
HALO RESOURCES LTD.

INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED
FEBRUARY 28, 2009

(Unaudited - Prepared by Management)

MANAGEMENT'S COMMENTS ON UNAUDITED INTERIM FINANCIAL STATEMENTS

The accompanying unaudited interim financial statements of Halo Resources Ltd. for the six months ended February 28, 2009, 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)

	February 28, 2009	August 31, 2008
	\$	\$
A S S E T S		
CURRENT ASSETS		
Cash	395,452	532,902
Amounts receivable and prepaids (Note 3)	<u>57,028</u>	<u>150,163</u>
	452,480	683,065
INVESTMENT (Note 5(c)(ii))	25,000	-
CAPITAL ASSETS (Note 4)	208,524	245,854
UNPROVEN MINERAL INTERESTS (Note 5)	<u>31,574,152</u>	<u>30,630,082</u>
	<u><u>32,260,156</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	720,629	1,081,039
REDEEMABLE PREFERRED SHARES (Note 6)	8,000,000	8,000,000
FUTURE INCOME TAX LIABILITY	<u>6,950,000</u>	<u>4,943,000</u>
	<u>15,670,629</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)	40,960,625	40,909,189
CONTRIBUTED SURPLUS (Note 9)	2,473,587	2,420,917
DEFICIT	<u>(26,844,685)</u>	<u>(25,795,144)</u>
	<u>16,589,527</u>	<u>17,534,962</u>
	<u><u>32,260,156</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
(Unaudited - Prepared by Management)

	<u>Three Months Ended</u>		<u>Six Months Ended</u>	
	<u>February 28,</u> <u>2009</u> \$	<u>February 29,</u> <u>2008</u> \$	<u>February 28,</u> <u>2009</u> \$	<u>February 29,</u> <u>2008</u> \$
EXPENSES				
Amortization of capital assets	18,665	19,819	37,330	33,179
General and administrative	143,625	391,833	344,798	776,207
General exploration	-	43,328	2,794	45,947
Stock-based compensation	-	2,549	-	22,713
Part XII.6 tax expense	2,780	7,339	2,780	7,339
	<u>165,070</u>	<u>464,868</u>	<u>387,702</u>	<u>885,385</u>
LOSS BEFORE OTHER ITEM	(165,070)	(464,868)	(387,702)	(885,385)
OTHER ITEM				
Interest income	<u>111</u>	<u>10,678</u>	<u>1,161</u>	<u>18,333</u>
LOSS BEFORE INCOME TAX	(164,959)	(454,190)	(386,541)	(867,052)
FUTURE INCOME TAX (EXPENSE) RECOVERY	<u>(751,000)</u>	<u>(308,400)</u>	<u>(663,000)</u>	<u>67,600</u>
NET LOSS FOR THE PERIOD	(915,959)	(762,590)	(1,049,541)	(799,452)
OTHER COMPREHENSIVE INCOME				
Unrealized holding gain on available for sale marketable securities	<u>-</u>	<u>40,000</u>	<u>-</u>	<u>36,250</u>
COMPREHENSIVE NET LOSS FOR THE PERIOD	<u>(915,959)</u>	<u>(722,590)</u>	<u>(1,049,541)</u>	<u>(763,202)</u>
LOSS PER COMMON SHARE				
- BASIC AND DILUTED	<u>\$(0.01)</u>	<u>\$(0.01)</u>	<u>\$(0.01)</u>	<u>\$(0.01)</u>
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING				
	<u>90,427,094</u>	<u>47,523,084</u>	<u>82,209,525</u>	<u>44,136,559</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, 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	24,482,140	1,500,607	-	-
Unproven mineral interests	50,000	6,000	-	-
Finders' fees	1,174,607	64,844	-	-
Flow-through share renunciation	-	(1,344,000)	-	-
Share issue costs	-	(176,015)	-	-
Stock-based compensation on warrants	-	-	52,670	-
Net loss and comprehensive loss for the period	-	-	-	(1,049,541)
Balance at February 28, 2009	90,939,094	40,960,625	2,473,587	(26,844,685)

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

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

	<u>Three Months Ended</u>		<u>Six Months Ended</u>	
	<u>February 28, 2009</u>	<u>February 29, 2008</u>	<u>February 28, 2009</u>	<u>February 29, 2008</u>
	\$	\$	\$	\$
CASH PROVIDED FROM (USED FOR)				
OPERATING ACTIVITIES				
Net loss for the period	(915,959)	(762,590)	(1,049,541)	(799,452)
Items not involving cash				
Amortization of capital assets	18,665	19,819	37,330	33,179
Stock-based compensation	-	2,549	-	22,713
Future income tax expense (recovery)	<u>751,000</u>	<u>308,400</u>	<u>663,000</u>	<u>(67,600)</u>
	(146,294)	(431,822)	(349,211)	(811,160)
(Increase) decrease in amounts receivable and prepaids	24,574	(20,600)	93,135	63,366
Increase (decrease) in accounts payable and accrued liabilities	<u>(71,462)</u>	<u>(5,054)</u>	<u>(93,928)</u>	<u>51,306</u>
	<u>(193,182)</u>	<u>(457,476)</u>	<u>(350,004)</u>	<u>(696,488)</u>
FINANCING ACTIVITIES				
Common shares issued for cash	128,000	3,561,578	1,500,607	3,568,805
Common share issue costs	<u>(4,046)</u>	<u>(317,646)</u>	<u>(58,501)</u>	<u>(317,646)</u>
	<u>123,954</u>	<u>3,243,932</u>	<u>1,442,106</u>	<u>3,251,159</u>
INVESTING ACTIVITIES				
Additions to unproven mineral interests	(308,483)	(1,793,507)	(1,229,552)	(3,481,395)
Purchase of capital assets	<u>-</u>	<u>(2,995)</u>	<u>-</u>	<u>(178,574)</u>
	<u>(308,483)</u>	<u>(1,796,502)</u>	<u>(1,229,552)</u>	<u>(3,659,969)</u>
INCREASE (DECREASE) IN CASH	(377,711)	989,954	(137,450)	(1,105,298)
CASH - BEGINNING OF PERIOD	<u>773,163</u>	<u>7,246</u>	<u>532,902</u>	<u>2,102,498</u>
CASH - END OF PERIOD	<u><u>395,452</u></u>	<u><u>997,200</u></u>	<u><u>395,452</u></u>	<u><u>997,200</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 SIX MONTHS ENDED FEBRUARY 28, 2009
(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 February 28, 2009, 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 February 28, 2009 the Company had a working capital deficiency of \$268,149, had not yet achieved profitable operations, has accumulated losses of \$26,844,685 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 Company has included the required disclosures recommended by Sections 3862 and 3863 in Note 11 of these 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 of Section 1535 in Note 12 of these financial statements.

