HALO RESOURCES LTD.

FINANCIAL STATEMENTS
FOR THE YEARS ENDED
AUGUST 31, 2009 AND 2008

AUDITORS' REPORT

To the Shareholders of
Halo Resources Ltd.

We have audited the balance sheets of Halo Resources Ltd. as at August 31, 2009 and 2008 and the statements of loss and comprehensive loss, shareholders' equity and cash flow for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at August 31, 2009 and 2008 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Vancouver, B.C.
December 4, 2009,
except as to Note 16c which
is as of December 22, 2009

"D&H Group LLP"
Chartered Accountants

HALO RESOURCES LTD.
BALANCE SHEETS
AS AT AUGUST 31

	2009 $	2008 $
A S S E T S		
CURRENT ASSETS		
Cash	265,181	532,902
Amounts receivable and prepaids (Note 3)	79,924	150,163
	345,105	683,065
INVESTMENT (Note 5(c))	25,000	-
CAPITAL ASSETS (Note 4)	171,939	245,854
UNPROVEN MINERAL INTERESTS (Note 5)	25,990,527	30,630,082
	26,532,571	31,559,001
L I A B I L I T I E S		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	689,990	1,081,039
REDEEMABLE PREFERRED SHARES (Note 6)	8,000,000	8,000,000
FUTURE INCOME TAX LIABILITY	3,160,300	4,943,000
	11,850,290	14,024,039
S H A R E H O L D E R S' E Q U I T Y		
SHARE CAPITAL (Note 7)	42,074,537	40,909,189
CONTRIBUTED SURPLUS (Note 9)	2,497,442	2,420,917
DEFICIT	(29,889,698)	(25,795,144)
	14,682,281	17,534,962
	26,532,571	31,559,001

NATURE OF OPERATIONS AND ABILITY TO CONTINUE AS A GOING CONCERN (Note 1)

SUBSEQUENT EVENTS (Note 16)

APPROVED BY THE BOARD

"Lynda Bloom" , Director

"Nick DeMare" , Director

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

HALO RESOURCES LTD.
STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
FOR THE YEARS ENDED AUGUST 31

	2009 $	2008 $
EXPENSES		
Amortization of capital assets	74,663	57,527
General and administrative	725,783	1,407,177
General exploration	2,794	82,976
Stock-based compensation (Note 8)	-	85,614
Part XII.6 tax expense	17,893	7,339
	821,133	1,640,633
LOSS BEFORE OTHER ITEMS	(821,133)	(1,640,633)
OTHER ITEMS		
Interest income and other	1,161	25,897
Gain on sale of marketable securities	-	48,521
Write-off of unproven mineral interests (Note 5)	(6,401,282)	-
	(6,400,121)	74,418
LOSS BEFORE INCOME TAXES	(7,221,254)	(1,566,215)
FUTURE INCOME TAX RECOVERY (Note 11)	3,126,700	1,274,600
NET LOSS AND COMPREHENSIVE LOSS FOR THE YEAR	(4,094,554)	(291,615)
LOSS PER COMMON SHARE - BASIC AND DILUTED	$(0.04)	$(0.01)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING	109,055,687	51,760,136

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

HALO RESOURCES LTD.

STATEMENTS OF SHAREHOLDERS' EQUITY

	Share Capital		Contributed	
	Shares	Amount $	Surplus $	Deficit $
Balance, August 31, 2007	40,739,681	35,766,585	2,149,234	(25,503,529)
Common shares issued for:				
Private placement	7,926,047	3,561,578	-	-
Public offering	16,425,558	4,044,971	-	-
Warrants exercised	16,061	7,227	-	-
Unproven mineral interests	125,000	32,250	-	-
Flow-through share renunciation	-	(1,331,600)	-	-
Share issue costs	-	(1,171,822)	-	-
Stock-based compensation on warrants	-	-	93,369	-
Stock-based compensation on stock options	-	-	85,614	-
Stock-based compensation on compensation options	-	-	92,700	-
Net loss and comprehensive loss for the year	-	-	-	(291,615)
Balance at August 31, 2008	65,232,347	40,909,189	2,420,917	(25,795,144)
Common shares issued for:				
Private placements	45,482,140	2,550,607	-	-
Unproven mineral interests	3,068,115	132,550	-	-
Finders' fees	1,174,607	64,844	-	-
Flow-through share renunciation	-	(1,344,000)	-	-
Share issue costs	-	(238,653)	-	-
Stock-based compensation on warrants	-	-	76,525	-
Net loss and comprehensive loss for the year	-	-	-	(4,094,554)
Balance at August 31, 2009	114,957,209	42,074,537	2,497,442	(29,889,698)

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

HALO RESOURCES LTD.

STATEMENTS OF CASH FLOW

FOR THE YEARS ENDED AUGUST 31

	2009 $	2008 $
CASH PROVIDED FROM (USED FOR)		
OPERATING ACTIVITIES		
Net loss for the year	(4,094,554)	(291,615)
Items not involving cash		
Amortization of capital assets	74,663	57,527
Stock-based compensation	-	85,614
Write-off of unproven mineral interests	6,401,282	-
Gain on sale of marketable securities	-	(48,521)
Future income tax recovery	(3,126,700)	(1,274,600)
	(745,309)	(1,471,595)
Decrease in amounts receivable and prepaids	70,239	64,479
(Decrease) increase in accounts payable and accrued liabilities	(203,972)	259,770
	(879,042)	(1,147,346)
FINANCING ACTIVITIES		
Common shares issued for cash	2,550,607	7,613,776
Common share issue costs	(97,284)	(900,753)
	2,453,323	6,713,023
INVESTING ACTIVITIES		
Additions to unproven mineral interests	(1,878,754)	(7,078,629)
Option payments received	37,500	-
Purchase of capital assets	(748)	(190,165)
Proceeds from sale of marketable securities	-	133,521
	(1,842,002)	(7,135,273)
DECREASE IN CASH DURING THE YEAR	(267,721)	(1,569,596)
CASH - BEGINNING OF YEAR	532,902	2,102,498
CASH - END OF YEAR	265,181	532,902

SUPPLEMENTAL CASH FLOW INFORMATION - See Note 14.

