HALO RESOURCES LTD.

INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED
FEBRUARY 28, 2011

(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, 2011, 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, 2011 $	August 31, 2010 $
A S S E T S		
CURRENT ASSETS		
Cash	2,938,598	234,350
Amounts receivable (Note 3)	103,538	32,438
Prepaids and deposits	73,126	21,097
	3,115,262	287,885
CAPITAL ASSETS (Note 4)	196,250	123,790
UNPROVEN MINERAL INTERESTS (Note 5)	29,083,263	27,662,741
	32,394,775	28,074,416
L I A B I L I T I E S		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	290,207	327,247
REDEEMABLE PREFERRED SHARES (Note 7)	8,000,000	8,000,000
FUTURE INCOME TAX LIABILITY	3,738,900	3,834,900
	12,029,107	12,162,147
S H A R E H O L D E R S' E Q U I T Y		
SHARE CAPITAL (Note 8)	48,401,995	43,817,937
CONTRIBUTED SURPLUS (Note 10)	3,672,154	2,995,472
SHARE SUBSCRIPTIONS RECEIVED (Note 15)	302,500	-
DEFICIT	(32,010,981)	(30,901,140)
	20,365,668	15,912,269
	32,394,775	28,074,416

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

SUBSEQUENT EVENTS (Note 15)

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 AND DEFICIT

(Unaudited - Prepared by Management)

	Three Months Ended February 28,		Six Months Ended February 28,	
	2011 $	2010 $	2011 $	2010 $
EXPENSES				
Amortization of capital assets	10,728	12,198	17,913	24,394
General and administrative	393,612	145,779	636,147	357,416
General exploration	-	485	-	485
Stock based compensation (Note 9)	311,020	-	553,023	-
Part XII.6 tax expense	-	3,766	-	6,736
	715,360	162,228	1,207,083	389,031
LOSS BEFORE OTHER ITEMS AND INCOME TAX	(715,360)	(162,228)	(1,207,083)	(389,031)
OTHER ITEMS				
Interest and other income	-	2,546	1,242	2,546
Gain on sale of investments	-	134,783	-	134,783
LOSS BEFORE INCOME TAX	(715,360)	(24,899)	(1,205,841)	(251,702)
FUTURE INCOME TAX (EXPENSE) RECOVERY	128,000	(591,800)	96,000	(474,500)
NET LOSS FOR THE PERIOD	(587,360)	(616,699)	(1,109,841)	(726,202)
OTHER COMPREHENSIVE INCOME (LOSS)	-	(79,684)	-	101,567
COMPREHENSIVE NET LOSS FOR THE PERIOD	(587,360)	(696,383)	(1,109,841)	(624,635)
LOSS PER COMMON SHARE - BASIC AND DILUTED	$(0.02)	$(0.04)	$(0.05)	$(0.04)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING	25,744,319	16,842,954	21,957,579	14,700,467

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

HALO RESOURCES LTD.
STATEMENTS OF SHAREHOLDERS' EQUITY
(Unaudited - Prepared by Management)

	Share Capital		Contributed	
	Shares	Amount $	Surplus $	Deficit $
Balance at August 31, 2009	11,495,694	42,074,537	2,497,442	(29,889,698)
Common shares issued for:				
Private placements	5,404,000	2,702,000	-	-
Warrants exercised	44,000	33,000	-	-
Finder's warrants exercised	24,500	18,375	-	-
Unproven mineral interests	176,125	76,500	-	-
Flow-through share renunciation	-	(687,880)	-	-
Share issue costs	-	(405,954)	-	-
Stock-based compensation on warrants	-	-	86,142	-
Reallocation from contributed surplus on exercise of finder's warrants	-	7,359	(7,359)	-
Stock-based compensation on stock options	-	-	419,247	-
Loss for the year	-	-	-	(1,011,442)
Balance at August 31, 2010	17,144,319	43,817,937	2,995,472	(30,901,140)
Common shares issued for:				
Private placements	10,800,000	4,950,000	-	-
Share issue costs	-	(365,942)	-	-
Stock-based compensation on warrants	-	-	123,659	-
Stock-based compensation on stock options	-	-	553,023	-
Loss for the period	-	-	-	(1,109,841)
Balance at February 28, 2011	27,944,319	48,401,995	3,672,154	(32,010,981)

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

HALO RESOURCES LTD.

