

**Cabo Drilling Corp.**  
**Form 51-102F1**  
**Management Discussion and Analysis**  
**For the Quarter Ended September 30, 2009**

This Management Discussion and Analysis (“MD&A”) is a review of the results of operations, the liquidity and capital resources of Cabo Drilling Corp. for the quarter ended September 30, 2009, prepared November 25, 2009. It should be read in conjunction with the consolidated financial statements and notes thereto included for the quarter ended September 30, 2009, which are prepared in accordance with Canadian generally accepted accounting principles.

The MD&A contains forward-looking statements about the Company’s future plans, objectives, strategies, financial conditions, results of operations, cash flows, development activities and businesses. Actual events or results may differ materially from those reflected in the Company’s forward-looking statements, due to a number of known and unknown risks, uncertainties and other factors affecting the Company’s business and the mining industry generally. These factors, include, but are not limited to, fluctuations in metals prices and financings for the mineral exploration industry and other factors that affect demand for the Company’s services, industry competition, the need to effectively integrate acquired businesses, uncertainties as to the Company’s ability to implement its business strategy, domestic and global political and economic conditions, the Company’s ability to attract and retain key personnel, and other risks and uncertainties described under the heading “Risk Factors”.

The Company believes that the expectations reflected in these forward-looking statements are reasonable, but no assurance can be given that these expectations will prove to be correct and such forward-looking statements included in this report should not be unduly relied upon. These statements speak only as of the date of this report. The Company does not undertake to update any forward-looking statement, whether written, or oral that may be made from time to time by the Company or on the Company’s behalf, except as may be required under applicable securities laws. The forward-looking statements contained in this report are expressly qualified by this statement.

### **Non-GAAP Measures**

In this quarterly report, we have included additional measures of earnings, such as “EBITDA” (earnings before interest, taxes, depreciation and amortization – which the Company defines as net income plus interest expense, income taxes, depreciation, stock-based compensation and other items), as we believe that this information will assist investors in understanding the level of our core earnings. Non-GAAP performance measures, such as EBITDA, do not have any standardized meaning prescribed by GAAP and therefore are unlikely to be comparable to similar measures presented by other companies. Accordingly, they are intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with GAAP.

### **Corporate Overview**

Cabo Drilling Corp. (“Cabo” or the “Company”) is one of the larger Canadian drilling services companies serving the mining industry. Cabo provides various drilling services including surface and underground coring, directional, reverse circulation and geotechnical drilling. Cabo supports its customers’ drilling requirements from field operations and offices in Springdale, Newfoundland (Atlantic Canada); Montreal (Southern Québec and Atlantic Canada); Kirkland Lake, Ontario (Central Canada, Northern Canada and Northern Quebec); Surrey, British Columbia (Western & Northern Canada and the United States); Hermosillo, Sonora; Mexico; Panama City, Panama (Central America); Tirana, Albania (Europe) and Ghana, West Africa (West Africa).

## Industry Overview

The upheaval in the world's financial markets, recessions in the majority of the global economies and the resulting decline in their gross domestic products, from the Fall of 2008 through the Summer of 2009, caused massive changes in the demand for metals, which in turn sliced billions of dollars off worldwide exploration budgets. However, capital is flowing again and the mining companies are receiving capital injections that are increasing in number and dollar amounts, resulting in a renewed demand for exploration services, including drilling services.

While estimates from the Metals Economics Group (MEG) have indicated that the exploration budgets may decrease by as much as forty percent from the record high of \$13.2 billion in 2008, approximately \$8.0 billion is projected for 2009, most of which is to be spent in the last four months of the year 2009. This is promising for the drilling industry. Precious metals demand has been the catalyst for renewed exploration drilling programs in Canada, as well as in the international markets, especially in the Fall of 2009.

## Highlights and Overall Corporate Performance

Strategies and policies incorporated in fiscal 2009 resulted in improved gross margin, reduced general and administration expenses and modernized and more adaptable drill fleet going into fiscal 2010.

- The Company is experiencing improved cost controls and reduced unit costs, more efficient purchasing, wage reductions and better supervision. All these changes have resulted in improved gross margin, averaging 29% for the previous two quarters.
- General and administration costs have decreased in the first quarter by 28% compared to the first quarter of fiscal 2009 and by 17% compared to the fourth quarter of fiscal 2009. This is a result of the salary and wage reductions, restructuring, and improved cost controls. Management expects for additional efficiencies through the use of technology and we should see general and administration costs in the range of \$5.2 million to \$5.6 million for fiscal year 2010.
- Over the past two years, Cabo has acquired or substantially rebuilt almost 30% of its drill fleet. With our current drill fleet, we offer specialized drilling solutions, underground, surface, man portable, helicopter support expertise and geotechnical services. Cabo is able to drill in almost all applications.

The first quarter of fiscal 2010 reversed the trend of three consecutive quarters of reduced revenues, giving us renewed optimism that the Company has experienced the bottom of the cycle. At this time, the Company has drills operating in all operating regions. Drill utilization has increased in all divisions with signed contracts in Atlantic, Pacific, Mexico and Spain divisions and more substantial increase in the Ontario division. We expect modest revenue growth over the balance of the year.

The percentage of total revenues from the International divisions decreased in the first quarter of fiscal 2010 as compared to the fourth quarter of fiscal 2009. Consequently the resurgence of activity in the Ontario market offset decreased revenues from the International divisions. We are expecting a modest growth in the Canadian market throughout fiscal 2010 and continued expansion internationally. In Panama, Cabo Drilling is serving the markets in Central and South America; the Western European region is serviced by our Albania division; and, we have incorporated a subsidiary in Accra, Ghana to service opportunities in Western Africa.

As stated, at the end of fiscal 2009 the Company is receiving more bid requests, and gold is leading the way in Canada, as well as Mexico and Central America. Copper and iron ore projects are also requesting bids for drilling services. Consequently, Cabo Drilling is experiencing and projecting growth in drill utilization for fiscal 2010.