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.

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2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 International Financial Reporting Standards (“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 IAS 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. 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, 2010. 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

	February 28, 2009	August 31, 2008
	\$	\$
Goods and services tax receivable	11,274	76,033
Prepays	1,415	12,479
Deposits with suppliers	27,195	45,521
Other	<u>17,144</u>	<u>16,130</u>
	<u><u>57,028</u></u>	<u><u>150,163</u></u>

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4. CAPITAL ASSETS

	February 28, 2009		
	Costs \$	Accumulated Amortization \$	Net Book Value \$
Office furniture and equipment	54,343	33,610	20,733
Computer and telephone equipment	74,253	54,758	19,495
Field equipment and facility	<u>215,554</u>	<u>47,258</u>	<u>168,296</u>
	<u>344,150</u>	<u>135,626</u>	<u>208,524</u>
	August 31, 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	<u>215,554</u>	<u>30,100</u>	<u>185,454</u>
	<u>344,150</u>	<u>98,296</u>	<u>245,854</u>

5. UNPROVEN MINERAL INTERESTS

	February 28, 2009			August 31, 2008		
	Acquisition Costs \$	Deferred Exploration Costs \$	Total Costs \$	Acquisition Costs \$	Deferred Exploration Costs \$	Total Costs \$
Sherridon	895,769	10,939,302	11,835,071	895,769	10,284,550	11,180,319
West Red Lake	111,622	1,822,868	1,934,490	70,622	1,556,769	1,627,391
Duport	<u>15,430,002</u>	<u>2,374,589</u>	<u>17,804,591</u>	<u>15,450,835</u>	<u>2,371,537</u>	<u>17,822,372</u>
	<u>16,437,393</u>	<u>15,136,759</u>	<u>31,574,152</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;

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5. UNPROVEN MINERAL INTERESTS (continued)

- 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 and W. Bruce Dunlop (collectively “Dunlop”), whereby the Company was granted the option to earn a 100% undivided interest in three mining claims, covering 536 hectares, by paying \$90,000 option payments (\$60,000 paid), issuing 250,000 common shares (150,000 shares issued) and incurring \$170,000 (incurred) in work expenditures on or before April 18, 2010. See also Note 14(b).

- 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><u>650,000</u></u>	<u><u>4,300,000</u></u>

Upon agreement by both the Company and HBED, up to \$187,500 of the option payments may be paid in common shares of the Company. As of February 28, 2009, all option payments and work expenditure commitments have been met.

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

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 14(a).

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

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

- (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	<u>-</u>	<u>300,000</u>	<u>25,000</u>
	<u><u>50,000</u></u>	<u><u>400,000</u></u>	<u><u>50,000</u></u>

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5. UNPROVEN MINERAL INTERESTS (continued)

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.

(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

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5. UNPROVEN MINERAL INTERESTS (continued)

- 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.

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

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6. REDEEMABLE PREFERRED SHARES (continued)

- 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 six months ended February 28, 2009, the Company recorded \$4,167 (2008 - \$160,000) of dividends on the Redeemable Preferred Shares, which have been capitalized as part of resource interests. As at February 28, 2009, \$4,167 (2008 - \$26,667) 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 the six months ended February 28, 2009, 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.

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7. SHARE CAPITAL (continued)

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 February 28, 2009.

- (iv) 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.

The Company paid \$58,501 for legal and filings costs associated with these private placements.

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

	2009	2008
Balance, beginning of period	7,863,692	8,128,582
Pursuant to private placements	10,813,374	2,389,334
Exercised	-	(16,061)
Expired	<u>(3,377,079)</u>	<u>(2,589,204)</u>
Balance, end of period	<u>15,299,987</u>	<u>7,912,651</u>

Common shares reserved pursuant to warrants outstanding at February 28, 2009, are as follows:

Number	Exercise Price \$	Expiry Date
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
9,183,374	0.15 / 0.20	November 7, 2009 / 2010
<u>750,000</u>	0.10	December 19, 2010
<u>15,299,987</u>		

- (d) See also Note 14.

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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 six months ended February 28, 2009 and February 29, 2008, the Company did not grant any stock options.

During the six months ended February 28, 2009, the Company recorded compensation expense of \$nil (2008 - \$22,713) for the vesting of stock options.

