
HALO RESOURCES LTD.

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

	May 31, 2009 \$	August 31, 2008 \$
A S S E T S		
CURRENT ASSETS		
Cash	131,335	532,902
Amounts receivable and prepaids (Note 3)	<u>74,951</u>	<u>150,163</u>
	206,286	683,065
INVESTMENT (Note 5(c)(ii))	25,000	-
CAPITAL ASSETS (Note 4)	189,859	245,854
UNPROVEN MINERAL INTERESTS (Note 5)	<u>31,940,414</u>	<u>30,630,082</u>
	<u><u>32,361,559</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	787,719	1,081,039
REDEEMABLE PREFERRED SHARES (Note 6)	8,000,000	8,000,000
FUTURE INCOME TAX LIABILITY	<u>6,892,000</u>	<u>4,943,000</u>
	<u>15,679,719</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)	41,174,925	40,909,189
CONTRIBUTED SURPLUS (Note 9)	2,473,587	2,420,917
DEFICIT	<u>(26,966,672)</u>	<u>(25,795,144)</u>
	<u>16,681,840</u>	<u>17,534,962</u>
	<u><u>32,361,559</u></u>	<u><u>31,559,001</u></u>

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

SUBSEQUENT EVENTS (Notes 7(b)(i) and 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>May 31,</u>		<u>Nine Months Ended</u> <u>May 31,</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
	\$	\$	\$	\$
EXPENSES				
Amortization of capital assets	18,665	16,691	55,995	49,870
General and administrative	157,322	392,313	502,120	1,168,520
General exploration	-	18,586	2,794	64,533
Stock-based compensation	-	65,375	-	88,088
Part XII.6 tax expense	4,000	-	6,780	7,339
	<u>179,987</u>	<u>492,965</u>	<u>567,689</u>	<u>1,378,350</u>
LOSS BEFORE OTHER ITEMS	<u>(179,987)</u>	<u>(492,965)</u>	<u>(567,689)</u>	<u>(1,378,350)</u>
OTHER ITEMS				
Interest income	-	3,531	1,161	21,864
Gain on sale of marketable securities	-	48,521	-	48,521
	<u>-</u>	<u>52,052</u>	<u>1,161</u>	<u>70,385</u>
LOSS BEFORE INCOME TAX	<u>(179,987)</u>	<u>(440,913)</u>	<u>(566,528)</u>	<u>(1,307,965)</u>
FUTURE INCOME TAX (EXPENSE) RECOVERY	<u>58,000</u>	<u>246,000</u>	<u>(605,000)</u>	<u>313,600</u>
NET LOSS FOR THE PERIOD	<u>(121,987)</u>	<u>(194,913)</u>	<u>(1,171,528)</u>	<u>(994,365)</u>
OTHER COMPREHENSIVE INCOME (LOSS)				
Reversal of previously recorded unrealized holding gain on available for sale marketable securities	-	(36,250)	-	-
COMPREHENSIVE NET LOSS FOR THE PERIOD	<u>(121,987)</u>	<u>(231,163)</u>	<u>(1,171,528)</u>	<u>(994,365)</u>
LOSS PER COMMON SHARE				
- BASIC AND DILUTED	<u>\$(0.00)</u>	<u>\$(0.00)</u>	<u>\$(0.01)</u>	<u>\$(0.02)</u>
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING				
	<u>92,447,444</u>	<u>53,398,795</u>	<u>85,659,666</u>	<u>47,246,474</u>

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HALO RESOURCES LTD.
INTERIM STATEMENTS 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	26,482,140	1,600,607	-	-
Unproven mineral interests	2,818,115	120,300	-	-
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	-	-	-	(1,171,528)
Balance at May 31, 2009	95,707,209	41,174,925	2,473,587	(26,966,672)

