
HALO RESOURCES LTD.

INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED
MAY 31, 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 nine months ended May 31, 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)

	May 31, 2008 \$	August 31, 2007 \$
A S S E T S		
CURRENT ASSETS		
Cash	2,122,127	2,102,498
Amounts receivable and prepaids (Note 4)	<u>220,688</u>	<u>214,642</u>
	2,342,815	2,317,140
CAPITAL ASSETS (Note 5)	241,919	330,926
UNPROVEN MINERAL INTERESTS (Note 6)	<u>28,914,256</u>	<u>24,139,099</u>
	<u><u>31,498,990</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	674,875	474,375
REDEEMABLE PREFERRED SHARES (Note 7)	8,000,000	8,000,000
ASSET RETIREMENT OBLIGATION	-	1,014,500
FUTURE INCOME TAX LIABILITY	<u>5,904,000</u>	<u>4,886,000</u>
	<u>14,578,875</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 8)	40,994,618	35,766,585
CONTRIBUTED SURPLUS (Note 10)	2,423,391	2,149,234
DEFICIT	<u>(26,497,894)</u>	<u>(25,503,529)</u>
	<u>16,920,115</u>	<u>12,412,290</u>
	<u><u>31,498,990</u></u>	<u><u>26,787,165</u></u>

NATURE OF OPERATIONS AND GOING CONCERN (Note 1)

SUBSEQUENT EVENTS (Note 14)

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>Nine Months Ended</u>	
	<u>May 31,</u>		<u>May 31,</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
EXPENSES				
Amortization of capital assets	16,691	8,777	49,870	22,486
General and administrative	392,313	486,618	1,168,520	1,262,734
General exploration	18,586	14,502	64,533	40,269
Stock-based compensation (Note 9)	65,375	9,422	88,088	356,201
Part XII.6 tax expense	-	-	7,339	-
Write-down of unproven mineral interest	-	-	-	225,000
	<u>492,965</u>	<u>519,319</u>	<u>1,378,350</u>	<u>1,906,690</u>
LOSS BEFORE OTHER ITEMS	<u>(492,965)</u>	<u>(519,319)</u>	<u>(1,378,350)</u>	<u>(1,906,690)</u>
OTHER ITEMS				
Interest income	3,531	5,906	21,864	25,272
Gain on sale of marketable securities (Note 6(b))	<u>48,521</u>	<u>-</u>	<u>48,521</u>	<u>-</u>
	<u>52,052</u>	<u>5,906</u>	<u>70,385</u>	<u>25,272</u>
LOSS BEFORE INCOME TAX	(440,913)	(513,413)	(1,307,965)	(1,881,418)
FUTURE INCOME TAX RECOVERY	<u>246,000</u>	<u>270,000</u>	<u>313,600</u>	<u>549,000</u>
NET LOSS FOR THE PERIOD	(194,913)	(243,413)	(994,365)	(1,332,418)
OTHER COMPREHENSIVE INCOME (LOSS)				
Reversal of previously recorded unrealized holding gain on available for sale marketable securities	<u>(36,250)</u>	<u>-</u>	<u>-</u>	<u>-</u>
COMPREHENSIVE NET LOSS FOR THE PERIOD	<u>(231,163)</u>	<u>(243,413)</u>	<u>(994,365)</u>	<u>(1,332,418)</u>
LOSS PER COMMON SHARE				
- BASIC AND DILUTED	<u>\$(0.00)</u>	<u>\$(0.01)</u>	<u>\$(0.02)</u>	<u>\$(0.04)</u>
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING				
	<u>53,398,795</u>	<u>34,827,049</u>	<u>47,246,474</u>	<u>34,197,151</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
	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)
	40,739,681	35,766,585	2,149,234	(25,503,529)
Balance, August 31, 2007				
Common shares issued for:				
Private placements	24,351,605	7,606,549	-	-
Warrants exercised	16,061	7,227	-	-
Unproven mineral interests	75,000	24,750	-	-
Flow-through share renunciation	-	(1,331,600)	-	-
Share issue costs	-	(1,078,893)	-	-
Stock-based compensation on warrants	-	-	93,369	-
Stock-based compensation on stock options vested	-	-	88,088	-
Stock-based compensation on compensation options granted to agents	-	-	92,700	-
Net loss for the period	-	-	-	(994,365)
	65,182,347	40,994,618	2,423,391	(26,497,894)
Balance at May 31, 2008	65,182,347	40,994,618	2,423,391	(26,497,894)

