
HALO RESOURCES LTD.

INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED
NOVEMBER 30, 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 three months ended November 30, 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.
BALANCE SHEETS
(Unaudited - Prepared by Management)

	November 30, 2008	August 31, 2008
	\$	\$
A S S E T S		
CURRENT ASSETS		
Cash	773,163	532,902
Amounts receivable and prepaids (Note 3)	<u>81,602</u>	<u>150,163</u>
	854,765	683,065
INVESTMENT (Note 5(c)(ii))	25,000	-
CAPITAL ASSETS (Note 4)	227,189	245,854
UNPROVEN MINERAL INTERESTS (Note 5)	<u>31,303,203</u>	<u>30,630,082</u>
	<u><u>32,410,157</u></u>	<u><u>31,559,001</u></u>
L I A B I L I T I E S		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	829,625	1,081,039
REDEEMABLE PREFERRED SHARES (Note 6)	8,000,000	8,000,000
FUTURE INCOME TAX LIABILITY	<u>4,855,000</u>	<u>4,943,000</u>
	<u>13,684,625</u>	<u>14,024,039</u>
S H A R E H O L D E R S ' E Q U I T Y		
SHARE CAPITAL (Note 7)	42,180,671	40,909,189
CONTRIBUTED SURPLUS (Note 9)	2,473,587	2,420,917
DEFICIT	<u>(25,928,726)</u>	<u>(25,795,144)</u>
	<u>18,725,532</u>	<u>17,534,962</u>
	<u><u>32,410,157</u></u>	<u><u>31,559,001</u></u>

NATURE OF OPERATIONS AND ABILITY TO CONTINUE AS A 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
FOR THE THREE MONTHS ENDED NOVEMBER 30

(Unaudited - Prepared by Management)

	2008 \$	2007 \$
EXPENSES		
Amortization of capital assets	18,665	13,360
General and administrative	201,173	384,374
General exploration	2,794	2,619
Stock-based compensation	-	20,164
	<u>222,632</u>	<u>420,517</u>
LOSS BEFORE OTHER ITEM	(222,632)	(420,517)
OTHER ITEM		
Interest income	<u>1,050</u>	<u>7,655</u>
LOSS BEFORE INCOME TAXES	(221,582)	(412,862)
FUTURE INCOME TAX RECOVERY	<u>88,000</u>	<u>376,000</u>
NET LOSS FOR THE PERIOD	(133,582)	(36,862)
OTHER COMPREHENSIVE LOSS		
Unrealized holding loss on available for sale marketable securities	<u>-</u>	<u>(3,750)</u>
COMPREHENSIVE LOSS	<u>(133,582)</u>	<u>(40,612)</u>
LOSS PER COMMON SHARE		
- BASIC AND DILUTED	<u>\$ (0.00)</u>	<u>\$ (0.00)</u>
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING	<u>74,082,258</u>	<u>40,749,935</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 and comprehensive loss for the year	-	-	-	(2,196,387)
Balance, August 31, 2007	40,739,681	35,766,585	2,149,234	(25,503,529)
Common shares issued for:				
Private 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 placement	21,922,140	1,372,607	-	-
Unproven mineral interests	50,000	6,000	-	-
Finders' fees	1,174,607	64,844	-	-
Share issue costs	-	(171,969)	-	-
Stock-based compensation on warrants	-	-	52,670	-
Net loss and comprehensive loss for the period	-	-	-	(133,582)
Balance at November 30, 2008	<u>88,379,094</u>	<u>42,180,671</u>	<u>2,473,587</u>	<u>(25,928,726)</u>

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

HALO RESOURCES LTD.
INTERIM STATEMENTS OF CASH FLOW
FOR THE THREE MONTHS ENDED NOVEMBER 30
(Unaudited - Prepared by Management)