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

	<u>Three Months Ended</u> <u>May 31,</u>		<u>Nine Months Ended</u> <u>May 31,</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
	\$	\$	\$	\$
CASH PROVIDED FROM (USED FOR)				
OPERATING ACTIVITIES				
Net loss for the period	(121,987)	(194,913)	(1,171,528)	(994,365)
Items not involving cash				
Amortization of capital assets	18,665	16,691	55,995	49,870
Stock-based compensation	-	65,375	-	88,088
Gain on sale of marketable securities	-	(48,521)	-	(48,521)
Future income tax recovery	<u>(58,000)</u>	<u>(246,000)</u>	<u>605,000</u>	<u>(313,600)</u>
	(161,322)	(407,368)	(510,533)	(1,218,528)
Decrease (increase) in amounts receivable and prepaids	(17,923)	(69,412)	75,212	(6,046)
Increase (decrease) in accounts payable and accrued liabilities	<u>70,876</u>	<u>122,284</u>	<u>(23,052)</u>	<u>173,590</u>
	<u>(108,369)</u>	<u>(354,496)</u>	<u>(458,373)</u>	<u>(1,050,984)</u>
FINANCING ACTIVITIES				
Common shares issued for cash	100,000	4,044,971	1,600,607	7,613,776
Common share issue costs	<u>-</u>	<u>(575,178)</u>	<u>(58,501)</u>	<u>(892,824)</u>
	<u>100,000</u>	<u>3,469,793</u>	<u>1,542,106</u>	<u>6,720,952</u>
INVESTING ACTIVITIES				
Additions to resource interests	(255,748)	(2,123,891)	(1,485,300)	(5,605,286)
Purchase of capital assets	-	-	-	(178,574)
Proceeds from sale of marketable securities	<u>-</u>	<u>133,521</u>	<u>-</u>	<u>133,521</u>
	<u>(255,748)</u>	<u>(1,990,370)</u>	<u>(1,485,300)</u>	<u>(5,650,339)</u>
INCREASE (DECREASE) IN CASH	(264,117)	1,124,927	(401,567)	19,629
CASH - BEGINNING OF PERIOD	<u>395,452</u>	<u>997,200</u>	<u>532,902</u>	<u>2,102,498</u>
CASH - END OF PERIOD	<u><u>131,335</u></u>	<u><u>2,122,127</u></u>	<u><u>131,335</u></u>	<u><u>2,122,127</u></u>

SUPPLEMENTAL CASH FLOW INFORMATION - See Note 13.

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

HALO RESOURCES LTD.
NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED MAY 31, 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 May 31, 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 May 31, 2009, the Company had a working capital deficiency of \$581,433, had not yet achieved profitable operations, has accumulated losses of \$26,966,672 and expects to incur further losses in the development of its business, all of which casts substantial doubt about the Company's ability to continue as a going concern. The Company will require additional financing in order to conduct its planned work programs on its mineral interests, meet its ongoing levels of corporate overhead and discharge its liabilities as they come due. These financial statements have been prepared on a going-concern basis which assumes that the Company will be able to realize assets and discharge liabilities in the normal course of business. While the Company has been successful in securing financings in the past, there can be no assurance that it will be able to do so in the future. Accordingly, it does not give effect to adjustments, if any, that would be necessary should the Company be unable to continue as a going concern and, therefore, be required to realize its assets and liquidate its liabilities in other than the normal course of business and at amounts which may differ from those shown in the financial statements.

See also Note 7(b)(i).

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
FOR THE NINE MONTHS ENDED MAY 31, 2009
(Unaudited - Prepared by Management)

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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NOTES TO THE INTERIM FINANCIAL STATEMENTS
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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

	May 31, 2009	August 31, 2008
	\$	\$
Goods and services tax receivable	11,123	76,033
Prepays	12,037	12,479
Deposits with suppliers	27,195	45,521
Other	<u>24,596</u>	<u>16,130</u>
	<u><u>74,951</u></u>	<u><u>150,163</u></u>

See also Note 10(b).

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

4. CAPITAL ASSETS

	<u>May 31, 2009</u>		
	Costs \$	Accumulated Amortization \$	Net Book Value \$
Office furniture and equipment	54,343	37,052	17,291
Computer and telephone equipment	74,253	61,400	12,853
Field equipment and facility	<u>215,554</u>	<u>55,839</u>	<u>159,715</u>
	<u>344,150</u>	<u>154,291</u>	<u>189,859</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>

5. UNPROVEN MINERAL INTERESTS

	<u>May 31, 2009</u>			<u>August 31, 2008</u>		
	Acquisition Costs \$	Deferred Exploration Costs \$	Total Costs \$	Acquisition Costs \$	Deferred Exploration Costs \$	Total Costs \$
Sherridon	1,010,069	11,166,368	12,176,437	895,769	10,284,550	11,180,319
West Red Lake	111,622	1,848,213	1,959,835	70,622	1,556,769	1,627,391
Duport	<u>15,430,002</u>	<u>2,374,140</u>	<u>17,804,142</u>	<u>15,450,835</u>	<u>2,371,537</u>	<u>17,822,372</u>
	<u>16,551,693</u>	<u>15,388,721</u>	<u>31,940,414</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) The Company and Endowment Lakes (2002) Limited Partnership ("EL") entered into a formal purchase agreement under which the Company purchased a 100% interest in ten mining claims. EL holds a 1% net smelter return royalty ("NSR"), of which a 0.5% NSR can be purchased at any time for \$500,000.