## Looking Forward

Management's expectation is that it's cycle bottomed in July 2009. Drill and inventory rationalization in the seven areas of the world, where the Company now works, is taking place on an ongoing basis. Furthermore, Management continues to focus on reducing debt, cutting costs, reducing capital and inventory expenditures, and increasing cash. Cabo Drilling is fortunate in that it has a strong senior management team, which has experienced severe downturns in the past. It has an excellent group of professionals with many years of experience of managing through tough economic cycles into the next expanding cycle.

In order to improve on profitability in an environment of improving demand and more stable commodity prices, we will maintain our cost control diligence and a tight grip on expenditures, while at the same time maintaining our experienced workforce, enforcing our high safety standards, and remaining focused on high employee relations and customer relations.

## Summary of Quarterly Results

\$ Expressed in (000's)	Q1-10	Q4-09	Q3-09	Q2-09	Q1-09	Q4-08	Q3-08	Q2-08
Revenue	6,340	6,197	6,522	11,825	16,617	14,634	16,037	13,635
Gross Margin	1,845	1,759	1,759	3,084	4,326	2,918	3,670	3,415
Gross Margin %	29.1%	29.6%	27.0%	26.1%	26.0%	20.0%	22.9%	25.0%
General & Administrative	1,366	1,647	1,635	1,698	1,793	2,499	1,791	1,631
EBITDA	482	(62)	102	1,437	2,504	701	1,860	1,853
Stock-based Compensation	-	120	-	-	-	-	19	-
Amortization	852	787	791	742	678	709	627	548
Income (Loss) before Tax	(463)	(1,028)	(765)	506	1,695	(115)	1,095	1,212
Income (Loss) after Tax	(463)	(1,192)	(1,075)	330	1,090	581	731	807

EBITDA per share	0.01	(0.002)	0.002	0.030	0.053	0.015	0.041	0.043
Basic Earnings (loss) per Share	(0.01)	(0.02)	(0.02)	0.007	0.023	0.012	0.016	0.019

Total Assets	32,603	33,187	32,906	38,229	43,580	38,697	39,827	33,437
Total Liabilities	14,015	14,098	12,654	16,737	22,766	18,600	20,303	14,658
Working Capital	4,706	4,588	7,243	8,095	7,716	7,239	7,437	7,056

## Consolidated First Quarter Financial Results

Revenue for the quarter ending September 30, 2009 decreased \$10.28 million or 62% to \$6.34 million, compared to \$16.62 million in the first quarter of fiscal 2009; however it improved from \$6.20 million recorded in the fourth quarter fiscal 2009. The primary reason for the decrease is due to the contraction of the drilling market that began in the Fall of 2008 as a result of the economic downturn. The revenues from the Canadian and United States divisions decreased by 59% and the other divisions decreased by 68%. There was no activity in the Spain or Albania during the first quarter of fiscal 2010, while both Mexico and Panama had two drills operating. Overall drill utilization was down by 65% during the first quarter of fiscal 2010, but drill utilization did increase during the month of September and will continue to increase in the second quarter of fiscal 2010.

Revenues increased marginally by 2% to \$6.34 million in the first quarter of fiscal 2009 as compared to the \$6.20 million recorded in the fourth quarter of fiscal 2009. Drilling activity in Panama decreased in the first quarter of fiscal 2010, but increased in the Ontario, Pacific, and Mexico divisions. Although there was no activity in Spain or Albania during the fourth quarter of fiscal 2009 and the first quarter of fiscal 2010, there are signed contracts for the second quarter of fiscal 2010. Our Atlantic division also started a significant geo-technical drilling project in September that will continue throughout the second quarter of fiscal 2010.

Revenues ('000s)	1st Qtr Fiscal 2010		1st Qtr Fiscal 2009	
Canada & United States	\$4,910	78%	12,098	73%
Other Foreign Countries	1,430	22	4,519	27

Surface drilling revenues decreased 67% from \$12.95 million in the first quarter of fiscal 2009 as compared to \$4.21 million recorded during the first quarter of fiscal 2010. This compares to a decrease of 43% in underground activity from \$3.49 million in the first quarter of fiscal 2009 as compared to \$1.99 million in the comparable period in fiscal 2010. Geotechnical drilling decreased by 22% during the comparable periods in fiscal 2009 and fiscal 2010.

Revenues ('000s)	1st Qtr Fiscal 2010		1st Qtr Fiscal 2009	
Surface	\$4,206	67%	\$12,945	78%
Underground	1,985	31	3,485	22
Geotechnical	148	2	189	1

### Direct Costs

Direct costs for the quarter ended September 30, 2009 were \$4.50 million compared to \$12.29 million in the first quarter of fiscal 2009. The decrease is a result of the decreased activity in fiscal 2010. Gross margins for the quarter ended September 30, 2009 were 29.1% compared to 26.0% during the first quarter of fiscal 2009 and 29.6% during the fourth quarter of fiscal 2009. Management expects gross margins to be maintained between 28-30% range during the balance of fiscal 2010 due to improved cost controls, equipment upgrades and modernization of the drill fleet.

### General and Administration

General and administrative expenses decreased by approximately 23.5% or \$427,318, from \$1.79 million in the first quarter of fiscal 2009 to \$1.37 million the first quarter of fiscal 2010. The primary reason for the decrease is a 27% reduction in salaries and wages to \$723,254 in the first quarter of fiscal 2010 as compared to \$989,608 recorded in the first quarter of fiscal 2009, due to the corporate restructuring and salary reduction that occurred in early fiscal 2009. There were other significant reductions in office supplies, marketing and travel costs during the first quarter of fiscal 2010.

When compared to the fourth quarter of fiscal 2009, Cabo also recorded a reduction in general and administration costs in the first quarter of fiscal 2010 of approximately 17%, from \$1.65 million to \$1.37 million. The primary reason for this reduction is lower wages, professional fees, office costs, and travel costs. We anticipate these reduced general and administrative costs to continue throughout fiscal 2010 as management maintains its strict cost control measures.