	2008 \$	2007 \$
CASH PROVIDED FROM (USED FOR)		
OPERATING ACTIVITIES		
Net loss for the period	(133,582)	(36,862)
Items not involving cash		
Amortization of capital assets	18,665	13,360
Stock-based compensation	-	20,164
Future income tax recovery	<u>(88,000)</u>	<u>(376,000)</u>
	(202,917)	(379,338)
Decrease in amounts receivable and prepaids	68,561	83,966
Increase (decrease) in accounts payable and accrued liabilities	<u>(22,466)</u>	<u>56,360</u>
	<u>(156,822)</u>	<u>(239,012)</u>
FINANCING ACTIVITIES		
Common shares issued for cash	1,372,607	7,227
Common share issue costs	<u>(54,455)</u>	<u>-</u>
	<u>1,318,152</u>	<u>7,227</u>
INVESTING ACTIVITIES		
Additions to unproven mineral interests	(921,069)	(1,687,888)
Purchase of capital assets	<u>-</u>	<u>(175,579)</u>
	<u>(921,069)</u>	<u>(1,863,467)</u>
INCREASE (DECREASE) IN CASH DURING THE PERIOD	240,261	(2,095,252)
CASH - BEGINNING OF PERIOD	<u>532,902</u>	<u>2,102,498</u>
CASH - END OF PERIOD	<u><u>773,163</u></u>	<u><u>7,246</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 THREE MONTHS ENDED NOVEMBER 30, 2008
(Unaudited - Prepared by Management)

1. NATURE OF OPERATIONS AND ABILITY TO CONTINUE AS A 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. As at November 30, 2008, the Company has not earned any production revenue, nor found proved reserves on any of its unproven mineral interests.

The Company is in the process of exploring and evaluating its mineral interests. 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 November 30, 2008 the Company had working capital of \$25,140, had not yet achieved profitable operations, has accumulated losses of \$25,928,726 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.

2. SIGNIFICANT ACCOUNTING POLICIES

These interim financial statements of the Company have been prepared by management in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"). 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.

Adoption of New Accounting Standards

Effective September 1, 2008, the Company adopted the new recommendations of the Canadian Institute of Chartered Accountants ("CICA") under Section 3862, *Financial Instruments Disclosures*, Section 3863, *Financial Instrument - Presentation* and Section 1535, *Capital Disclosures*.

HALO RESOURCES LTD.
NOTES TO THE INTERIM FINANCIAL STATEMENTS
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2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Instruments

Section 3862 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 and Section 3865, *Hedges*.

Section 3863 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.

The adoption of Sections 3862 and 3863 had no impact on the Company's financial statements.

Capital Disclosures

Section 1535 establishes standards for disclosing information about an entity's capital and how it is managed. The Company has included the required disclosure in Note 12.

New Accounting Pronouncements

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. This section applies to interim and annual financial statements relating to fiscal years beginning on or after January 1, 2008.

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. Standards concerning goodwill remain unchanged from the standards included in the previous Section 3062. This section applies to interim and annual financial statements relating to fiscal years beginning on or after October 1, 2008.

The Company is currently assessing the impact of the above new accounting standards on the Company's financial position and results of operations.

HALO RESOURCES LTD.
NOTES TO THE INTERIM FINANCIAL STATEMENTS
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2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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. The transition date of January 1, 2011, will require the restatement for comparative purposes of amounts reported by the Company for the year ended August 31, 2011. 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

	November 30, 2008 \$	August 31, 2008 \$
Goods and services tax receivable	30,127	76,033
Prepays	7,154	12,479
Deposits with suppliers	27,195	45,521
Other	<u>17,126</u>	<u>16,130</u>
	<u>81,602</u>	<u>150,163</u>

4. CAPITAL ASSETS

	<u>November 30, 2008</u>		
	Costs \$	Accumulated Amortization \$	Net Book Value \$
Office furniture and equipment	54,343	30,168	24,175
Computer and telephone equipment	74,253	48,116	26,137
Field equipment and facility	<u>215,554</u>	<u>38,677</u>	<u>176,877</u>
	<u>344,150</u>	<u>116,961</u>	<u>227,189</u>
	<u>August 31, 2008</u>		
	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	<u>215,554</u>	<u>30,100</u>	<u>185,454</u>
	<u>344,150</u>	<u>98,296</u>	<u>245,854</u>

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

5. UNPROVEN MINERAL INTERESTS

	November 30, 2008			August 31, 2008		
	Acquisition Costs \$	Deferred Exploration Costs \$	Total Costs \$	Acquisition Costs \$	Deferred Exploration Costs \$	Total Costs \$
Sherridon	895,769	10,719,632	11,615,401	895,769	10,284,550	11,180,319
West Red Lake	101,622	1,781,683	1,883,305	70,622	1,556,769	1,627,391
Duport	<u>15,430,002</u>	<u>2,374,495</u>	<u>17,804,497</u>	<u>15,450,835</u>	<u>2,371,537</u>	<u>17,822,372</u>
	<u>16,427,393</u>	<u>14,875,810</u>	<u>31,303,203</u>	<u>16,417,226</u>	<u>14,212,856</u>	<u>30,630,082</u>

(a) 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 was required to complete a \$500,000 work commitment, pay \$80,000 cash (\$40,000 paid) and issue 100,000 common shares (50,000 shares issued).

