

HOUSTON LAKE MINING INC.
MANAGEMENT DISCUSSION AND ANALYSIS

JUNE 30, 2008 AND 2007



INTRODUCTION

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

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

The following management discussion and analysis should be read in conjunction with the Corporation's audited annual financial statements for the years ended March 31, 2008 and 2007, which were prepared in accordance with generally accepted accounting principles in Canada. All amounts are expressed in Canadian dollars unless otherwise stated.

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

OVERVIEW

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

West Cedartree Gold Project

The West Cedartree Gold Project (WCGP) contains four or more gold zones contained within 1,673.6 hectares near Kenora, Ontario. The development plan is to first

outline three open pit working areas (Angel Hill, Dogpaw Lake No. 1 Vein, and Dubenski Shaft Zone) that would contain a collective minimum of 100,000+ ounces of gold to potentially support a proposed mill facility.

Angel Hill Gold Zone ("AHGZ")

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

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

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

IP surveys in 2006 and 2007 have depicted a prominent chargeability anomaly. This anomaly can be traced from the AHGZ bulk sample site southward across the McLennan and West Cedartree properties and northward across the Dogpaw Lake and

Dogpaw West properties for an overall strike length of at least 2.8km.

Dogpaw Lake Gold Property ("DPL")

In May of 2006, Houston Lake obtained a option on the 226.4 hectare Dogpaw Lake gold property (DPL) that adjoins the WCGP. The DPL became the Company's chief exploration focus in 2007 and a 100% ownership was attained last year.

A 2,561m delineation drilling program commenced in February of 2007. Fourteen of the 17 drill holes intersected grades of 3.31 g/mt Au or higher and established the continuity of the gold mineralization on the Dogpaw No. 1 Vein to the maximum depth tested of 210m.

A fall, 2007 surface program of mechanized stripping, washing, detailed mapping and channel sampling was completed in the vicinity of the Dogpaw Lake No. 1 Vein. The newly exposed No. 2 and 4 Veins returned high grade gold results. These vein systems appear to be the lateral continuations of the No. 1 Vein historic resource.

A 34 hole, 3,209m drill program was completed by Spring of 2008. The aim of the program was to expand upon and infill the No. 1 Vein resource and begin defining the resource laterally under the No. 2 Vein. Results have been received from the first 10 holes of this program and every hole has intersected significant gold mineralization.

A 2000m drill program commenced in July and targets the No. 2 Vein. The aim of these programs is to prove up and expand the historic gold resources and complete a NI 43-101 resource calculation.

Dubenski Gold Property

In May of 2007 Houston Lake acquired the right to purchase a 100% interest in the

advanced stage Dubenski gold property, for a total consideration of \$4.5 million in cash payments and 700,000 common shares subject to a 2.5% net smelter royalty ("NSR"). The Dubenski property hosts an historic mineral resource (1998) of 355,286 tonnes averaging 6.32 g/mt Au for the Shaft Zone to a depth of 150m.

Consulting firm Watts Griffis and McOuat (WGM) has completed a 17 hole, 1798.6m drill program aimed at upgrading the historic Shaft Zone resource to modern standards. Drilling encountered spectacular gold values grading as high as 8.0m of 40.99 g/mt gold, 9.0m of 40.70 g/mt gold, 7.0m of 35.31 g/mt gold and 22.0m of 35.68 g/mt gold. An IP survey was also carried to generate targets from near surface to depths of up to 400m.

WGM has been commissioned to complete a NI43-101 report on the Shaft Zone resource. The Dubenski property is currently being geologically mapped and the geophysical targets qualified in anticipation of the WGM report and its recommendations for future exploration.

Tib Lake Project

The 2,496 hectare Tib Lake PGM property (2.5% NSR) is located just 15km from a 15000 tpd mill at Lac des Iles mine. In May of 2006 the Company optioned a 70% interest in the property to Magma Metals Limited ("Magma") of Australia for \$400,000 in cash payments and \$2.6 million in exploration outlays over five years.

Magma completed aero-magnetic surveying and geological mapping, and a 750m drill program intersecting 3m grading 1.29g/mt Au+Pt+Pd, 0.15% Cu, 0.18% Ni and 14.5m grading 1.12g/mt Au+Pt+Pd, 0.15% Cu, 0.16% Ni. Magma has elected to withdraw from the property. HLM is currently reviewing options to advance the project.

Pakeagama Rare Metals Project

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

In 2007 Houston Lake negotiated the retirement of the annual advance royalty and staked additional claims to expand the land position at Pakeagama Lake to 2,304 hectares. A \$300,000 mechanized trenching and drilling program is independently recommended.

EXPLORATION STANDARDS

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

EXPLORATION ACTIVITIES AFFECTING THE BALANCE SHEET

During the three months ended June 30, 2008 Houston Lake invested \$554,457 in the mining properties. A total of \$199,443 was spent in acquisition and exploration costs for the Dubenski property. Exploration costs were \$312,033 for the DPL while \$22,033 was expended on the West Cedartree property. Total expenditures of \$599 were incurred on the Pakeagama Lake project while \$20,349 was spent on at Tib Lake.