INTERIM STATEMENTS OF CASH FLOW

(Unaudited - Prepared by Management)

	Three Months Ended February 28,		Six Months Ended February 28,	
	2011 $	2010 $	2011 $	2010 $
CASH PROVIDED FROM (USED FOR)				
OPERATING ACTIVITIES				
Net loss for the period	(587,360)	(616,699)	(1,109,841)	(726,202)
Items not involving cash				
Amortization of capital assets	10,728	12,198	17,913	24,394
Stock-based compensation	311,020	-	553,023	-
Gain on sale of investments	-	(134,783)	-	(134,783)
Future income tax (recovery) expense	(128,000)	591,800	(96,000)	474,500
	(393,612)	(147,484)	(634,905)	(362,091)
(Increase) decrease in amounts receivable	19,810	(38,823)	(71,100)	(39,280)
Increase in prepaid and deposits	(61,240)	(30,714)	(52,029)	(17,002)
Decrease in accounts payable and accrued liabilities	(161,032)	(112,613)	(78,326)	(48,610)
	(596,074)	(329,634)	(836,360)	(466,983)
FINANCING ACTIVITIES				
Common shares issued for cash	4,500,000	351,375	4,950,000	2,753,375
Share issue costs	(230,051)	(43,364)	(242,283)	(316,579)
Share subscriptions received	302,500	-	302,500	-
Repayment of advances	(150,000)	-	-	-
	4,422,449	308,011	5,010,217	2,436,796
INVESTING ACTIVITIES				
Additions to capital assets	(90,373)	-	(90,373)	-
Additions to unproven mineral interests	(803,971)	(727,598)	(1,379,236)	(1,261,686)
Proceeds from sale of investment	-	148,574	-	148,574
	(894,344)	(579,024)	(1,469,609)	(1,113,112)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	2,932,031	(600,647)	2,704,248	856,701
CASH AND CASH EQUIVALENTS - BEGINNING OF PERIOD	6,567	1,722,529	234,350	265,181
CASH AND CASH EQUIVALENTS - END OF PERIOD	2,938,598	1,121,882	2,938,598	1,121,882

SUPPLEMENTAL CASH FLOW INFORMATION - See Note 14.

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

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

Halo Resources Ltd. (the "Company") is a junior resource exploration company which is engaged in the acquisition, exploration and development of unproven mineral interests in Canada. On the basis of information to date, it has not yet determined whether these unproven mineral interests contain economically recoverable ore reserves. The amounts shown as unproven mineral interests and deferred costs represent costs incurred to date, less amounts amortized and/or written off, and do not necessarily represent present or future values. The underlying value of the unproven mineral interests is entirely dependent on the existence of economically recoverable reserves, securing and maintaining title and beneficial interest, the ability of the Company to obtain the necessary financing to complete development, and future profitable production.

At February 28, 2011, the Company had working capital of $2,825,055, had not yet achieved profitable operations, has accumulated losses of $32,010,981 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 15.

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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

The Company does not expect the adoption of these accounting standards to have a material impact on its financial statements.

3. AMOUNTS RECEIVABLE

	February 28, 2011 $	August 31, 2010 $
Goods and services tax receivable	86,168	19,180
Other	17,370	13,258
	103,538	32,438

4. CAPITAL ASSETS

	February 28, 2011		
	Costs $	Accumulated Amortization $	Net Book Value $
Office furniture and equipment	54,343	53,294	1,049
Computer and telephone equipment	75,001	74,626	375
Field equipment and facility	295,228	110,209	185,019
Automobile	10,699	892	9,807
	435,271	239,021	196,250

	August 31, 2010		
	Costs $	Accumulated Amortization $	Net Book Value $
Office furniture and equipment	54,343	52,359	1,984
Computer and telephone equipment	75,001	74,501	500
Field equipment and facility	215,554	94,248	121,306
	344,898	221,108	123,790