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

1. NATURE OF OPERATIONS AND ABILITY TO CONTINUE AS A GOING CONCERN

Halo Resources Ltd. (the "Company") is a junior resource exploration company which is engaged in the acquisition, exploration and development of unproven mineral interests in Canada. 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.

At August 31, 2009, the Company had a working capital deficiency of $344,885, had not yet achieved profitable operations, has accumulated losses of $29,889,698 and expects to incur further losses in the development of its business, all of which casts substantial doubt about the Company's ability to continue as a going concern. The Company will require additional financing in order to conduct its planned work programs on its mineral interests, meet its ongoing levels of corporate overhead and discharge its liabilities as they come due. These 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 16.

2. SIGNIFICANT ACCOUNTING POLICIES

Use of Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles (" GAAP") requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the year. Examples of significant estimates made by management include amortization, the provision for future income tax recoveries and composition of future income tax assets and future income tax liabilities, valuations of mineral interests, capital assets, asset retirement obligations and stock-based compensation. Actual results may differ from those estimates.

Unproven Mineral Interests

Unproven mineral interests costs and exploration, development and field support costs directly relating to mineral interests are deferred until the interests to which they relate are placed into production, sold or abandoned. The deferred costs will be amortized over the life of the orebody following commencement of production or written off if the mineral interest is sold or abandoned. Administration costs and other exploration costs that do not relate to any specific mineral interest are expensed as incurred.

On a periodic basis, management reviews the carrying values of deferred unproven mineral interest acquisition and exploration expenditures with a view to assessing whether there has been any impairment in value.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Management takes into consideration various information including, but not limited to, results of exploration activities conducted to date, estimated future metal prices, and reports and opinions of outside geologists, mine engineers and consultants. When it is determined that a project or interest will be abandoned or its carrying value has been impaired, a provision is made for any expected loss on the project or interest.

Although the Company has taken steps to verify title to mineral properties in which it has an interest, according to the usual industry standards for the stage of exploration of such properties, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects.

From time to time, the Company acquires or disposes of mineral interests pursuant to the terms of option agreements. Options are exercisable entirely at the discretion of the optionee and, accordingly, are recorded as mineral interest costs or recoveries when the payments are made or received.

Capital Assets

Capital assets are recorded at cost. Amortization is calculated using the straight-line method over the estimated useful life of the assets, as follows:

Office furniture and equipment	20%
Computer and telephone equipment	25% - 30%
Field equipment and facility	10% - 30%

Asset Retirement Obligations

The fair value of a liability for an asset retirement obligation is recognized when a reasonable estimate of fair value can be made. The asset retirement obligation is recorded as a liability with a corresponding increase to the carrying amount of the related long-lived asset. Subsequently, the asset retirement cost is allocated to expenses using a systematic and rational method and is adjusted to reflect period-to-period changes in the liability resulting from the passage of time and revisions to either timing or the amount of the original estimate of the undiscounted cash flow. As at August 31, 2009, the Company does not have any asset retirement obligations.

Impairment of Long-Lived Assets

Long-lived assets are assessed for impairment when events and circumstances warrant. The carrying value of a long-lived asset is impaired when the carrying amount exceeds the estimated undiscounted net cash flow from use and fair value. In that event, the amount by which the carrying value of an impaired long-lived asset exceeds its fair value is charged to earnings.

Stock-Based Compensation

Stock-based compensation is accounted for at fair value as determined by the Black-Scholes option pricing model using amounts that are believed to approximate the volatility of the trading price of the Company's stock, the expected lives of awards of stock-based compensation, the fair value of the Company's stock and the risk-free interest rate. The estimated fair value of awards of stock-based compensation are charged to expense as awards vest, with offsetting amounts recognized as contributed surplus. If and when the stock options are exercised the applicable amounts of contributed surplus are transferred to share capital.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Income Taxes

Income tax liabilities and assets are recognized for the estimated income tax consequences attributable to differences between the amounts reported in the financial statements and their respective tax bases, using enacted income tax rates. The effect of a change in income tax rates on future income tax liabilities and assets is recognized in income in the period that the change occurs. Future income tax assets are recognized to the extent that they are considered more likely than not to be realized.

Loss Per Share

Basic loss per share is computed by dividing income available to common shareholders by the weighted average number of common shares outstanding during the period. The computation of diluted loss per share assumes the conversion, exercise or contingent issuance of securities only when such conversion, exercise or issuance would have a dilutive effect on loss per share. The dilutive effect of convertible securities is reflected in diluted earnings per share by application of the “if converted” method. The dilutive effect of outstanding options and warrants and their equivalents is reflected in diluted earnings per share by application of the treasury stock method.

Financial Instruments

Under Section 3251, *Equity* and Section 3855, *Financial Instruments - Recognition and Measurement,* all financial instruments are classified into one of the following five categories: held-for-trading, held-to-maturity investments, loans and receivables, available-for-sale assets or other financial liabilities. All financial instruments, including derivatives, are included on the balance sheet and are measured at fair market value upon inception with the exception of certain related party transactions. Subsequent measurement and recognition of change in the fair value of financial instruments depends on their initial classification. Held-for-trading financial investments are measured at fair value and all gains and losses are included in operations in the period in which they arise. Available-for-sale financial instruments are measured at fair value with revaluation gains and losses included in other comprehensive income until the asset is removed from the balance sheet. Loans and receivables, held- to-maturity investments and other financial liabilities are measured at amortized cost using the effective interest method. Gains and losses upon inception, derecognition, impairment write-downs and foreign exchange translation adjustments are recognized immediately. Transaction costs related to financing will be expensed in the period incurred.