### **Amortization**

Amortization of property, plant and equipment for the quarter ending September 30, 2009 increased by \$174,160 to \$851,734 during the first quarter of fiscal 2010 as compared to \$677,574 in the first quarter of fiscal 2009 and increased by \$64,724 when compared to \$787,010 recorded in the fourth quarter of fiscal 2009. The reason for the increase is the acquisition of \$4.84 million of capital assets during fiscal 2009.

### **Interest Expense**

The Company incurred a \$93,913 interest expense during the first quarter ending September 30, 2009, compared to \$127,650 incurred during the comparable quarter in the previous fiscal year. This decrease is a result of the lower utilization of the operating line. Interest expense increased marginally by \$35,344 during the quarter when compared to the fourth quarter of fiscal 2009, because of a new loan for drilling equipment acquired for a long term project.

### **Income Taxes**

During the quarter no income tax provision was recorded due to utilization of tax losses in the taxable entities and the recording of tax benefits for losses in the entities that had a negative taxable income resulting in offsets and no tax expense.

### **Net Income**

Net loss for the first quarter of fiscal 2010 was \$463,495 compared to net earnings of \$1.09 million in the first quarter of fiscal 2009. Earnings decreased due to lower revenues, and increased amortization.

### **Consolidated Financial Position**

Consolidated total assets decreased by \$583,510 to \$32.60 million at September 30, 2009 from \$33.19 million at June 30, 2009.

Consolidated total liabilities remained virtually unchanged at \$14.02 million at September 30, 2009. There was a net increase of \$181,923 in long term debt but this was offset by a decrease in accounts payable of \$268,859 during the first quarter of first quarter of fiscal 2010.

The Company's cash (cash and cash equivalents) position at September 30, 2009, is \$587,126 compared to \$455,006 at June 30, 2009.

Short term investments and marketable securities increased \$19,830, from \$40,728 at June 30, 2009, to \$60,558 at September 30, 2009. The increase can be attributed to changes in market share prices at September 30, 2009. We have adjusted the value of our holdings at September 30, 2009, as recorded in the comprehensive income statement. At September 30, 2009, the balance of \$60,558 consists of shares in Canadian public corporations.

Accounts receivable decreased by \$578,573 or 9% to \$5.59 million at September 30, 2009 from \$6.17 million at June 30, 2009.

Inventory levels increased by \$342,772 to \$9.07 million at September 30, 2009 from \$8.73 million at June 30, 2009. The primary reason for the increase is the acquisition of inventory for a significant new project in Ontario. During fiscal 2009, the Company recorded an allowance of \$700,000 to reduce inventory to net realizable value due to reduction in prices as a result of the more competitive market during the economic slowdown. The Company is allowed to increase the value of inventory to net realizable value in the future.

Property plant & equipment decreased to \$15.05 million at September 30, 2009 from \$15.33 million at June 30, 2009, a decrease of \$283,257 during the first quarter of fiscal 2010. The decrease is a direct result of the higher depreciation expense recorded during the quarter due to \$4.84 million in new property plant and equipment acquired fiscal 2009.

The Company owns 3,377,235 shares of International Millennium Mining Corp. ("IMMC"). As of September 30, 2009, the 3,377,235 shares of IMMC had a market value of \$0.06 per share. As a result, the Company recorded an unrealized loss of \$137,143 on the consolidated statements of comprehensive income.

Unearned revenue decreased marginally to \$1.00 million at September 30, 2009 from \$1.05 million at June 30, 2009. The balance represents advances for longer term projects in Panama and operations in Central Canada. In addition to these advances, the Company normally requests advances for new contracts, which advances are applied to the last invoices for a completed project.

As of September 30, 2009, the Company had drawn down \$4.73 million on the \$5.00 million operating line and \$755,523 on the \$1.50 million demand loan. The operating line has been used to finance the increased inventories, receivables and acquisition of capital assets.

Total long term debt and capital leases increased by \$ 237,035 to \$2.42 million at September 30, 2009. During the quarter, the Company acquired drill and auxiliary equipment to be financed over a five year period for \$469,360. This increase was offset by regular payments on the loans and leases.

### **Effect of Exchange Rate**

The Company's reporting currency is the Canadian dollar; however a growing percent of the Company's revenue and operating contracts outside of Canada are denominated in U.S. dollars and Euros. In order to reduce its exposure to foreign exchange risks, the Company contracts in U.S. dollars and Euros. This may negatively impact a project's profitability due to currency exchange volatility, but a large portion of the costs are typically in same currency as revenues, reducing the overall effect of currency fluctuations. The Company holds US Dollar, Euros, Mexico Pesos, and Albania Leks denominated currencies and securities that may be subject to exchange volatility.

### **Liquidity and Capital Resources**

#### **Financing Activities**

The Company has a \$10.00 million debt financing facility with HSBC Bank Canada comprised of a \$5.00 million operating loan secured by accounts receivable and inventory, a \$1.50 million demand loan and a \$3.50 million capital loan/lease facility. The demand loan is secured by a general security agreement charge over Company assets and the capital loan/lease facility is secured by specific assets. The cost for the operating line, demand and capital loan, is Canadian bank prime plus 2.5% and the capital lease facility is at 3.5% over the three year GIC rate. The demand loan can be drawn down in multiple advances and is repayable in monthly payments over 5 years.

The Company has a \$1.75 million capital lease facility with a major equipment manufacturer. This facility is secured by specific security by specific assets. The cost for borrowing is normally set at 2% above prime. At September 30, 2009 Cabo Drilling utilized \$721,295 of this facility. These leases will be paid down over the next three years.

Under the terms of certain of the Company's debt agreements, the Company must satisfy certain financial covenants. During this period, the Company was, and continues to be, in compliance with all the covenants and other conditions imposed by its debt agreements.