5. UNPROVEN MINERAL INTERESTS

	February 28, 2011			August 31, 2010		
	Acquisition Costs $	Deferred Exploration Costs $	Total Costs $	Acquisition Costs $	Deferred Exploration Costs $	Total Costs $
Sherridon	705,069	12,949,668	13,654,737	855,069	12,077,296	12,932,365
Red Lake District	-	3,403,715	3,403,715	-	2,708,134	2,708,134
Duport	12,020,283	4,528	12,024,811	12,020,283	1,959	12,022,242
	12,725,352	16,357,911	29,083,263	12,875,352	14,787,389	27,662,741

(a) Sherridon VMS Project, Manitoba

As at February 28, 2011, the Company holds, or has options to earn, an interest in 21,394 hectares located in the Sherridon area, north-central Manitoba. Details of the mineral interests are as follows:

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

(ii) the Company has purchased a 100% interest in ten mining claims covering 2,072 hectares, from Endowment Lakes (2002) Limited Partnership ("EL"). EL holds a 1% net smelter return royalty ("NSR"), of which a 0.5% NSR can be purchased at any time for $500,000;

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

(iv) the Company has acquired two claim groups comprising 15 mining claims (the "FUD Claims") and one mining lease (the "Jungle Lease"), covering approximately 3,274 hectares, from Hudson Bay Exploration and Development Company Limited ("HBED"), a subsidiary of HudBay Minerals Inc.

HBED holds a 2% NSR on the FUD Claims.

HBED has exercised its back-in right for a 51% interest in the Jungle Lease by committing to spend $2,025,000 before May 7, 2012. If HBED does not spend the requisite amount then the Company will retain a 100% interest in the Jungle Lease, subject to a 2% NSR to HBED.

5. UNPROVEN MINERAL INTERESTS (continued)

(v) on December 22, 2009, the Company entered into an option and joint venture agreement with Hudson Bay Mining and Smelting Co. Limited ("HudBay"), a subsidiary of HudBay Minerals Inc., on certain claims (the "Cold and Lost Lake Claims") located in the Sherridon VMS Project area, under which HudBay has the option to earn up to a 67.5% joint venture interest in the Cold and Lost Lake Claims. HudBay can earn an initial 51% interest by making cash payments totalling $800,000 ($400,000 received) and funding exploration programs totalling at least $1,350,000 on or before December 22, 2011.

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

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

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

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

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

(vi) on July 23, 2010, as amended on August 4, 2010, the Company entered into an option agreement whereby the Company has the option to acquire a 100% interest in two claims (the "Drew Property") covering 384 hectares. As at February 28, 2011, the Company has made a cash payment of $5,000, issued 50,000 common shares and is required to make further payments and issue common shares as follows:

Date	**Option Payments $**	**Share Issuances**
July 23, 2011	10,000	equivalent of $10,000 common shares
July 23, 2012	20,000	equivalent of $20,000 common shares
	30,000	

The Drew Property is subject to a 2% NSR. The Company has the right to buy back up to 1.5% NSR for a purchase price of $500,000 per 0.5% NSR; and

5. UNPROVEN MINERAL INTERESTS (continued)

(vii) on July 23, 2010, as amended on August 4, 2010, the Company entered into an option agreement, whereby the Company has the option to acquire a 100% interest in two claims (the "Weldon Property"), covering 339 hectares. As at February 28, 2011 the Company has made a cash payment of $10,000, issued 50,000 common shares and is required to make further payments and issue common shares as follows:

Date	Option Payments $	Share Issuances
July 23, 2011	20,000	equivalent of $30,000 common shares
July 23, 2012	40,000	equivalent of $50,000 common shares
	60,000	

The Weldon Property is subject to a 2% NSR. The Company has the right to buy back up to 1.5% NSR for a purchase price of $500,000 per 0.5% NSR.

(b) Red Lake District, Ontario

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

(i) option agreement dated June 20, 2006, as amended April 2, 2007, (the "West Red Lake Option") with Goldcorp. Inc. ("Goldcorp") whereby the Company has the option to earn a 60% interest in 67 mining claims, a 45% interest in two mining claims, and a 30% interest in ten mining claims (collectively the "West Red Lake Property") located in Ball Township, Red Lake, Ontario. Under the terms of the West Red Lake Option, the Company was required to perform minimum exploration programs totalling $3 million on or before December 31, 2009.