The fair value of stock options vested is estimated using the Black-Scholes option pricing model with the following assumptions made during the six months ended February 29, 2008:

	2008
Risk-free interest rate	3.77% - 4.09%
Estimated volatility	72.26% - 74.04%
Expected life	1.75 years - 2.40 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 February 28, 2009 and February 29, 2008, and the changes for the six months ending on those dates is presented below:

	2009		2008	
	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>(1,278,000)</u>	0.43	<u>(220,000)</u>	0.45
Balance, end of period	<u><u>2,842,000</u></u>	0.49	<u><u>3,595,000</u></u>	0.49

The following table summarizes information about the stock options outstanding and exercisable at February 28, 2009:

Number	Exercise Price \$	Expiry Date
450,000	0.60	May 31, 2009
1,287,000	0.45	November 27, 2009
350,000	0.40	March 26, 2011
<u>755,000</u>	0.52	July 24, 2012
<u><u>2,842,000</u></u>		

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9. CONTRIBUTED SURPLUS

Contributed surplus is comprised of the following:

	Six Months Ended February 28, 2009 \$	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 six months ended February 28, 2009 and February 29, 2008, the Company was charged for various services provided by companies controlled by directors and officers of the Company, as follows:

	2009 \$	2008 \$
Accounting and administration	58,250	52,275
Professional and consulting	64,850	95,200
Compensation and benefits	141,500	137,750
Directors fees	<u>6,000</u>	<u>9,000</u>
	<u><u>270,600</u></u>	<u><u>294,225</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 February 28, 2009, accounts payable and accrued liabilities include \$76,680 (2008 - \$37,545) due to these related parties.

- (b) The Company shares office premises with two public companies with common directors and officers. During the six months ended February 28, 2009, the Company received \$12,000 (2008 - \$nil) for rent expense recovery.

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11. 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 because these receivables are due primarily from a government agency and various advances receivable.

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 liquidity 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 positive working capital position.

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.

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11. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

(c) Price Risk

The Company is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices of gold and other precious and base metals, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company. Fluctuations in pricing may be significant.

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.

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 six months ended February 28, 2009 and February 29, 2008 are as follows:

	2009 \$	2008 \$
Operating activities		
Accrued payable for unproven mineral interests	266,482	(303,594)
Unrealized holding gain on marketable securities	-	(36,250)
	<u>266,482</u>	<u>(339,844)</u>

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13. SUPPLEMENTAL CASH FLOW INFORMATION (continued)

	2009 \$	2008 \$
Financing activities		
Issuance of common shares for unproven mineral interests	6,000	24,750
Issuance of common shares for finder's fees	64,844	-
Common share issue costs	(117,514)	-
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	<u>52,670</u>	<u>-</u>
	<u><u>6,000</u></u>	<u><u>1,039,250</u></u>
Investing activities		
Common shares issued for unproven mineral interests	(6,000)	-
Accounts payable for unproven mineral interests	(266,482)	303,594
Unproven mineral interests	(25,000)	(24,750)
Investment received	25,000	-
Marketable securities received	-	85,000
Unrealized holding gain on marketable securities	-	36,250
Disposition of capital assets	-	(217,711)
Disposition of unproven mineral interests	<u>-</u>	<u>(881,789)</u>
	<u><u>(272,482)</u></u>	<u><u>(699,406)</u></u>
Other supplemental cash flow information:		
	2009 \$	2008 \$
Interest paid in cash	<u>-</u>	<u>-</u>
Dividends paid in cash	<u>-</u>	<u>160,000</u>
Income taxes paid in cash	<u>-</u>	<u>-</u>

14. SUBSEQUENT EVENTS

- (a) On March 18, 2009, the Company and HBED amended the HBED Option under which the Company issued 1,970,440 common shares in satisfaction of the \$80,000 option payment due on March 19, 2009. In addition, the \$790,000 work commitment was extended by one year, to March 19, 2010.
- (b) On April 1, 2009, the Company and Dunlop amended the option agreement under which the Company has agreed to exercise the option by issuing the remaining 100,000 common shares under its share issuance requirement and a further 697,675 common shares in fulfillment of its \$30,000 option payment requirement. Issuance of the shares are subject to regulatory approval.

SCHEDULE I

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

	<u>Six Months Ended February 28, 2009</u>				<u>Year Ended August 31, 2008</u>
	<u>Duport Property</u> \$	<u>Sherridon VMS Project</u> \$	<u>West 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	-	74,176	15,794	89,970	550,496
Consulting	2,235	115,723	18,438	136,396	193,140
Drilling	-	21,507	6,503	28,010	2,958,813
Environmental	-	831	-	831	19,704
Exploration office costs	-	67,686	217	67,903	302,151
Field personnel	611	235,883	97,232	333,726	1,102,293
Field supplies	31	6,209	319	6,559	200,664
Geochemistry	-	47,136	60,613	107,749	719,326
Geological	175	43,123	66,684	109,982	478,171
Ground geophysics	-	57,738	-	57,738	287,169
Land management	-	1,734	299	2,033	17,151
Line cutting	-	-	-	-	29,731
Technical report	-	13,265	-	13,265	110,573
Transportation	-	-	-	-	43,800
Travel and accommodations	-	4,056	-	4,056	22,325
Reimbursement / Recoveries	-	(34,315)	-	(34,315)	(94,662)
	<u>3,052</u>	<u>654,752</u>	<u>266,099</u>	<u>923,903</u>	<u>6,954,886</u>
OTHER ITEMS					
Acquisition costs and payments	-	-	41,000	41,000	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>41,000</u>	<u>20,167</u>	<u>417,886</u>
BALANCE BEFORE DISPOSITION	<u>17,804,591</u>	<u>11,835,071</u>	<u>1,934,490</u>	<u>31,574,152</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>17,804,591</u></u>	<u><u>11,835,071</u></u>	<u><u>1,934,490</u></u>	<u><u>31,574,152</u></u>	<u><u>30,630,082</u></u>

HALO RESOURCES LTD.

