

Trip Report of Houston Lake (HLM.V, HLKMF)

Introduction

I was invited to meet the CEO of Houston Lake Mining, Mr. Grayme Anthony along with Board Directors and their West Cedartree gold project geologist/program manager Mr. Dean Cutting. Our visiting group included Rich Radez of the Chicago Resource Expo and Dr. Mike Berry, a seasoned economist and publisher of Morning Notes at www.discoveryinvesting.com.

Houston Lake has three promising properties: West Cedartree gold project, the PGM Tib Lake property and a rare earth metal property Pakeagama Lake located near Red Lake, Ontario. Figure 1 shows the locations of their three properties. This report encompasses observations of West Cedartree only.



Figure 1: West Cedartree Location

Company History to Present

Houston Lake was founded in 1995 and in 1997 is when the current management team started. One of their earliest property acquisitions was the platinum group metal Tib Lake property in 1998. The company confirmed previous drill intersections of 18.5 m of 1.68 g/t Pd+Pt+Au in 1999 and intersected 22 m of 1.46 g/t Pd+Pt+Au in a 2000 drill program. The results from this property have attracted the attention of both Agnico-Eagle and Magma Metals in the past and have made it one of the most important PGM exploration properties in the Lac des Iles area.

The company's second property was the 1999 acquisition of the recently discovered Pakeagama Lake Rare Metals pegmatite. HLM intersected 7 m

grading 358 g/t Tantalum oxide, 5710 g/t Rubidium oxide, 986 g/t Cesium oxide, 619 g/t Beryllium oxide and 109 g/t Tin in channel sampling of the Wall Zone and 4.62% Lithium oxide over 13.9 m in the Core Zone. The results made Pakeagama Lake one of the best rare metals targets in North America.

Houston Lake entered into the gold exploration field by acquiring 3 properties and staked a 4th to establish the West Cedartree Gold Project (WCGP) to cover the historic McLennan and newly discovered Angel Hill gold zones in 2002; just prior to the big surge in gold prices. The initial success of the new property was 7.07 m grading 13.8 g/t gold including 1.30 m grading 49.9 g/t gold. Angel Hill at WCGP led to the 3rd largest staking rush in Ontario as other interests staked ground for 250 square km around the project in the fall of 2002.

The company further expanded its exploration in 2002 with magnetic and IP surveys tracing the Angel Hill Gold Zone across the entire property. Their 2003-2004 drill campaigns extended gold mineralization to 60 m depth and 130 m a long strike at Angel Hill. Core lengths intercepts of 10.2 m grading 4.27 g/t gold, and 0.49 m grading 126 g/t gold were found.

The inferred gold mineral resource of 106,400 mt grading 2.97 g/t (10,160 ounces) gold was identified on the Angel Hill Gold Zone in 2005. As a prelude to the bulk sample, percussion drilling intersected a core length of 1.22 m grading a whopping 479 g/t gold (15.4 ounces/tonne).

In March of 2006, Houston Lake took a 1,042 mt bulk sample from Angel Hill and shipped to Red Lake for processing. The bulk sample yielded 5,490 grams (176 ounces) of gold at an average recovery rate of 93% generating cash of \$132,000 and a net profit of \$52,000.



Figure 2: Angel Hill bulk sampling pit.

In May of 2006 the company obtained a 100% option on the Dogpaw Lake property (historic resource of 53,741 tonnes grading 15.4 g/t gold (26,600 oz) on Vein No. 1). The property covers the northern extension of the Angel Hill and McLennan gold trends. They obtained a 100% option on the Dogpaw West and Gold Sun properties from Endurance Gold Corporation in January of 2007. The acquisition covered the possible southern extension of the Angel Hill gold trend on the project for a total distance of 5 to 6 km.

Houston Lake found success with their new acquisition by drilling 5,770 m intersecting 3 g/t or higher in 36 of 47 holes in Fall of 2006 and Winter of 2007 targeting Dogpaw Vein No. 1. The best result was 7.50 m grading 29.9 g/t gold and included 0.97 m grading 115 g/t gold.

In May of 2007 they obtained a 100% option on the Dubenski property (historic resource of 355,286 tonnes grading 6.32 g/t gold (72,200 oz) covering the Shaft, Central and East Zones). Phase I drilling of Shaft Zone portion of the Dubenski historic resource was undertaken by Watts Griffis and McQuat (WGM), Consulting Geologists in Winter of 2008. The 17 hole drill program yielded spectacular results which included core length intercepts of 37.3 m of 8.28 g/t gold in Hole 6, 33 m of 12.1 g/t gold in Hole 7, 27 m of 13 g/t gold in Hole 9, and 38.9 m of 20.4 g/t gold in Hole 15.