On September 4, 2009, the West Red Lake Option was further amended (the "West Red Lake Amended Option") under which the Company has agreed to increase its minimum exploration programs by a further $250,000. Under the revised terms of the West Red Lake Amended Option the Company has met its $1,970,000 expenditure commitments of December 31, 2009 and $550,000 of December 31, 2010, and must incur a further $730,000 on or before December 31, 2011.

Once the Company has incurred $3.25 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 100,000 common shares of its share capital to Goldcorp; and

(ii) option agreement (the "Tribute Option"), dated September 16, 2008, whereby the Company has earned an initial 65% interest in nine claim units (the "Bridget Lake Property") by making cash payments totalling $50,000, issuing 40,000 common shares, and incurring $50,000 of expenditures.

5. UNPROVEN MINERAL INTERESTS (continued)

Under the terms of the West Red Lake Amended Option, referred to in Note 5(b)(i), Goldcorp also paid $165,433 for a 40% interest of the Company's earned interest in the Bridget Lake Property upon the Company earning the initial 65% interest under the Tribute Option. As a result, as at February 28, 2011, the Company holds a 39% interest in the Bridget Lake Property.

(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 100,000 common shares, at a fair value of $1,210,000, and $8 million in redeemable preferred shares.

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

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

(i) Hays Lake issued 2,000,000 common shares of its share capital to the Company for the right to earn up to a 75% interest in the Duport Property. Hays Lake has earned an initial 51% interest by incurring $1,500,000 in exploration and can earn 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:

   i) 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

   ii) on or before October 31, 2012, and, provided that Hays Lake has incurred all of the expenditures required, Hays Lake will pay the Company $6,000,000 and upon such payment Hays Lake will have earned a 75% interest; and

(ii) the Duport Purchase Agreement was amended (the "Duport Amending Agreement") enabling the Company to enter into the option agreement with Hays Lake under which the Company transferred 1,000,000 common shares of the 2,000,000 common shares of Hays Lake which it had received and the terms of the redeemable preferred shares were amended. See also Note 7.

The Company ascribed an initial value of $25,000 to the investment in Hays Lake. In September 2009, Hays Lake was acquired by Everton Resources Ltd. ("Everton") under which the Company was issued 1,006,104 common shares of Everton for its investment in Hays Lake. During fiscal 2010 the Company sold all of the common shares of Everton for total net proceeds of $260,128 and recorded a gain of $235,128.

The Company has agreed to pay a 1.5% NSR on the first 1 million ounces of gold produced and a 5% NSR on the excess. The Company will have the right to buy back a 1% NSR for $2.5 million cash.

6. ADVANCES PAYABLE

During the six months ended February 28, 2011 the Company was advanced a total of $445,000 to provide the Company with working capital. The advances were non-interest bearing and repayable on demand. In December 2010 the Company repaid the advances in full. Directors of the Company had provided $345,000 of the advances.

7. REDEEMABLE PREFERRED SHARES

The series 1 redeemable preferred shares (the "Redeemable Preferred Shares") were issued by the Company as partial consideration of its purchase of the Duport Property described in Note 5(c). The Redeemable Preferred Shares had an initial term of five years. The Company subsequently entered into the Duport Amending Agreement under which the terms of the Redeemable Preferred Shares were amended, as follows:

(i) each of the $80,000 quarterly dividends which were due on July 31, 2008 and October 31, 2008 would be $nil;

(ii) for the year commencing November 1, 2008, an annual dividend of $50,000 was payable in quarterly installments;

(iii) for each of the three years, commencing November 1, 2009, an annual dividend of $240,000 will be payable in quarterly installments; and

(iv) the Redeemable Preferred Shares are redeemable by the Company in whole or in part at any time prior to November 1, 2012.

The Company may elect to pay any of its dividends in common shares of its capital stock based on a 15 day average price prior to the date the dividend is due.