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE SIX MONTHS ENDED FEBRUARY 28, 2009

Background

This discussion and analysis of financial position and results of operation is prepared as at April 24, 2009 and should be read in conjunction with the interim financial statements and the accompanying notes for the six months ended February 28, 2009 of Halo Resources Ltd. ("Halo" or the "Company") that have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). Except as otherwise disclosed, all dollar figures included therein and in the following management discussion and analysis ("MD&A") are quoted in Canadian dollars. Additional information relevant to the Company's activities, can be found on SEDAR at www.sedar.com.

Company Overview

The Company is a resource exploration company currently engaged in the acquisition and exploration of precious and base metals with mineral interests located in Manitoba and Ontario, Canada. The Company has not earned any production revenue, nor found any proved reserves on any of its mineral interests.

The Company is a reporting issuer in British Columbia, Alberta, Saskatchewan, Manitoba, Ontario and Quebec. The Company trades on the TSX Venture Exchange ("TSXV") under the symbol "HLO" and on the Frankfurt Stock Exchange ("FSE") under the symbol "HRL".

Forward Looking Statements

Certain information included in this discussion may constitute forward-looking statements. Forward-looking statements are based on current expectations and entail various risks and uncertainties. These risks and uncertainties could cause or contribute to actual results that are materially different than those expressed or implied. The Company disclaims any obligation or intention to update or revise any forward-looking statement, whether as a result of new information, future events, or otherwise.

Exploration Projects

Sherridon VMS Property, Manitoba

The Sherridon VMS Property includes the site of the former Sherritt Gordon Mines' copper-zinc mine that operated from 1931 to 1951 and produced 7.7 million tonnes of copper-zinc ore with recovered grades of 2.46% copper and 0.8% zinc. Prior to the commencement of mining, reserve estimates in 1928 included 866,175 tons of ore grading 2.14% copper and 5.78% zinc in the East Mine and 3,271,900 tons of ore grading 2.91% copper and 2.76% zinc in the West Mine based on 27,361 feet of drilling and 14,179 feet of underground development. The reserve grades closely mimic the recovered copper grades. The discrepancy between the estimates zinc grade and the recovered zinc grade is attributed to the fact that zinc was only recovered from the East Mine between 1942 to 1946 and some zinc recovery from the tailings was maintained up until 1951 from tailings, while the West Mine was being exploited.

The property is considered by the Company to be prospective for new volcanogenic massive sulphide ("VMS") discoveries and to have a largely untested gold potential. Possible developments in the future are greatly facilitated by the existing rail link to Hudson Bay Mining and Smelting Co. Ltd.'s ("HBMS") mining/metallurgical complex approximately 65 km to the southwest and also by the presence of an all-weather 78 km road to provincial highway 10, a power line and a communication tower.

The Sherridon VMS Property includes 86 mineral claims held 100% by the Company. Through four option agreements, the Company also has the right to acquire a 100% interest in 27 other mining claims and one mineral lease in the Sherridon area bringing the total land package to 20,876 hectares. The most significant of these agreements are

those with Hudson Bay Exploration and Development Company Limited (“HBED”) which allows the Company to acquire 100% of the Jungle and Park copper-zinc deposits. There are a total of six known VMS deposits within the Sherridon VMS Property including the Park, Jungle, Bob, Cold, Fidelity and AKE all of which host near-surface resources.

From November 2006 to June 2008 the Company completed 28,830 metres of drilling in 129 holes. In January 2008, the first 43-101 compliant technical report by Scott Wilson Roscoe Postle (Scott Wilson RPA) was filed on SEDAR for the Jungle Lake deposit. A NI43-101 compliant resource calculation was filed in October 2008 for an additional three deposits (Bob, Cold and Lost) on the Sherridon VMS Property.

A net smelter return (“NSR”) cut-off value of US\$20 was used for the open pit resources in the Bob, Cold, and Lost Lake deposits and a NSR cut-off value of US\$45 was used to determine underground resources. The Jungle Lake resources were determined using cut-off values of US\$20 and US\$40 respectively for the open pit and underground portions of the deposit with the bottom of the pit lying approximately 100 m below surface.

Copper, zinc silver and gold contribute to the economics of the deposit so that an NSR value was calculated for each block based on the estimated grades of copper, zinc, silver and gold, reasonable metal prices, the estimated recoveries for each metal and common industry values for smelter terms. The parameters used were as follows:

Metal	Price	Mill Recovery
Copper	US \$2.50/lb	90 %
Zinc	US \$0.90/lb	85 %
Gold	US \$800.00/lb	65 %
Silver	US \$13.50/oz	58 %

Parameters used to calculate the NSR for the Jungle Lake deposit, reported earlier, were:

Metal	Price	Mill Recovery
Copper	US \$2.00/lb	85 %
Zinc	US \$0.75/lb	85 %
Gold	US \$600.00/lb	47 %
Silver	US \$8.50/oz	54 %

The results of the resource estimates (combined from both reports) are as follows:

Deposit	TOTAL INDICATED RESOURCES								
	K Tonnes	Grade > Cutoff				Contained Metal			
		Cu (%)	Zn (%)	Au (g/t)	Ag (g/t)	Cu (Mlb)	Zn (Mlb)	Au (oz)	Ag (oz)
Bob Lake Open Pit	1,090	0.79	0.73	0.07	1.71	19.0	17.5	2,500	59,900
Bob Lake Underground	340	1.21	1.36	0.20	5.37	9.1	10.2	2,200	58,700
Cold Lake Open Pit	270	0.74	1.34	0.38	9.02	4.4	8.0	3,300	78,300
Cold Lake Underground	90	1.08	2.84	0.49	12.54	2.1	5.6	1,400	36,300
Jungle Lake Open Pit ¹	830	0.99	0.73	0.39	6.70	18.1	13.4	10,400	179,000
Jungle Lake Underground ¹	495	1.46	1.06	0.52	11.43	15.9	11.6	8,300	182,000
Total Indicated	3,115	1.00	0.97	0.28	5.93	69	66	28,000	594,000