FINANCING ACTIVITIES

Ongoing exploration was funded out of the treasury. Houston Lake issued 2,008,000 common shares for gross proceeds of \$1,204,800 during the period.

RESULTS OF OPERATIONS

For the three months ended June 30, 2008, Houston Lake incurred a net loss of \$183,747 (\$0.007/share) compared to a net loss of \$139,286 (\$0.006/share) in 2007.

Expenses rose from \$139,495 in 2007 to \$183,747 in 2008. The major expense items experiencing increases included: shareholder and investor relations costs which rose by approximately \$24,000 reflecting additional communications efforts, consulting expenses which rose by \$15,000 reflecting the provision of new financial advisory services and \$9,000 in additional transfer and legal fees connected with financings.

CAPITAL STOCK

The issued capital in the Company increased from 27,364,746 issued and outstanding shares as at March 31, 2008 to 29,372,746 shares as at June 30, 2008.

The Company issued 2,008,000 flow-through common shares for gross proceeds of \$1,204,800 via private placement. Issuance costs were \$60,000.

LIQUIDITY AND WORKING CAPITAL

Current assets of the Company were \$1,003,522 as at June 30, 2008 compared with \$798,458 as at March 31, 2008.

Working capital totaled \$832,076 as at June 30, 2008 compared to \$798,458 for the March 31, 2008 year ended. Current liabilities decreased from \$376,942 at March 31, 2008 to \$171,446 for the current year. The June 30, 2008 accounts payable and accrued liabilities include \$134,134 due to related parties.

The Company's current rate of cash consumption, excluding expenditures on work programs is approximately \$15,000 per

month. The Company's current cash and near cash equivalent resources of \$81,288 are sufficient to meet all of its current contractual obligations in the near term. All of the Company's properties are 100% owned with minimal holding costs except the 100% optioned Dubenski property. The Company has made the \$100,000 option payment which was due in May of 2008.

OFF-BALANCE SHEET ARRANGEMENTS

As at June 30, 2008, the Company does not have off-balance sheet arrangements.

ASSET-BACKED COMMERCIAL PAPER

As at June 30, 2008, the Company does not have and has never had any exposure to asset-backed commercial paper.

RELATED PARTY TRANSACTIONS

During the three months ended June 30, 2008, the Company incurred a total of \$27,250 of expenditures with a director and companies controlled by directors. A total of \$27,250 was incurred in the 2007 period.

OUTLOOK

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

A mining permit application for the AHGZ is being carried out by Cook Engineering of Thunder Bay. Houston Lake has been advised that lake bottom testing is required for the permit application and is scheduled for this fall. A 10,000 tonne bulk sample is the next recommended step in the economic evaluation of the AHGZ gold resource.

An aggressive 3,209m delineation drill program was completed in May and targeted the vicinity of the Dogpaw No. 1 and No. 2 veins. Significant gold mineralization was intersected in each of the first 10 drill holes of the program. Results from the remaining

20 drill holes are pending. A new 2,000m drill program commenced in July and targeted the No. 2 Vein. Further stripping and channel sampling of Vein No. 4 has been completed and other surface targets is also planned

Houston Lake is awaiting a report from WGM focused on a recent drill program verifying the historic resource at the Shaft Zone on the Dubenski property. This report, the results of last winter's deep penetrating IP survey and ongoing geological mapping programs will be combined to guide the next phase of drilling on the Dubenski property.

The aim of the work upgrading historic resources at Dogpaw and Dubenski is to establish if sufficient resources exist to justify locating a mill on site.

RISKS AND UNCERTAINTIES

Houston Lake's success is dependent on a number of factors, many of which are beyond the Company's control. Risks include metal price fluctuations and the low success rate for the discovery of new deposits. Industry competition and lack of funding may also limit opportunities. Future political, regulatory and environmental changes could affect any aspect of the Company's business including property title, taxation, aboriginal issues and environmental protection. Houston Lake plans to manage these risks by the employment of experienced personnel and consultants.

EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES

Management is responsible for establishing and maintaining a system of controls and procedures over the public disclosure of financial and non-financial information regarding the Company. Such controls and procedures are designed to provide reasonable assurance that all relevant

information is gathered and reported on a timely basis to senior management, including the President, Chief Executive Officer (CEO) and Chief Financial Officer (CFO) so that appropriate decisions can be made regarding public disclosure.

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

As required by CSA Multilateral Instrument 52-109, Certification of Disclosure in Issuer's Annual and Interim Filings, an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures was conducted, under supervision of Management, including the President, CEO and CFO, as of March 31, 2007. The evaluation included documentation review, enquiries and other procedures considered by management to be appropriate in the circumstances.

Based on that evaluation, the President, CEO and CFO has concluded that the design and operation of the system of disclosure controls and procedures was effective as at March 31, 2007. The President, CEO and CFO are also required, under Multilateral Instrument 52-109, to file certifications of the annual filings. Copies of these certifications may be found on SEDAR at www.sedar.com.

FORWARD LOOKING STATEMENTS

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

HOUSTON LAKE MINING INC.

E. Grayme Anthony, *P.Geo., MBA*
President, CEO & CFO

August 27, 2008.