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

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

	Three Months Ended May 31,		Nine Months Ended May 31,	
	2008 \$	2007 \$	2008 \$	2007 \$
CASH PROVIDED FROM (USED FOR)				
OPERATING ACTIVITIES				
Net loss for the period	(194,913)	(243,413)	(994,365)	(1,332,418)
Items not involving cash				
Amortization of capital assets	16,691	8,777	49,870	22,486
Stock-based compensation	65,375	9,422	88,088	356,201
Write-down of unproven mineral interest	-	-	-	225,000
Gain on sale of marketable securities	(48,521)	-	(48,521)	-
Future income tax recovery	(246,000)	(270,000)	(313,600)	(549,000)
Decrease (increase) in amounts receivable and prepaids	(69,412)	27,376	(6,046)	(22,752)
Increase (decrease) in accounts payable and accrued liabilities	<u>122,284</u>	<u>60,538</u>	<u>173,590</u>	<u>(61,593)</u>
	<u>(354,496)</u>	<u>(407,300)</u>	<u>(1,050,984)</u>	<u>(1,362,076)</u>
FINANCING ACTIVITIES				
Common shares issued for cash	4,044,971	-	7,613,776	1,537,350
Common share issue costs	<u>(575,178)</u>	<u>-</u>	<u>(892,824)</u>	<u>(179,664)</u>
	<u>3,469,793</u>	<u>-</u>	<u>6,720,952</u>	<u>1,357,686</u>
INVESTING ACTIVITIES				
Additions to resource interests	(2,123,891)	(1,539,952)	(5,605,286)	(2,740,486)
Proceeds from sale of unproven mineral interests	-	1,000,000	-	3,025,000
Purchase of capital assets	-	(32,200)	(178,574)	(51,751)
Proceeds from sale of marketable securities	<u>133,521</u>	<u>-</u>	<u>133,521</u>	<u>-</u>
	<u>(1,990,370)</u>	<u>(572,152)</u>	<u>(5,650,339)</u>	<u>232,763</u>
INCREASE (DECREASE) IN CASH	1,124,927	(979,452)	19,629	228,373
CASH - BEGINNING OF PERIOD	<u>997,200</u>	<u>1,479,760</u>	<u>2,102,498</u>	<u>271,935</u>
CASH - END OF PERIOD	<u><u>2,122,127</u></u>	<u><u>500,308</u></u>	<u><u>2,122,127</u></u>	<u><u>500,308</u></u>

SUPPLEMENTAL CASH FLOW INFORMATION - See Note 13.

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

HALO RESOURCES LTD.
NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED MAY 31, 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 May 31, 2008, the Company had working capital of \$1,667,940. The Company has no source of revenue and will require additional financing in order to conduct its planned 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.

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.
NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED MAY 31, 2008
(Unaudited - Prepared by Management)

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

	May 31, 2008	August 31, 2007
	\$	\$
Goods and services tax receivable	72,599	144,525
Prepays	29,151	50,680
Deposits with suppliers	97,708	-
Other	21,230	19,437
	<u>220,688</u>	<u>214,642</u>

5. CAPITAL ASSETS

	May 31, 2008		August 31, 2007	
	Costs	Accumulated Amortization	Net Book Value	Net Book Value
	\$	\$	\$	\$
Office furniture and equipment	54,343	25,662	28,681	37,931
Computer and telephone equipment	71,573	41,646	29,927	43,008
Field equipment and facility	206,642	23,331	183,311	245,665
Leasehold improvements	11,524	11,524	-	4,322
	<u>344,082</u>	<u>102,163</u>	<u>241,919</u>	<u>330,926</u>

