was drilled to intersect a serpentinized ultramafic layer and sulphide showings – it intersected anomalous PGE's. TL00-19 drilled the "Road showing" – it intersected anomalous PGE's. TL00-20 drilled the Jewelweed showing – it intersected anomalous PGE's. Prospecting located a highly anomalous sulphide showing along the west shore of East Dog River – with values of 1067 to 1637ppb TPM.

In the autumn of 2007 Agnico Eagle Mines Ltd. Completed a 10 hole core-drilling program on the property for a total of 1470metres. Eight of these holes were drilled in the vicinity of the Kuhner Occurrence and 2 in the vicinity of the West Dog Occurrence. The best intercept was on hole TL 02-25 where it intersected sulphides and encountered in parts per billion 293 Pt, 664 Pd, 121 Au over 9.20m from 29.89m to 39.09m including 763 Pt, 1746 Pd, 309 Au over 1.78m.

8.5 Geological Setting

Regional Geology

Tib Lake is located in the south-central Wabigoon Subprovince of Archean age, within the Superior Province of the Canadian Shield. The late stage Tib Gabbro was intruded into folded tonalite/granodiorite and a belt of metasediments and it represents one of several intrusions (Lac des Iles, Legris, Dog River and Buck Lake) that are related events. Most of the late mafic intrusions are located around the periphery of a relatively older suite composed of granodiorite and granite and have been emplaced along the northeastern trending faults. Diabase dikes and sills of Middle Proterozoic age cut all of the earlier rocks.

The Tib Lake and Lac des Iles mafic to ultramafic intrusions represent the largest ones that are located in the South-central, Wabigoon Subprovince. The layered, Lac des Iles complex is 30 square kilometers in area and is located 15 km east-southeast of the Tib Gabbro. Rocks of the Lac des Iles complex are composed of several circular to elliptical mafic to ultramafic intrusives. Mafic rock sequences are located in the southern part of the intrusion, whereas the ultramafic suites are common in the north.

According to Gupta and Sutcliffe (1990), who modeled the Tib Lake Gabbro based on gravity data, the intrusion is a northeasterly tilted, inward dipping and funnel-shaped entity that extends downwards to 3 kilometres below the earth's surface. The intrusion is layered with steeply dipping margins, and the layers flatten towards the centre. The north to south flowing East Dog River bisects the Tib Gabbro and follows what can be most nearly defined as an echelon faulting. Horizontal displacement along the river is as much as 200 to 400 metres. The amount of vertical displacement is unknown. The faults have disrupted the magnetic style of the surrounding rocks. The faulting may be of the brittle type, as there are no parallel shears or foliations in the rocks in the area. North-south trending physiographic features are present. Northeast and northwest trending faults may be important for structural control of mineralization, and one of these may have been intersected in TL00-19.

Property Geology

The Tib Lake Gabbro is one of a cluster of Archean mafic-ultramafic intrusions which are distributed within a circular area about 30km in diameter. The largest intrusion is the Lac des Iles complex which has an area of about 30km² and contains an oval shaped zone of VTG rocks with widespread PGE mineralization; the best grades are hosted by pegmatitic gabbro and breccias in the Roby Zone in the southwest. A large open cut mine was developed on the Roby Zone with a grade of approximately 1.8g/t PGE's (Pd+Pt+Au). An underground mine was also developed beneath the open cut mine with a grade of approximately 7g/t PGE's (Pd+Pt+Au). The high-grade underground deposit is hosted in foliated chlorite-amphibole rocks interpreted to be derived from shearing and alteration of pyroxenite.

In contrast to many PGM deposits where the ores occur as stratiform layers within large intrusions, the mineralization at Lac des Iles (a relatively small intrusion) is associated with complex rock units, such as VTG, breccias and pegmatites which appear to overprint earlier layered rocks in distinct zones. The rocks are commonly hydrothermally altered with development of biotite, chlorite and amphibole and the sulphide content is generally very low. The Pd:Pt ratio is also high, being about 10:1 in low grade mineralization (open cut) and up to 16:1 in high-grade mineralization (underground).

The second largest intrusion in the cluster is the Tib Lake Gabbro with a surface area of approximately 25km². This intrusion also contains a zone of VTG developed along its base which straddles the East Dog River Fault. The VTG is up to 1km thick near the fault and becomes thinner and less well developed away from it, indicating that the fault may be important in its development. The VTG contains disseminated sulphide (pyrrhotite-chalcopyrite-pyrite-pentlandite) and has high background levels of PGE's (10-20ppb). The VTG has characteristics that have been interpreted by Magma Metals as a late pulse of volatile rich gabbro that has intruded the layered gabbro of the main intrusion. The East Dog River Fault is a potential intrusion conduit for the volatile rich phase.

The Tib Lake Gabbro has an exploration history dating back to the mid-sixties following the discovery of PGE's at the Lac des Iles complex. Exploration work has included geological mapping and trenching, humus sampling, various geophysical surveys and diamond drilling. Four PGE mineralized occurrences have been found at Tib Lake: the Kuhner, West Shore, Road and Jewelweed showings. Much of the drilling (13 holes) has been completed at the Kuhner showing with results including 19.5m at 1.68g/t Pt+Pd+Au from 48.5m and 22m at 1.26g/t Pt+Pd+Au from 64m. Ni and Cu values average about 0.1-0.3% each over these mineralized intervals. Rock chip samples from the other showings returned assays up to 1.60g/t Pt+Pd+Au, 0.15% Ni & 0.25% Cu from the West Shore showing.