The Redeemable Preferred Shares are non-voting, non-convertible and can be redeemed in whole or in part by the Company at any time prior to November 1, 2012, as follows:

(i) make a cash payment of $8 million plus a $400,000 bonus, together with any accrued and unpaid dividends; or

(ii) provided all dividends payable pursuant to the terms of the Redeemable Preferred Shares have been paid, the Company may return the Duport Property to Sheridan.

The Company may elect to redeem the Redeemable Preferred Shares through the issuance of common shares in its capital stock based on a 15 day average price prior to the date of redemption.

If the Redeemable Preferred Shares have not been redeemed the Company will, effective November 1, 2012, retract the Redeemable Preferred Shares in consideration of $8 million plus accrued unpaid dividends (collectively the "Retraction Amount"), payable in cash or common shares of the Company based on a 15 trading day average price prior to the date of retraction.

During the six months ended February 28, 2011, the Company recorded $120,000 (2010 - $88,333) of dividends on the Redeemable Preferred Shares, which have been capitalized as part of resource interests. As at February 28, 2011, $20,000 (2010 - $20,000) of accrued dividends were included as part of accounts payable and accrued liabilities.

8. SHARE CAPITAL

(a) Authorized share capital consists of an unlimited number of common shares without par value and an unlimited number of preferred shares.

(b) On September 7, 2010, the Company completed a consolidation of its share capital on a one new common share for ten old shares basis. The share numbers for both fiscal 2010 and 2009 have been adjusted accordingly.

(c) During the six months ended February 28, 2011, the Company completed:

(i) a brokered private placement of 2,600,000 units and a non-brokered private placement of 6,400,000 units at a price of $0.50 per unit for total gross proceeds of $4,500,000. Each unit comprised one common share and one-half share purchase warrant. Each full warrant entitles the holder to purchase an additional common share for a period of two years, at an exercise price of $0.60 per share.

The Company paid finders' fees of $148,820 cash and issued finder's warrants to purchase 425,200 units at a price of $0.50 per unit on or before December 23, 2012. Each unit comprised one common share and one-half share purchase warrant, with each full warrant entitling the holder to purchase an additional common share on or before December 23, 2012, at an exercise price of $0.60 per share. The fair value of the finder's warrants has been estimated using the Black-Scholes option pricing model. The assumptions used were: dividend yield - 0%; expected volatility - 118.27%; risk-free interest rate of 1.62%; and expected life of two years. The value assigned to the finder's warrants was $120,431.

Directors and officers of the Company and the spouse of a director purchased 212,500 units for $106,250; and

(ii) a non-brokered private placement of 1,800,000 units at a price of $0.25 per unit for total gross proceeds of $450,000. Each unit comprised one common share and one share purchase warrant. Each warrant entitles the holder to purchase an additional common share for a period of two years, at an exercise price of $0.35 per share.

The Company paid a finder's fee of $7,200 cash and issued 21,600 finder's warrants. Each finder's warrant entitles the holder to purchase one common share at a price of $0.35 per share for a period of two years. The fair value of the finder's warrants has been estimated using the Black-Scholes option pricing model. The assumptions used were: dividend yield - 0%; expected volatility - 132.97%; risk-free interest rate of 1.38%; and expected life of two years. The value assigned to the finder's warrants was $3,228.

The Company incurred $86,263 for legal and filing costs associated with these private placements.

8. SHARE CAPITAL (continued)

(d) A summary of the number of common shares reserved pursuant to the Company's warrants outstanding at February 28, 2011 and 2010, and the changes for the six months ended on those dates is as follows:

	2011	2010
Balance, beginning of period	5,674,257	2,604,418
Pursuant to private placements	6,321,600	3,582,000
Exercised	-	(68,500)
Expired	(1,081,337)	(443,661)
Balance, end of period	10,914,520	5,674,257

Common shares reserved pursuant to warrants outstanding at February 28, 2011, are as follows:

Number	Exercise Price $	Expiry Date
200,000	1.00	May 26, 2011
106,200	1.00	June 10, 2011
504,500	1.00	June 29, 2011
200,220	1.00	July 10, 2011
260,000	1.00	September 11, 2011
300,000	2.00	November 02, 2011
125,000	2.00	November 13, 2011
99,500	2.00	November 04, 2011
997,500	2.00	November 26, 2011
1,500,000	1.00	November 04, 2011
75,000	2.00	December 08, 2011
225,000	2.00	December 16, 2011
1,000,000	0.35	October 04, 2012
821,600	0.35	October 13, 2012
4,500,000	0.60	December 23, 2012
10,914,520		

(e) See also Note 15.

