
HALO RESOURCES LTD.

(An Exploration Stage Company)

INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED
NOVEMBER 30, 2005

(Unaudited - Prepared by Management)

MANAGEMENT'S COMMENTS ON UNAUDITED INTERIM FINANCIAL STATEMENTS

The accompanying unaudited interim financial statements of Halo Resources Ltd. for the three months ended November 30, 2005, have been prepared by and are the responsibility of the Company's management. These statements have not been reviewed by the Company's external auditors.

HALO RESOURCES LTD.
(An Exploration Stage Company)
INTERIM BALANCE SHEETS
(Unaudited - Prepared by Management)

	Nov 30, 2005 \$	Aug 31, 2005 \$
A S S E T S		
CURRENT ASSETS		
Cash	1,790,998	893,525
Amounts receivable and prepaids	<u>233,169</u>	<u>197,507</u>
	2,024,167	1,091,032
CAPITAL ASSETS (Note 3)	222,691	32,761
UNPROVEN MINERAL INTERESTS (Note 4)	23,724,609	22,759,333
DEFERRED SHARE ISSUE COSTS (Note 6(a))	<u>-</u>	<u>45,556</u>
	<u><u>25,971,467</u></u>	<u><u>23,928,682</u></u>
L I A B I L I T I E S		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	666,146	584,221
REDEEMABLE PREFERRED SHARES (Note 5)	8,000,000	8,000,000
ASSET RETIREMENT OBLIGATION (Note 10)	957,500	938,500
FUTURE INCOME TAX LIABILITY	<u>5,798,633</u>	<u>5,328,000</u>
	<u>15,422,279</u>	<u>14,850,721</u>
S H A R E H O L D E R S ' E Q U I T Y		
SHARE CAPITAL (Note 6)	31,034,880	28,487,576
CONTRIBUTED SURPLUS (Note 7)	932,025	738,642
SHARE SUBSCRIPTIONS RECEIVED (Note 6(a))	-	958,950
DEFICIT	<u>(21,417,717)</u>	<u>(21,107,207)</u>
	<u>10,549,188</u>	<u>9,077,961</u>
	<u><u>25,971,467</u></u>	<u><u>23,928,682</u></u>
NATURE OF OPERATIONS (Note 1)		

APPROVED BY THE BOARD

"Marc Cernovitch" , Director

"Nick DeMare" , Director

The accompanying notes are an integral part of these interim financial statements.

HALO RESOURCES LTD.
(An Exploration Stage Company)

INTERIM STATEMENTS OF LOSS AND DEFICIT
FOR THE THREE MONTHS ENDED NOVEMBER 30

(Unaudited - Prepared by Management)

	2005 \$	2004 \$
REVENUES		
Interest and other	<u>4,650</u>	<u>443</u>
EXPENSES		
Accretion (Note 10)	19,000	-
Depreciation, depletion and impairment	2,110	-
General and administrative	450,667	119,716
Stock-based compensation	<u>193,383</u>	<u>134,096</u>
	<u>665,160</u>	<u>253,812</u>
LOSS BEFORE INCOME TAXES	(660,510)	(253,369)
FUTURE INCOME TAX RECOVERY	<u>350,000</u>	<u>-</u>
NET LOSS FOR THE PERIOD	(310,510)	(253,369)
DEFICIT - BEGINNING OF PERIOD	<u>(21,107,207)</u>	<u>(20,739,097)</u>
DEFICIT - END OF PERIOD	<u>(21,417,717)</u>	<u>(20,992,466)</u>
EARNING (LOSS) PER COMMON SHARE		
- BASIC AND DILUTED	<u>\$(0.01)</u>	<u>\$(0.03)</u>
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING	<u>25,599,355</u>	<u>9,443,859</u>

The accompanying notes are an integral part of these interim financial statements.

