
HALO RESOURCES LTD.

INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED
FEBRUARY 29, 2008

(Unaudited - Prepared by Management)

MANAGEMENT'S COMMENTS ON UNAUDITED INTERIM FINANCIAL STATEMENTS

The accompanying unaudited interim financial statements of Halo Resources Ltd. for the six months ended February 29, 2008, 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.
INTERIM BALANCE SHEETS
(Unaudited - Prepared by Management)

	February 29, 2008	August 31, 2007
	\$	\$
A S S E T S		
CURRENT ASSETS		
Cash	997,200	2,102,498
Amounts receivable and prepaids (Note 4)	151,276	214,642
Available for sale marketable securities (Note 5)	<u>121,250</u>	<u>-</u>
	1,269,726	2,317,140
CAPITAL ASSETS (Note 6)	258,610	330,926
UNPROVEN MINERAL INTERESTS (Note 7)	<u>27,067,049</u>	<u>24,139,099</u>
	<u><u>28,595,385</u></u>	<u><u>26,787,165</u></u>
L I A B I L I T I E S		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	829,275	474,375
REDEEMABLE PREFERRED SHARES (Note 8)	8,000,000	8,000,000
ASSET RETIREMENT OBLIGATION	-	1,014,500
FUTURE INCOME TAX LIABILITY	<u>6,150,000</u>	<u>4,886,000</u>
	<u>14,979,275</u>	<u>14,374,875</u>
S H A R E H O L D E R S ' E Q U I T Y		
SHARE CAPITAL (Note 9)	37,617,525	35,766,585
ACCUMULATED OTHER COMPREHENSIVE INCOME	36,250	-
CONTRIBUTED SURPLUS (Note 11)	2,265,316	2,149,234
DEFICIT	<u>(26,302,981)</u>	<u>(25,503,529)</u>
	<u>13,616,110</u>	<u>12,412,290</u>
	<u><u>28,595,385</u></u>	<u><u>26,787,165</u></u>

NATURE OF OPERATIONS AND GOING CONCERN (Note 1)

SUBSEQUENT EVENTS (Note 15)

APPROVED BY THE BOARD

"Lynda Bloom" , Director

"Nick DeMare" , Director

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

HALO RESOURCES LTD.
INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(Unaudited - Prepared by Management)

	<u>Three Months Ended</u>		<u>Six Months Ended</u>	
	<u>February 29, 2008</u>	<u>February 28, 2007</u>	<u>February 29, 2008</u>	<u>February 28, 2007</u>
	\$	\$	\$	\$
EXPENSES				
Amortization of capital assets	19,819	6,854	33,179	13,709
General and administrative	391,833	332,097	776,207	776,116
General exploration	43,328	19,472	45,947	25,767
Stock-based compensation (Note 10)	2,549	24,671	22,713	346,779
Part XII.6 tax expense	7,339	-	7,339	-
Write-down of unproven mineral interest	-	-	-	225,000
	<u>464,868</u>	<u>383,094</u>	<u>885,385</u>	<u>1,387,371</u>
LOSS BEFORE OTHER ITEMS	(464,868)	(383,094)	(885,385)	(1,387,371)
OTHER ITEM				
Interest income	<u>10,678</u>	<u>13,741</u>	<u>18,333</u>	<u>19,366</u>
LOSS BEFORE INCOME TAX	(454,190)	(369,353)	(867,052)	(1,368,005)
FUTURE INCOME TAX (EXPENSE) RECOVERY	<u>(308,400)</u>	<u>3,000</u>	<u>67,600</u>	<u>279,000</u>
NET LOSS FOR THE PERIOD	(762,590)	(366,353)	(799,452)	(1,089,005)
OTHER COMPREHENSIVE INCOME				
Unrealized holding gain on available for sale marketable securities	<u>40,000</u>	<u>-</u>	<u>36,250</u>	<u>-</u>
COMPREHENSIVE NET LOSS FOR THE PERIOD	<u>(722,590)</u>	<u>(366,353)</u>	<u>(763,202)</u>	<u>(1,089,005)</u>
LOSS PER COMMON SHARE				
- BASIC AND DILUTED	<u>\$(0.01)</u>	<u>\$(0.01)</u>	<u>\$(0.01)</u>	<u>\$(0.03)</u>
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING				
	<u>47,523,084</u>	<u>34,713,493</u>	<u>44,136,559</u>	<u>33,876,982</u>