HALO RESOURCES LTD.
NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED MAY 31, 2008
(Unaudited - Prepared by Management)

6. UNPROVEN MINERAL INTERESTS

	<u>May 31, 2008</u>			<u>August 31, 2007</u>		
	Acquisition Costs \$	Deferred Exploration Costs \$	Total Costs \$	Acquisition Costs \$	Deferred Exploration Costs \$	Total Costs \$
Duport	15,477,502	2,319,543	17,797,045	15,237,502	2,299,678	17,537,180
Bachelor Lake	-	-	-	881,789	-	881,789
Sherridon	895,769	9,394,394	10,290,163	722,886	4,399,631	5,122,517
West Red Lake	38,952	788,096	827,048	38,952	558,661	597,613
	<u>16,412,223</u>	<u>12,502,033</u>	<u>28,914,256</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 7).

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.

(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. In April 2008, the Company sold the Metanor Shares for cash proceeds of \$133,521 and realized a gain of \$48,521.

HALO RESOURCES LTD.
NOTES TO THE INTERIM FINANCIAL STATEMENTS
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(Unaudited - Prepared by Management)

6. UNPROVEN MINERAL INTERESTS (continued)

(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.

- 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:

HALO RESOURCES LTD.
NOTES TO THE INTERIM FINANCIAL STATEMENTS
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6. UNPROVEN MINERAL INTERESTS (continued)

Date	Option Payments \$	Work Expenditures \$
On signing	30,000 (paid)	-
March 19, 2007	70,000 (paid)	30,000
March 19, 2008	120,000 (paid)	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 May 31, 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.

(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 (incurred)
December 31, 2008	1,000,000
December 31, 2009	<u>1,250,000</u>
	<u>3,000,000</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.

See also Note 14.

HALO RESOURCES LTD.
NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED MAY 31, 2008
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7. 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.

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 nine months ended May 31, 2008, the Company incurred \$240,000 (2007 - \$195,000) of dividends on the Redeemable Preferred Shares, which have been capitalized as part of resource interests. As at May 31, 2008, \$26,667 (2007 - \$26,667) of accrued dividends were included as part of accounts payable and accrued liabilities.

8. 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 May 2008, the Company completed a private placement of 12,331,000 flow-through shares, at a price of \$0.25 per flow-through share, and 4,094,558 non-flow-through units, at a price of \$0.235 per non-flow-through unit, for total gross proceeds of \$4,044,971. 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 \$0.30 per share, until November 6, 2009.

HALO RESOURCES LTD.
NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED MAY 31, 2008
(Unaudited - Prepared by Management)

8. SHARE CAPITAL

The Company paid the agents a cash commission of \$323,598 and has granted compensation options (the "Compensation Options") entitling the agents to purchase, until November 6, 2009, up to 1,231,522 units, at an exercise price of \$0.235 per unit. The exercise price and term of the underlying warrants of the Compensation Options are the same as the warrants under the non-flow-through units under the private placement. The fair value of the Compensation Options has been estimated using the Black-Scholes option pricing model. The assumptions used were: dividend yield - 0%; expected volatility 66.65%; a risk-free interest rate of 2.57%; and an expected life of 1.5 years. The value assigned to the Compensation Options was \$92,700. The Compensation Options remain unexercised at May 31, 2008.

The Company also agreed to pay the agents a corporate finance fee of \$125,000. As at May 31, 2008, the Company has paid \$40,000 to the agents and the remaining balance of \$85,000 has been included in accounts payable and accrued liabilities. The Company also paid a further \$126,580 for legal and filing costs associated with this private placement.

- (c) 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: dividend 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.