Detailed mapping of the Kuhner showing has revealed the controls of mineralization with better developed VTG units forming north-south trending zones, parallel to the East Dog River Fault, which cross-cut layer parallel zones of generally lower-grade mineralization within the main part of the gabbro. The principal exploration target of Magma Metals was the East Dog River Fault which is interpreted by Magma Metals to be a feeder conduit for the VTG. This structure offsets layering in the Tib Lake gabbro indicating the potential for post-intrusion shearing which could form a high-grade PGE deposit in an analogous way to the formation of the high-grade mineralization beneath the Roby Zone in the Lac des Iles Complex. The area of highest prospectivity is considered to be in the approximately 2km strike length of the East Dog River Fault in the vicinity of the Kuhner, West Shore and Road showings; a significant induced polarization (IP) anomaly occurs in the vicinity of the Road showing.

Mineralized VTG rocks are generally less magnetic than layered rocks in the Tib Lake Gabbro. An aeromagnetic survey completed in July 2006 mapped three zones of low magnetic intensity in the intrusion. One of these broadly coincides with the East Dog River Fault zone. It is planned to test these magnetic "lows" with drilling.

PGE Deposits (Summary from "Ore Deposit Models, Geoscience Canada") Geochemistry

Platinum Group Elements (PGE's) are strongly associated with nickel-copper sulphides. Most researchers suggest that the formation of an economically significant deposit is dependent upon the segregation of immiscible sulphides (liquid sulphide droplets in magma similar to oil droplets in water). The precipitation of sulphide droplets is a critical step in the formation of a PGE deposit and may result from:

- Magma ingestion of sulphur or silica (i.e. quartz) from an external source.
- Rapid cooling of the magma
- Blending of two different magma types.

Class 1: Orthomagmatic

Over 90% of current world production is derived from deposits formed solely within the magmatic environment. This class includes magma mixing, magma contamination, and deuteric (volatile or gas rich) fluids derived from magma crystallization.

Class 1a. Magma Mixing

The major world deposits, the Merensky and UG2 reefs of the Bushveldt Complex in South Africa and the J-M Reef of the Stillwater Complex in Montana, are included in this subclass. Mixing of magmas of different temperatures and/or compositions may give rise to sulphide liquid droplets and subsequent formation of PGE deposits. Studies have attributed ore formation in these major deposits to a combination of both magmatic mixing and deuteric processes.

At the Lac des Iles palladium mine several sulphide zones are attributed to magma mixing of a gabbroic magma and a felsic magma which was presumably derived from the melting of the surrounding wall rock. Higher grades of PGE mineralization are related to the intrusion of an ultramafic (high iron-magnesium) magma into a more evolved anorthositic gabbro. Considerable remobilization of the PGE's in the deposit was caused by late stage deuteric fluids which concentrated PGE's into gabbro pegmatites.

Tib Lake Gabbro (Excerpts from 'Geology of the Tib Lake Gabbro' Ontario Geological Survey Open File Report 5780)

The Tib Lake gabbro is a well preserved layered mafic intrusion of similar age to and located 15km from the Lac des Iles intrusion, the host to the Lac des Iles palladium mine. The two intrusions are the largest such intrusions in the Thunder Bay Mining District. Shared characteristics of age, proximal location, and intrusion size with a known producer make the Tib Lake gabbro a prime exploration target. The Tib Lake gabbro is a funnel-shaped intrusion covering approximately 25 square kilometres. The Tib gabbro can be divided into four zones on the basis of rock type:

The Border Zone is 50 to 150 metres thick and is continuous around the northwestern, western and southern borders of the intrusion. Rock types are dominated by coarse grained gabbros and gabbronorite. Sulphide mineralization (up to 1%) is common.

The Lower Zone is up to 1.5 km thick and extends 7.4 km along the southern and southwestern portions of the intrusion. Weakly to well layered gabbronorite and gabbro with ultramafic layers also contain pegmatitic lenses.

The 1.6 km wide Middle Zone has a strike length of 7km. The dominant rock types are gabbronorite and leucogabbro.

The circular Upper Zone is approximately 2 km in diameter and is weakly layered. Gabbronorite is the dominant rock type.

All known palladium occurrences in the Tib Lake gabbro are confined to the Border and Lower Zones where the presence of cumulate layering, ultramafic compositions, and deuteric alteration is most prevalent. Magma mixing and sulphide precipitation, both critical components of ore formation in other orthomagmatic deposits, are documented in the Border and Lower Zones. Geological similarities are noted between portions of the Lower Zone of the Tib Lake gabbro and that of the Roby deposit at the Lac des Iles palladium mine by government geologists.