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

- iii) option agreement dated April 18, 2006 and amended April 17, 2009, entered into by the Company and W. Bruce Dunlop Limited NPL and W. Bruce Dunlop (collectively “Dunlop”), whereby the Company has acquired a 100% undivided interest in three mining claims, covering 536 hectares. Dunlop holds NSR royalties of between 0.5% - 3%, some of which are subject to maximum aggregate NSR payments of \$1,000,000 and \$2,500,000 and others in which the Company can purchase up to a 1% NSR at any time for \$500,000 per 0.5% NSR.
- iv) three option agreements (the “HBED Options”), dated March 19, 2006 and amended March 18, 2009, 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, in cash or the equivalent value of common shares, totalling \$650,000 and incur expenditures totalling \$4,300,000, as follows:

Date	Option Payments \$	Work Expenditures \$
On signing	30,000	-
March 19, 2007	70,000	30,000
March 19, 2008	120,000	100,000
March 19, 2009	80,000	-
March 19, 2010	<u>350,000</u>	<u>4,170,000</u>
	<u>650,000</u>	<u>4,300,000</u>

As at May 31, 2009, 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:

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

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

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

Once the Company has incurred \$3 million of expenditures the Company can elect to proceed with a formal joint venture on the subject claims. Upon notification of the Company's election, Goldcorp has 90 days to back-in and reacquire a 25% interest in the 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	50,000	-
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>

As at May 31, 2009, all option payment and share issuance commitments have been met. 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	50,000	-
July 31, 2009	20,000	-	75,000
July 31, 2010	40,000	-	225,000
July 31, 2011	40,000	50,000	300,000
July 31, 2012	<u>-</u>	<u>-</u>	<u>400,000</u>
	<u><u>120,000</u></u>	<u><u>100,000</u></u>	<u><u>1,000,000</u></u>

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5. UNPROVEN MINERAL INTERESTS (continued)

As at May 31, 2009, all option payments and share issuance commitments have been met. See also Note 14(a).

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, as amended, 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 nine months ended May 31, 2009, the Company recorded \$4,167 (2008 - \$240,000) of dividends on the Redeemable Preferred Shares, which have been capitalized as part of resource interests. As at May 31, 2009, \$4,167 (2008 - \$26,667) of accrued dividends were included as part of accounts payable and accrued liabilities.

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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 nine months ended May 31, 2009, the Company:
- (i) agreed to conduct a non-brokered private placement of 11,000,000 flow-through common shares, at a price of \$0.05 per common share, and 10,000,000 non-flow-through units, at a price of \$0.05 per unit, for total gross proceeds of \$1,050,000. Each non-flow-through unit will consist of one common share and one share purchase warrant, with each warrant entitling the holder to purchase one additional common share at a price of \$0.075 per share in the first year and at a price of \$0.10 per share in the second year. As at May 31, 2009, the Company completed an initial tranche and issued 2,000,000 non-flow-through units for \$100,000.

Subsequent to May 31, 2009, the Company completed the remaining balance of 11,000,000 flow-through common shares and 8,000,000 non-flow-through units for \$950,000. The Company also paid a finder's fee of \$31,768 and issued 794,200 finder's warrants. Each finder's warrant entitles the holder to purchase one common share at a price of \$0.075 per share in the first year and at a price of \$0.10 per share in the second year.

- (ii) completed 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;
- (iii) completed 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;
- (iv) completed 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

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7. SHARE CAPITAL (continued)

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 May 31, 2009.

- (v) 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.

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 May 31, 2009 and 2008 and the changes for the nine months ending on those dates is as follows:

	2009 Number of Shares	2008 Number of Shares
Balance, beginning of period	7,863,692	8,128,582
Pursuant to private placements	12,813,374	4,436,613
Exercised	-	(16,061)
Expired	<u>(3,377,079)</u>	<u>(4,685,442)</u>
Balance, end of period	<u>17,299,987</u>	<u>7,863,692</u>

Common shares reserved pursuant to warrants outstanding at May 31, 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
750,000	0.10	December 19, 2010
<u>2,000,000</u>	0.075 / 0.10	May 26, 2010 / 2011
<u>17,299,987</u>		

- (d) See also Note 14(b).

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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 nine months ended May 31, 2009 the Company did not grant any stock options. During the nine months ended May 31, 2008 the Company granted 775,000 stock options to its employees, directors and consultants and recorded compensation expense of \$59,150. In addition the Company recorded compensation expense of \$28,938 expense for the vesting of stock options during the nine months ended May 31, 2008.