The Company has designated its cash as held-for-trading, and its investment in common shares as available-for-sale, which are measured at fair value. Amounts receivable are classified as loans and receivables, which are measured at amortized cost. Accounts payable, accrued liabilities and redeemable preferred shares are classified as other financial liabilities, which are measured at amortized cost.

Comprehensive Income

Section 1530, *Comprehensive Income*, provides standards for the reporting and presentation of comprehensive income, which is defined as the change in equity from transactions and other events and circumstances from non-owner sources. Other comprehensive income refers to items recognized in comprehensive income but that are excluded from net income calculated in accordance with Canadian GAAP.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Adoption of New Accounting Standards

Effective September 1, 2008, the Company adopted the following new accounting policies on a prospective basis without restatement of prior period.

Assessing Going Concern

The Accounting Standards Board ("AcSB") amended Section 1400, *General Standards of Financial Statement Presentation*, to include requirements for management to assess and disclose an entity's ability to continue as a going concern. The Company has included the required disclosures recommended by Section 1400 in Note 1.

Financial Instruments

Section 3862, *Financial Instruments* - *Disclosures*, requires entities to provide disclosures in their financial statements that enable users to evaluate (a) the significance of financial instruments for the entity's financial position and performance; and (b) the nature and extent of risks arising from financial instruments to which the entity is exposed during the period and at the balance sheet date, and how the entity manages those risks. The principles in this section complement the principles for recognizing, measuring and presenting financial assets and financial liabilities in Section 3855, *Financial Instruments* - *Recognition and Measurement*, Section 3863, *Financial Instruments* - *Presentation*, and Section 3865, *Hedges*. Disclosure requirements pertaining to Section 3862 are contained in Note 12.

Section 3863, *Financial Instruments* - *Presentation*, is to enhance financial statement users' understanding of the significance of financial instruments to an entity's financial position, performance and cash flows. This section establishes standards for presentation of financial instruments and non-financial derivatives. It deals with the classification of financial instruments, from the perspective of the issuer, between liabilities and equity, the classification of related interest, dividends, losses and gains, and the circumstances in which financial assets and financial liabilities are offset. Adoption of Section 3863 had no impact on the Company's presentation of financial instruments.

Capital Disclosures

Section 1535, *Capital Disclosures*, which establishes standards for disclosing information about an entity's capital and how it is managed. Disclosure requirements pertaining to Section 1535 are contained in Note 13.

New Accounting Pronouncements

Goodwill and Intangible Assets

The AcSB" issued Section 3064, *Goodwill and Intangible Assets*, which replaces Section 3062, *Goodwill and Other Intangible Assets*, and Section 3450, *Research and Development Costs*. This new section establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets. This section applies to interim and annual financial statements relating to fiscal years beginning on or after October 1, 2008.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

The Company does not anticipate the above new accounting standards to have a material impact on the Company's financial position and results of operations under current operating conditions but could have an impact on the future accounting treatment of expenditures on mineral property development once mineral reserves have been proved or an operating permit received and financing for development obtained.

Future Accounting Policies

Business Combinations, Consolidated Financial Statements and Non-Controlling Interests

The CICA issued three new accounting standards in January 2009: Section 1582, *Business Combinations,* Section 1601, *Consolidated Financial Statements,* and Section 1602, *Non-Controlling Interests*. These new standards will be effective for fiscal years beginning on or after January 1, 2011. The Company is in the process of evaluating the requirements of the new standards.

Section 1582 replaces Section 1581, *Business Combinations*, and establishes standards for the accounting for a business combination. It provides the Canadian equivalent to IFRS 3, *Business Combinations*. The section applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011. Sections 1601 and 1602 together replace Section 1600, *Consolidated Financial Statements*. Section 1601 establishes standards for the preparation of consolidated financial statements. Section 1601 applies to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011. Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. It is equivalent to the corresponding provisions of IFRS lAS 27, *Consolidated and Separate Financial Statements*, and applies to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011.

International Financial Reporting Standards ("IFRS")

In 2006, the AcSB published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with IFRS over an expected five year transitional period. In February 2008, the AcSB announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canada's own GAAP. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. Companies will be required to provide comparative IFRS information for the previous fiscal year. While the Company has begun assessing the adoption of IFRS for 2011, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

3. AMOUNTS RECEIVABLE AND PREPAIDS

	2009 $	2008 $
Goods and services tax receivable	22,857	76,033
Prepaids	17,341	12,479
Deposits with suppliers	27,195	45,521
Other	12,531	16,130
	79,924	150,163

4. CAPITAL ASSETS

	2009		
	Costs $	Accumulated Amortization $	Net Book Value $
Office furniture and equipment	54,343	40,491	13,852
Computer and telephone equipment	75,001	68,046	6,955
Field equipment and facility	215,554	64,422	151,132
	344,898	172,959	171,939

	2008		
	Costs $	Accumulated Amortization $	Net Book Value $
Office furniture and equipment	54,343	26,726	27,617
Computer and telephone equipment	74,253	41,470	32,783
Field equipment and facility	215,554	30,100	185,454
	344,150	98,296	245,854