8.6 Recent Exploration Programs

Agnico Eagle Option 2002

Agnico Eagle Mines Limited ("Agnico") optioned the property from Houston in 2002. Eveleigh Geological Consulting was contracted to carry out exploration on behalf of Agnico. Exploration consisted of humus sampling, grid and property mapping, grid rehabilitation, prospecting, linecutting, stripping, channel sampling, and 10 diamond drill holes totaling 1470m. These holes were drilled in the vicinity of the Kuhner and West Dog occurrences in order to test the subsurface extent of the Platinum and Palladium mineralization exposed on surface. Numerous anomalous values were reported from both soil and rock sampling. In addition anomalous values were reported from several of the drill holes with the highest values obtained from holes testing the Kuhner Occurrence. The highest assay values were obtained from hole TL-02-25. The hole encountered 0.293 g/t platinum and 0.664 g/t palladium over 9.20m, including 1.78m of .763 g/t platinum and 1.746 g/t palladium.

Magma Metals Option 2006

Magma Metals Canada Limited (“Magma”) optioned the Tib Lake property from Houston. Magma Metals completed an exploration program consisting of reconnaissance geological mapping, prospecting, and rock sampling (fall 2006 through fall 2007), petrographic examinations (December 2007), and a 2-hole diamond drilling program (late June through July 2007), totaling 682m.

The diamond drilling program was designed using previous geophysical survey data and historic drill data to determine hole placement. Drill hole TL07-01 tested known PGE mineralization exposed at the Kuhner Occurrence, an associated airborne magnetic low, and the East Dog River Fault, located to the west beneath a lake-like widening of the East Dog River. The hole intersected 0.258 ppm Pt and 0.717 ppm Pd/14.5m and 0.321ppm Pt and 0.833 ppm Pd/30m. Both intersections were generally associated with varitextured gabbroic rocks. Drill hole TL07-02 tested another airborne magnetic low and deformation associated with the East Dog River Fault. The hole encountered locally altered and varitextured gabbroic rocks crosscut by granitic dykes of varying thicknesses and deformation associated with the East Dog River Fault. Only weakly anomalous PGE and base metals values were encountered within TL07-02.

The prospecting, reconnaissance mapping, and rock sampling program tested three air borne magnetic lows as a small portion of the Tib Lake Intrusion exposed within the northern-most portion of the Tib Lake property. A total of 165 grab samples were taken and submitted for analysis. The majority of the samples returned background to weakly elevated values for PGE (Platinum Group Elements) with sporadic samples returning anomalous values (0.2 to 0.5ppm Pt+Pd+Au) from diffuse zones containing low amounts of base metal sulphides (<1% very finely disseminated pyrrhotite and chalcopyrite).

Recommendations from Magma’s option were to follow up drill targets at the Kuhner Occurrence by testing the down-plunge extensions of PGE mineralization. Additional drill holes should be planned to determine whether anomalous values encountered within historic drill holes TL02-25 and TL02-22 (located south of the Kuhner Occurrence) are down plunge extensions of the Kuhner Occurrence or are separate zones of mineralization. An additional drill hole to confirm and expand previous results from the West Dog showing is warranted.

In January 2008, Magma ended the Tib Lake Option after drilling two holes to pursue interests in another option they had on their Thunder Bay North Project.

8.7 Tib Lake PGM Project References

Kaye, L. 1966. Tib-Jack Lakes area, District of Thunder Bay. O.D.M., Prelim. Map P.380 1:31 680

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Walter V. Peredery, Ph.D., May, 2003: Tib Lake Property Examination; 8 pages.

R. Ken Germundson, Ph.D., May 14, 2003: Summary Report – Exploration Programmes carried out on the Tib Lake Property; 56 pages

Magma Metals Reports:

Graham C. Wilson, Ph.D., February 25, 2008: Exploration Summary for 2007, Tib Lake Project; 18 pages

9. PAKEAGAMA RARE METALS PROJECT

9.1 Introduction

In January of 1999, the Ontario Geological Survey (OGS) published an article on a new discovery with potential for economic tantalum, cesium, rubidium and lithium mineralization at Pakeagama Lake, located about 170km north

of Red Lake in northwestern Ontario ([Figure I](#)). In late March of 1999, Houston entered into an option agreement to earn a 100% interest in the property. The area in the vicinity of Pakeagama Lake was mapped by Dr. Denver Stone of the OGS in the early 1990's. He identified a series of fertile granites and took a number of samples from the Pakeagama Lake pegmatite which contained highly anomalous lithium, tantalum and cesium values. Based on this initial field work, Dr. Fred Breaks of the OGS conducted three weeks of detailed mapping and sampling in 1998. Dr. Breaks identified a strongly zoned, complex petalite subtype pegmatite. The combination of size, accessibility and the presence of both geochemical indicators and rare metal ore minerals, provide the project with high potential for economic rare metal mineralization.

Houston did not spend any significant monies on the project in 2010. Houston anticipates to work on the project in the future and is not currently seeking to option this property.

9.2 Property Description and Location

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.

An elongate, approximately 2.5 by 15 kilometre, Pakeagama Lake peraluminous granite and mica pluton that trends northwest-southeast was emplaced immediately adjacent to and parallel to the Sachigo-Berns River Sub-provincial boundary of the Superior Province of the Canadian Shield. It was emplaced along the unconformable contact between metasedimentary rocks and metavolcanic/metasedimentary rocks of Achaean age. The north-western portion of the granite is present in the south-eastern quadrant of claim KRL1232441. The granite is defined as fertile granite; the granite is a potential source of the rare earth elements found in the Pakeagama Lake Pegmatite.