HALO RESOURCES LTD.
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INTERIM STATEMENTS OF CASH FLOW
FOR THE THREE MONTHS ENDED NOVEMBER 30

(Unaudited - Prepared by Management)

	2005 \$	2004 \$
CASH PROVIDED FROM (USED FOR)		
OPERATING ACTIVITIES		
Net loss for the period	(310,510)	(253,369)
Items not involving cash		
Accretion	19,000	-
Depreciation, depletion and impairment	2,110	-
Stock-based compensation	193,383	134,096
Future income tax recovery	(350,000)	-
Increase in amounts receivable and prepaids	(35,662)	(13,058)
Increase in accounts payable and accrued liabilities	81,925	20,592
	<u>(399,754)</u>	<u>(111,739)</u>
FINANCING ACTIVITIES		
Common shares issued for cash	2,651,716	-
Common share issue costs	(197,173)	-
Deferred share issue cost	-	(32,500)
	<u>2,454,543</u>	<u>(32,500)</u>
INVESTING ACTIVITIES		
Additions to resource interests	(965,276)	(119,816)
Purchase of capital assets	(192,040)	-
	<u>(1,157,316)</u>	<u>(119,816)</u>
INCREASE (DECREASE) IN CASH	897,473	(264,055)
CASH - BEGINNING OF PERIOD	<u>893,525</u>	<u>329,065</u>
CASH - END OF PERIOD	<u><u>1,790,998</u></u>	<u><u>65,010</u></u>

SUPPLEMENTARY CASH FLOW INFORMATION - See Note 9.

The accompanying notes are an integral part of these interim financial statements.

HALO RESOURCES LTD.
(An Exploration Stage Company)

INTERIM SCHEDULE OF UNPROVEN MINERAL INTERESTS

(Unaudited - Prepared by Management)

	November 30, 2005				August 31, 2005	
	Duport Property \$	Bachelor Lake Property \$	Quarter Moon Lake Property \$	Sherridon Project \$	Total \$	Total \$
BALANCE - BEGINNING OF PERIOD	16,834,784	5,585,956	338,593	-	22,759,333	75,906
AMOUNTS INCURRED DURING THE PERIOD						
EXPLORATION EXPENDITURES						
Airborne surveying	-	-	-	-	-	250,268
Assays	-	8,675	-	-	8,675	56,036
Camp and equipment costs	82,815	9,534	-	-	92,349	209,549
Consulting	12,804	136,850	3,613	43,122	196,389	301,200
Drilling	-	172,779	-	-	172,779	1,373,524
Due diligence	3,312	-	-	5,417	8,729	23,296
Engineering	-	20,737	-	-	20,737	-
Field personnel	-	42,506	-	-	42,506	179,253
Field supplies	-	-	-	-	-	41,332
Filing	-	-	-	-	-	14,035
Geological	-	-	-	-	-	199,030
Miscellaneous	7,122	18,584	-	-	25,706	25,018
Mobilization, trucking and backhoe	-	-	-	-	-	88,766
Rent and utilities	-	39,843	-	-	39,843	30,669
Site preparation	-	-	-	-	-	232,706
Surveying	1,135	-	-	-	1,135	16,223
Technical report	-	-	-	-	-	10,000
Telephone	-	5,114	-	-	5,114	4,847
Travel	4,166	31,628	1,299	5,497	42,590	118,720
Reimbursement	-	-	-	-	-	1,818,123
	<u>111,354</u>	<u>486,250</u>	<u>4,912</u>	<u>54,036</u>	<u>656,552</u>	<u>4,992,595</u>
ACQUISITION COSTS AND OTHER ITEMS						
Acquisition costs	-	100,000	-	-	100,000	11,260,000
Claims staking and lease rental costs	-	-	-	113,478	113,478	12,458
Legal	1,041	18,290	-	63,415	82,746	385,207
Capitalized dividend on redeemable preferred shares	12,500	-	-	-	12,500	41,667
Future income tax adjustment	-	-	-	-	-	5,091,000
Asset retirement obligation	-	-	-	-	-	900,500
	<u>13,541</u>	<u>118,290</u>	<u>-</u>	<u>176,893</u>	<u>308,724</u>	<u>17,690,832</u>
	<u>124,895</u>	<u>604,540</u>	<u>4,912</u>	<u>230,929</u>	<u>965,276</u>	<u>22,683,427</u>
BALANCE - END OF PERIOD	<u><u>16,959,679</u></u>	<u><u>6,190,496</u></u>	<u><u>343,505</u></u>	<u><u>230,929</u></u>	<u><u>23,724,609</u></u>	<u><u>22,759,333</u></u>

The accompanying notes are an integral part of these interim financial statements.