The Company believes that it will be able to generate sufficient cash flow to meet current and future working capital, capital expenditure and debt obligations. As of September 30, 2009, the Company had drawn down \$4.73 million on the \$5.00 million operating line; \$755,523 on the \$1.50 million demand loan; and \$268,862 on the \$3.50 million capital loan/ lease facility.

### Contractual Obligations

The following table represents the Company's future payment obligations at September 30, 2009:

	<b>Total</b>	<b>Less than 1 year</b>	<b>2-3 years</b>	<b>4-5 years</b>
Long term debt	\$2,416,354	\$846,899	\$1,143,147	\$426,308
Demand loans	\$755,523	\$300,000	\$455,523	-
Client deposits	\$1,000,984	\$1,000,984	-	-
Total	\$4,172,861	\$2,147,883	\$1,598,670	\$426,308

### Outstanding Share Data

There were no changes during fiscal 2009 in total common shares outstanding. At September 30, 2009 the total issued and outstanding shares is 47,767,013.

During the fiscal year ending June 30, 2008, a total of 7,520,167 warrants were exercised for gross proceeds of \$3,766,834 (1,143,700 warrants expired). At September 30, 2009, there were no warrants outstanding.

On June 29, 2009 the Company granted 2,700,000 options to directors, officers, employees and consultants.

<b>Number</b>	<b>Exercise price</b>	<b>Expiry date</b>
1,350,000	\$0.225	June 30, 2012
1,350,000	\$0.25	June 30, 2012
2,700,000		

### Subsequent events

On October 16, 2009, the Company issued 200,334 shares (\$24,040) to employees as payment for performance bonuses earned on the fiscal results for the year ending June 30, 2008.

On November 16, 2009, the Company closed a private placement of 7,273,333 units at \$0.12 per unit, for total cash proceeds of \$872,800, subject to TSX Exchange approval. The units comprise one (1) common share and one half (½) non-transferable share purchase warrant, each full warrant will entitle the holder to purchase an additional share for \$0.15 for a period of two (2) years from the date of issuance. The Company will use the proceeds of the financing to support the purchase of equipment and for working capital.

On November 16, 2009, the Company has granted 200,000 employee incentive options under terms of its Stock Option Plan, providing the right to purchase up to 100,000 common shares of the Company at \$0.225 per share and 100,000 common shares at \$0.25 per share

## Commitments

### Redistribution of the International Millennium Mining Corp ("IMMC") Units

On December 29, 2006 Cabo closed the sale of its resource properties to IMMC. Pursuant to the transaction, the Company transferred all of the resource properties to IMMC in exchange for 10,000,000 units of IMMC. Each unit consisted of one IMMC common share and one-third (1/3) of a warrant. Each full warrant entitled the holder to purchase one share in the capital stock of IMMC for thirty-five cents (\$0.35) within a period of two years.

The Company was to redistribute 10,051,336 Units to its shareholders on a ratio of one IMMC unit for each four (4) shares of the Company as of the record date January 11, 2007. To June 30, 2009 the Company has distributed or sold on behalf of its shareholders 8,233,583 IMMC shares and distributed 2,497,844 warrants to the Company's shareholders.

As of September 30, 2009, the Company's trust account for its U.S. shareholders commitment is holding 1,817,753 undistributed shares.

## Transactions with Related Parties

### Expressed in thousands \$ (000's)

	Q1-10	Q4-09	Q3-09	Q2-09
John A. Versfelt, Chairman, President and CEO, provides executive management and an accounting person to the Company through American Resources Management Consultants Inc., a company owned and controlled by Mr. Versfelt	45	45	60	49

## Business Outlook and Strategy

The mineral drilling industry is dependent on demand for and supply of precious, base and strategic metals as well as precious stones. Demand and supply factors for these commodities can change dramatically up and down, as we have witnessed in the past two years, causing dynamic shifts in the supply of drills and drilling personnel from under supply to over supply. The recent financial stress in financial credit and equity markets, as well as significant global currency and economy changes have caused substantial negative changes to the global metals supply and demand factors, resulting in much uncertainty in the global mining and related services markets. Management has initiated comprehensive cost and spending controls, as well as risk management procedures throughout the Company. Largely due to prudent debt management over the past two years, the Company's banking facilities are safe and debt ratios are low. Senior management is very focused on careful cash management, reduction of debt, high customer relations and high employee relations.

Historical corporate strategies of building the long term customer base revenues and attracting new clients, while achieving operating efficiencies will continue. However with the slowdown in growth, management has greater opportunity to be even more focused on basic business principles, including:

1. Improving utilization of existing rigs over eight divisions;
2. Sharing of drills & people between divisions;
3. Actively working to enhance the Company's human capital;
4. Expanding effective capacity per drill;
5. Building and maintaining a highly cost effective organization; and
6. Aggressively promoting and marketing Cabo's services.

During the past two years, the Company has improved its drilling fleet, which will allow it to better service its customers at a reduced cost.

## **General Risks and Uncertainties**

Cabo is subject to a number of risks and uncertainties.

### **Competition**

Contract drilling is a highly competitive industry, where numerous competitors tender bids for contracts. The Company's ongoing ability to continue to secure profitable contracts on an ongoing basis is not assured.

### **Cyclical Downturn**

The most significant operating risk is a downturn in demand for minerals and metals which directly impacts the need for drilling services. To mitigate this risk, the Company has exploited its competitive advantage in specialized drilling such as geotechnical, geo-environmental, as well as drilling in difficult environmental conditions.

As the mining cycle lengthens and activity levels increase, the requirement for working capital, particularly accounts receivable and inventory, grows. Accounts receivable levels from junior mining companies typically increase. Junior mining companies are heavily dependent on the capital markets and any change in outlook of the mining sector, or lack of success of their exploration activities, can quickly affect their ability to carry on drilling programs as, we have witnessed over the past twelve (12) months. The Company manages this risk by closely monitoring accounts receivable aging and the activity of junior mining companies in the capital markets. Deposits and letters of credit are required for 95% of all drilling contracts.