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

HALO RESOURCES LTD.
INTERIM STATEMENT OF SHAREHOLDERS' EQUITY
(Unaudited - Prepared by Management)

	Share Capital		Contributed Surplus \$	Deficit \$	Accumulated Other Comprehensive Income \$
	Shares	Amount \$			
Balance, August 31, 2006	31,138,216	32,395,855	1,360,767	(23,307,142)	-
Common shares issued for:					
Private placements	9,328,965	4,288,350	-	-	-
Corporate finance fee	62,500	28,125	-	-	-
Unproven mineral interests	210,000	89,000	-	-	-
Flow-through share renunciation	-	(524,500)	-	-	-
Share issue costs	-	(510,245)	-	-	-
Stock-based compensation on stock options	-	-	679,122	-	-
Stock-based compensation on warrants	-	-	109,345	-	-
Net loss for the year	-	-	-	(2,196,387)	-
Balance, August 31, 2007	40,739,681	35,766,585	2,149,234	(25,503,529)	-
Common shares issued for:					
Private placements	7,926,047	3,561,578	-	-	-
Warrants exercised	16,061	7,227	-	-	-
Unproven mineral interests	75,000	24,750	-	-	-
Flow-through share renunciation	-	(1,331,600)	-	-	-
Share issue costs	-	(411,015)	-	-	-
Stock-based compensation on warrants	-	-	93,369	-	-
Stock-based compensation on stock options vested	-	-	22,713	-	-
Unrealized holding gain on available for sale marketable securities	-	-	-	-	36,250
Net loss for the period	-	-	-	(799,452)	-
Balance at February 29, 2008	48,756,789	37,617,525	2,265,316	(26,302,981)	36,250

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

HALO RESOURCES LTD.
INTERIM STATEMENTS OF CASH FLOW
(Unaudited - Prepared by Management)

	<u>Three Months Ended</u>		<u>Six Months Ended</u>	
	<u>February 29,</u>	<u>February 28,</u>	<u>February 29,</u>	<u>February 28,</u>
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
	\$	\$	\$	\$
CASH PROVIDED FROM (USED FOR)				
OPERATING ACTIVITIES				
Net loss for the period	(762,590)	(366,353)	(799,452)	(1,089,005)
Items not involving cash				
Amortization of capital assets	19,819	6,854	33,179	13,709
Stock-based compensation	2,549	24,671	22,713	346,779
Write-down of unproven mineral interests	-	-	-	225,000
Future income tax recovery	308,400	(3,000)	(67,600)	(279,000)
(Increase) decrease in amounts receivable and prepaids	(20,600)	(75,946)	63,366	(50,128)
Increase (decrease) in accounts payable and accrued liabilities	<u>(5,054)</u>	<u>(75,952)</u>	<u>51,306</u>	<u>(122,131)</u>
	<u>(457,476)</u>	<u>(489,726)</u>	<u>(696,488)</u>	<u>(954,776)</u>
FINANCING ACTIVITIES				
Common shares issued for cash	3,561,578	-	3,568,805	1,537,350
Common share issue costs	<u>(317,646)</u>	<u>-</u>	<u>(317,646)</u>	<u>(179,664)</u>
	<u>3,243,932</u>	<u>-</u>	<u>3,251,159</u>	<u>1,357,686</u>
INVESTING ACTIVITIES				
Proceeds from sale of unproven mineral interests	-	-	-	2,025,000
Additions to unproven mineral interests	(1,793,507)	(850,872)	(3,481,395)	(1,200,534)
Purchase of capital assets	<u>(2,995)</u>	<u>-</u>	<u>(178,574)</u>	<u>(19,551)</u>
	<u>(1,796,502)</u>	<u>(850,872)</u>	<u>(3,659,969)</u>	<u>804,915</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	989,954	(1,340,598)	(1,105,298)	1,207,825
CASH AND CASH EQUIVALENTS - BEGINNING OF PERIOD	<u>7,246</u>	<u>2,820,358</u>	<u>2,102,498</u>	<u>271,935</u>
CASH AND CASH EQUIVALENTS - END OF PERIOD	<u><u>997,200</u></u>	<u><u>1,479,760</u></u>	<u><u>997,200</u></u>	<u><u>1,479,760</u></u>

SUPPLEMENTAL CASH FLOW INFORMATION - See Note 14.