HALO RESOURCES LTD.
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NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED NOVEMBER 30, 2005
(Unaudited - Prepared by Management)

1. NATURE OF OPERATIONS

Halo Resources Ltd. (the "Company") is a resource exploration company which is engaged in the acquisition, exploration and development of unproven mineral interests in Canada. The Company presently has no proven or probable reserves and on the basis of information to date, it has not yet determined whether these unproven mineral interests contain economically recoverable ore reserves. Consequently the Company considers itself to be an exploration stage company. The amounts shown as unproven mineral interests and deferred costs represent costs incurred to date, less amounts amortized and/or written off, and do not necessarily represent present or future values. The underlying value of the unproven mineral interests is entirely dependent on the existence of economically recoverable reserves, securing and maintaining title and beneficial interest, the ability of the Company to obtain the necessary financing to complete development, and future profitable production.

2. SIGNIFICANT ACCOUNTING POLICIES

These interim financial statements of the Company have been prepared by management in accordance with Canadian generally accepted accounting principles. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the interim financial statements and accompanying notes. Actual results could differ from those estimates. The interim financial statements have, in management's opinion, been properly prepared using careful judgement with reasonable limits of materiality. These interim financial statements should be read in conjunction with the most recent annual financial statements. The significant accounting policies follow that of the most recently reported annual financial statements.

3. CAPITAL ASSETS

	<u>November 30, 2005</u>		<u>August 31,</u> <u>2005</u>
	<u>Costs</u>	<u>Accumulated</u> <u>Depreciation</u>	<u>Net Book</u> <u>Value</u>
	\$	\$	\$
Office furniture and equipment	8,089	993	7,096
Computer and telephone equipment	17,727	3,324	14,403
Mine equipment and facility	<u>203,117</u>	<u>1,925</u>	<u>201,192</u>
	<u>228,933</u>	<u>6,242</u>	<u>222,691</u>

	<u>Net Book</u> <u>Value</u>
	\$
	5,693
	15,512
	<u>11,556</u>
	<u>32,761</u>

HALO RESOURCES LTD.
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NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED NOVEMBER 30, 2005
(Unaudited - Prepared by Management)

4. UNPROVEN MINERAL INTERESTS

	November 30, 2005			August 31, 2005		
	Acquisition Costs \$	Deferred Exploration Costs \$	Total Costs \$	Acquisition Costs \$	Deferred Exploration Costs \$	Total Costs \$
Duport	14,915,785	2,043,894	16,959,679	14,902,244	1,932,540	16,834,784
Bachelor Lake	2,875,170	3,315,326	6,190,496	2,756,880	2,829,076	5,585,956
Quarter Moon Lake	107,614	235,891	343,505	107,614	230,979	338,593
Sherridon	176,893	54,036	230,929	-	-	-
	<u>18,075,462</u>	<u>5,649,147</u>	<u>23,724,609</u>	<u>17,766,738</u>	<u>4,992,595</u>	<u>22,759,333</u>

(a) Duport Property, Ontario

Pursuant to an agreement dated February 18, 2005, the Company acquired from The Sheridan Platinum Group Ltd. ("Sheridan") a 100% interest in 93 mineral claims (the "Duport Property") covering an area of approximately 5,000 hectares, located near Kenora, Ontario. The Company paid \$250,000 cash and issued one million common shares, at a fair value of \$1,210,000, and \$8 million in redeemable preferred shares (see Note 5). The purchase of the Duport Property was conducted on a tax-free roll-over basis to Sheridan and, accordingly, \$9,210,000 of costs have no tax value.

The Company has also agreed to pay a 2.5% net smelter return royalty ("NSR") on the first 1.5 million ounces of gold produced and a 5% NSR on the excess. The Company will have the right to buy back a 1% NSR for \$2.5 million cash.

The Company has also acquired, through staking, four mineral claims in the area of the Duport property, covering an area of approximately 5.5 hectares.