5. UNPROVEN MINERAL INTERESTS

	2009			2008		
	Acquisition Costs $	Deferred Exploration Costs $	Total Costs $	Acquisition Costs $	Deferred Exploration Costs $	Total Costs $
Sherridon	910,069	10,830,011	11,740,080	895,769	10,284,550	11,180,319
Red Lake District	158,872	2,087,125	2,245,997	70,622	1,556,769	1,627,391
Duport	12,004,450	-	12,004,450	15,450,835	2,371,537	17,822,372
	13,073,391	12,917,136	25,990,527	16,417,226	14,212,856	30,630,082

(a) Sherridon VMS Project, Manitoba

As at August 31, 2009, the Company holds, or has options to earn, an interest in 20,876 hectares located in the Sherridon area, north-central Manitoba. Details of the mineral interests are as follows:

i) 76 mining claims covering approximately 14,789 hectares staked by the Company;

ii) the Company has purchased a 100% interest in ten mining claims from Endowment Lakes (2002) Limited Partnership ("EL"). EL holds a 1% net smelter return royalty ("NSR"), of which a 0.5% NSR can be purchased at any time for $500,000;

iii) the Company has acquired a 100% undivided interest in three mining claims, covering 536 hectares, from W. Bruce Dunlop Limited NPL and W. Bruce Dunlop (collectively "Dunlop"). Dunlop holds NSR royalties of between 0.5% - 3%, some of which are subject to maximum aggregate NSR payments of $1,000,000 and $2,500,000 and others in which the Company can purchase up to a 1% NSR at any time for $500,000 per 0.5% NSR; and

5. UNPROVEN MINERAL INTERESTS (continued)

iv) the Company has entered into three option agreements (the "HBED Options") with Hudson Bay Exploration and Development Company Limited ("HBED"), a subsidiary of HudBay Minerals inc, whereby the Company was granted options to acquire 100% interests in 24 mining claims and one mining lease.

During fiscal 2009 the Company determined to write-off $601,282 for acquisition and exploration costs relating to one claim group for nine mining claims covering approximately 205 hectares. As at August 31, 2009, all option payments and work expenditure commitments for the two remaining claim groups have been met. In order to earn 100% interests in the remaining 15 mineral claims and the mining lease, covering approximately 3,274 hectares, the Company will be required to make a further option payment of $150,000, in cash or the equivalent value of common shares, and incur expenditures totalling $2,230,000 ($1,121,000 incurred) before March 19, 2010.

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.

See also Note 16(c).

(b) Red Lake District, Ontario

The Company entered into various option agreements to earn mineral interests located in Ball Township, Red Lake Mining Division, as follows:

(i) option agreement dated June 20, 2006 and amended April 2, 2007, (the "West Red Lake Option") with Goldcorp. Inc. ("Goldcorp") whereby 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	1,250,000
	3,000,000

As at August 31, 2009, all expenditures commitments have been met.

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

5. UNPROVEN MINERAL INTERESTS (continued)

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 16(b).

(ii) option agreement (the "Tribute Option"), dated September 16, 2008, whereby the Company was granted an option to earn up to a 75% interest in nine claim units (the "Bridget Lake Property"). The Company can earn an initial 65% interest by making total cash payments of $50,000 and issuance of 400,000 common shares, as follows:

Date	Option Payments $	Share Issuances	Work Expenditures $
On signing	25,000	50,000	-
September 16, 2009	25,000	50,000	25,000
September 16, 2010	-	300,000	25,000
	50,000	400,000	50,000

The Company can then earn an additional 10% interest by funding exploration and development to the point of delivering a bankable feasibility study.

As at August 31, 2009, the Company has met the September 16, 2009 option payment, share issuance and work expenditures commitments.

See also Note 16(b).

(iii) letter agreement (the "Rubicon Agreement") dated July 10, 2008, whereby the Company was granted an option to earn up to a 75% interest in 87 mining claims. The Company can earn an initial 60% interest by making total option payments of $120,000, issuing 100,000 common shares and make expenditures of $1,000,000, as follows:

Date	Option Payments $	Share Issuances	Work Expenditures $
On signing	20,000	50,000	-
July 31, 2009	20,000	-	75,000
July 31, 2010	40,000	-	225,000
July 31, 2011	40,000	50,000	300,000
July 31, 2012	-	-	400,000
	120,000	100,000	1,000,000

The Company can then earn an additional 15% interest by funding exploration and development to point of delivering a bankable feasibility study.

As at August 31, 2009, all option payments and share issuance commitments have been met.

5. UNPROVEN MINERAL INTERESTS (continued)

(c) Duport Property, Ontario

Pursuant to an agreement (the "Duport Purchase 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.

The Company also acquired, through staking, 10 mineral claims in the area of the Duport Property, covering an area of approximately 1,744 hectares.

On October 7, 2008, as amended, the Company completed agreements with Sheridan and Hays Lake Gold Inc. ("Hays Lake") under which:

(i) Hays Lake issued 2,000,000 common shares of its share capital to the Company for the right to earn up to a 75% interest in the Duport Property. Hays Lake can earn an initial 51% interest by incurring $1,500,000 in exploration on or before May 1, 2010, and an additional 24% interest by incurring a further $3,500,000 on or before October 31, 2012. In addition Hays Lake is required to make the following option payments:

- for the year, commencing November 1, 2008, quarterly option payments of $12,500, commencing January 30, 2009 and ending October 30, 2009;
- for each of the three years, commencing November 1, 2009, quarterly option payments of $60,000, commencing January 31, 2010 and ending October 31, 2012; and
- on or before October 31, 2012, and, provided that Hays Lake has incurred all of the expenditures required, Hays Lake will pay the Company $6,000,000 and upon such payment Hays Lake will have earned a 75% interest; and

(ii) the Duport Purchase Agreement was amended (the "Duport Amending Agreement") enabling the Company to enter into the option agreement with Hays Lake under which the Company transferred 1,000,000 common shares of the 2,000,000 common shares of Hays Lake which it had received and the terms of the redeemable preferred shares were amended. See also Note 6.