The economically important Pakeagama Pegmatite is located within the boundaries of claim KRL 1232441 at the northwest end of the Pakeagama Lake Granite. The pegmatite is a highly evolved, complex-type, petalite subtype pegmatite with highly anomalous to economically significant values of tantalum, cesium, rubidium and lithium (F.Breaks, A.Tindle, and S.Smith, 1999a). It is divided into five distinct zones: wall, core, stacked aplite, potassic pegmatite and K-feldspar-spodumene-quartz zones. The pegmatite is associated with, and may dip shallowly under, the cesium-rich homquistite granite. Metasedimentary rocks in unconformable contact with metavolcanic/metasedimentary rocks underlie all other parts of the claim KRL1232441.

9.3 Accessibility, Climate, Local Resources, Infrastructure and Physiography

The project is located in the Pakeagama Lake area, Red Lake Mining district of north-western Ontario. The National Topographic System map sheet reference is 53C/11, and the Pakeagama Pegmatite is approximately centred at 52°36'N latitude and 93°23'W longitude (figure I).

One hundred and sixty kilometer float plane access is available from Red Lake to the west side of Pakeagama Lake where there is a camp site on a point of land. Red Lake is located 170 kilometres north of Vermillion Bay on highway 105. Vermillion Bay is situated on the Trans Canada Highway (Hwy. 17) between the centres of Dryden and Kenora. Pakeagama Lake is located in a relatively isolated area of north-western Ontario. A winter road passes adjacent to the north side of the Houston claim group. Bear Skin Airways services the nearby communities of Sandy Lake, Dear Lake and North Spirit Lake.

The Pakeagama Lake area lies at the northern boundary of the Lac Seul Upland ecoregion and the southern boundary of the Hayes River Upland ecoregion of the Boreal Shield. The region is classified as having a subhumid mid-boreal ecoclimate (Ecological Stratification Working Group, 1998). The Pakeagama Lake area lies between four data stations which are located at Island Lake (Manitoba), Red Lake (Ontario), Pickle Lake (Ontario), and Big Trout Lake (Ontario) for which extensive climatic records are available from Environment Canada. The average mean annual temperature is -0.9°C. The average daily temperature in summer is from 8.9°C to 19.2°C while in winter the average range is from -20.3°C to -11.6°C. Average yearly precipitation for the area is 655 mm. The dominant vegetation is coniferous forest. The area has seen a forest fire approximately 15 years ago and deadfall inhibits

easy foot travel. Another forest fire burned a portion of the claim, including the area around the Pakeagama Pegmatite, within the past two years. Higher elevations are covered by stands of jack pine up to 20 feet high while swampy areas are dominated by black spruce. Upland areas are covered with discontinuous deposits acid, sandy tills while thin lacustrine clay deposits may cap the tills in low-lying areas. Wildlife includes wolf, lynx, moose, black bear, red squirrel, snowshoe hare, beaver, mink, fisher, marten, and ermine. The area lies north of the Government of Ontario's "Lands for Life" and "Living Legacy" programs of conservation and wilderness preservation. The claim contains a series of ridges with the extensive development of cliff faces that parallel the general regional strike of the geology. The ridges are separated by relatively flat, muskeg terrain. Infrastructure is absent except for a winter road, which is located adjacent to the northern boundary of the claim group.

9.4 History

The first geological reconnaissance mapping of the region was undertaken by A. P. Low of the Geological Survey of Canada in 1886. Additional geological surveys were carried out by G. V. Douglas (1925) and M. E. Hurst (1928) of the Ontario Department of Mines. Most of the exploration activity in the region centred on the Favourable and Setting Net Lakes area located 25 to 40 km to the northwest of the property. Prospecting by K. C. Murray in 1927 identified gold-bearing mineralization in the Favourable Lake area. The gold property was developed as the Berens River Mine and produced 4,451 kg Au, 160,926 kg Ag, 2,770 t Pb and 815,147 kg Zn from 508,665 tons of ore between 1939 and 1948 (Stone, 1998). Subsequent exploration by Golsil Mines Limited, Zahavy Mines Limited, Getty Mines Limited and Noramco Mines Ltd. was carried out until the early 1990's. The "Wynne" gold showing is located on the northern shore of Pakeagama Lake. However, there are no records of any assessment work having been filed from the vicinity of Pakeagama Lake). The Pakeagama Lake area was covered by an airborne reconnaissance gamma-ray spectrometer survey in 1977 as part of a regional coverage program (OGS-GSC, 1979). The survey was flown at a 400-ft elevation with 5-km line spacing and a 2.2 km station interval. No significant radiometric anomalies were detected in the immediate vicinity of Pakeagama Lake. Geological mapping of portions of the region was carried out by Ayres (1970, 1972a). He noted spodumene in a pegmatite dike and holmquistite within granitic rocks near Setting Net Lake (25 km WNW of Pakeagama Lake). A grab sample from the pegmatite dike returned 0.52% Li (Ayres, 1972b). Recent mapping of the region was carried out by D. Stone of the Ontario Geological Survey in 1990 (Stone et al, 1993, Stone, 1998). Tourmaline-rich samples taken from the vicinity of Pakeagama Lake returned anomalous Li, Cs, Ta and Be during this work. Detailed follow-up work was carried out by Breaks et al (1999a) in the vicinity of Pakeagama Lake. Five rare metal mineral occurrences were detected over a 35 km segment of the Bear Head Fault Zone. However, the Pakeagama Lake Pegmatite occurrence became the predominant focus of detailed work. G. Anthony mapped the pegmatite and adjacent rocks during 1999. Check assays of samples collected by the Ontario Geological Survey were also completed. Houston completed a programme of line cutting, ground geophysics, prospecting, rock saw channel sampling and overburden removal on claim 1232441 (16 claim units), between May 12 and July 25, 2001.