A summary of the Company’s stock options at May 31, 2009 and 2008, and the changes for the nine 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
Granted	-	-	775,000	0.40
Expired	(1,503,000)	0.49	(470,000)	0.47
Forfeited	<u>(225,000)</u>	0.40	<u>-</u>	-
Balance, end of period	<u><u>2,392,000</u></u>	0.46	<u><u>4,120,000</u></u>	0.47

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

Number	Exercise Price \$	Expiry Date
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>2,392,000</u></u>		

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9. CONTRIBUTED SURPLUS

Contributed surplus is comprised of the following:

	Nine Months Ended May 31, 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 nine months ended May 31, 2009 and 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	79,562	73,925
Professional and consulting	93,600	134,800
Compensation and benefits	212,250	208,500
Directors fees	<u>7,500</u>	<u>12,750</u>
	<u><u>392,912</u></u>	<u><u>429,975</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 May 31, 2009, accounts payable and accrued liabilities include \$92,685 (2008 - \$31,256) due to these related parties.

- (b) The Company shares office premises with two public companies with common directors and officers. During the nine months ended May 31, 2009, the Company billed \$22,000 (2008 - \$nil) for rent expense recovery of which \$7,000 remained unpaid and has been included in accounts receivable.

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.

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11. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

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.

(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.

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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.

13. SUPPLEMENTAL CASH FLOW INFORMATION

Non-cash activities conducted by the Company during the nine months ended May 31, 2009 and 2008 are as follows:

	2009 \$	2008 \$
Operating activities		
Accrued payable for unproven mineral interests	<u>274,435</u>	<u>(26,910)</u>
Financing activities		
Issuance of common shares for unproven mineral interests	120,300	24,750
Issuance of common shares for finder's fees	64,844	-
Common share issue costs	(117,514)	(186,069)
Share capital - future income tax adjustment	(1,344,000)	(1,331,600)
Future income tax liability	1,344,000	1,331,600
Termination of asset retirement obligation	-	1,014,500
Contributed surplus	<u>52,670</u>	<u>186,069</u>
	<u>120,300</u>	<u>1,039,250</u>
Investing activities		
Common shares issued for unproven mineral interests	(120,300)	-
Accounts payable for unproven mineral interests	(274,435)	26,910
Unproven mineral interests	(25,000)	(24,750)
Investment received	25,000	-
Marketable securities received	-	85,000
Disposition of capital assets	-	(217,711)
Disposition of unproven mineral interests	<u>-</u>	<u>(881,789)</u>
	<u>(394,735)</u>	<u>(1,012,340)</u>

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13. SUPPLEMENTAL CASH FLOW INFORMATION (continued)

Other supplemental cash flow information:

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

14. SUBSEQUENT EVENTS

- (a) On July 9, 2009, the Company agreed to amend the Rubicon Agreement such that the Company may elect to pay up to 50% of its option payments in equivalent value of common shares.
- (b) Subsequent to May 31, 2009, warrants to acquire 50,000 common shares of the Company expired.
- (c) See also Note 7(b).

SCHEDULE I

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

	Nine Months Ended May 31, 2009			Year Ended August 31, 2008	
	Duport Property \$	Sherridon VMS Project \$	West Red Lake Property \$	Total \$	Total \$
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	-	110,323	15,794	126,117	550,496
Consulting	1,992	166,143	29,508	197,643	193,140
Drilling	-	24,206	6,503	30,709	2,958,813
Environmental	-	831	-	831	19,704
Exploration office costs	-	97,208	586	97,794	302,151
Field personnel	611	320,355	101,061	422,027	1,102,293
Field supplies	-	7,651	266	7,917	200,664
Geochemistry	-	49,966	61,648	111,614	719,326
Geological	-	50,713	75,779	126,492	478,171
Ground geophysics	-	59,778	-	59,778	287,169
Land management	-	5,069	299	5,368	17,151
Line cutting	-	-	-	-	29,731
Technical report	-	15,424	-	15,424	110,573
Transportation	-	-	-	-	43,800
Travel and accommodations	-	8,466	-	8,466	22,325
Reimbursement / Recoveries	-	(34,315)	-	(34,315)	(94,662)
	<u>2,603</u>	<u>881,818</u>	<u>291,444</u>	<u>1,175,865</u>	<u>6,954,886</u>
OTHER ITEMS					
Acquisition costs and payments	-	114,300	41,000	155,300	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>114,300</u>	<u>41,000</u>	<u>134,467</u>	<u>417,886</u>
BALANCE BEFORE DISPOSITION	<u>17,804,142</u>	<u>12,176,437</u>	<u>1,959,835</u>	<u>31,940,414</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>17,804,142</u></u>	<u><u>12,176,437</u></u>	<u><u>1,959,835</u></u>	<u><u>31,940,414</u></u>	<u><u>30,630,082</u></u>