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

HALO RESOURCES LTD.
NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED FEBRUARY 29, 2008
(Unaudited - Prepared by Management)

1. NATURE OF OPERATIONS AND GOING CONCERN

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. 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.

As at February 29, 2008, the Company had working capital of \$440,451. The Company has no source of revenue and will require additional financing in order to conduct its work programs on its mineral interests and meet its ongoing levels of corporate overhead. These interim financial statements have been prepared on a going-concern basis which assumes that the Company will be able to realize assets and discharge liabilities in the normal course of business. While the Company has been successful in securing financings in the past, there can be no assurance that it will be able to do so in the future. Accordingly, it does not give effect to adjustments, if any, that would be necessary should the Company be unable to continue as a going concern and, therefore, be required to realize its assets and liquidate its liabilities in other than the normal course of business and at amounts which may differ from those shown in the financial statements. See also Note 15.

2. BASIS OF PRESENTATION

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. CHANGE IN ACCOUNTING POLICIES

Effective September 1, 2007, the Company adopted the following new standards issued by the Canadian Institute of Chartered Accountants ("CICA"). These new standards have been adopted on a prospective basis with no re-statement of prior period financial statements.

CICA Handbook Section 1530: "*Comprehensive Income*", effective for fiscal years beginning on or after October 1, 2006, establishes standards for reporting comprehensive income, defined as a change in value of net assets that is not due to owner activities, by introducing a new requirement to temporarily present certain gains and losses outside of net income.

HALO RESOURCES LTD.
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3. CHANGE IN ACCOUNTING POLICIES (continued)

CICA Handbook Section 3251: “*Equity*”, effective for fiscal years beginning on or after October 1, 2006, establishes standards for the presentation of equity and changes in equity during the reporting period.

CICA Handbook Section 3855: “*Financial Instruments - Recognition and Measurement*”, effective for fiscal years beginning on or after October 1, 2006, establishes standards for the recognition, classification and measurement of financial instruments including the presentation of any resulting gains or losses. Assets classified as available-for-sale securities will have revaluation gains and losses included in other comprehensive income until these assets are no longer included on the balance sheet.

CICA Handbook Section 1506: “*Accounting Changes*” (“CICA 1506”), effective for fiscal years beginning on or after January 1, 2007, establishes standards and new disclosures requirements for the reporting of changes in accounting policies and estimates and the reporting of error corrections. CICA1506 clarifies that a change in accounting policy can be made only if it is a requirement under Canadian GAAP or if it provides reliable and more relevant financial statement information. Voluntary changes in accounting policies require retrospective application of prior period financial statements, unless the retrospective effects of the changes are impracticable to determine, in which case the retrospective application may be limited to the assets and liabilities of the earliest period practicable, with a corresponding adjustment made to opening retained earnings.

4. AMOUNTS RECEIVABLE AND PREPAIDS

	February 29, 2008	August 31, 2007
	\$	\$
Goods and services taxes receivable	124,670	144,525
Prepays	8,106	50,680
Other	18,500	19,437
	<u>151,276</u>	<u>214,642</u>

5. AVAILABLE FOR SALE MARKETABLE SECURITIES

	<u>February 29, 2008</u>			<u>August 31, 2007</u>
	Cost	Unrealized Holdings Gain	Fair Value	Cost
	\$	\$	\$	\$
Metanor Resources Inc. (Note 7(b))	<u>85,000</u>	<u>36,250</u>	<u>121,250</u>	<u>-</u>