They launched a Phase II drill program in the Fall of 2008 at Dubenski and extended the Shaft Zone from 60 m to over 165 m along strike of the IP chargeability anomaly. The anomaly is referred to as the Dubenski Mineralized Zone (DMZ).

More recently in January of 2009, WGM prepared a resource estimate of the Phase I drilling conducted over the Dubenski Shaft Zone from surface to a depth of 90 m. There are 177,400 mt grading 7.32 g/t gold (41,750 oz) in the indicated and 118,700 mt grading 5.63 g/t gold (21,490 oz) in the inferred mineral resource categories.

Results from Phase II drilling were received subsequent to the resource calculation in January and February of 2009. Of 22 holes drilled, 19 encountered gold grades 3.5 g/t or higher. In addition to higher grades, broad low grade mineralization typified the zone

Phase III drilling along the Dubenski trend was initiated in the Spring of 2009. The 18 hole program extended the strike length of the DMZ to over 365 m with 13 of 18 holes encountering grades of 3.5 g/t or higher. High grade mineralization was encountered over the full strike length of the DMZ.

Houston Lake's Flagship Property – West Cedartree

We met Houston Lake's team in the morning at a town close to West Cedartree and drove to the property (Figure 3). Grayme Anthony, President and CEO of Houston Lake, led the presentation at their Angel Hill gold zone (Figure 4) explaining the geology of the area and the results they have achieved.



Figure 3: West Cedartree office building.



Figure 4: West Cedartree detail map.

We visited the promising Angel Hill zone. Geologists have identified a 200 m strike length that is open at both ends and at depth. IP geophysics has identified a 2.8 km zone that has promise of extending 6 km. Figure 6 shows select results featuring some of the exceptionally high grades of gold discovered there. (Note that the 'color' in the photograph is not all gold.)



Figure 5: Angel Hill core sample showing gold mineralization.

Table 2. Results for Drill Hole 12 on the Angel Hill Gold Zone

Hole No.	Drill Hole Location	From	To	Intercept (m.)	Gold (g/m ³ Au)	Intercept (ft.)	Gold (oz/st Au)
12	0m (0ft) N	37.35m	47.55m	10.20m	4.268	33.46ft.	0.124
	Incl.	41.70m	45.90m	4.20m	9.146	13.78ft.	0.267
	Incl.	45.37m	45.90m	0.53m	46.499	1.74ft.	1.353

Figure 6: Angel Hill gold zone results for Hole 12.

The following area we visited is their relatively new Dubenski property located on the east side of the West Cedartree Gold project (Figure 7). The historical resource is 72,200 ounces from three zones. Houston Lake's 2008 drill program proved up a NI 43-101 resource of 62,000 ounces (87% of the historic resource) in just one zone. Additional drilling in Winter of 2008 has extended the Dubenski strike zone to 365 m (Figure 8). The zone is open at depth along strike.



Figure 7: Grayme showing location of the Dubenski zone.



Figure 8: Dubenski Strike Zone.