(b) Bachelor Lake Property, Quebec

On November 12, 2004, the Company entered into a heads of agreement with Wolfden Resources Inc. ("Wolfden"), whereby Wolfden would assign to the Company, Wolfden's option from Metanor Resources Inc. ("Metanor"), to earn a 50% undivided interest in two mining concessions and 51 mineral claims for a total of 1,851 hectares (the "Bachelor Lake Property"), located in the La Sueur Township, Quebec. On April 15, 2005, the Company and Wolfden signed the final agreement (the "Assignment and Assumption Agreement"). Under the agreed terms, the Company acquired Wolfden's option to earn a 50% interest in the Bachelor Lake Property by paying \$650,000 cash and issuing 1,400,000 common shares, at a fair value of \$1,050,000. The Company was also responsible for all exploration costs incurred on the Bachelor Lake Property by Wolfden from the date of signing the heads of agreement and accordingly, reimbursed Wolfden \$1,293,123 cash and issued 700,000 common shares, at a fair value of \$525,000. If the Company exercises the option, and after 50,000 ounces of gold or gold equivalent have been produced from the Bachelor Lake Property, the Company shall pay to Wolfden a bonus payment of \$250,000 cash and issue to Wolfden a further 250,000 common shares. The Company also agreed to pay a 0.5% royalty on the Company's share of the NSR. A director of the Company is also a director and officer of Wolfden.

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4. UNPROVEN MINERAL INTERESTS (continued)

Effective May 18, 2005, the Company and Metanor entered an agreement whereby Metanor acknowledged the Assignment and Assumption Agreement and the terms of the underlying option agreement on the Bachelor Lake Property were amended. Under the amendment, the Company can exercise its option to earn the 50% interest in the Bachelor Lake Property by spending a minimum of \$500,000 of exploration on the Bachelor Lake Property and paying \$100,000 to Metanor. On September 21, 2005, the Company exercised its option and paid \$100,000.

(c) Quarter Moon Lake Property, Manitoba

On February 9, 2005 the Company signed a letter of intent ("LOI") with Endowment Lakes (2002) Limited Partnership ("EL") regarding the option to earn up to an 80% interest in the Quarter Moon Lake Property, Manitoba. The Quarter Moon Lake Property comprises five mining claims covering a total of 1,072 hectares and is located 75 kilometres northeast of Flin Flon and 61 kilometres northwest of Snow Lake. Under the terms of the LOI, the Company has the right to acquire an initial 51% interest in the Quarter Moon Lake Property in which the Company paid \$40,000 cash, issued 50,000 common shares of the Company, at a fair value of \$60,000, and is required to complete a \$250,000 minimum work commitment in the first year, paying a further \$40,000 cash and issuing 50,000 common shares on the first anniversary, and completing a further \$250,000 work commitment in the second year. The Company has the option to earn an additional 29% interest by providing notice after the initial earn-in by completing an additional \$1.5 million in exploration and development over a subsequent two year period, and paying an additional \$40,000 and issuing 50,000 common shares on or before the third anniversary. The Quarter Moon Lake Property will then be held 80% by the Company and 20% by EL. The Company will be responsible for advancing the property to production and will recover all costs out of production prior to sharing profits on an 80/20 basis. EL will hold a 1% NSR which can be purchased at any time for \$1 million.

(d) Sherridon VMS Property, Manitoba

The Company has staked mining claims comprising approximately 10,000 hectares located in north-central Manitoba.

5. REDEEMABLE PREFERRED SHARES

The series 1 redeemable preferred shares (the "Redeemable Preferred Shares") were issued by the Company as partial consideration of its purchase of the Dupont Property described in Note 4(a). The Redeemable Preferred Shares have a term of five years with payment of cumulative cash dividends, at the following rates:

- i) for each of the two years commencing November 1, 2004, an annual dividend of \$50,000, payable in quarterly instalments, commencing on February 1, 2005 and ending on November 1, 2006; and
- ii) for each of the three years commencing November 1, 2006, an annual dividend of 4% of the Redeemable Preferred Shares outstanding, payable in quarterly instalments, commencing on February 1, 2007 and ending on November 1, 2009.

The Company may elect to pay any of its dividends in common shares of its capital stock based on a 15 day average price prior to the date the dividend is due.

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5. REDEEMABLE PREFERRED SHARES (continued)

The Redeemable Preferred Shares are non-voting, non-convertible and can be redeemed in whole or in part by the Company at any time prior to November 1, 2009, as follows:

- (i) make a cash payment of \$8 million plus a \$400,000 bonus, together with any accrued and unpaid dividends; or
- (ii) provided all dividends payable pursuant to the terms of the Redeemable Preferred Shares have been paid, the Company may return the Duport Property to Sheridan.