Deposit	TOTAL INFERRED RESOURCES								
	K Tonnes	Grade > Cutoff				Contained Metal			
		Cu (%)	Zn (%)	Au (g/t)	Ag (g/t)	Cu (Mlb)	Zn (Mlb)	Au (oz)	Ag (oz)
Bob Lake Open Pit	2,260	0.7	0.5	0.1	1.5	35	23	5,000	109,000
Bob Lake Underground	2,140	1.2	1.1	0.2	6.5	55	52	17,000	450,000
Cold Lake Open Pit	960	0.7	1.2	0.3	8.5	14	25	10,000	262,000
Cold Lake Underground	230	0.9	2.1	0.4	11.4	5	11	3,000	84,000
Lost Lake Open Pit	2,070	0.9	2.7	0.5	8.9	39	124	36,000	591,000
Lost Lake Underground	100	0.9	2.7	0.8	9.7	2	6	2,000	31,000
Jungle Lake Open Pit ¹	1,347	0.9	0.6	0.4	6.2	25	18	18,000	270,000
Jungle Lake Underground ¹	830	1.3	0.8	0.4	10.8	23	14	10,000	288,000
Total Inferred	9,937	0.9	1.2	0.3	6.5	200	273	101,000	2,083,000

1. Cut-off NSR and depth from December 19, 2007 43-101 Technical Report and restated in Technical Highlights. All quantities rounded to the nearest 1,000. Totals may not add correctly due to rounding.

The drill hole database used for the October 2008 resource calculation included holes up to DH08-093 and did not incorporate assays received after April 2008. Drilling at the Sherridon VMS Property continued until July 2008 and a total of 129 drill holes were completed.

Significant drill intersections were reported for Bob Lake drilling in the last phase of drilling, including 33 m of 1.1% copper and 0.9% zinc, including 10 m of 1.9% copper and 2.1% zinc (DH08-125 starting at 225.9 m downhole). The impact of these thicker intersections on possible mining scenarios is being reviewed.

Additional engineering studies to optimize ore grades that could be open-pit mined, and further 3-D modelling, are progressing. Geoscientific studies, including structural interpretation, lithochemistry, thin sections and age-dating, are proceeding to augment the selection of drill targets for future drill programs.

Regional Exploration

Target areas were selected on the basis of 122 airborne geophysical targets identified in the 2006 VTEM survey and historical information. A total of 20 priority Target Areas, covering some 40 sq km of the 200 sq km property, were mapped between 2007-2008 and all available geophysical, structural, mineral occurrence and other data were compiled to identify highly prospective areas.

The program generated significant new targets with results such as with anomalous silver values up to 75 g/t reported over an area of 200 m by 400 m, and zinc values up to 3,780 ppm (0.37% zinc) at Target Area 5 (west of the Molly Lake Fault) and 5.1% zinc and 0.48% copper located 250 m north of the previous known limit of the Lost deposit.

In total, there are 3,655 samples with multi-element geochemical analyses, including 1,932 analyses of core, 167 surface samples from summer 2007, 584 surface samples from summer 2008, 599 analyses of bedrock chips and 373 analyses of till. These results are used to complement the geological mapping and geophysics to identify prospective target areas and prioritize drilling throughout the 200 sq km Sherridon VMS Property.

A new structural model of the Sherridon Complex has been advanced through detailed field work and evaluation of different folding and shearing processes. Application of the model is expected to direct future exploration efforts, especially to define deeper targets (below 200 m) and extensions of known deposits such as Cold and Lost.

The target area evaluation program provides a pipeline of new projects in addition to expansion of ore zones in the known deposits.

Manitoba staff have been reduced to a group of 5 key employees. During the quarter limited ground VLF surveys were used to test the extension of the near-surface mineralized horizon along the Cold-Lost trend. The positive responses have indicated the usefulness of the technique and the survey areas will be extended at Cold-Lost as well as grids located at Scotty Lake and Fidelity to assist with definition of the structural models. Summer field work is expected to

focus on backpack drilling and/or soil sampling to follow-up on high silver and zinc targets at Target Area 5 and Lost Lake, as well as detailed mapping in key areas identified as high priority from the 2007-2008 programs.

West Red Lake Property, Ontario

On June 20, 2006 and April 20, 2007, the Company completed a formal option agreement with Red Lake Mines Ltd., a subsidiary of Goldcorp Inc. (“Goldcorp”) on its Middle Bay, Pipestone Bay and Biron Bay properties (collectively the “West Red Lake Property”) located in Ball Township, Red Lake, Ontario.

Under the terms of the option agreement the Company can earn a 60% interest in 67 mining claims, a 45% interest in two mining claims, and a 30% interest in ten mining claims by spending \$3 million on exploration by December 31, 2009. Upon spending the \$3 million, the Company is entitled to elect to exercise the option of its interests. 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.

The West Red Lake Property is located about 32 km west of the prolific Campbell and Red Lake Mines in the Red Lake Camp that has produced 20 million ounces within the Red Lake greenstone belt. The property covers widespread gold mineralization from surface showings and small gold deposits. Previous exploration by a number of companies, including Hemlo Gold Mines Ltd., Goldcorp, Cochenour-Willans Gold Mines Ltd, Dumont Nickel and May-Spiers Gold Mines Ltd. have carried out intermittent exploration in this area since 1935 and surface trenching has returned significant surface gold values including up to 1.87 opt over 1.8 meters and 0.38 opt over 7.3 meters respectively. The property has now been consolidated into a larger package of contiguous claims.