The Company has ascribed a value of $25,000 to the investment in Hays Lake. In September 2009, Hays Lake was acquired by Everton Resources Inc. ("Everton") under which the Company was issued 1,006,104 common shares of Everton for its investment in Hays Lake. Everton is a public company with a listing on the TSX Venture Exchange.

The Company has agreed to pay a 1.5% NSR on the first 1 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.

During fiscal 2009 the Company determined to record a $5,800,000 write-down of its carrying costs on the Duport Property.

6. 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 5(c). The Redeemable Preferred Shares had an initial term of five years. The Company subsequently entered into the Duport Amending Agreement under which the terms of the Redeemable Preferred Shares were amended, as follows:

- each of the $80,000 quarterly dividends which were due on July 31, 2008 and October 31, 2008 will be $nil;
- for the year commencing November 1, 2008, an annual dividend of $50,000 will be payable in quarterly installments;
- for each of the three years, commencing November 1, 2009, an annual dividend of $240,000 will be payable in quarterly installments; and
- the Redeemable Preferred Shares are redeemable by the Company in whole or in part at any time prior to November 1, 2012.

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, 2012, 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, 2012, 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 fiscal 2009 the Company recorded $41,667 (2008 - $213,333) of dividends on the Redeemable Preferred Shares, which have been capitalized as part of resource interests. As at August 31, 2009, $4,167 (2008 - $nil) of accrued dividends were included as part of accounts payable and accrued liabilities.

7. 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 fiscal 2009 the Company completed private placements as follows:

(i) 11,000,000 flow-through common shares, at a price of $0.05 per common share, and 10,000,000 non-flow-through units, at a price of $0.05 per unit, for total gross proceeds of $1,050,000. Each non-flow-through unit consisted of one common share and one share

7. SHARE CAPITAL (continued)

purchase warrant, with each warrant entitling the holder to purchase one additional common share for a period of two years, at a price of $0.075 per share in the first year and at a price of $0.10 per share in the second year.

The Company paid a finder's fee of $31,768 and issued 794,200 finder's warrants. Each finder's warrant entitles the holder to purchase one common share at a price of $0.075 per share in the first year and at a price of $0.10 per share in the second year. The fair value of the finder's warrants has been estimated using the Black-Scholes option pricing model.

The assumptions used were: dividend yield - 0%; expected volatility - 136.82%; a risk-free interest rate of 1.224%; and an expected life of two years. The value assigned to the finder's warrants was $23,855.

(ii) 2,750,000 flow-through common shares, at a price of $0.12 per common share and 1,000,000 non-flow-through units at a price of $0.10 per unit, for total gross proceeds of $430,000. 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 additional common share, at a price of $0.15 per share on or before September 12, 2010.

The Company issued 220,000 common shares and 80,000 units in payment of a $27,800 finder's fee. The underlying warrants to the finder's units have the same terms as the units issued under the private placement. The fair value of the underlying warrants to the finder's units has been estimated using the Black-Scholes option pricing model. The assumptions used were: dividend yield - 0%; expected volatility - 68.70%; a risk-free interest rate of 2.81%; and an expected life of two years. The value assigned to the underlying warrants to the finder's units was $861;

(iii) 680,000 units at a price of $0.10 per unit, for total gross proceeds of $68,000. Each unit consisted of one common share and one-half share purchase warrant, with each full warrant entitling the holder to purchase one additional common share, at a price of $0.15 per share on or before October 9, 2010.

(iv) 17,492,140 flow-through units, at a price of $0.05 per unit for total gross proceeds of $874,607. Each unit consisted of one flow-through common share and one-half share purchase warrant, with each full warrant entitling the holder to purchase one non-flow-through common share at a price of $0.15 per share, on or before November 7, 2009, and thereafter at an exercise price of $0.20 per shares, on or before November 7, 2010.

The Company issued 874,607 units (the "Finder's Units"), with a fair value of $43,730, as partial payment of a finder's fee. Each Finder's Unit has the same terms as the units issued under the private placement, except that the common shares comprising the Finder's Units are non-flow-through. The fair value of the underlying warrants to the Finder's Units has been estimated using the Black-Scholes option pricing model. The assumptions used were: dividend yield - 0%; expected volatility - 98.037%; a risk-free interest rate of 2.86%; and an expected life of two years. The value assigned to the underlying warrants to the Finder's Units was $5,825;

7. SHARE CAPITAL (continued)

The Company also issued 1,749,214 options (the "Finder's Options"), with each Finder's Option exercisable to acquire an additional Finder's Unit at an exercise price of $0.05 per Finder's Unit on or before November 7, 2010. The fair value of the Finder's Options has been estimated using the Black-Scholes option pricing model. The assumptions used were: dividend yield - 0%; expected volatility - 98.04%; a risk-free interest rate of 2.86%; and an expected life of two years. The value assigned to the Finder's Options was $45,984. The Finder's Options remain unexercised at August 31, 2009; and

(v) 1,060,000 flow-through common shares, at a price of $0.05 per common share and 1,500,000 non-flow-through units at a price of $0.05 per unit, for total gross proceeds of $128,000. 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 additional common share, at a price of $0.10 per share on or before December 19, 2010. Directors and or officers of the Company purchased 560,000 flow-through shares of this private placement.

The Company incurred $65,516 for legal, filings and other share issue costs associated with these private placements.

(c) During fiscal 2008 the Company completed:

i) a public offering of 12,331,000 flow-through common shares, at a price of $0.25 per common 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, on or before November 6, 2009.