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6. CAPITAL ASSETS

	<u>February 29, 2008</u>			<u>August 31, 2007</u>
	Costs \$	Accumulated Amortization \$	Net Book Value \$	Net Book Value \$
Office furniture and equipment	54,343	22,392	31,951	37,931
Computer and telephone equipment	71,573	34,268	37,305	43,008
Field equipment and facility	206,642	18,728	187,914	245,665
Leasehold improvements	11,524	10,084	1,440	4,322
	<u>344,082</u>	<u>85,472</u>	<u>258,610</u>	<u>330,926</u>

7. UNPROVEN MINERAL INTERESTS

	<u>February 29, 2008</u>			<u>August 31, 2007</u>		
	Acquisition Costs \$	Deferred Exploration Costs \$	Total Costs \$	Acquisition Costs \$	Deferred Exploration Costs \$	Total Costs \$
Duport	15,397,502	2,317,357	17,714,859	15,237,502	2,299,678	17,537,180
Bachelor Lake	-	-	-	881,789	-	881,789
Sherridon	775,769	7,803,827	8,579,596	722,886	4,399,631	5,122,517
West Red Lake	38,952	733,642	772,594	38,952	558,661	597,613
	<u>16,212,223</u>	<u>10,854,826</u>	<u>27,067,049</u>	<u>16,881,129</u>	<u>7,257,970</u>	<u>24,139,099</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 3,800 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 8). 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 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, 10 mineral claims in the area of the Duport property, covering an area of approximately 1,744 hectares.

HALO RESOURCES LTD.
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7. UNPROVEN MINERAL INTERESTS (continued)

(b) Bachelor Lake Property, Quebec

On April 27, 2006, as amended August 17, 2006, the Company and Metanor Resources Inc. ("Metanor") entered into a purchase agreement (the "Metanor Purchase") whereby Metanor agreed to purchase the Company's 50% interest in a joint venture over two mining concessions and 51 mineral claims for a total of 1,851 hectares (the "Bachelor Lake JV") in consideration of \$3.5 million cash, \$750,000 in common shares of Metanor and a 1% NSR in favour of the Company. During fiscal 2006, the Company recognized an impairment of \$1,538,655 to reflect the difference between the Company's recorded costs and the anticipated proceeds.

On November 17, 2006, as amended August 22, 2007, Metanor and the Company agreed to revise the payment terms of the Metanor Purchase (the "Revised Metanor Purchase") under which Metanor agreed to purchase the Company's 50% interest in the Bachelor Lake JV for total consideration of \$3,825,000 cash and 125,000 common shares of Metanor (the "Metanor Shares"). As of August 31, 2007, all of the cash payments have been made by Metanor. In September 2007, the Company received the Metanor Shares and completed the sale of its 50% interest in the Bachelor Lake JV.

(c) Sherridon VMS Project, Manitoba

The Company holds, through staking and various acquisition agreements, an interest in 20,876 hectares located in the Sherridon area, north-central Manitoba. Details of the acquisitions are as follows:

- i) 76 mining claims covering approximately 14,789 hectares, staked by the Company;
- ii) on February 9, 2005, as amended February 9, 2006, the Company entered into a letter of intent ("Quarter Moon 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 located 75 kilometres northeast of Flin Flon and 61 kilometres northwest of Snow Lake. Under the terms of the Quarter Moon LOI, the Company had the right to acquire an initial 51% interest in the Quarter Moon Lake Property in which the Company has paid \$40,000 cash, issued 50,000 common shares of the Company, at a value of \$60,000, and was required to complete a \$500,000 work commitment, pay a further \$40,000 cash and issue 50,000 common shares.

On December 3, 2006, the Company and EL entered into a formal purchase agreement (the "Quarter Moon Purchase Agreement"), under which the Company purchased a 100% interest in ten mining claims, including the original five mining claims under the Quarter Moon LOI, covering a total of 2,072 hectares in north-central Manitoba, for \$90,000 cash and issuance of 160,000 common shares, at a value of \$64,000. EL holds a 1% NSR, of which a 0.5% NSR can be purchased at any time for \$500,000.