The Company signed two option agreements on mineral claims adjacent to the West Red Lake Property, as follows:

- (i) An agreement dated June 3, 2008 with Tribute Minerals Inc. (“Tribute”) to earn up to a 75% interest in 9 claim units on the southern boundary of the Goldcorp-Halo claim block. Pursuant to the agreement, the Company has an option to earn an initial 65% interest by making payments of \$25,000 and issuance of 50,000 common shares on signing and on the first anniversary of the agreement, and issuance of a further 300,000 shares on exercising the option or no later than the second anniversary of the agreement. In the event the Company exercises the option, the two companies will form a joint venture in which all future expenditures shall be made on a pro rata basis, with standard dilution formulas applied if either party elects not to participate in funding further exploration expenses. The Company will fund exploration and development to the point of completion of a bankable feasibility study and in consideration of doing so shall acquire from Tribute an additional 10% interest in the property. In the event either party is diluted to a joint venture interest of 10% or less, that interest shall be automatically converted to a 1% net smelter return royalty (“NSR”) with the right of the other party to purchase a 0.5% interest in the NSR for \$500,000. The property is subject to a 2% NSR in favour of Perry English of which one half can be purchased for \$1 million.
- (ii) Letter Agreement dated July 10, 2008 with Rubicon Minerals Corporation (“Rubicon”) to acquire up to a 75% interest in 87 claim units under which the Company can earn an initial 60% interest by making payments totalling \$120,000 over four years, issuance of 50,000 common shares on signing and a further 50,000 common shares on the exercise of the option and conducting work expenditures of \$1,000,000 over four years. Upon earning the initial 60% interest, the companies will form a joint venture and the Company has the option to earn an additional 15% interest in the property, for a total 75% interest, by continuing the necessary work commitments to maintain the property in good standing and by delivering to Rubicon a bankable feasibility study.

Ten drill holes were completed at the Bridget and Middle Bay areas in June 2008, for a total of 2,264 m as well as 760 channel samples collected from nine areas covering 10,000 sq meters. At Middle Bay, a Phase I drill program was designed to follow up on some of the 2007 field program results including grab samples that assayed from 2.2 to 172 g/t gold (average 22 g/t gold). High grade gold values, from trenches and outcrops, were associated with disseminated sulphides and/or quartz-carbonate veins and are commonly reported with high base metal values such as copper up to 5.60% (56,000 ppm), zinc up to 4.56% (45,600 pm) and silver up to 314 g/t (press release February 7, 2008).

Mineralized quartz-carbonate veins with grades between 3.4 and 9.4 g/t gold, generally less than 1m in width, were intersected in three out of five holes. The results indicate that gold mineralization persists at shallow depths, in steeply dipping volcanics, and that further field work and drilling is required to predict the complex structural and lithological controls on mineralization.

Hole ID	From (m)	To (m)	Length (m)	Gold (g/t)
RL08-01	39.70	40.00	0.30	4.28
<i>and</i>	40.40	41.00	0.60	3.72
RL08-04	58.00	58.60	0.60	3.62
<i>and</i>	82.00	83.00	1.00	3.42
RL08-05	118.05	118.30	0.25	9.36

Five diamond drill holes were completed in an area where no drilling has previously been reported. Mineralized veins were intersected over a 100 m interval in hole RL08-06 over narrow widths with grades varying from 0.88 to 9.84g/t gold. Hole RL08-06 cuts Area 1 that was also channel sampled in detail. Area 1 is located with a 600m-long zone of gold-enriched surface samples collected in 2008.

Hole ID	From (m)	To (m)	Width (m)	Gold (g/t)
RL08-06	97.9	98.3	0.4	1.32
<i>and</i>	112.5	112.8	0.3	1.36
<i>and</i>	128.5	129.3	0.8	2.32
<i>and</i>	135.2	136.2	1.0	0.88
<i>and</i>	188.2	190.1	1.9	1.89
<i>includes</i>	189.8	190.1	0.3	9.84
RL08-10	175.0	182.0	7.0	0.31
<i>includes</i>	175.0	176.0	1.0	1.15
<i>includes</i>	179.0	180.0	1.0	0.97
<i>and</i>	190.0	191.6	1.6	0.50
<i>includes</i>	190.0	190.4	0.4	0.95

Nine areas, located between Middle Bay and Bridget Lake, were stripped and surface sampled. Significant gold assays were returned for channel samples in Area 1 over an area of 75 m by 5 m. The gold grades demonstrated impressive consistency, ranging from 3.6 g/t gold over 3.05 m to 1.7 g/t gold over 2.8 m from a series of six closely-spaced channel samples. The channel sample assay correspond with results for drill hole R08-06, drilled in the vicinity of Area 1, that returned anomalous grades of 1.3 to 9.8 g/t gold over relatively short lengths (0.3 to 1.9 m) at depths of 98 to 190 m down hole.

A second near-parallel zone, 20m south, was also been identified. The second anomalous zone is defined by samples with greater than 0.1 g/t gold assays over a 50 m strike length and varying from 1 to 5 m in thickness. This zone hosts the best continuous suite of samples, 0.75 to 1.05 m in length, included results of 4.89, 1.50, 8.78 and 20.1 g/t gold.

The gold mineralization is clearly associated with mafic-ultramafic contacts. The mineralization is variable with 1-2% disseminated sulphides (pyrite-pyrrhotite) to locally semi-massive pyrite-chalcopyrite over 0.5-2 m with good malachite (copper oxide) staining and locally strong fuchsite is observed with quartz-carbonate veining. Selected samples will be submitted for base metal assays.