The Company paid the agent a cash commission of $323,598 and granted compensation options (the "Compensation Options") entitling the agent to purchase up to 1,231,522 units, at an exercise price of $0.235 per unit on or before November 6, 2009. The exercise price and term of the underlying warrants to the units issuable upon the exercise 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 remained unexercised at August 31, 2009.

The Company also incurred a corporate finance fee of $125,000 and $219,509 for legal and filing costs associated with this offering; and

ii) 4,652,755 flow-through common shares, at a price of $0.47 per common 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.

7. SHARE CAPITAL (continued)

The Company paid the agents a cash commission of $262,423, 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 August 31, 2009 and 2008, and the changes for the years ending on those dates is as follows:

	2009 Number	2008 Number
Balance, beginning of year	7,863,692	8,128,582
Pursuant to private placements	21,607,574	4,436,613
Exercised	-	(16,061)
Expired	(3,427,079)	(4,685,442)
Balance, end of year	26,044,187	7,863,692

Common shares reserved pursuant to warrants outstanding at August 31, 2009, are as follows:

Number	Exercise Price $	Expiry Date
2,047,279	0.30	November 6, 2009
2,224,230	0.60	December 14, 2009
33,200	0.60	December 18, 2009
131,904	0.60	December 21, 2009
540,000	0.15	September 12, 2010
340,000	0.15	October 9, 2010
9,183,374	0.15 / 0.20	November 7, 2009 / 2010
750,000	0.10	December 19, 2010
2,000,000	0.075 / 0.10	May 26, 2010 / 2011
1,162,000	0.075 / 0.10	June 10, 2010 / 2011
5,290,000	0.075 / 0.10	June 29, 2010 / 2011
2,342,200	0.075 / 0.10	July 10, 2010 / 2011
26,044,187		

On November 6, 2009, warrants to purchase 2,047,249 common shares expired without exercise.

(e) See also Note 16(a).

8. 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 minimum 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 fiscal 2009 the Company did not grant any stock options.

During fiscal 2008 the Company granted 775,000 stock options to its employees, directors and consultants and recorded compensation expense of $62,901. In addition the Company recorded compensation expense of $22,713 expense for the vesting of stock options during fiscal 2008. The fair value of stock options granted, and vested to employees, directors and consultants is estimated using the Black-Scholes option pricing model with the following assumptions: dividend yield of 0%; expected volatility of 71.07% - 74.04%; a risk-free interest rate of 2.76% - 4.09%; an expected life of 2 - 3 years; and an estimated forfeiture rate of 0%.

The weighted average fair value of all stock options, calculated using the Black-Scholes option pricing model, granted during fiscal 2008 to the Company's employees, directors and consultants was $0.11 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 August 31, 2009 and 2008, and the changes for the year ending on those dates is presented below:

	2009		2008	
	Number	Weighted Average Exercise Price $	Number	Weighted Average Exercise Price $
Balance, beginning of year	4,120,000	0.47	3,815,000	0.48
Granted	-	-	775,000	0.40
Expired	(1,603,000)	0.49	(470,000)	0.47
Forfeited	(225,000)	0.40	-	-
Balance, end of year	2,292,000	0.47	4,120,000	0.47

The following table summarizes information about the stock options outstanding and exercisable at August 31, 2009:

Number	Exercise Price $	Expiry Date
1,212,000	0.45	November 27, 2009
325,000	0.40	March 26, 2011
755,000	0.52	July 24, 2012
2,292,000		

On November 27, 2009, stock options to purchase 1,212,000 common shares at a price of $0.45 per share expired without exercise.

9. CONTRIBUTED SURPLUS

Contributed surplus is comprised of the following:

	2009 $	2008 $
Balance, beginning of year	2,420,917	2,149,234
Stock-based compensation on stock options (Note 8)	-	85,614
Stock-based compensation on warrants (Notes 7(b) and 7(c))	30,541	93,369
Stock-based compensation on Compensation Options (Note 7(c))	-	92,700
Stock-based compensation on Finder's Options (Note 7(b))	45,984	-
Balance, end of year	2,497,442	2,420,917

10. RELATED PARTY TRANSACTIONS

(a) The Company was charged for services provided by companies controlled by directors and officers of the Company, as follows:

	2009 $	2008 $
Accounting and administration	115,063	92,875
Professional and consulting	344,000	306,306
Directors fees	7,750	15,000
	466,813	414,181

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

As at August 31, 2009, accounts payable and accrued liabilities include $48,056 (2008 - $77,989) due to these related parties.

(b) The Company shares office premises with two public companies with common directors and officers. During fiscal 2009 the Company billed $18,000 (2008 - $nil) for rent expense recovery.

11. INCOME TAXES

The income tax effects of temporary differences that give rise to significant components of future income tax assets and liabilities are as follows:

	2009 $	2008 $
Future income tax assets:		
Financing costs	204,600	431,000
Capital assets	46,100	35,000
Losses available for future periods	2,219,900	2,467,000
	2,470,600	2,933,000
Future income tax liabilities:		
Difference between book value and income tax costs of unproven mineral interests	(5,630,900)	(7,876,000)
Net future income tax liabilities	(3,160,300)	(4,943,000)

The recovery of income taxes shown in the statements of loss and deficit differ from the amounts obtained by applying statutory rates to the loss before income taxes due to the following:

	2009 $	2008 $
Combined federal and provincial income tax rate	30.17%	32.20%
Expected income tax recovery	2,178,700	504,300
Non-deductible stock-based compensation	-	(27,600)
Write-down of unproven mineral interest	(1,931,300)	-
Effect of change in tax rates	(187,400)	(132,700)
Unrecognized tax losses	(290,400)	(518,800)
Recovery of valuation allowance	3,205,100	1,257,500
Other	152,000	191,900
Future income tax recovery	3,126,700	1,274,600

As at August 31, 2009, the Company has accumulated non-capital losses of approximately $8.9 million and cumulative resource and other tax pools of approximately $4.5 million carried forward for Canadian income tax purposes and are available to reduce taxable income of future years. The non-capital losses expire commencing in 2010 through 2029. The cumulative resource and certain other tax pools can be carried forward indefinitely.