A study performed by Dr. R. Ken Germundson, P.Geo determined that the tantalum oxide values for samples collected for Houston are about two thirds as great as the Ontario Geological Survey samples. There is a close agreement between the three sets of data for the average content of cesium. The cesium content in the samples collected from the Holmquistite Granite ranges between 11 ppm and 1020 ppm. The possible presence of buried pegmatite underneath a roof pendant of Holmquistite Granite may considerably increase the size of the pegmatite complex.

9.5 Geological Setting

Regional Geology

The Pakeagama Pegmatite, which contains rare earth elements, is located in Houston's claim 1232441. Bands of iron formation are present within both of the sequences of metamorphic rocks that are present in the project. The project is located adjacent to the boundary between the Berens River and Sachigo Subprovinces of the Archean-age Superior Province of the Canadian Shield. These subprovinces comprise a series of relatively isolated volcano-sedimentary (greenstone) belts surrounded by extensive granitic and gneissic suites of rock. They are separated by the Bearhead Lake Fault Zone.

Two of the greenstone belts that are located along the contact between the two sub provinces are: the Favourable Lake greenstone belt located towards the northwest, and the North Spirit Lake greenstone belt located towards the southeast of the property. The belts are connected through the Pakeagama Lake area by the Bearhead Fault. The main assemblages of volcanic and sedimentary rocks that are identified in each belt are, in part, correlated between the two belts. The assemblages of the Favourable Lake and North Spirit Lake areas are predominantly in greenschist facies of metamorphism. However, a transition to amphibolite facies in the greenstone belts occurs as the Bear Head Fault Zone is approached. Amphibolite facies is the predominant metamorphic grade in the Pakeagama Lake vicinity.