Levels of inventory increase from increased revenue activity and an increase in activity in remote locations. In the event of a sudden downturn the Company may be exposed to inventory carrying costs and possible obsolescence. At this point, management has determined that there is little obsolescence within the Company. However, it is substantially reducing purchases and using existing inventory, as well as moving inventory between divisions as the demands ebb and flow in the seven areas of the world where the Company is located. Also, in order to minimize exposure to high inventory risk, the Company works closely with its customers to anticipate and plan for scheduled reductions in their drilling programs.

## **Country Risk**

The Company has been expanding its operations outside of North America into Central & South America, West and East Europe, as well as West Africa. With this, comes the risk of dealing in a variety of business and political jurisdictions. Unanticipated economic, political, tax related, regulatory or legal changes could have a negative impact on operations and assets. The risks include, but are not limited to, extreme fluctuations in currency exchange rates and high rates of inflation, changes in mining or investment policies or shifts in political attitude that may adversely affect the business. The Company continues to monitor developments in all current jurisdictions.

## **Workforce Availability**

The change in the metals and minerals industry has eliminated the shortage of qualified drillers. In the past two years, the Company implemented a number of initiatives to retain experienced existing and new employees for the field, as well as for international management. In addition, the Company has been successful at utilizing non-Canadian drillers in its international operations.

We believe that as we experience the existing difficult market conditions, the dedicated people that the Company hired will rise to the challenge and help the Company weather the storm that has continued into the Company's first quarter of fiscal 2010.

## **Reliance on Key Accounts**

The Company has a number of accounts that make up a significant portion of overall revenue and gross profits. When a contract expires or is terminated there is no guarantee that the Company has sufficient replacement contracts. Cabo continues to work with its existing client base and is actively pursuing new clients in order to minimize exposure in this area.

## **Long Term Contracts**

The Company may enter into long term contracts with customers at fixed prices. The Company's expenses may vary significantly over a contract period due to fluctuations in the cost of labour, materials and equipment, consequently creating variations in the profitability of these contracts with fixed prices. The Company mitigates this risk by anticipating an escalation in costs when bidding on projects or providing for cost escalation in the contract. However, significant price fluctuations without warning could negatively impact the Company's margins.

## **Extreme Weather Conditions**

The Company has operations across Canada and globally that are subject to extreme weather conditions which can have a significant impact on its operations. In addition, natural and other disasters could have an adverse impact.

## **Credit Risks**

The Company provides credit to its customers in the normal course of its operations. The Company has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. It carries out, on a continuing basis, credit checks on its customers and maintains provisions for contingent credit losses.

Three major customers represent 43% of the trade accounts receivable as at September 30, 2009, respectively by customer, 17%, 14% and 12%.

Three major customers represent 41% of the contract revenue for the quarter ended September 30, 2009, respectively by customer, 26%, 11% and 4%.

## **Interest Rate Risk**

The Company is subject to interest rate risk since a significant part of the long-term debt and demand loans bear interest at variable rates.

As at September 30, 2009 the Company has estimated that a one percentage point increase or decrease in interest rates would have caused a corresponding annual increase or decrease in net earnings of approximately \$75,000

## **Acquisition Integration**

The Company has worked towards its strategic objective of becoming a drilling services provider of sufficient size to benefit from economies of scale and to provide the foundation from which to pursue new opportunities. In the past, business acquisitions were an important tool in this pursuit, but over the last four years no acquisitions have taken place, precluding any integration problems.

## **Metal Prices and Marketability of Minerals**

Metal prices fluctuate widely and are affected by numerous factors beyond the control of the Company, including international economic and political trends, expectation of inflation, currency exchange fluctuations, interest rates, global or regional consumption patterns, speculative activities, and worldwide production levels. These factors include market supply and demand fluctuations, the proximity of metal markets and processing equipment, government regulations, including regulations relating to prices, taxes, royalties, land tenure, land use, the import and export of minerals and environmental protection. The exact effect of these factors cannot be accurately predicted, but the combination of these factors may result in the Company not receiving an adequate return on invested capital.

## **Legal and Regulatory Risk**

The mining and drilling industries are highly regulated by legal, environmental and health and safety regulations. Failure to comply with such regulations could lead to penalties, including fines or suspension of operations which could have a significant impact on the financial strength and future earnings potential of the Company. Furthermore, the Company's mineral exploration customers are also subject to similar legal, regulatory, health and safety regulations which could materially affect their decision to go ahead with mineral exploration or mine development and thereby indirectly negatively impact the Company.

## **Critical Accounting Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses for the reporting period. Significant areas requiring use of management estimates relate to the useful lives of capital assets for amortization purposes, inventory valuation, valuation of future income taxes, assumptions used in compilation of stock-based compensation, and amounts recorded as accrued liabilities. Actual results, therefore, could differ from these estimates. A summary of the Company's significant accounting policies is set out in Note 2 of the consolidated financial statements for the year ended June 30, 2009.

The accounting estimates believed to require the most difficult, subjective or complex judgments and which are the most critical to our reporting of results of operations and financial positions are as follows:

### **Allowance for Doubtful Accounts**

The Company performs ongoing credit evaluations of its customers and grants credit based upon past payment history, financial condition and anticipated industry conditions. Customer payments are carefully and regularly monitored, and a provision for doubtful accounts is established based upon specific situations and overall industry conditions.

### **Excess and Obsolete Inventory Provisions**

The Company regularly reviews the quantities of inventory on hand and provisions for obsolete inventory. Significant or unanticipated changes in business conditions could impact the amount and timing of any additional provision for excess or obsolete inventory that may be required.

### **Impairment of Long Lived Assets**

The carrying value of long lived assets is regularly reviewed for impairment or whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. Significant, unanticipated changes to these assumptions could require a provision for impairment in the future.

### **Amortization**

The Company's capital assets are amortized based upon estimates of useful lives and salvage values. These estimates may change as more experience is gained, market conditions shift or new technological advancements are made.