Two other smaller stripped areas also returned gold values of interest. Of the 22 channel samples from Area 5, some 100 m west of Area 1, eight samples reported anomalous gold values (greater than 0.1 g/t gold) and up to 3.6 g/t gold over 0.85 m. Nearly 10% of the 189 samples from Area 9, near the north shore of Bridget Lake, had assays greater than 0.1 g/t gold and a maximum reported value of 2.11 g/t gold over 0.6 m.

Channel sampling, assaying and quality control procedures are consistent with those reported in the Technical Background of the press release issued December 4, 2008.

The continuity of gold grades in channel samples over several meters is encouraging and emphasizes the importance of focusing on the structural interpretation in a complex terrain. The discovery of these gold zones is particularly important due to the newly recognized association with ultramafic volcanics, allowing for a comparison with the geological model for the Madsen mine in Red Lake.

The Madsen mine produced 2.4 million ounces of gold and 385,000 ounces of silver from 1938 to 1976 from ore. The Madsen deposit is a stratabound, replacement-style, disseminated gold deposit that consists of at least four ore zones. The grades associated with these types of deposits are similar to those being reported for Halo's Bridget Lake area, in the 3 g/t gold range, which is considerably lower than vein-type ore with "bonanza" level gold grades often associated with historic mines in the Red Lake camp. The Madsen mine also hosts at least one high-grade quartz vein (No. 8 Vein). High grade veins may also occur on the West Red Lake property as samples from 2007 field mapping reported up to 60 g/t gold, 58 g/t silver and 3% copper from grab samples on the north shore of Bridget Lake.

Further detailed sampling and field observation are required to evaluate the potential of the area. Detailed mapping, trenching and stripping are planned for all three West Red Lake joint venture properties with the objective of identifying drill targets for a winter drill program.

Duport Property, Ontario

The Duport property covers the advanced stage Duport resource located on the West Group of claims. A 2006 Roscoe Postle Associates NI43-101 report estimated an in-situ gold resource, defined over a strike length of 760 meters to a vertical depth of 450 meters, containing 424,000 tonnes grading 13.4 grams per tonne gold for 183,000 ounces in the indicated category as well as 387,000 tonnes grading 10.7 grams per tonne gold for 133,000 ounces in the inferred category.

Management determined that a comprehensive underground exploration strategy was the most effective way to advance the Duport project towards production. Management, however, determined that the Company's financial resources were better directed towards exploration at Sherridon. As a consequence, it was decided that the Company would mitigate both cost and risk at Duport by forming a joint venture with a suitable company. On October 7, 2008, the Company entered into agreements with The Sheridan Platinum Group Ltd. ("Sheridan") and Hays Lake Gold Inc. ("Hays Lake") whereby the Company granted Hays Lake an option to earn up to a 75% interest in the Duport Property 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, 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 years commencing November 1, 2008, an annual dividend of \$50,000 will be payable in quarterly installments, commencing February 1, 2009 and ending November 1, 2009;

- for each of the three years, commencing November 1, 2009, an annual dividend of \$240,000 will be payable in quarterly installments, commencing February 1, 2010 and ending November 1, 2012; and
- the Redeemable Preferred Shares are redeemable in whole or in part at any time prior to November 1, 2012.

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.

Selected Financial Data

The following selected financial information is derived from the unaudited interim financial statements of the Company prepared in accordance with Canadian GAAP.

Three Month Periods Ending	Fiscal 2009		Fiscal 2008				Fiscal 2007	
	Feb 28/09 \$	Nov 30/08 \$	Aug 31/08 \$	May 31/08 \$	Feb 29/08 \$	Nov 30/07 \$	Aug 31/07 \$	May 31/07 \$
Operations:								
Interest income and other	111	1,050	4,033	3,531	10,678	7,655	37,799	5,906
Gain on sale of marketable securities	Nil	Nil	48,521	Nil	Nil	Nil	Nil	Nil
Net income (loss)	(915,959)	(133,582)	702,750	(194,913)	(762,590)	(36,862)	(863,969)	(243,413)
Comprehensive income (loss)	0.00	0.00	0.00	(36,250)	40,000	(3,750)	Nil	Nil
Basic and diluted income (loss) per share	(0.01)	(0.00)	(0.00)	(0.00)	(0.01)	(0.00)	(0.02)	(0.01)
Dividends per share	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Balance Sheet:								
Working capital (deficiency)	(268,149)	25,140	(397,974)	1,667,940	440,451	(304,157)	1,842,765	274,629
Total assets	32,260,156	32,410,157	31,559,001	31,498,990	28,595,385	25,432,398	26,787,165	24,602,155
Total long-term liabilities	14,950,000	12,855,000	12,943,000	13,904,000	14,150,000	12,510,000	13,900,500	13,822,000

Results of Operations

During the six months ended February 28, 2009 (the "2009 period"), the Company reported a net loss of \$1,049,541 an increase in loss of \$250,089, from the \$799,452, loss reported during the six months ended February 29, 2008 (the "2008 period"). The increase in the net loss in the 2009 period compared to the 2008 period is primarily attributed to a \$663,000 increase of future income tax expense during the 2009 period.

General and administrative costs also decreased from \$776,207 in the 2008 period to \$344,798 in the 2009 period, as follows:

	2009 \$	2008 \$
Accounting and administration	58,250	53,880
Advertising and related	-	8,367
Compensation and benefits	74,706	118,727
Consulting and professional fees	15,082	112,006
Directors' fees	6,000	9,000
Filing fees and transfer agent	17,932	23,453
Foreign exchange loss (gain)	(57)	985
Insurance	10,950	15,082
Investment conferences	36,676	73,367
Investor relations and shareholder communications	15,773	139,831
Legal and audit	66,308	85,335
Office and general	4,687	18,091
Office rent and operating costs	17,000	23,293
Printing	330	8,801
Telephone	10,308	13,975
Travel and related costs	10,166	57,431
Website and internet costs	687	14,583
	<u>344,798</u>	<u>776,207</u>

Expenditures have been considerably reduced in the 2009 period as a result of reduced activities and a focus to reduce costs where possible. Significant general and administrative expenditures incurred during the 2009 period include: \$17,478 for legal costs incurred primarily for general legal advice on various corporate matters, various property agreements and general corporate activities; \$48,830 for independent audit costs; \$36,676 for attendance and participation in investment conferences and meetings with the investment communities in North America and Europe; \$15,773 for shareholder communications; and \$15,082 for consulting and professional costs.