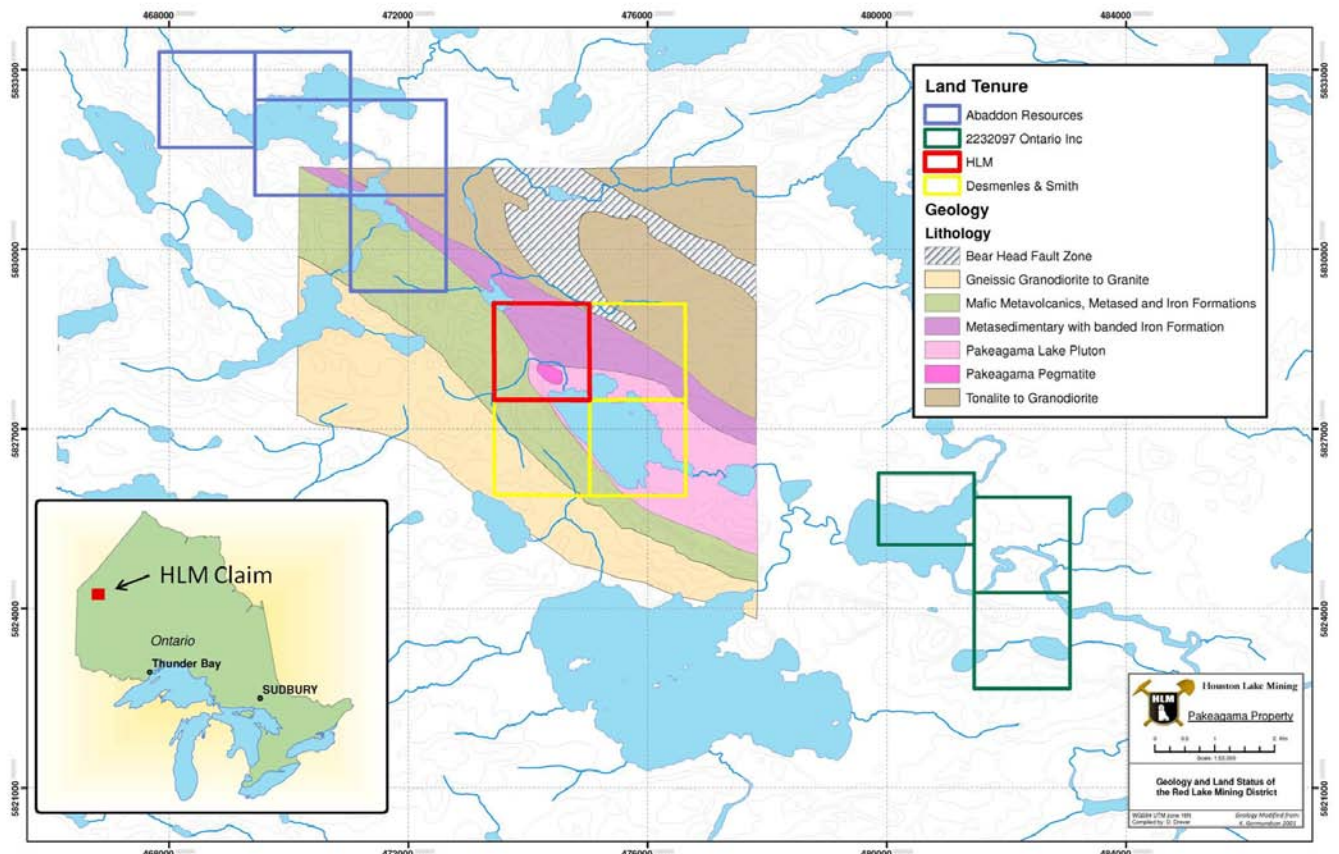


Figure X: Pakeagama Regional Geology and Claims

The Bear Head Fault is the dominant structural feature in the region and has been traced for over 140 km from NW-SE. The fault is composed of a several hundred metre thick zone of mylonite. The presence of cataclastites, tension gashes unfilled by vuggy quartz-epidote-adularia and potassic alteration indicate that brittle deformation has been superimposed on the mylonites. A dextral transcurrent dislocation of the Bear Head Fault has been interpreted from microstructures. The regional gneissosity trends NW-SE and generally are steeply dipping inward towards the core of the volcano-sedimentary assemblage in the vicinity of Pakeagama Lake. The Bear Head Fault Zone is the locus for a peraluminous suite of ranitic plutons. Five major plutons of the two-mica granites (fertile granites) are documented over the 140-kilometre strike length of the fault (Figure X depicts the Pakeagama Lake and Severn two-mica/peraluminous granites). Fertile granites are interpreted to be the parental rocks that give rise to rare metal pegmatites.

Property Geology

The exposed pegmatite on the project has been classified into three main lithological domains. Dr. Germendson describes the northeast third of the claim block as dominantly of metasedimentary origin and composed of pelitic

sediments, iron formation and conglomerate. The southwest third is comprised dominantly of mafic metavolcanic and related metasedimentary rocks. The Pakeagama Lake pluton dominates the southeastern portion and appears to pinch out in the south-central part of the property. The geology of the area of claim KRL 1232441 is presented in Map P. 3224 (Whiteloon Lake) of the Ontario Geological Survey (Stone and Fitzsimon, 1993). The property is underlain by the north-western extension of the North Spirit Lake greenstone belt. The greenstone rocks, which are approximately 2 kilometres wide in the vicinity of the property, are bounded to the north by biotitic tonalities and granites of the Whiteloon Lake Batholith (Sachigo Subprovince of the Superior Province of the Canadian shield) and to the south by gneissic granodiorites and granites of the Bearhead Lake Batholith (Berens River Subprovince of the Superior Province).

A zoned pegmatite body occurs near the margins of the Pakeagama Lake pluton in the south central portion of the property. The pegmatite that is exposed at service is the only portion of the project that has been mapped and sampled in detail. The current known size of the rare-metal pegmatite is largely within the confines of the Pakeagama Lake granitic pluton. A banded iron formation forms an apparent northern boundary to the pegmatite. Five pegmatite zones have been depicted and confirmed by Houston on the known exposure. From northwest to southwest and perpendicular to the strike of the pegmatite the zones include a Stacked Aplite Zone, a Kfeldspar-Petalite Zone, an intermediate Potassic Pegmatite Zone, a Spodumene-Quartz Core Zone and a Wall Zone.

Granitic pegmatites are those pegmatites derived from granitic intrusions. They may be divided into classes, types and families on a combination of criteria. The criteria include minor elements present and the relative concentrations of minor elements (i.e. tantalum to niobium), geological setting and metamorphic grade. The rare element class of granitic pegmatites is the only grouping that has significant economic potential. A zoned pegmatite body occurs near the north western margins of the Pakeagama Lake pluton in the south central portion of the property. Muscovite and tourmaline-bearing pegmatites and aplites may occur up to 1 km. from the main pegmatite mass (F. Breaks, A. Tindle, and S. Smith, 1999a). The Pakeagama Lake pegmatite is the second largest complex-type petalite sub-type pegmatite dike in Ontario (F. Breaks, A. Tindle, and S. Smith, 1999a). The relatively fresh-appearing pegmatite dike has irregular steeply dipping contacts with the weakly foliated garnet-muscovite-biotite granite host rock. A 130° strike is inferred from the coincidence of the exposed 260 metre strike length, the weak foliation in the host granite and the general trend of the Bear Head Fault. The pegmatite is open along strike in both directions.

Rare Metal Target (Tanco Mine)

The word 'pegmatite' stems from Homeric Greek meaning 'to make stout or rigid by binding together'. The crystallization of fertile granites yields a fractionated residual magma which is enriched in lithium, rubidium, cesium, thallium, tantalum, hafnium, gallium, germanium, boron, fluorine and phosphorus relative to that contained in the fertile granite. This fractionated residual magma is expelled out from the fertile granite source into the surrounding metasedimentary and metavolcanic rocks where it cools and consolidates to form a group of pegmatite bodies.