HALO RESOURCES LTD.
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7. UNPROVEN MINERAL INTERESTS (continued)

- iii) heads of agreement (the “Dunlop HOA”) dated February 9, 2006, entered into by the Company and W. Bruce Dunlop Limited NPL, whereby the Company was granted the option to earn a 100% undivided interest in three mining claims, covering 536 hectares, as follows:

Date	Option Payments \$	Share Issuances	Work Expenditures \$
On signing	15,000 (paid)	25,000 (issued)	-
February 9, 2007	20,000 (paid)	50,000 (issued)	10,000
February 9, 2008	25,000 (paid)	75,000 (issued)	10,000
February 9, 2009	30,000	100,000	50,000
February 9, 2010	-	-	100,000
	<u>90,000</u>	<u>250,000</u>	<u>170,000</u>

- iv) three option agreements (the “HBED Options”), dated March 19, 2006, entered into by the Company and Hudson Bay Exploration and Development Company Limited (“HBED”), whereby the Company was granted options to acquire 100% interests in 24 mining claims and one mining lease covering approximately 3,479 hectares. In order to earn 100% interests in all of the mineral claims and the mining lease the Company will be required to make option payments totalling \$650,000 and incur expenditures totalling \$4,300,000, as follows:

Date	Option Payments \$	Work Expenditures \$
On signing	30,000 (paid)	-
March 19, 2007	70,000 (paid)	30,000
March 19, 2008	120,000	100,000
March 19, 2009	80,000	790,000
March 19, 2010	<u>350,000</u>	<u>3,380,000</u>
	<u>650,000</u>	<u>4,300,000</u>

Upon agreement by both the Company and HBED, up to \$187,500 of the option payments may be paid in common shares of the Company. As of February 29, 2008, all option payments and work expenditure commitments have been met.

Should the Company acquire a 100% interest in any of the claim groups under the HBED Options, HBED has the option to back-in for a 51% interest in the subject claims group by paying 135% of the expenditures incurred by the Company. HBED will also hold a 2% NSR.

Subsequent to February 29, 2008, the Company paid the \$120,000 option payment which was due on March 19, 2008.

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7. UNPROVEN MINERAL INTERESTS (continued)

(d) West Red Lake Property, Ontario

Pursuant to option agreements dated June 20, 2006 and April 20, 2007, (the "West Red Lake Option") with Goldcorp. Inc. ("Goldcorp") the Company has the option to earn a 60% interest in 67 mining claims, a 45% interest in two mining claims, and a 30% interest in ten mining claims (collectively the "West Red Lake Property") located in Ball Township, Red Lake, Ontario. Under the terms of the West Red Lake Option, the Company is required to perform minimum exploration programs totalling \$3 million on or before December 31, 2009, as follows:

Date	Expenditure Commitments \$
December 31, 2007	750,000
December 31, 2008	1,000,000
December 31, 2009	<u>1,250,000</u>
	<u><u>3,000,000</u></u>

Once the Company has incurred \$3 million of expenditures the Company can elect to proceed with a formal joint venture on the subject claims. Upon notification of the Company's election, Goldcorp has 90 days to back-in and reacquire a 25% interest in the 67 mining claims, a 18.75% interest in two mining claims and a 12.5% interest in the ten mining claims by paying \$6 million to the Company. If Goldcorp does not exercise its back-in right the Company will then be required to issue one million common shares of its share capital to Goldcorp.

8. 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 Duport Property described in Note 7(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 \$320,000, 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.

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.

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8. REDEEMABLE PREFERRED SHARES (continued)

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 six months ended February 29, 2008, the Company recorded \$160,000 (2007 - \$115,000) of dividends on the Redeemable Preferred Shares, which have been capitalized as part of resource interests. As at February 29, 2008, \$26,667 (2007 - \$26,667) of accrued dividends were included as part of accounts payable and accrued liabilities.

9. SHARE CAPITAL

(a) Authorized share capital consists of an unlimited number of common shares without par value and an unlimited number of preferred shares.