### **Income Taxes**

The Company uses the liability method which takes into account the differences between financial statement treatment and tax treatment of certain transactions, assets and liabilities. Future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Valuation allowances are established to reduce future tax assets when there is potential that some or all of the asset will not be realized. Estimates of future taxable income and the continuation of ongoing prudent tax planning arrangements have been considered in assessing the utilization of available tax losses. Changes in circumstances and assumptions and clarifications of uncertain tax regimes may require changes to the valuation allowances associated with the Company's future tax assets.

The Company is subject to many different forms of taxation in various jurisdictions throughout the world, including but not limited to, income tax, withholding tax, commodity tax and social security and other payroll related taxes, which may lead to disagreements with tax authorities regarding the application of tax law. Tax law and administration is extremely complex and often requires us to make subjective determinations. The computation of income, payroll and other taxes involves many factors, including the interpretation of tax legislation in various jurisdictions in which we are subject to ongoing tax assessments. Our estimate of tax related assets, liabilities, recoveries and expenses incorporates significant assumptions. These assumptions include, but are not limited to, the tax rates in various jurisdictions and the effect of tax treaties.

### **Off Balance Sheet Financing**

The Company does not have any off-balance sheet arrangements.

## **Proposed Transactions**

The Company has not entered into any proposed transactions.

### **Hedges**

The new standard specifies the criteria under which hedge accounting can be applied and how hedge accounting can be executed. As at September 30, 2009 the Company has not designated any hedging relationships.

## **Changes in Accounting Policies including Initial Adoption**

### **Financial Instruments – Disclosure & Presentation**

In March 2007, the CICA issued Section 3862, “Financial Instruments – Disclosures”, and Section 3863, “Financial instruments – Presentation”, which together comprise a complete set of disclosure and presentation requirements that revise and enhance current disclosure requirements for financial instruments. These sections apply to interim and annual financial statements relating to fiscal years beginning on or after October 1, 2007. Section 3862 requires disclosure of additional detail by financial asset and liability categories. Section 3863 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. Effective June 30, 2008, the Company implemented these disclosures, although the adoption of these sections did not impact the Company.

### **Comprehensive Income**

Effective July 1, 2006, the Company adopted CICA Handbook Section 1530, which establishes standards for reporting and presenting comprehensive income, defined as the change in equity from transactions and other events from non-owner sources. Accordingly, a new consolidated statement of operations and comprehensive income now forms part of the Company’s consolidated financial statements and displays current period net income and other comprehensive loss. Other comprehensive loss consists of unrealized losses on available-for-sale financial assets. The cumulative changes in other comprehensive loss are included in accumulated other comprehensive loss, which is a new category within shareholders’ equity in the consolidated balance sheet.

### **Inventory**

In June 2007, the CICA issued Section 3031, “Inventories”, which requires inventory to be measured at the lower of cost and net realizable value and which includes guidance on the determination of cost, including allocation of overheads and other costs to inventory. Further, it requires the reversal of previous write-downs to net realizable value when the economic circumstances have changed to support an increased inventory value. This standard is effective for fiscal years beginning on or after January 1, 2008. The Company is in the process of evaluating the impact of this standard.

## **Accounting Policy Choice for Transaction Costs**

On June 1, 2007, the Emerging Issues Committee of the CICA issued Abstract No. 166, "Accounting Policy Choice for Transaction Costs" ("EIC-166"). This EIC addresses the accounting policy choice of expensing or adding transaction costs related to the acquisition of financial assets and financial liabilities that are classified as other than held-for-trading. Specifically, it requires that the same accounting policy choice be applied to all similar financial instruments classified as other than held-for-trading, but permits a different policy choice for financial instruments that are not similar. The Company has adopted EIC-166 effective June 30, 2008, which requires retroactive application to all transaction costs accounted for in accordance with CICA Handbook Section 3855, "Financial Instruments – Recognition and Measurement". The Company has evaluated the impact of EIC-166 and determined that no adjustments are currently required.

## **International Financial Reporting Standards ("IFRS")**

In 2006, the Canadian Accounting Standards Board ("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, requiring the restatement for comparative purposes of amounts reported by the Company for the year ended June 30, 2011. While the Company has begun assessing the adoption of IFRS for 2011, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

## **Capital Disclosures**

The CICA issued a new accounting standard, Section 1535, "Capital Disclosures", which requires the disclosure of both qualitative and quantitative information that provides users of financial statements with information to evaluate the entity's objectives, policies and processes for managing capital. This new section will be effective for the Company beginning July 1, 2008. The Company is currently assessing the impact of the above new accounting standards on the Company's financial positions and results of operations.

## **Accounting Changes**

Effective July 1, 2007, the Company adopted Section 1506, "Accounting Changes", which establishes criteria for changing accounting policies, together with the accounting treatment and disclosure of changes in accounting policies, changes in accounting estimates and the correction of errors. The disclosure is to include, on an interim and annual basis, a description and the impact on the Company of any new primary source of GAAP that has been issued but is not yet effective. The impact that the adoption of Section 1506 will have on the Company's results of operations and financial condition will depend on the nature of future accounting changes.

## **Business combinations**

Section 1582, "Business Combinations", applies prospectively to the Company's business combinations on or after January 1, 2011. Early adoption of this recommendation is permitted. This section replaces Section 1581, "Business Combinations", and harmonizes the Canadian accounting standards with International Financial Reporting Standards ("IFRS"). Under the new guidance, the purchase price used in a business combination will be the new fair value of the shares exchanged at their market price on the date of the exchange.

Currently, when shares are issued, they are valued based on the market price for a reasonable period before and after the date the acquisition is agreed upon and announced. Under the new guidelines, all acquisition costs are expensed where currently they are capitalized as part of the acquisition costs. There are also a number of other differences between the new guidelines and current GAAP. The Company does not expect the adoption of this pronouncement to impact the financial statements.

### **Internal Controls over Financial Reporting**

Management has designed internal controls over financial reporting (as defined in Multilateral Instrument 52-109, Certification of Disclosure in Issuers' Annual and Interim Filings) to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian GAAP.