The pegmatite group derived from the fertile granite parent shows a progressive fractionation trend and chemical changes with distance from the fertile granite source. "There have been many models invoked on the study of rare-element pegmatites, but regardless of which is used the pegmatite-forming process is dynamic and highly process-dependent, involving a rather delicate thermal and chemical balance" (Jahns 1953) to explain the many complex textural and mineralogical features of pegmatites. The most fractionated batches of pegmatite are the most mobile (enriched in boron, water, fluorine, phosphorus, lithium, rubidium, cesium, tantalum and beryllium) and tend to migrate the furthest from the fertile granite parent. The most fractionated of these pegmatites are the complex type pegmatites which include the spodumene, petalite, epidolite, and amblygonite subtypes. Individual pegmatites are generally small and range from several metres long and 1 metre thick to economically interesting bodies hundreds of metres long and ten's of metres thick.

The internal structure of pegmatites varies from homogenous to zoned. Zoning or the lack of it provides the starting point for internal anatomy. Zoning is largely what distinguishes pegmatites from other ordinary plutonic igneous rocks. It is manifested by variations in the spatial distribution of grain size, mineral assemblage, crystal

habit, or rock fabric. Zoned pegmatites may have up to nine different units with variable textures and mineral modes (Cerny, 1991b, Cerny et al, 1996). The most evolved zonation patterns are encountered in highly fractionated intrusions with complex rare metal mineralization (i.e. Tanco).

The most striking geochemical anomalies of the Tanco body are its high Cesium and Phosphorus contents, the hallmark of a pelitic metasedimentary source, and high tantalum.

9.6 Exploration Programs

Past Exploration

In 1998 and 1999 Dr. Fred Breaks of the Ontario Geological Survey and Dr. Andy Tindle studied the Pakeagama Pegmatite. Approximately 2186 analyses have been conducted to establish that the Pakeagama Rare Metals Pegmatite is potentially a world-class pegmatite suggesting the presence of a Tanco type mineralizing system. The Pakeagama Lake pegmatite has a width which varies from 30 to 70 metres and a strike length of at least 260 metres (open in both directions) which may extend another 300 metres to a 700 g/t tantalum oxide occurrence. In Summary of Field Work 1999, OGS Open File Report 6000 dated November, 1999, Dr. Breaks et al conclude: "The detailed documentation of a variety of tantalum-rich minerals coupled with the presence of pollucite (main cesium ore mineral) renders the Pakeagama Lake pegmatite and adjoining area one of the best exploration targets for tantalum and cesium in Northwestern Ontario."

Twenty-four samples from Pakeagama Lake were sent for analysis at ALS Chemex Labs Ltd. by Houston and reported on January 18, 2000. Eleven 1-metre channel samples focused on the Wall Zone and returned an average of 285 g/t tantalum oxide, 0.54 percent rubidium oxide, 913 g/t cesium oxide, 600 g/t beryllium oxide, 108 g/t tin, 166.5 g/t niobium oxide, 1.14 percent lithium oxide, 6.0 g/t thallium, 3.3 g/t germanium, and 4.7 g/t antimony.

Recent Exploration

In 2008, Ken Germundson, PhD, of Sudbury Ontario was employed by Houston to conduct a program designed to confirm past work through mapping, grab and channel sample, and soil geo-chemistry. Exploration work consisted of 25.4 km of line-cutting, magnetic and VLF-EM surveys, detailed and property scale geological mapping, stripping and channel sampling. Further stripping work has expanded the width to over 125 metres. An adjacent lithium-cesium anomaly may indicate a potential width of 160 metres. Channel sampling of an 11.0m section of the Northern Wall Zone averaged 1.21% lithium oxide, 0.53% rubidium oxide, 958 g/t cesium oxide, 222 g/t tantalum oxide, 1259 g/t beryllium oxide, 107.0 g/t niobium oxide, 56 g/t gallium, 8.1 g/t germanium, 35.8 g/t thallium, and 120 g/t tin.

Dr. Germundson concluded that the Pakeagama Lake pegmatite lies in a classical regional setting along a regional structure at contact between two subprovinces amid amphibolite grade metasedimentary and metavolcanic country rocks in close association with the Pakeagama Lake pluton, a possible fertile granite parent rock. He also noted that a holmquistite anomaly which flanks the pegmatite may be due to a buried rare metal pegmatite. A high potential for economic zones of rare metals is given by the diverse mineral speciation of tantalum and highly evolved tantalum to niobium ratios in the tantalum-bearing minerals such as deep blue fluorapatite and deep green elbaïtes, a high rubidium content in feldspars and the presence of pollucite.

9.7 Pakeagama Rare Metals Project References

Breaks, F.W., Tindle, A.G., and Smith, S.R., 1999a. Rare-metal mineralization associated with the Berens River – Sachigo Subprovincial boundary, northwestern Ontario: Discovery of a new zone of complex-type, petalite subtype pegmatite and implications for future exploration: Ontario Geol. Surv., MP 169, pp. 168-182.

Cerny, P., 1991b. Rare-element granitic pegmatites, Part II: Regional to global environments and petrogenesis, pp. 49-62, in Sheahan, P.A. and Cherry, M.E., (eds.) Ore Deposit Models, Vol. II, Geoscience Canada.