(b) During December 2007, the Company completed a private placement of 4,652,755 flow-through shares, at a price of \$0.47 per flow-through share, and 3,273,292 non-flow-through units, at a price of \$0.42 per non-flow-through unit, for total gross proceeds of \$3,561,578. Each non-flow-through unit consisted of one common share and one-half share purchase warrant, with each full warrant entitling the holder to purchase one further common share, at a price of \$0.60 per share, for a period of two years. Directors of the Company purchased 133,192 flow-through shares for \$62,600.

The Company paid the agents a cash commission of \$262,423 and issued 752,688 warrants (the "Agents' Warrants") and incurred costs of \$55,223 relating to this financing. Each Agents' Warrant is exercisable to purchase one common share, at a price of \$0.60 per share, for a period of two years. The fair value of the Agents' Warrants has been estimated using the Black-Scholes option pricing model. The assumptions used were: divided yield - 0%; expected volatility 80.65%; a risk-free interest rate of 3.94%; and an expected life of two years. The value assigned to the Agents' Warrants was \$93,369.

(c) A summary of the number of common shares reserved pursuant to the Company's warrants outstanding at February 29, 2008 and February 28, 2007 and the changes for the six months ending on those dates is as follows:

	2008	2007
Balance, beginning of period	8,128,582	8,322,563
Pursuant to private placements	2,389,334	2,112,299
Exercised	(16,061)	-
Expired	(2,589,204)	(5,733,359)
	7,912,651	4,701,503
Balance, end of period	7,912,651	4,701,503

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9. SHARE CAPITAL (continued)

Common shares reserved pursuant to warrants outstanding at February 29, 2008, are as follows:

Number	Exercise Price \$	Expiry Date
1,708,166	0.60	April 12, 2008
388,072	0.45	April 12, 2008
1,091,316	0.65	January 4, 2009
1,509,763	0.60	January 4, 2009
665,000	0.65	January 11, 2009
111,000	0.60	January 11, 2009
50,000	0.65	July 20, 2009
2,224,230	0.60	December 14, 2009
33,200	0.60	December 18, 2009
<u>131,904</u>	0.60	December 21, 2009
<u><u>7,912,651</u></u>		

10. STOCK OPTIONS AND STOCK-BASED COMPENSATION

The Company has established a rolling stock option plan (the "Plan"), in which the maximum number of common shares which can be reserved for issuance under the Plan is 10% of the issued and outstanding shares of the Company. The exercise price of the options is set at the Company's closing share price on the day before the grant date, less allowable discounts in accordance with the policies of the TSX Venture Exchange.

During the six months ended February 29, 2008 the Company recorded compensation expense of \$22,713 expense for the vesting of stock options. During the six months ended February 28, 2007 the Company recorded total compensation expense of \$346,779, comprising of:

- (i) \$247,477 on the granting of 1,547,000 stock options to its employees, directors and consultants;
- (ii) \$37,641 on the amendment of the terms of 450,000 stock options; and
- (iii) \$61,661 for the vesting of stock options.

The fair value of stock options granted, amended and vested to employees, directors and consultants is estimated using the Black-Scholes option pricing model with the following assumptions made during the six months ended February 29, 2008 and February 28, 2007:

	<u>2008</u>	<u>2007</u>
Risk-free interest rate	3.77% - 4.09%	3.93% - 4.00%
Estimated volatility	72.26% - 74.04%	68.02% - 78.74%
Expected life	1.75 years - 2.40 years	2.75 years - 3 years
Expected dividend yield	0%	0%

The weighted average fair value of all stock options, calculated using the Black-Scholes option pricing model, granted during the period to the Company's employees, directors and consultants was \$nil (2007 - \$0.16) per share.