In fiscal 2009 the Company issued 11,000,000 flow-through common shares for gross proceeds of $550,000 (see Note 7(b)(i)). Resource expenditure deductions for income tax purposes related to exploration and development activities funded by flow-through share arrangements are renounced to investors in accordance with Canadian income tax legislation. The Company anticipates it will renounce this amount to its investors effective December 31, 2009. The renunciation of such expenditures is accounted for as a financing cost related to the flow-through issuance and results in a reduction in share capital with a corresponding increase in the Company's future income tax liability. See also Note 16(a).

12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Fair value estimates of financial instruments are made at a specific point in time, based on relevant information about financial markets and specific financial instruments. As these estimates are subjective in nature, involving uncertainties and matters of significant judgment, they cannot be determined with precision. Changes in assumptions can significantly affect estimated fair values.

The carrying value of cash, amounts receivable and accounts payable and accrued liabilities approximate their fair value because of the short-term nature of these instruments. It is not practicable to estimate the fair value of investment and preferred shares.

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

Credit Risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to amounts receivable. Management believes that the credit risk concentration with respect to financial instruments included in amounts receivable is remote.

Liquidity Risk

Liquidity risk is the risk that the Company will not have the resources to meet its obligations as they fall due. The Company manages this risk by closely monitoring cash forecasts and managing resources to ensure that it will have sufficient liquidly to meet its obligations. Accounts payable and accrued liabilities are due within the current operating period. The Company intends to settle these with funds from its equity financings. See Note 16(a).

Market Risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices. These fluctuations may be significant.

(a) Interest Rate Risk

The Company is exposed to interest rate risk to the extent that the cash maintained at the financial institutions is subject to floating rate of interest. The interest rate risks on cash and on the Company's obligations are not considered significant.

(b) Foreign Currency Risk

The Company has operations in Canada. The Company's operating expenses are incurred in Canadian Dollars. As such the Company does not incur any significant expenditures in foreign currencies.

13. CAPITAL MANAGEMENT

The Company's objective when managing capital, defined as equity, is to safeguard the entity's ability to continue as a going concern, so that it can continue to acquire and explore mineral interests. The Company funds all administration and exploration programs from the issue of shares, generally through private placements. The Company prepares a budget for seasonal exploration programs and initiates equity offerings to ensure sufficient funds for each season's programs. If the Company is unsuccessful in raising sufficient capital, exploration programs are extended, delayed or cancelled. In order to conserve cash, the Company may issue shares to pay for properties or compensate directors, employees and contractors through stock options.

Any cash raised that is surplus to immediate requirements is invested in low-risk liquid instruments which may include Bankers' Acceptances or Guaranteed Investment Certificates.

14. SUPPLEMENTAL CASH FLOW INFORMATION

Non-cash activities conducted by the Company during fiscal 2009 and 2008 are as follows:

	2009 $	2008 $
Operating activities		
Accrued payable for unproven mineral interests	(187,077)	718,907
Financing activities		
Issuance of common shares for unproven mineral interests	132,550	32,250
Issuance of common shares for finder's fees	64,844	-
Common share issue costs	(141,369)	(271,069)
Share capital - future income tax adjustment	(1,344,000)	(1,331,600)
Future income tax liability	1,344,000	1,331,600
Termination of asset retirement obligation	-	1,014,500
Contributed surplus	76,525	186,069
	132,550	961,750
Investing activities		
Common shares issued for unproven mineral interests	(132,550)	-
Accounts payable for unproven mineral interests	187,077	(633,907)
Common shares issued for unproven mineral interests	(25,000)	(32,250)
Investment received	25,000	-
Marketable securities received	-	85,000
Disposition of capital assets	-	(217,711)
Disposition of unproven mineral interests	-	(881,789)
	54,527	(1,680,657)

14. SUPPLEMENTAL CASH FLOW INFORMATION (continued)

Other supplemental cash flow information:

	2009 $	2008 $
Interest paid in cash	-	-
Dividends paid in cash	37,500	240,000
Income taxes paid in cash	-	-

15. LEASE COMMITMENTS

The Company has entered into lease agreements for its offices and certain vehicles under operating leases. Minimum payments under these leases are as follows:

Year	$
2010	28,127
2011	26,646
2012	25,007
2013	12,425
	92,205

16. SUBSEQUENT EVENTS

(a) Subsequent to August 31, 2009 the Company completed private placements of:

i) 2,600,000 units at a price of $0.05 per unit for total gross proceeds of $130,000. Each unit comprised one common share and one share purchase warrant. Each warrant entitles the holder to purchase an additional common share for a period of two years, at a price of $0.075 per share on or before September 11, 2010 and $0.10 per share on or before September 11, 2011;

ii) 14,500,000 flow-through units at a price of $0.05 per unit for total gross proceeds of $725,000. Each flow-through unit comprised one flow-through common share and one-half share purchase warrant. Each full warrant entitles the holder to purchase an additional non-flow-through common share for a period of two years, at a price of $0.15 per share in year one and $0.20 per share in year two.