On December 3, 2006, the Company and EL entered into a formal 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% net smelter return royalty ("NSR"), of which a 0.5% NSR can be purchased at any time for \$500,000.

- iii) option agreement dated April 18, 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)	-
April 18, 2007	20,000 (paid)	50,000 (issued)	10,000 (incurred)
April 18, 2008	25,000 (paid)	75,000 (issued)	10,000 (incurred)
April 18, 2009	30,000	100,000	50,000
April 18, 2010	-	-	100,000
	<u>90,000</u>	<u>250,000</u>	<u>170,000</u>

HALO RESOURCES LTD.
NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED NOVEMBER 30, 2008
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5. UNPROVEN MINERAL INTERESTS (continued)

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

Date	Option Payments \$	Work Expenditures \$
On signing	30,000 (paid)	-
March 19, 2007	70,000 (paid)	30,000 (incurred)
March 19, 2008	120,000 (paid)	100,000 (incurred)
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 August 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.

(b) West Red Lake Property, Ontario

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

- (i) option agreements dated June 20, 2006 and April 20, 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 (incurred)
December 31, 2008	1,000,000
December 31, 2009	<u>1,250,000</u>
	<u>3,000,000</u>

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

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.

- (ii) letter of intent (the "Tribute LOI"), 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 \$50,000 and issuance of 400,000 common shares, as follows:

Date	Option Payments \$	Share Issuances	Work Expenditures \$
On signing	25,000 (paid)	50,000 (issued)	-
September 16, 2009	25,000	50,000	25,000
September 16, 2010	-	300,000	25,000
	<u>50,000</u>	<u>400,000</u>	<u>50,000</u>

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

- (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 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, as follows:

Date	Option Payments \$	Share Issuances	Work Expenditures \$
On signing	20,000 (paid)	50,000 (issued)	-
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
	<u>120,000</u>	<u>100,000</u>	<u>1,000,000</u>

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

HALO RESOURCES LTD.
NOTES TO THE INTERIM FINANCIAL STATEMENTS
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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 (see Note 6).

The Company has agreed to pay a 2.5% 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 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, the Company completed agreements with Sheridan and 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.

(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 Note 6.

Hays Lake is a private company proposing to become a publicly listed company. The Company has ascribed a value of \$25,000 to the 1,000,000 Hays Lake shares.

In addition the NSR was amended to a 1.5% NSR on the first 1,000,000 ounces of gold produced and a 5% NSR on the excess.

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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. During fiscal 2008, the Company informed Sheridan that it would not make the \$80,000 quarterly dividend payment which was due on July 31, 2008, nor would it make any further payments if the Company was unable to find another party to participate in the exploration of the Duport Property. Although the non-payment of the July 31, 2008 dividend payment was an “event of default” under the Duport Purchase Agreement, Sheridan was aware of the Company’s efforts and did not deliver a “notice of default”.

As described in Note 5(c) the Company has 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 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 the three months ended November 30, 2008, the Company recorded \$4,167 (2007 - \$80,000) of dividends on the Redeemable Preferred Shares, which have been capitalized as part of resource interests. As at November 30, 2008, \$4,167 (2007 - \$26,667) of accrued dividends were included as part of accounts payable and accrued liabilities.

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(Unaudited - Prepared by Management)

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 the three months ended November 30, 2008, the Company completed:
 - (i) 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, on or before September 12, 2010, at a price of \$0.15 per share. The Company also issued 220,000 common shares and 80,000 units as payment of a finder's fee with a fair value of \$27,800. The underlying warrants to the finder's units have the same terms as the units issued under the private placement.
 - (ii) 680,000 non-flow through units at a price of \$0.10 per unit, for total gross proceeds of \$68,000. 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, on or before October 9, 2010, at a price of \$0.15 per share; and
 - (iii) 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 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 November 30, 2008.

The Company paid \$54,455 for legal and filings costs associated with these private placements.