Germundson, R. Ken, 2008. Report on the Exploration Programme Carried out on claim KRL 1232441 at Pakeagama Lake in the Red Lake Mining Division.

10. CAPITAL STRUCTURE

The Company is authorized to issue an unlimited number of Common Shares. The issued and outstanding share capital consists of 42,497,638 Common Shares as of March 31, 2010. There are 2,965,700 options and 8,340,843 warrants outstanding and reserved for issue, therefore “fully diluted” there are 53,804,181 Common Shares.

11. MARKET FOR SECURITIES

Houston common shares trade through the facilities of the TSX Venture Stock Exchange (TSX.V). Houston’s share trading on the TSX Venture Stock Exchange for 2010 is presented in the table below:

Table 5: Houston's Share Trading 2010

Month	Price Range		Volume
	High	Low	
April 2009	0.385	0.250	547,600
May 2009	0.260	0.180	1,094,668
June 2009	0.300	0.140	2,780,499
July 2009	0.300	0.200	884,702
August 2009	0.300	0.210	1,293,121
September 2009	0.330	0.215	1,806,931
October 2009	0.275	0.230	1,101,141
November 2009	0.280	0.225	1,622,513
December 2009	0.280	0.210	1,358,385
January 2010	0.280	0.220	936,579
February 2010	0.245	0.210	625,855
March 2010	0.235	0.180	2,326,479

12. DIRECTORS AND OFFICERS

The following are Houston’s officers and directors at March 31, 2010:

Table 6: Houston's Directors/Officers Details

Name, Place of Residence and Position with Corporation	Principal Operation	Period Served as Director or Officer	Common Shares Beneficially Owned or Controlled
REGINALD F. (Rick) WALKER ^{1 2} Chairman of the Board Val Caron, ON	Owner/Operator of Consbec Inc. since 1975. Consbec Inc. is the largest private drilling and blasting contractor in North America. Also Owner/Operator of Whitson Manufacturing Inc. Whitson is a manufacturer and transporter of bulk emulsion explosives	Chairman of the Board from April 1995 to June 1996 and December 1997 to Present	2,909,121
TREVOR R. WALKER BA,MBA PRESIDENT Val Caron, ON	Prior to Joining Houston, Mr. Walker was Vice President of the Consbec Group of Companies	President from March 22, 2010 to present	7,500
JOHN G. KELLY B.SC. (Eng.), P. Eng. ¹ DIRECTOR SUDBURY, ON	Mr. Kelly is a Professional Engineer and a member of the Canadian Institute of Mining and Metallurgy. He currently serves on the Board of Governors of Cambrian College and on the Board of NORCAT, The Northern Centre for Advanced Technology	Since May 24, 2000 to Present	231,500
ROBERT J. MCLEAN C.H.R.P. ¹ Algoma Mills, ON DIRECTOR	Mr. McLean brings 35 years of mining experience and 15 years of experience in labour relations, safety personnel management and administration to Houston.	Since December 22, 1997 to March 3, 1999 and January 1, 2000 to Present.	420,951

¹ Member of Audit Committee

² Independent Director

Other information, including information on the remuneration of senior executives and interests of insiders in material transactions are presented in the 2010 Management Discussion & Analysis Information Circular available on SEDAR.

13. LEGAL PROCEEDINGS

The company is not involved in any legal proceedings as of March 31, 2010 and knows of no basis therefore.

14. INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

During the twelve months ended March 31, 2010, Houston 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. The fees were for management and consulting services provided to the Company under ongoing contracts. All related party expenditures were in the normal course of business at fair market value.

During the year ended March 31, 2010, 813,200 (2009 - 800,000) in stock options were issued to directors and consultants of the Company. Using the Black-Scholes option pricing model, the average fair value of each option granted is approximately \$0.15 (2009 - \$0.14). Stock-based compensation of \$123,798 (2009 - \$109,765) was recognized in the year.

15. TRANSFER AGENTS AND REGISTRAR

Houston's transfer agent and registrar is Computershare Investor Services Inc., with their principal office in Calgary, Alberta.

16. MATERIAL CONTRACTS

Houston entered into no material contracts in the past three fiscal years outside of the ordinary course of business.

17. INTERESTS OF EXPERTS

Sievert & Sawrantschuk, LLP are the independent auditors of the Company.

B.J. McKay Ltd., of Kenora, Ontario provides services related to structural geology to support the Company's exploration efforts. B.J. McKay is the author of the most recent technical report on the "2009 Technical Report and Updated Resource Estimate on the Dubenski Gold Property, Kenora Ontario, by B.J. McKay Ltd. and P&E Mining Consultants Inc., dated December 18, 2009, filed by Houston on SEDAR December 18, 2009;

McCarthy Tetrault, Barristers and Solicitors of Calgary, Alberta maintain corporate annual Returns for the company.

Tingle Merrett, LLP of Calgary, Alberta and act as legal counsel with a focus on financing representation for the Company.

Francis Yungwirth, Barrister, Solicitor and Professional Engineer of Timmins, Ontario provides consulting services as required to the company.

No experts have received any securities or other property of the Company. The Company believes that none of the experts hold any securities of the Company.