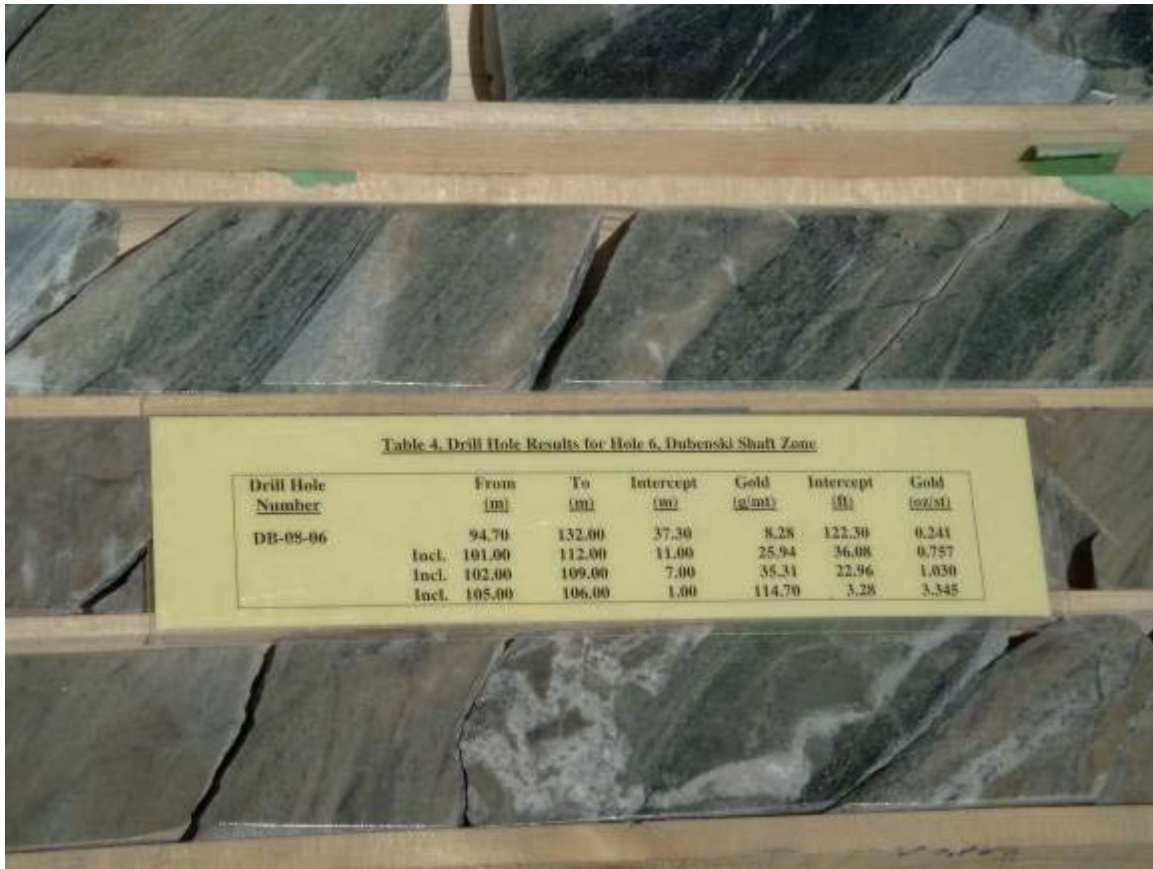


Table 4. Drill Hole Results for Hole 6, Dubenski Shaft Zone

<u>Drill Hole Number</u>	<u>From (m)</u>	<u>To (m)</u>	<u>Intercept (m)</u>	<u>Gold (g/m)</u>	<u>Intercept (ft)</u>	<u>Gold (oz/st)</u>
DB-08-06	94.70	132.00	37.30	8.28	122.30	0.241
Incl.	101.00	112.00	11.00	25.94	36.08	0.757
Incl.	102.00	109.00	7.00	35.31	22.96	1.030
Incl.	105.00	106.00	1.00	114.70	3.28	3.345

Figure 9: Dubenski showing phenomenal gold grades.

Trip Conclusions, Risks and Opportunity

Houston Lake's West Cedartree gold project has the potential of being a multi-million ounce deposit of high-grade gold. Considerable exploration work is needed to prove up more resources. What I saw looked to have tremendous blue-sky potential.

Like all exploration companies, Houston Lake does have risks. The size and economics of the deposit at West Cedar Tree are unknown; the company has little cash on hand and therefore is at the mercy of the equity markets.

Houston Lake is well managed, has no debt and their exploration team is highly experienced. The resources they have proved up are derived from world class gold grades. The one complaint I have with the company is there is no apparent vision of where Houston Lake is going forward beyond 2009. This will likely give investors pause about investing in the stock. After all, there are literally hundreds of junior exploration companies each vying for the same capital pool. If they can give the market a viable operational plan spanning forward 2 – 4 years including a definitive production timeline, it would likely get investors highly motivated to take a position. Houston Lake could also benefit from an investor awareness campaign to put the company and their properties on the investing community's radar screens.

If you are looking for a high grade explorer with an advanced project and plenty of blue sky exploration potential, you may want to consider Houston Lake being part of your portfolio.

Investment Highlights

Stock Exchange	Toronto Venture (TSX.V)
Canadian Stock Symbol	HLM
US Investor Equivalent Symbol	HLKMF
Shares Issued & Outstanding	34.7 million
Average 3 month Daily Trading Volume	62,000 shares



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The author has not been paid to write this article, nor received any other incentive to do so. The company supplied much of the content in the report. Houston Lake paid for the author's transportation, lodging and meals.

Disclaimer:

The author's objective in writing this article is to promote potential investor interest in Houston Lake to the point where they are encouraged to conduct their own research. Neither the information, nor the opinions expressed should be construed as a solicitation to buy or sell the stock. Investors are recommended to obtain the advice of a qualified investment advisor before entering into any position.

About the Author:

Toby Hansen began writing a Newsletter in 2003 with a dozen readers. The popularity of his work has now grown to over 1100 readers worldwide. He publishes quarterly with a review and analysis of economic trends, addresses commodity markets with emphasis of the precious metal sector, suggests stocks for further due diligence and shares reader recommended stocks. Mr. Hansen's Newsletter includes extensive technical analysis on the broad markets, key currency movements, base & precious metals and all equities mentioned.

Mr. Hansen presently works as an R&D Engineer for an international electronics company. Over an engineering career spanning 20 years he holds four US Patents (#6,012,521, #6,227,853, #6,624,539 and #6,909,666) and has four additional patents pending. He has earned a bachelor in Mechanical Engineering at the University of Utah and a Masters Degree in Engineering Mechanics at Iowa State University being awarded several academic honors.

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