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7. SHARE CAPITAL (continued)

(c) A summary of the number of common shares reserved pursuant to the Company's warrants outstanding at November 30, 2008 and 2007 and the changes for the three months ending on those dates is as follows:

	2008	2007
Balance, beginning of period	7,863,692	8,128,582
Pursuant to private placements	10,063,374	-
Exercised	-	(16,061)
Expired	-	(2,589,204)
	<u>17,927,066</u>	<u>5,523,317</u>
Balance, end of period	<u>17,927,066</u>	<u>5,523,317</u>

Common shares reserved pursuant to warrants outstanding at November 30, 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
2,047,279	0.30	November 6, 2009
540,000	0.15	September 12, 2010
340,000	0.15	October 9, 2010
<u>9,183,374</u>	0.15 / 0.20	November 7, 2009 / 2010
<u>17,927,066</u>		

(d) See also Note 14.

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 the three months ended November 30, 2008 and 2007, the Company did not grant any stock options.

During the three months ended November 30, 2008, the Company recorded compensation expense of \$nil (2007 - \$20,164) for the vesting of stock options.

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

The fair value of stock options vested to employees, directors and consultants is estimated using the Black-Scholes option pricing model with the following assumptions made during the three months ended November 30, 2007:

	<u>2007</u>
Risk-free interest rate	4.09%
Estimated volatility	73.18% - 74.04%
Expected life	2 years - 2.75 years
Expected dividend yield	0%

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

A summary of the Company's stock options at November 30, 2008 and 2007, and the changes for the three 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	4,120,000	0.47	3,815,000	0.47
Expired	<u>(300,000)</u>	0.40	<u>(220,000)</u>	0.45
Balance, end of period	<u><u>3,820,000</u></u>	0.48	<u><u>3,595,000</u></u>	0.49

The following table summarizes information about the stock options outstanding and exercisable at November 30, 2008:

Number	Exercise Price \$	Expiry Date
853,000	0.45	February 2, 2009
450,000	0.60	May 31, 2009
1,287,000	0.45	November 27, 2009
475,000	0.40	March 26, 2011
<u>755,000</u>	0.52	July 24, 2012
<u><u>3,820,000</u></u>		

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9. CONTRIBUTED SURPLUS

Contributed surplus is comprised of the following:

	Three Months Ended November 30, 2008 \$	Year Ended August 31, 2008 \$
Balance, beginning of period	2,420,917	2,149,234
Stock-based compensation on stock options	-	85,614
Stock-based compensation on warrants (Note 7(b))	6,686	93,369
Stock-based compensation on Compensation Options	-	92,700
Stock-based compensation on Finder's Options (Note 7(b))	<u>45,984</u>	<u>-</u>
Balance, end of period	<u><u>2,473,587</u></u>	<u><u>2,420,917</u></u>

10. RELATED PARTY TRANSACTIONS

- (a) During the three months ended November 30, 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	31,550	26,000
Professional and consulting	39,100	30,600
Compensation and benefits	70,750	67,000
Directors fees	<u>3,750</u>	<u>4,500</u>
	<u><u>145,150</u></u>	<u><u>128,100</u></u>

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

As at November 30, 2008, accounts payable and accrued liabilities include \$123,276 (2007 - \$42,437) due to these related parties.

- (b) The Company shares office premises with two public companies with common directors and officers. During the three months ended November 30, 2008, the Company received \$10,000 (2007 - \$nil) for rent expense recovery.
- (c) Other related party transactions are disclosed elsewhere in these financial statements.

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11. FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of financial instruments at November 30, 2008, 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 November 30, 2008, may differ significantly from that presented.

Fair value approximates the amounts reflected in the financial statements for cash, amounts receivable and accounts payable and accrued liabilities due to their relative short periods to maturity. It is not practicable to estimate the fair value of investment and preferred shares.

The Company may be subject to currency risk due to the fluctuations of exchange rates between the Canadian dollar and other foreign currencies. However, the Company is not subject to significant interest and credit risks arising from these instruments.

12. 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.

Management believes that the Company's stock option plan complies with the rules of the TSXV and that the Company has complied with the TSXV rules in terms of the number of shares, pricing and timing for share issuances.

Please refer to Notes 7 and 9 for a description of changes in capital.