- (d) A summary of the number of common shares reserved pursuant to the Company's warrants outstanding at May 31, 2008 and 2007 and the changes for the nine months ending on those dates is as follows:

	2008	2007
Balance, beginning of period	8,128,582	8,322,563
Pursuant to private placements	4,436,613	2,112,299
Exercised	(16,061)	-
Expired	<u>(4,685,442)</u>	<u>(5,733,359)</u>
Balance, end of period	<u><u>7,863,692</u></u>	<u><u>4,701,503</u></u>

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8. SHARE CAPITAL (continued)

Common shares reserved pursuant to warrants outstanding at May 31, 2008, are as follows:

Number	Exercise Price \$	Expiry Date
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
131,904	0.60	December 21, 2009
<u>2,047,279</u>	0.30	November 6, 2009
<u><u>7,863,692</u></u>		

9. 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 nine months ended May 31, 2008 the Company granted 775,000 stock options to its employees, directors and consultants and recorded compensation expense of \$59,150. In addition the Company recorded compensation expense of \$28,938 expense for the vesting of stock options. During the nine months ended May 31, 2007 the Company recorded total compensation expense of \$356,201, for the granting of 1,547,000 stock options to its employees, directors and consultants, amendments to certain stock options and 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 nine months ended May 31, 2008 and 2007:

	<u>2008</u>	<u>2007</u>
Risk-free interest rate	2.76% - 4.09%	3.93 - 4.00%
Estimated volatility	72.26% - 74.04%	48.55% - 78.74%
Expected life	2 years - 3 years	2.5 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 \$0.10 (2007 - \$0.17) 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.

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

A summary of the Company's stock options at May 31, 2008 and 2007, and the changes for the nine months ending on those dates is presented below:

	<u>2008</u>		<u>2007</u>	
	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	775,000	0.40	1,547,000	0.45
Cancelled / Expired	<u>(470,000)</u>	0.47	<u>(1,390,000)</u>	0.63
Balance, end of period	<u><u>4,120,000</u></u>	0.47	<u><u>3,060,000</u></u>	0.47

The following table summarizes information about the stock options outstanding and exercisable at May 31, 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
1,287,000	1,287,000	0.45	November 27, 2009
775,000	475,000	0.40	March 26, 2011
<u>755,000</u>	<u>755,000</u>	0.52	July 24, 2012
<u><u>4,120,000</u></u>	<u><u>3,820,000</u></u>		

10. CONTRIBUTED SURPLUS

Contributed surplus is comprised of the following:

	<u>May 31, 2008</u> \$	<u>August 31, 2007</u> \$
Balance, beginning of period	2,149,234	1,360,767
Stock-based compensation on stock options (Note 9)	88,088	679,122
Stock-based compensation on warrants (Note 8(c))	93,369	109,345
Stock-based compensation on compensation options granted to agents (Note 8(b))	<u>92,700</u>	<u>-</u>
Balance, end of period	<u><u>2,423,391</u></u>	<u><u>2,149,234</u></u>

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11. RELATED PARTY TRANSACTIONS

- (a) During the nine months ended May 31, 2008 and 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	73,925	73,000
Professional and consulting	134,800	87,300
Compensation and benefits	208,500	113,500
Directors fees	12,750	3,000
	<u>429,975</u>	<u>276,800</u>

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

As at May 31, 2008, accounts payable and accrued liabilities include \$31,256 (2007 - \$22,367) due to these related parties.

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

12. FINANCIAL INSTRUMENTS

The fair values of financial instruments at May 31, 2008 and 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 May 31, 2008 and 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.

13. SUPPLEMENTAL CASH FLOW INFORMATION

Non-cash activities conducted by the Company during the nine months ended May 31, 2008 and 2007 are as follows:

	2008	2007
	\$	\$
Operating activities		
Accrued payable for unproven mineral interests	<u>(26,910)</u>	<u>189,611</u>

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13. SUPPLEMENTAL CASH FLOW INFORMATION (continued)

	2008 \$	2007 \$
Financing activities		
Issuance of common shares for unproven mineral interests	24,750	89,000
Issuance of common shares for corporate finance fee	-	22,720
Common share issue costs	(186,069)	(57,667)
Contributed surplus	186,069	34,947
Share capital - future income tax adjustment	(1,331,600)	-
Future income tax liability	1,331,600	-
Termination of asset retirement obligation	1,014,500	-
	<u>1,039,250</u>	<u>89,000</u>
Investing activities		
Accounts payable for unproven mineral interests	26,910	(189,611)
Unproven mineral interests	(24,750)	(89,000)
Marketable securities received	85,000	-
Disposition of capital assets	(217,711)	-
Disposition of unproven mineral interests	(881,789)	-
	<u>(1,012,340)</u>	<u>(278,611)</u>
Other supplemental cash flow information:		
	2008 \$	2007 \$
Interest paid in cash	<u>-</u>	<u>-</u>
Dividends paid in cash	<u>240,000</u>	<u>172,500</u>
Income taxes paid in cash	<u>-</u>	<u>-</u>