The Company may elect to redeem the Redeemable Preferred Shares through the issuance of common shares in its capital stock based on a 15 day average price prior to the date of redemption.

If the Redeemable Preferred Shares have not been redeemed the Company will, effective November 1, 2009, retract the Redeemable Preferred Shares in consideration of \$8 million plus accrued unpaid dividends (collectively the "Retraction Amount"), payable in cash or common shares of the Company based on a 15 trading day average price prior to the date of retraction.

During the three months ended November 30, 2005, the Company recorded \$12,500 of dividends on the Redeemable Preferred Shares, which have been capitalized as part of resource interests. As at November 30, 2005, \$4,167 of accrued dividends were included as part of accounts payable and accrued liabilities.

6. SHARE CAPITAL

Authorized: unlimited common shares without par value
unlimited preferred shares

Issued common shares:	<u>November 30, 2005</u>		<u>August 31, 2005</u>	
	Shares	Amount \$	Shares	Amount \$
Balance, beginning of period	<u>21,005,765</u>	<u>28,487,576</u>	<u>9,443,859</u>	<u>20,914,102</u>
Issued during the period				
For cash				
Private placements	5,273,236	3,493,249	7,324,894	6,688,797
Exercise of warrants	409,667	117,417	1,048,500	253,100
Corporate finance	85,715	60,000	40,000	34,000
For unproven mineral interests	-	-	3,150,000	2,845,000
Cancellation of escrow shares	<u>-</u>	<u>-</u>	<u>(1,488)</u>	<u>-</u>
	5,768,618	3,670,666	11,561,906	9,820,897
Less: flow-through share renunciation	-	(820,633)	-	(1,566,000)
share issue costs	<u>-</u>	<u>(302,729)</u>	<u>-</u>	<u>(681,423)</u>
	<u>5,768,618</u>	<u>2,547,304</u>	<u>11,561,906</u>	<u>7,573,474</u>
Balance, end of period	<u><u>26,774,383</u></u>	<u><u>31,034,880</u></u>	<u><u>21,005,765</u></u>	<u><u>28,487,576</u></u>

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NOTES TO THE INTERIM FINANCIAL STATEMENTS
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(Unaudited - Prepared by Management)

6. SHARE CAPITAL (continued)

- (a) During the three months ended November 30, 2005 the Company completed a non-brokered private placement of 3,293,070 flow-through common shares at a price of \$0.70 per flow-through share and 1,980,166 non-flow-through units (the "Non-Flow-Through Units") at a price of \$0.60 per Non-Flow-Through Unit, for total gross proceeds of \$3,493,249. Each Non-Flow-Through Unit consisted of one common share and one share purchase warrant entitling the holder to purchase one further common share of the Company, for a period of two years at a price of \$0.70 per share. The Company paid a total of \$262,194 for commissions, incurred legal and filing costs totalling \$40,535 and issued 523,323 warrants ("Finders' Warrants"). The Finder's Warrants have the same terms as the private placement warrants.

As at August 31, 2005, the Company had received \$958,950 in common share subscriptions and incurred \$45,556 of share issue costs with respect to this private placement.

- (b) During the three months ended November 30, 2005 the Company granted 855,000 stock options to its employees, directors and consultants and recorded compensation expense of \$193,383.

The fair value of stock options granted to employees, directors and consultants is estimated on the dates of grants using the Black-Scholes option pricing model with the following assumptions used for the grants made during the periods:

Risk-free interest rate	3.24%
Estimated volatility	61.41%
Expected life	1.5 years
Expected dividend yield	0%

The fair value per share of stock options, calculated using the Black-Scholes option pricing model, granted during the period to the Company's employees, directors and consultants was \$0.23 per share.

Option-pricing models require the use of estimates and assumptions including the expected volatility. Changes in the underlying assumptions can materially affect the fair value estimates and, therefore, existing models do not necessarily provide reliable measure of the fair value of the Company's stock options.