13. SUPPLEMENTAL CASH FLOW INFORMATION

Non-cash activities conducted by the Company during the three months ended November 30, 2008 and 2007 are as follows:

	2008 \$	2007 \$
Operating activities		
Accrued payable for unproven mineral interests	404,959	7,406
Unrealized holding loss on marketable securities	-	3,750
	<u>404,959</u>	<u>11,156</u>

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13. SUPPLEMENTAL CASH FLOW INFORMATION (continued)

	2008 \$	2007 \$
Financing activities		
Issuance of common shares for unproven mineral interests	6,000	-
Issuance of common shares for finder's fees	64,844	-
Common share issue costs	(117,514)	-
Termination of asset retirement obligation	-	1,014,500
Contributed surplus	<u>52,670</u>	<u>-</u>
	<u><u>6,000</u></u>	<u><u>1,014,500</u></u>
Investing activities		
Common shares issued for unproven mineral interests	(6,000)	-
Accounts payable for unproven mineral interests	(404,959)	(7,406)
Unproven mineral interests	(25,000)	-
Marketable securities received	-	85,000
Unrealized holding loss on marketable securities	-	(3,750)
Investment received	25,000	-
Sale of capital assets	-	(217,711)
Sale of unproven mineral interests	<u>-</u>	<u>(881,789)</u>
	<u><u>(410,959)</u></u>	<u><u>(1,025,656)</u></u>
Other supplemental cash flow information:		
	2008 \$	2007 \$
Interest paid in cash	<u>-</u>	<u>-</u>
Dividends paid in cash	<u>-</u>	<u>80,000</u>
Income taxes paid in cash	<u>-</u>	<u>-</u>

14. SUBSEQUENT EVENTS

- (a) Subsequent to November 30, 2008, the Company completed a non-brokered private placement of 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, on or before December 19, 2010, at a price of \$0.10 per share. Directors and or officers of the Company purchased 560,000 flow-through shares of this private placement.
- (b) Subsequent to November 30, 2008, warrants to purchase 3,377,079 common shares of the Company expired without exercise.

SCHEDULE I

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

	<u>Three Months Ended November 30, 2008</u>				<u>Year Ended August 31, 2008</u>
	<u>Duport Property \$</u>	<u>Sherridon VMS Project \$</u>	<u>Red Lake Property \$</u>	<u>Total \$</u>	<u>Total \$</u>
BALANCE - BEGINNING OF PERIOD	<u>17,822,372</u>	<u>11,180,319</u>	<u>1,627,391</u>	<u>30,630,082</u>	<u>24,139,099</u>
AMOUNTS INCURRED DURING THE PERIOD					
EXPLORATION EXPENDITURES					
Airborne geophysics	-	-	-	-	14,041
Camp and associated costs	-	45,180	15,180	60,360	550,496
Consulting	1,778	31,066	762	33,606	193,140
Drilling	-	18,806	6,503	25,309	2,958,813
Environmental	-	831	-	831	19,704
Exploration office costs	457	69,522	6,633	76,612	302,151
Field personnel	611	134,689	93,276	228,576	1,102,293
Field supplies	-	3,240	-	3,240	200,664
Geochemistry	-	33,514	47,201	80,715	719,326
Geological	112	27,468	55,359	82,939	478,171
Ground geophysics	-	57,738	-	57,738	287,169
Land management	-	1,662	-	1,662	17,151
Line cutting	-	-	-	-	29,731
Technical report	-	10,660	-	10,660	110,573
Transportation	-	-	-	-	43,800
Travel and accommodations	-	706	-	706	22,325
Reimbursement / Recoveries	-	-	-	-	(94,662)
	<u>2,958</u>	<u>435,082</u>	<u>224,914</u>	<u>662,954</u>	<u>6,954,886</u>
OTHER ITEMS					
Acquisition costs and payments	-	-	31,000	31,000	201,420
Shares received	(25,000)	-	-	(25,000)	-
Claims staking and lease rental costs	-	-	-	-	3,133
Capitalized dividend	4,167	-	-	4,167	213,333
	<u>(20,833)</u>	<u>-</u>	<u>31,000</u>	<u>10,167</u>	<u>417,886</u>
BALANCE BEFORE DISPOSITION	<u>17,804,497</u>	<u>11,615,401</u>	<u>1,883,305</u>	<u>31,303,203</u>	<u>31,511,871</u>
DISPOSITION	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(881,789)</u>
BALANCE - END OF PERIOD	<u><u>17,804,497</u></u>	<u><u>11,615,401</u></u>	<u><u>1,883,305</u></u>	<u><u>31,303,203</u></u>	<u><u>30,630,082</u></u>