9. STOCK OPTIONS AND STOCK-BASED COMPENSATION

The Company has established a rolling stock option plan (the "Plan"), in which the maximum number of common shares which can be reserved for issuance under the Plan is 10% of the issued and outstanding shares of the Company. The 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 TSXV.

During the six months ended February 28, 2011 the Company granted 1,936,000 stock options to its employees, directors and consultants and recorded compensation expense of $553,023. No stock options were granted by the Company during the six months ended February 28, 2010.

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

The fair value of stock options granted and vested during the six months ended February 28, 2011, is estimated using the Black-Scholes option pricing model using the following assumptions:

Risk-free interest rate	1.38% - 1.89%
Estimated volatility	103.85% - 132.97%
Expected life	2 years - 5 years
Expected dividend yield	0%

The weighted average fair value of all stock options granted during the six months ended February 28, 2011 to the Company's directors, employees and consultants was $0.32 per option.

A summary of the Company's stock options at February 28, 2011 and 2010, and the changes for the six months ended on those dates is presented below:

	2011		2010	
	Number of Options	Weighted Average Exercise Price $	Number of Options	Weighted Average Exercise Price $
Balance, beginning of period	858,000	1.48	229,200	4.70
Granted	1,936,000	0.45	-	-
Expired	(50,000)	-	(121,200)	4.50
Balance, end of period	2,744,000	0.77	108,000	4.80

The following table summarizes information about the stock options outstanding and exercisable at February 28, 2011:

Number Outstanding	Number Exercisable	Exercise Price $	Expiry Date
32,500	32,500 `	4.00	March 26, 2011
75,500	75,500	5.20	July 24, 2012
75,000	-	0.45	August 4, 2012
250,000	62,500	0.45	October 27, 2012
706,000	706,000	0.45	October 08, 2013
905,000	905,000	0.45	February 4, 2014
700,000	700,000	1.00	February 25, 2015
2,744,000	2,481,500		

10. CONTRIBUTED SURPLUS

Contributed surplus is comprised of the following:

	Six Months Ended February 28, 2011 $	Year Ended August 30, 2010 $
Balance, beginning of period	2,995,472	2,497,442
Stock-based compensation on stock options (Note 9)	553,023	419,247
Stock-based compensation on compensation warrants (Note 8(c))	123,659	86,142
Reallocation on finder's warrants	-	(7,359)
Balance, end of period	3,672,154	2,995,472

11. RELATED PARTY TRANSACTIONS

(a) During the six months ended February 28, 2011 and 2010 the Company was charged for various services provided by companies controlled by directors and officers of the Company, as follows:

	2011 $	2010 $
Accounting and administration	58,500	60,500
Professional, directors fees and consulting	237,750	131,500
	296,250	192,000

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, 2011, accounts payable and accrued liabilities include $49,750 (2010 - $67,750) due to these related parties.

(b) See also Notes 6 and 8.

12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Categories of Financial Assets and Financial Liabilities

Under Canadian GAAP financial instruments are classified into one of the following five categories: held for trading, held-to-maturity investments, loans and receivables, available-for-sale financial assets and other financial liabilities. The carrying values of the Company's financial instruments are classified into the following categories:

Financial Instrument	Category	February 28, 2011 $	August 31, 2010 $
Cash	Held-for-trading	2,938,598	234,350
Amounts receivable	Loans and receivables	102,907	32,438
Accounts payable and accrued liabilities	Other liabilities	(290,207)	(327,247)
Redeemable preferred shares	Other liabilities	(8,000,000)	(8,000,000)

12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

The recorded amounts for cash, amounts receivable and accounts payable and accrued liabilities approximate their fair value due to their short-term nature. It is not practicable to estimate the fair value of the redeemable preferred shares. The Company's carrying value and fair value of cash under the fair value hierarchy is measured using Level 1 inputs.