There have been no changes in our internal controls over financial reporting during the quarter ended September 30, 2009, that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

### **Convergence with International Financial Reporting Standards**

In 2006, the Canadian Accounting Standards Board ("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 will require the restatement for comparative purposes of amounts reported by the Company for the year ended June 30, 2011. While the Company has begun assessing the adoption of IFRS for 2011, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

### **Additional Sources of Information**

Additional information relating to Cabo Drilling Corp., including the Company's Annual Report for the most recent financial year, can be found on SEDAR at [www.sedar.com](http://www.sedar.com).

**Cabo Drilling Corp.**  
**Form 51-102F1**  
**Management Discussion and Analysis**  
**For the Quarter Ended September 30, 2009**

This Management Discussion and Analysis (“MD&A”) is a review of the results of operations, the liquidity and capital resources of Cabo Drilling Corp. for the quarter ended September 30, 2009, prepared November 25, 2009. It should be read in conjunction with the consolidated financial statements and notes thereto included for the quarter ended September 30, 2009, which are prepared in accordance with Canadian generally accepted accounting principles.

The MD&A contains forward-looking statements about the Company’s future plans, objectives, strategies, financial conditions, results of operations, cash flows, development activities and businesses. Actual events or results may differ materially from those reflected in the Company’s forward-looking statements, due to a number of known and unknown risks, uncertainties and other factors affecting the Company’s business and the mining industry generally. These factors, include, but are not limited to, fluctuations in metals prices and financings for the mineral exploration industry and other factors that affect demand for the Company’s services, industry competition, the need to effectively integrate acquired businesses, uncertainties as to the Company’s ability to implement its business strategy, domestic and global political and economic conditions, the Company’s ability to attract and retain key personnel, and other risks and uncertainties described under the heading “Risk Factors”.

The Company believes that the expectations reflected in these forward-looking statements are reasonable, but no assurance can be given that these expectations will prove to be correct and such forward-looking statements included in this report should not be unduly relied upon. These statements speak only as of the date of this report. The Company does not undertake to update any forward-looking statement, whether written, or oral that may be made from time to time by the Company or on the Company’s behalf, except as may be required under applicable securities laws. The forward-looking statements contained in this report are expressly qualified by this statement.

**Non-GAAP Measures**

In this quarterly report, we have included additional measures of earnings, such as “EBITDA” (earnings before interest, taxes, depreciation and amortization – which the Company defines as net income plus interest expense, income taxes, depreciation, stock-based compensation and other items), as we believe that this information will assist investors in understanding the level of our core earnings. Non-GAAP performance measures, such as EBITDA, do not have any standardized meaning prescribed by GAAP and therefore are unlikely to be comparable to similar measures presented by other companies. Accordingly, they are intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with GAAP.

**Corporate Overview**

Cabo Drilling Corp. (“Cabo” or the “Company”) is one of the larger Canadian drilling services companies serving the mining industry. Cabo provides various drilling services including surface and underground coring, directional, reverse circulation and geotechnical drilling. Cabo supports its customers’ drilling requirements from field operations and offices in Springdale, Newfoundland (Atlantic Canada); Montreal (Southern Québec and Atlantic Canada); Kirkland Lake, Ontario (Central Canada, Northern Canada and Northern Quebec); Surrey, British Columbia (Western & Northern Canada and the United States); Hermosillo, Sonora; Mexico; Panama City, Panama (Central America); Tirana, Albania (Europe) and Ghana, West Africa (West Africa).

## Industry Overview

The upheaval in the world's financial markets, recessions in the majority of the global economies and the resulting decline in their gross domestic products, from the Fall of 2008 through the Summer of 2009, caused massive changes in the demand for metals, which in turn sliced billions of dollars off worldwide exploration budgets. However, capital is flowing again and the mining companies are receiving capital injections that are increasing in number and dollar amounts, resulting in a renewed demand for exploration services, including drilling services.

While estimates from the Metals Economics Group (MEG) have indicated that the exploration budgets may decrease by as much as forty percent from the record high of \$13.2 billion in 2008, approximately \$8.0 billion is projected for 2009, most of which is to be spent in the last four months of the year 2009. This is promising for the drilling industry. Precious metals demand has been the catalyst for renewed exploration drilling programs in Canada, as well as in the international markets, especially in the Fall of 2009.

## Highlights and Overall Corporate Performance

Strategies and policies incorporated in fiscal 2009 resulted in improved gross margin, reduced general and administration expenses and modernized and more adaptable drill fleet going into fiscal 2010.

- The Company is experiencing improved cost controls and reduced unit costs, more efficient purchasing, wage reductions and better supervision. All these changes have resulted in improved gross margin, averaging 29% for the previous two quarters.
- General and administration costs have decreased in the first quarter by 28% compared to the first quarter of fiscal 2009 and by 17% compared to the fourth quarter of fiscal 2009. This is a result of the salary and wage reductions, restructuring, and improved cost controls. Management expects for additional efficiencies through the use of technology and we should see general and administration costs in the range of \$5.2 million to \$5.6 million for fiscal year 2010.
- Over the past two years, Cabo has acquired or substantially rebuilt almost 30% of its drill fleet. With our current drill fleet, we offer specialized drilling solutions, underground, surface, man portable, helicopter support expertise and geotechnical services. Cabo is able to drill in almost all applications.

The first quarter of fiscal 2010 reversed the trend of three consecutive quarters of reduced revenues, giving us renewed optimism that the Company has experienced the bottom of the cycle. At this time, the Company has drills operating in all operating regions. Drill utilization has increased in all divisions with signed contracts in Atlantic, Pacific, Mexico and Spain divisions and more substantial increase in the Ontario division. We expect modest revenue growth over the balance of the year.