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10. STOCK OPTIONS AND STOCK-BASED COMPENSATION (continued)

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 February 29, 2008 and February 28, 2007, and the changes for the six months ending on those dates is presented below:

	2008		2007	
	Number of Options	Weighted Average Exercise Price \$	Number of Options	Weighted Average Exercise Price \$
Balance, beginning of period	3,815,000	0.47	2,903,000	0.56
Granted	-	-	1,547,000	0.45
Cancelled	<u>(220,000)</u>	0.45	<u>(990,000)</u>	0.71
Balance, end of period	<u><u>3,595,000</u></u>	0.49	<u><u>3,460,000</u></u>	0.47

The following table summarizes information about the stock options outstanding and exercisable at February 29, 2008:

Options Outstanding	Options Exercisable	Exercise Price \$	Expiry Date
450,000	450,000	0.60	May 31, 2009
853,000	853,000	0.45	February 2, 2009
1,387,000	1,387,000	0.45	November 27, 2009
150,000	75,000	0.50	July 18, 2010
<u>755,000</u>	<u>755,000</u>	0.52	July 24, 2012
<u><u>3,595,000</u></u>	<u><u>3,520,000</u></u>		

11. CONTRIBUTED SURPLUS

Contributed surplus is comprised of the following:

	February 29, 2008 \$	August 31, 2007 \$
Balance, beginning of period	2,149,234	1,360,767
Stock-based compensation on stock options (Note 10)	22,713	679,122
Stock-based compensation on warrants (Note 9(b))	<u>93,369</u>	<u>109,345</u>
Balance, end of period	<u><u>2,265,316</u></u>	<u><u>2,149,234</u></u>

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12. RELATED PARTY TRANSACTIONS

- (a) During the six months ended February 29, 2008 and February 28, 2007, the Company was charged for various services provided by companies controlled by directors and officers of the Company, as follows:

	2008	2007
	\$	\$
Accounting and administration	52,275	51,600
Professional and consulting	95,200	58,200
Compensation and benefits	137,750	46,500
Directors fees	9,000	-
	<u>294,225</u>	<u>156,300</u>

These fees have been either expensed to operations or capitalized to unproven mineral interests, based on the nature of the expenditures.

As at February 29, 2008, accounts payable and accrued liabilities include \$37,545 (2007 - \$11,251) due to these related parties.

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

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

13. FINANCIAL INSTRUMENTS

The fair values of financial instruments at February 29, 2008 and February 28, 2007, were estimated based on relevant market information and the nature and terms of financial instruments. Management is not aware of any factors which would significantly affect the estimated fair market amounts, however, such amounts have not been comprehensively revalued for purposes of these financial statements. Disclosure subsequent to the balance sheet dates and estimates of fair value at dates subsequent to February 29, 2008 and February 28, 2007, may differ significantly from that presented.

Fair value approximates the amounts reflected in the financial statements for cash, amounts receivable and accounts payable, marketable securities and accrued liabilities. It is not practicable to estimate the fair value of the Redeemable Preferred Shares.

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14. SUPPLEMENTAL CASH FLOW INFORMATION

Non-cash activities conducted by the Company during the six months ended February 29, 2008 and February 28, 2007 are as follows:

	2008	2007
	\$	\$
Operating activities		
Accrued payable for unproven mineral interests	(303,594)	391,021
Unrealized holding gain on marketable securities	<u>(36,250)</u>	<u>-</u>
	<u><u>(339,844)</u></u>	<u><u>391,021</u></u>
Financing activities		
Issuance of common shares for unproven mineral interests	24,750	89,000
Issuance of common shares for corporate finance fee	-	28,125
Common share issue costs	-	(28,125)
Share capital - future income tax adjustment	(1,331,600)	(245,500)
Future income tax liability	1,331,600	245,500
Termination of asset retirement obligation	<u>1,014,500</u>	<u>-</u>
	<u><u>1,039,250</u></u>	<u><u>89,000</u></u>
Investing activities		
Accounts payable for unproven mineral interests	303,594	(391,021)
Unproven mineral interests	(24,750)	(89,000)
Marketable securities received	85,000	-
Unrealized holding gain on marketable securities	36,250	-
Disposition of capital assets	(217,711)	-
Disposition of unproven mineral interests	<u>(881,789)</u>	<u>-</u>
	<u><u>(699,406)</u></u>	<u><u>(480,021)</u></u>
Other supplemental cash flow information:		
	2008	2007
	\$	\$
Interest paid in cash	<u>-</u>	<u>-</u>
Dividends paid in cash	<u>160,000</u>	<u>92,500</u>
Income taxes paid in cash	<u>-</u>	<u>-</u>

15. SUBSEQUENT EVENTS

- (a) On March 26, 2008 the Company granted stock options to the Company's employees, directors, officers and consultants to purchase 775,000 common shares, at a price of \$0.40 per share, expiring March 26, 2011.
- (b) Subsequent to February 28, 2008, warrants to purchase 1,708,166 common shares of the Company at \$0.60 per share and 388,072 common shares at \$0.45 per share expired without exercise.

