



## SHAREHOLDER LETTER

Tuesday, October 28, 2008

Dear Shareholder,

The banking and liquidity crisis worldwide has made life very difficult for many people and many companies. While all sectors are down, natural resource indices, funds and big-cap stocks are down 50-70%. We want to assure all our shareholders that we recognize that you are disappointed in Halo's share price and concerned about the future. We too are shareholders and have seen our investments shrink during this bear run, particularly on commodity-based companies such as Halo.

We have also experienced previous bear markets and the extremely negative thinking that is so prevalent at the front end of a recession, resulting in share prices being depressed well below realistic levels. We all learned from the 1980-1982 and the 1990-1991 recessions and down markets. History repeats itself, with the relatively short bear market cycles of 3 to 30 months and the much longer bull market cycles of 12 to 120 months.

Halo made remarkable progress in the last 18 months, completing 28,000 m of drilling in a time of intense competition for equipment and people and recently issuing a NI43-101 compliant resource estimate. A total of **69 million pounds of copper** and **66.5 million pounds of zinc** in the Indicated category, and more than twice as much again in the Inferred category, is a tremendous increase in the asset base of a junior mining company. These are significant numbers especially when hundreds of junior mining companies, competing for limited investment, do not have any resources defined. These resources are the basis of what sets Halo apart and defines its future.

Halo holds a 100% interest in 85% of the mining claims in the 200 sq. km. Sherridon VMS Property. The remaining mineral interests are held in joint venture with Hudson Bay Exploration and Development Company Limited and primarily cover the lower-grade Park and Jungle deposits. **Halo has completed sufficient work to hold the mineral claims in good standing for up to two years based on Manitoba regulations, without further expenditures at this time.**

### Metals Outlook



Current market conditions no longer seem rational and it is difficult to predict the near-term future. In the longer term, the majority of the pundits select copper as the metal with the strongest price support. Copper prices held steady until very recently, outperforming the other base metals, and even gold



for awhile. There has been muted supply response from producers in the last five years and demand is still strong in emerging economies such as Brazil, India and China, two facts that equate to strong and rising prices for copper (to view the graph accompanying this release please click on the following link: [http://media3.marketwire.com/docs/halo\\_graph.pdf](http://media3.marketwire.com/docs/halo_graph.pdf)).

“We view this as a correction, albeit a particularly severe one, within a secular bull market...This secular bull market is driven by the urbanization and industrialization of China in particular, and the growing middle classes from Asia to Brazil, which demand the products we take for granted. And that requires basic resources...But secular bull markets have cyclical cycles within them. During the current slowdown, there is de-stocking of inventories and a slowdown in new projects. So when demand resumes growth, prices could recover quickly, as firms rush to build up stocks again.” as reported in Adrian Day's Global Analyst (10/17/2008), just one of the experts predicting metal price recoveries.

The deposits at Sherridon, unlike elsewhere in the Flin Flon area, are primarily copper-rich. Halo's objective is to define sufficient resources to initiate and maintain mining operations for a minimum of 15 years, a standard in the industry that is designed to protect the long-term viability of a project from fluctuating metal prices. Projects at the development stage are not based on today's copper price but on revenue being generated well into the future.

### **Halo's Strategy**

Halo's strategy in the short term is to preserve cash by limiting expenditures at Sherridon to geoscientific studies that will optimize the next round of drilling and advancing engineering studies, such as metallurgical test work, in preparation for a scoping study. Joint venture obligations at the expanded West Red Lake property are nominal for the remainder of 2008 and mid-2009 and will be reviewed in the spring. Senior management has agreed to reductions of 25 to 50% in salaries and bonuses.

The Company is examining a range of options to advance the Sherridon VMS Property to production including joint ventures and Asian interest in metal off-take agreements. There are no regulatory or joint venture commitments setting the agenda at Sherridon and the project will be advanced in a timeframe to best return shareholder value in the current turbulent and volatile financial market conditions. Our objective is to maintain ownership of an asset base sufficiently advanced to be in a first-mover position when investor interest returns.

### **Advancing the Sherridon VMS Property**

The Sherridon VMS Property resource estimate includes 3.1 million tonnes in the Indicated resource category with an overall grade of 1.00% copper, 0.97% zinc and precious metal credits and 9.9 million tonnes in the Inferred resource category with an overall grade of 0.9% copper, 1.2% zinc and precious metal credits, 70% of which are near-surface and amenable to surface mining. The exploration team demonstrated the potential of the 200 sq. km. property by making a new discovery at Lost Lake, returning



the highest grade intersections to date from 2007-2008 drilling, and the new deposit added 2 million tonnes to the Inferred resource category.

As early as July it was evident that it would be more difficult to fund exploration as aggressively as previously, and the decision was taken to be prudent with the funds available. Diamond drilling is the single most expensive activity for an exploration program representing two-thirds of Halo's exploration expenditures at Sherridon. Instead of costly drilling, the focus turned to detailed field work at 20 high-priority exploration targets that emerged from the comprehensive district compilation, 2,600 km VTEM airborne geophysical survey and various state-of-the-art geoscience studies. Field examination is the most important stage of evaluating prospects and the results are being used to further rank the targets for follow-up drilling.

Assays from the portable bedrock drill rig program generated high-priority targets reported in previous press releases. Results of 5.1% zinc and 0.48% copper were reported for a bedrock sample at the northern end of a 250 m long trend of elevated zinc and copper values coincident with a geophysical VTEM anomaly (press release August 13, 2008) and expanding the potential strike of the Lost Lake deposit at least 250 m north of previously known drilling.

Bedrock samples from Target Area 5 (TA5), which has had virtually no historical exploration and has never been drill tested, reported anomalous silver values up to 75 g/t over an area of 200 m by 400 m, and zinc values up to 0.37% (press release September 2, 2008). These levels of silver are not common, even in association with known deposits, and are considered highly encouraging.

These high priority targets areas are only two examples of the upside potential at the Sherridon VMS Property based on the detailed, systematic scientific evaluation of the consolidated land position that essentially has been dormant for 50 years.

**ON BEHALF OF THE BOARD**  
Lynda Bloom, President and CEO

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