14. SUBSEQUENT EVENTS

Subsequent to May 31, 2008, the Company entered into two option agreements to earn additional mineral interests located adjacent to the West Red Lake Property, in Ball Township, Red Lake Mining Division, Ontario, as follows:

- (i) letter of intent, dated June 3, 2008, whereby the Company was granted an option to earn up to a 75% interest in nine claim units. The Company can earn an initial 65% interest by making total cash payments of \$25,000 and issuance of 400,000 common shares by June 3, 2010. The Company can then earn an additional 10% interest by funding exploration and development to the point of delivering a bankable feasibility study; and
- (ii) letter agreement, dated July 10, 2008, whereby the Company was granted an option to earn up to a 75% interest in 87 mining claim units. The Company can earn an initial 60% interest by making total cash payments of \$120,000, issuing 100,000 common shares and make expenditures of \$1,000,000 over four years. The Company can then earn an additional 15% interest by funding exploration and development to point of delivering a bankable feasibility study.

SCHEDULE I

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

	<u>May 31, 2008</u>					<u>August 31, 2007</u>
	<u>Duport Property \$</u>	<u>Bachelor Lake Property \$</u>	<u>Sherridon VMS Project \$</u>	<u>Red Lake Property \$</u>	<u>Total \$</u>	<u>Total \$</u>
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	-	-	425,040	35,317	460,357	153,629
Consulting	4,630	-	89,881	13,221	107,732	236,680
Drafting	-	-	-	-	-	52,626
Drilling	-	-	2,456,529	-	2,456,529	1,965,477
Exploration office costs	3,702	-	211,643	13,355	228,700	433,609
Field personnel	254	-	648,537	42,997	691,788	252,588
Field supplies	-	-	185,785	-	185,785	47,886
Geochemistry	-	-	520,671	23,415	544,086	68,367
Geological	2,115	-	218,268	26,755	247,138	205,966
Ground geophysics	-	-	172,266	62,565	234,831	288,038
Land management	5,074	-	10,656	-	15,730	3,284
Line cutting	-	-	19,271	10,460	29,731	52,177
Technical report	-	-	70,413	-	70,413	-
Travel and accommodations	4,090	-	12,512	1,350	17,952	172,457
Reimbursement / Recoveries	-	-	(53,174)	-	(53,174)	(3,922,580)
	<u>19,865</u>	<u>-</u>	<u>4,994,763</u>	<u>229,435</u>	<u>5,244,063</u>	<u>53,811</u>
OTHER ITEMS						
Acquisition costs and payments	-	-	169,750	-	169,750	269,000
Claims staking and lease rental costs	-	-	3,133	-	3,133	17,021
Legal	-	-	-	-	-	18,439
Capitalized dividend	240,000	-	-	-	240,000	275,000
	<u>240,000</u>	<u>-</u>	<u>172,883</u>	<u>-</u>	<u>412,883</u>	<u>579,460</u>
BALANCE BEFORE WRITE-DOWN	<u>17,797,045</u>	<u>881,789</u>	<u>10,290,163</u>	<u>827,048</u>	<u>29,796,045</u>	<u>24,479,099</u>
WRITE-DOWN	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(340,000)</u>
DISPOSITION (Note 6(b))	<u>-</u>	<u>(881,789)</u>	<u>-</u>	<u>-</u>	<u>(881,789)</u>	<u>-</u>
BALANCE - END OF PERIOD	<u><u>17,797,045</u></u>	<u><u>-</u></u>	<u><u>10,290,163</u></u>	<u><u>827,048</u></u>	<u><u>28,914,256</u></u>	<u><u>24,139,099</u></u>