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15. SUBSEQUENT EVENTS (continued)

- (c) Subsequent to February 29, 2008, the Company filed a prospectus in connection with a best efforts equity financing of up to 4,255,320 units (the "Units") at a price of \$0.235 per Unit and up to 16,000,000 flow-through common shares (the "Flow-Through Shares") at a price of \$0.25 per Flow-Through Share, for gross proceeds of up to \$5,000,000. Each Unit will be comprised of one common share and one-half of one common share purchase warrant, with each whole warrant being exercisable to acquire one common share of the Company for a period of 18 months after the date of issuance at a price of \$0.30 per share.
- (d) See also Note 7(c)(iv).

SCHEDULE I

HALO RESOURCES LTD.
INTERIM SCHEDULE OF UNPROVEN MINERAL INTERESTS
(Unaudited - Prepared by Management)

	February 29, 2008				August 31,	
	Duport Property \$	Bachelor Lake Property \$	Sherridon VMS Project \$	Red Lake Property \$	Total \$	2007 Total \$
BALANCE - BEGINNING OF PERIOD	<u>17,537,180</u>	<u>881,789</u>	<u>5,122,517</u>	<u>597,613</u>	<u>24,139,099</u>	<u>23,845,828</u>
AMOUNTS INCURRED DURING THE PERIOD						
EXPLORATION EXPENDITURES						
Airborne geophysics	-	-	6,465	-	6,465	43,607
Camp and associated costs	-	-	333,082	27,131	360,213	153,629
Consulting	3,741	-	50,873	8,380	62,994	236,680
Drafting	-	-	-	-	-	52,626
Drilling	-	-	1,826,832	-	1,826,832	1,965,477
Exploration office costs	3,182	-	132,426	9,784	145,392	433,609
Field personnel	254	-	406,782	26,888	433,924	252,588
Field supplies	-	-	55,277	-	55,277	47,886
Geochemistry	-	-	359,316	23,337	382,653	68,367
Geological	1,949	-	154,357	6,309	162,615	205,966
Ground geophysics	-	-	73,100	62,565	135,665	288,038
Land management	5,074	-	4,328	-	9,402	3,284
Line cutting	-	-	6,072	10,460	16,532	52,177
Technical report	-	-	40,149	-	40,149	-
Travel and accommodations	3,479	-	8,311	127	11,917	172,457
Reimbursement / Recoveries	-	-	(53,174)	-	(53,174)	(3,922,580)
	<u>17,679</u>	<u>-</u>	<u>3,404,196</u>	<u>174,981</u>	<u>3,596,856</u>	<u>53,811</u>
OTHER ITEMS						
Acquisition costs and payments	-	-	49,750	-	49,750	269,000
Claims staking and lease rental costs	-	-	3,133	-	3,133	17,021
Legal	-	-	-	-	-	18,439
Capitalized dividend	160,000	-	-	-	160,000	275,000
	<u>160,000</u>	<u>-</u>	<u>52,883</u>	<u>-</u>	<u>212,883</u>	<u>579,460</u>
BALANCE BEFORE WRITE-DOWN	17,714,859	881,789	8,579,596	772,594	27,948,838	24,479,099
WRITE-DOWN	-	-	-	-	-	(340,000)
DISPOSITION (Note 7(b))	-	(881,789)	-	-	(881,789)	-
BALANCE - END OF PERIOD	<u>17,714,859</u>	<u>-</u>	<u>8,579,596</u>	<u>772,594</u>	<u>27,067,049</u>	<u>24,139,099</u>