The Company paid the finder a cash commission and due diligence fees totalling $50,750 and issued compensation warrants to purchase 1,015,000 units on a non-flow-through basis at a price of $0.05 per unit. Upon exercise each unit will comprise one common share and one-half share purchase warrant. Each full warrant will entitle the holder to purchase one further common share on the same terms as the warrants issued under the private placement; and

16. SUBSEQUENT EVENTS (continued)

(iii) 21,940,000 flow-through units and 15,000,000 non-flow-through units, all at $0.05 per unit, for total gross proceeds of $1,847,000. Each flow-through unit comprised one flow-through common share and one-half share purchase warrant, with each full warrant entitling the holder to purchase an additional non-flow-through common share for a period of two years, at a price of $0.15 per share in year one and $0.20 per share in year two. Each non-flow-through unit comprised one non-flow-through common share and one share purchase warrant which entitles the holder to purchase one additional non-flow-through common share for a period of two years, at a price of $0.075 per share in year one and $0.10 per share in year two.

The Company paid the agent a cash commission of $129,290 and issued compensation warrants to the agent to purchase 2,585,800 non-flow-through units of the Company at $0.05 per unit exercisable for a period of two years. The terms of the compensation warrants are the same as the terms of the non-flow-through warrants.

(b) On September 4, 2009 the West Red Lake Option was amended under which the Company has agreed to increase its minimum exploration programs by $250,000. Under the revised terms the Company has met its $1,750,000 expenditure commitments of December 31, 2008 and must incur a further $1,500,000, as follows:

Date	Expenditure Commitments $
December 31, 2009	220,000
December 31, 2010	550,000
December 31, 2011	730,000
	1,500,000

Goldcorp also paid $165,433 for a 40% interest in the Bridget Lake Property once the Company has earned the initial 65% interest under the Tribute Option.

The amendment also requires the Company to acquire the initial 65% interest in the Bridget Lake Property on or before September 5, 2010 to keep the West Red Lake Option in good standing.

(c) On December 22, 2009 the Company entered into an option and joint venture agreement with Hudson Bay Mining and Smelting Co. Limited ("HudBay"), a subsidiary of HudBay Minerals Inc., on certain claims (the "Cold and Lost Lakes Claims") located in the Sherridon VMS Project area, under which HudBay has the option to earn up to a 67.5% joint venture interest in the Cold and Lost Lake Claims. HudBay can earn an initial 51% interest by making cash payments totalling $800,000 and performing minimum exploration programs totalling $1,350,000 on or before December 22, 2011 as follows:

Date	Cash Payments $	Expenditure Commitments $
December 22, 2009	250,000	-
December 22, 2010	150,000	350,000
December 22, 2011	400,000	1,000,000
	800,000	1,350,000

16. SUBSEQUENT EVENTS (continued)

Upon earning its 51% interest, HudBay can increase its interests, as follows:

i) an additional 9% interest by funding and completing a feasibility study and making a cash payment of $2,000,000, all on or before December 22, 2012; and

ii) a further 7.5% interest by making a cash payment of $2,500,000 prior to commencement of commercial production.

If a production decision is made, HudBay will finance the Company's proportionate share of the development costs and will be repaid from the Company's proportionate share of revenues.

The option agreement also provides that the Company has the right to reacquire HudBay's interests earned, by partially reimbursing HudBay's total expenditures or granting HudBay a 1% NSR if the feasibility study and application for permitting are not complete by December 22, 2013.

(d) See also Notes 7(d) and 8.

SCHEDULE I

HALO RESOURCES LTD.
SCHEDULE OF UNPROVEN MINERAL INTERESTS
FOR THE YEARS ENDED AUGUST 31, 2009 AND 2008

	2009				2008
	Sherridon VMS Project $	Red Lake District $	Duport Property $	Total $	Total $
BALANCE - BEGINNING OF YEAR	11,180,319	1,627,391	17,822,372	30,630,082	24,139,099
AMOUNTS INCURRED DURING THE YEAR					
EXPLORATION EXPENDITURES					
Airborne geophysics	-	8,500	-	8,500	14,041
Camp and associated costs	127,516	55,701	-	183,217	550,496
Consulting	195,222	29,590	2,234	227,046	193,140
Drilling	26,906	6,503	-	33,409	2,958,813
Environmental	11,869	-	-	11,869	19,704
Exploration office costs	142,814	50,012	-	192,826	302,151
Field personnel	375,834	190,584	677	567,095	1,102,293
Field supplies	6,665	266	-	6,931	200,664
Geochemistry	55,121	72,556	-	127,677	719,326
Geological	59,500	116,039	-	175,539	478,171
Ground geophysics	48,278	-	-	48,278	287,169
Land management	7,308	605	-	7,913	17,151
Line cutting	-	-	-	-	29,731
Technical report	15,424	-	-	15,424	110,573
Transportation	-	-	-	-	43,800
Travel and accommodations	8,601	-	-	8,601	22,325
Reimbursement / Recoveries	(34,315)	-	-	(34,315)	(94,662)
	1,046,743	530,356	2,911	1,580,010	6,954,886
OTHER ITEMS					
Acquisition costs and payments	114,300	88,250	-	202,550	201,420
Shares received	-	-	(25,000)	(25,000)	-
Claims staking and lease rental costs	-	-	-	-	3,133
Capitalized dividend	-	-	41,667	41,667	213,333
Option payments received	-	-	(37,500)	(37,500)	-
	114,300	88,250	(20,833)	181,717	417,886
BALANCE BEFORE DISPOSITION	12,341,362	2,245,997	17,804,450	32,391,809	31,511,871
WRITE-OFF	(601,282)	-	(5,800,000)	(6,401,282)	-
DISPOSITION	-	-	-	-	(881,789)
BALANCE - END OF YEAR	11,740,080	2,245,997	12,004,450	25,990,527	30,630,082