A summary of the Company's stock options at November 30, 2005 and the changes for the three months ended November 30, 2005 is presented below:

	Number of Options	Weighted Average Exercise Price \$
Balance, beginning of period	1,688,000	0.80
Granted	<u>855,000</u>	0.75
Balance, end of period	<u><u>2,543,000</u></u>	0.77

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NOTES TO THE INTERIM FINANCIAL STATEMENTS
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6. SHARE CAPITAL (continued)

The following table summarizes information about the stock options outstanding and exercisable at November 30, 2005:

Options Outstanding and Exercisable	Exercise Price \$	Expiry Date
753,000	0.96	January 23, 2006
600,000	0.60	May 31, 2007
60,000	0.75	July 22, 2007
150,000	0.70	September 27, 2007
125,000	0.75	February 17, 2008
<u>855,000</u>	0.75	September 29, 2008
<u><u>2,543,000</u></u>		

- (c) A summary of the number of common shares reserved pursuant to the Company's warrants outstanding at November 30, 2005 and the changes for the three months ended November 30, 2005, is as follows:

	Number
Balance, beginning of period	10,331,859
Issued pursuant to private placements	1,980,166
Issued as finders warrants	523,323
Issued for corporate finance fee	85,715
Exercised	<u>(409,667)</u>
Balance, end of period	<u><u>12,511,396</u></u>

Common shares reserved pursuant to warrants outstanding at November 30, 2005, are as follows:

Number	Exercise Price \$	Expiry Date
1,793,333	0.25	March 4, 2006
2,395,500	0.40	April 15, 2006
2,313,182	1.25 / 1.50	December 23, 2005 / December 23, 2006
2,698,530	1.10 / 1.35	December 23, 2005 / December 23, 2006
20,000	1.10 / 1.35	December 23, 2005 / December 23, 2006
701,647	1.05	December 23, 2006
2,071,015	0.70	September 14, 2007
432,474	0.70	September 29, 2007
<u>85,715</u>	0.75	October 14, 2007
<u><u>12,511,396</u></u>		

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7. CONTRIBUTED SURPLUS

Contributed surplus is comprised of the following:

	November 30, 2005 \$	August 31, 2005 \$
Balance, beginning of period	738,642	179,611
Stock-based compensation (Note 6(b))	<u>193,383</u>	<u>559,031</u>
Balance, end of period	<u><u>932,025</u></u>	<u><u>738,642</u></u>

8. RELATED PARTY TRANSACTIONS

(a) During the three months ended November 30, 2005, the Company incurred \$60,600 for management, professional, accounting and administrative services provided by companies controlled by officers and directors of the Company. As at November 30, 2005, accounts payable and accrued liabilities include \$15,643 due to these related parties.

(b) Other related party transactions are disclosed elsewhere in these financial statements.

These transactions were measured at the exchange amount, which was the amount of consideration established and agreed to by related parties.

9. SUPPLEMENTARY CASH FLOW INFORMATION

Non-cash financing activities were conducted by the Company during the three months ended November 30, 2005 and 2004 are as follows:

	2005 \$	2004 \$
Financing activities		
Common shares issued for corporate finance fee	60,000	-
Share capital - future income tax adjustment	(820,633)	-
Future tax liability	<u>820,633</u>	<u>-</u>
	<u><u>60,000</u></u>	<u><u>-</u></u>
Investing activity		
Unproven mineral interests - accrued dividend	<u>(4,167)</u>	<u>-</u>
Operating activities		
Accrued dividend payable	4,167	-
Corporate finance fee	<u>(60,000)</u>	<u>-</u>
	<u><u>(55,833)</u></u>	<u><u>-</u></u>

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9. SUPPLEMENTARY CASH FLOW INFORMATION (continued)

Other supplementary cash flow information:

	2005	2004
	\$	\$
Interest paid in cash	<u>-</u>	<u>-</u>
Income taxes paid in cash	<u>-</u>	<u>-</u>

10. ASSET RETIREMENT OBLIGATION

	November 30, 2005	August 31, 2005
	\$	\$
Balance, beginning of period	938,500	-
Liabilities assumed on acquisition	-	900,500
Accretion expense	<u>19,000</u>	<u>38,000</u>
	<u>957,500</u>	<u>938,500</u>

The total undiscounted amount of estimated cash flows required to settle the Company's estimated obligation is \$1,018,567 which has been discounted using a credit adjusted risk free rate of 8.5%. The reclamation obligation relates to the Bachelor Lake Property. The present value of the reclamation liability may be subject to change based on management's current estimates, changes in remediation technology or changes to the applicable laws and regulations. Such changes will be recorded in the accounts of the Company as they occur.