During the 2009 period accounting and administration expenses of \$58,250 was billed by Chase Management Ltd. ("Chase"), a private company owned by Nick DeMare, a director and the CFO of the Company for bookkeeping, accounting, administration and corporate filing services provided by Chase personnel. During the 2009 period, the Company recorded a total of \$141,500 compensation to the President and the Chairman of the Company, of which \$11,667 was owing to the President and was included in accounts payable and accrued liabilities. Of the compensation paid to the President, \$74,802 was capitalized to unproven mineral interests.

During the 2009 period the Company recorded interest income of \$1,161 (2008 - \$18,333), solely generated from cash held on deposit.

During the 2009 period the Company recorded a total of \$2,794 (2008 - \$45,947) for general exploration expenditures. During the 2009 period the Company spent a total of \$654,752 (2008 - \$3,457,079) on the Sherridon Project and \$307,099 (2008 - \$174,981) on the West Red Lake Property for option payments, lease rental costs and exploration expenditures. The Company also spent \$3,052 (2008 - \$17,679) on the Duport Property for exploration expenditures. The Company also capitalized \$4,167 (2008 - \$160,000) for dividends incurred on the Redeemable Preferred Shares. During the 2009 period, the Company received 1,000,000 common shares of Hays Lake, at an ascribed value of \$25,000. See "Exploration Projects" for detailed descriptions of exploration activities.

Financial Condition / Capital Resources

The Company's practice is to proceed with staged exploration, where each stage is dependent on the successful results of the preceding stage. To date the Company has not received any revenues from its mining activities and has relied on equity financing to fund its commitments and discharge its liabilities as they come due.

At February 28, 2009 the Company had a working capital deficiency of \$268,149, had not yet achieved profitable operations, has accumulated losses of \$26,844,685 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. 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. If such funds cannot be secured, the Company may be forced to curtail additional exploration efforts to a level for which funding can be secured.

The Company has been working diligently to amend certain of its property agreements to conserve its cash. On March 18, 2009, the Company amended its option agreement with HBED under which the Company issued 1,970,440 common shares in satisfaction of the \$80,000 option payment due on March 19, 2009. In addition, the \$790,000 work commitment was extended by one year, to March 19, 2010.

On April 1, 2009, the Company amended the option agreement with Dunlop under which the Company has agreed to exercise the option by issuing the remaining 100,000 common shares under its share issuance requirement and a further 697,675 common shares in fulfillment of its \$30,000 option payment requirement. Issuance of the shares are subject to regulatory approval.

Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

Proposed Transactions

The Company has no proposed transactions.

Critical Accounting Estimates

A detailed summary of all the Company's significant accounting policies is included in Note 2 to the August 31, 2008 audited financial statements.

Changes in Accounting Policies

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*.

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 Company has included the required disclosures recommended by Sections 3862 and 3863 in Note 11 of the 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 of Section 1535 in Note 12 of the financial statements.

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.

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 International Financial Reporting Standards ("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 IAS 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. 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, 2010. 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.

Transactions with Related Parties

- (a) During the six months ended February 28, 2009 and February 29, 2008, the Company was charged for various services provided by companies controlled by directors and officers of the Company, as follows:

	2009 \$	2008 \$
Accounting and administration	58,250	52,275
Professional and consulting	64,850	92,200
Compensation and benefits	141,500	137,750
Directors fees	6,000	9,000
	<u>270,600</u>	<u>294,225</u>

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

As at February 28, 2009, accounts payable and accrued liabilities include \$76,680 (2008 - \$37,545) due to these related parties.

- (b) The Company shares office premises with two public companies with common directors and officers. During the six months ended February 28, 2009, the Company received \$12,000 (2008 - \$nil) for rent expense recovery.

Risks and Uncertainties

The Company competes with other mining companies, some of which have greater financial resources and technical facilities, for the acquisition of mineral concessions, claims and other interests, as well as for the recruitment and retention of qualified employees.

The Company is in compliance in all material regulations applicable to its exploration activities. Existing and possible future environmental legislation, regulations and actions could cause additional expense, capital expenditures, restrictions and delays in the activities of the Company, the extent of which cannot be predicted. Before production can commence on any properties, the Company must obtain regulatory and environmental approvals. There is no assurance that such approvals can be obtained on a timely basis or at all. The cost of compliance with changes in governmental regulations has the potential to reduce the profitability of operations.

Investor Relations and Corporate Development

Due to the current turmoil in the financial markets and the economy as a whole, the Company did not engage in any investor relations programs in the six months ended February 28, 2009. During the 2009 period, the Company paid \$nil (2008 - \$8,367) for advertising and related costs incurred, \$36,676 (2008 - \$73,367) for attendance at investment conferences and related costs and \$15,773 (2008 - \$139,831) for investor relations and shareholder communications costs.

The Company maintains a web site at www.halores.com.

Outstanding Share Data

The Company's authorized share capital is unlimited common shares without par value. As at April 24, 2009, there were 92,909,534 issued and outstanding common shares, 2,842,000 stock options outstanding, at exercise prices ranging from \$0.40 to \$0.60 per share, and 15,299,987 warrants outstanding, with exercise prices ranging from \$0.10 to \$0.65 per share.