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

Credit Risk

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

Liquidity Risk

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

Market Risk

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

(a) Interest Rate Risk

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

(b) Foreign Currency Risk

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

13. CAPITAL MANAGEMENT

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

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

14. SUPPLEMENTAL CASH FLOW INFORMATION

Non-cash activities conducted by the Company during the six months ended February 28, 2011 and 2010, are as follows:

	2011 $	2010 $
Operating activities		
Accrued payable for unproven mineral interests	41,286	(122,927)
Unrealized holding gain on investment	-	(101,567)
	41,286	(224,494)
Financing activities		
Reallocation from contributed surplus on exercise of finder's warrants	-	7,359
Common share issue costs	(123,659)	(86,142)
Contributed surplus	123,659	78,783
	-	-
Investing activities		
Accounts payable for unproven mineral interests	(41,286)	122,927
Unrealized holding gain on investment	-	101,567
	(41,286)	224,494

Other supplemental cash flow information:

	2011 $	2010 $
Interest paid in cash	-	-
Dividends paid in cash	120,000	72,500
Income taxes paid in cash	-	-

15. SUBSEQUENT EVENTS

(a) On March 14, 2011, the Company completed a first tranche closing of 640,000 flow-through units ("FT Units") of an announced non-brokered private placement financing of up to 1,001,000 units at a price of $0.55 per FT Unit. Each FT unit comprised one flow-through common share and one-half share purchase warrant. Each full warrant entitles the holder to purchase an additional non-flow-through common share for a period of two years, at an exercise price of $0.70 per share. As at February 28, 2011, the Company had received $302,500 on account of the private placement.

(b) Pursuant to a letter of intent, dated March 20, 2011, between the Company and Gold Royalties Corporation ("GRC") the Company has sold its 1% NSR in the Bachelor Lake property, located in Quebec, to GRC for a purchase price of $1.2 million. GRC has also agreed to pay the Company 40% of the value of any NSR payments paid for more than 200,000 ounces of gold or gold equivalent, less normal commercial charges.

15. SUBSEQUENT EVENTS (continued)

(c) Subsequent to February 28, 2011, the Company issued 125,600 common shares on the exercise of warrants for $43,960.

(d) Subsequent to February 28, 2011, stock options to purchase 32,500 common shares of the Company expired without exercise.

SCHEDULE I

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

	Six Months Ended February 28, 2011				Year Ended August 31, 2010
	Sherridon VMS Project $	Red Lake District $	Duport Property $	Total $	Total $
BALANCE - BEGINNING OF PERIOD	12,932,365	2,708,134	12,022,242	27,662,741	25,990,527
AMOUNTS INCURRED DURING THE PERIOD					
EXPLORATION EXPENDITURES					
Camp and associated costs	83,101	36,158	-	119,259	207,479
Consulting	54,089	4,266	-	58,355	121,374
Drilling	331,109	464,718	-	795,827	953,086
Exploration office costs	70,005	51,098	-	121,103	284,230
Field personnel	115,052	57,200	-	172,252	345,313
Field supplies	167	250	-	417	2,736
Geochemistry	13,578	58,401	-	71,979	167,607
Geological	29,523	5,661	-	35,184	100,845
Ground geophysics	120,624	3,519	-	124,143	136,540
Land management	25,993	3,240	2,569	31,802	7,648
Line cutting	17,952	700	-	18,652	47,153
Technical report	17,317	-	-	17,317	-
Travel and accommodations	6,278	370	-	6,648	17,013
Reimbursement / Recoveries	(12,416)	-	-	(12,416)	(307,021)
	872,372	685,581	2,569	1,560,522	2,084,003
OTHER ITEMS					
Acquisition costs and payments	-	10,000	-	10,000	214,000
Option payments received	(150,000)	-	(120,000)	(270,000)	(607,933)
Capitalized dividend	-	-	120,000	120,000	208,333
	(150,000)	10,000	-	(140,000)	(185,600)
BALANCE BEFORE WRITE-OFF	13,654,737	3,403,715	12,024,811	29,083,263	27,888,930
WRITE-OFF	-	-	-	-	(226,189)
BALANCE - END OF PERIOD	13,654,737	3,403,715	12,024,811	29,083,263	27,662,741