The percentage of total revenues from the International divisions decreased in the first quarter of fiscal 2010 as compared to the fourth quarter of fiscal 2009. Consequently the resurgence of activity in the Ontario market offset decreased revenues from the International divisions. We are expecting a modest growth in the Canadian market throughout fiscal 2010 and continued expansion internationally. In Panama, Cabo Drilling is serving the markets in Central and South America; the Western European region is serviced by our Albania division; and, we have incorporated a subsidiary in Accra, Ghana to service opportunities in Western Africa.

As stated, at the end of fiscal 2009 the Company is receiving more bid requests, and gold is leading the way in Canada, as well as Mexico and Central America. Copper and iron ore projects are also requesting bids for drilling services. Consequently, Cabo Drilling is experiencing and projecting growth in drill utilization for fiscal 2010.

## Looking Forward

Management's expectation is that it's cycle bottomed in July 2009. Drill and inventory rationalization in the seven areas of the world, where the Company now works, is taking place on an ongoing basis. Furthermore, Management continues to focus on reducing debt, cutting costs, reducing capital and inventory expenditures, and increasing cash. Cabo Drilling is fortunate in that it has a strong senior management team, which has experienced severe downturns in the past. It has an excellent group of professionals with many years of experience of managing through tough economic cycles into the next expanding cycle.

In order to improve on profitability in an environment of improving demand and more stable commodity prices, we will maintain our cost control diligence and a tight grip on expenditures, while at the same time maintaining our experienced workforce, enforcing our high safety standards, and remaining focused on high employee relations and customer relations.

## Summary of Quarterly Results

\$ Expressed in (000's)	Q1-10	Q4-09	Q3-09	Q2-09	Q1-09	Q4-08	Q3-08	Q2-08
Revenue	6,340	6,197	6,522	11,825	16,617	14,634	16,037	13,635
Gross Margin	1,845	1,759	1,759	3,084	4,326	2,918	3,670	3,415
Gross Margin %	29.1%	29.6%	27.0%	26.1%	26.0%	20.0%	22.9%	25.0%
General & Administrative	1,366	1,647	1,635	1,698	1,793	2,499	1,791	1,631
EBITDA	482	(62)	102	1,437	2,504	701	1,860	1,853
Stock-based Compensation	-	120	-	-	-	-	19	-
Amortization	852	787	791	742	678	709	627	548
Income (Loss) before Tax	(463)	(1,028)	(765)	506	1,695	(115)	1,095	1,212
Income (Loss) after Tax	(463)	(1,192)	(1,075)	330	1,090	581	731	807

EBITDA per share	0.01	(0.002)	0.002	0.030	0.053	0.015	0.041	0.043
Basic Earnings (loss) per Share	(0.01)	(0.02)	(0.02)	0.007	0.023	0.012	0.016	0.019

Total Assets	32,603	33,187	32,906	38,229	43,580	38,697	39,827	33,437
Total Liabilities	14,015	14,098	12,654	16,737	22,766	18,600	20,303	14,658
Working Capital	4,706	4,588	7,243	8,095	7,716	7,239	7,437	7,056

## Consolidated First Quarter Financial Results

Revenue for the quarter ending September 30, 2009 decreased \$10.28 million or 62% to \$6.34 million, compared to \$16.62 million in the first quarter of fiscal 2009; however it improved from \$6.20 million recorded in the fourth quarter fiscal 2009. The primary reason for the decrease is due to the contraction of the drilling market that began in the Fall of 2008 as a result of the economic downturn. The revenues from the Canadian and United States divisions decreased by 59% and the other divisions decreased by 68%. There was no activity in the Spain or Albania during the first quarter of fiscal 2010, while both Mexico and Panama had two drills operating. Overall drill utilization was down by 65% during the first quarter of fiscal 2010, but drill utilization did increase during the month of September and will continue to increase in the second quarter of fiscal 2010.

Revenues increased marginally by 2% to \$6.34 million in the first quarter of fiscal 2009 as compared to the \$6.20 million recorded in the fourth quarter of fiscal 2009. Drilling activity in Panama decreased in the first quarter of fiscal 2010, but increased in the Ontario, Pacific, and Mexico divisions. Although there was no activity in Spain or Albania during the fourth quarter of fiscal 2009 and the first quarter of fiscal 2010, there are signed contracts for the second quarter of fiscal 2010. Our Atlantic division also started a significant geo-technical drilling project in September that will continue throughout the second quarter of fiscal 2010.

Revenues ('000s)	1st Qtr Fiscal 2010		1st Qtr Fiscal 2009	
Canada & United States	\$4,910	78%	12,098	73%
Other Foreign Countries	1,430	22	4,519	27

Surface drilling revenues decreased 67% from \$12.95 million in the first quarter of fiscal 2009 as compared to \$4.21 million recorded during the first quarter of fiscal 2010. This compares to a decrease of 43% in underground activity from \$3.49 million in the first quarter of fiscal 2009 as compared to \$1.99 million in the comparable period in fiscal 2010. Geotechnical drilling decreased by 22% during the comparable periods in fiscal 2009 and fiscal 2010.

Revenues ('000s)	1st Qtr Fiscal 2010		1st Qtr Fiscal 2009	
Surface	\$4,206	67%	\$12,945	78%
Underground	1,985	31	3,485	22
Geotechnical	148	2	189	1

### Direct Costs

Direct costs for the quarter ended September 30, 2009 were \$4.50 million compared to \$12.29 million in the first quarter of fiscal 2009. The decrease is a result of the decreased activity in fiscal 2010. Gross margins for the quarter ended September 30, 2009 were 29.1% compared to 26.0% during the first quarter of fiscal 2009 and 29.6% during the fourth quarter of fiscal 2009. Management expects gross margins to be maintained between 28-30% range during the balance of fiscal 2010 due to improved cost controls, equipment upgrades and modernization of the drill fleet.

### General and Administration

General and administrative expenses decreased by approximately 23.5% or \$427,318, from \$1.79 million in the first quarter of fiscal 2009 to \$1.37 million the first quarter of fiscal 2010. The primary reason for the decrease is a 27% reduction in salaries and wages to \$723,254 in the first quarter of fiscal 2010 as compared to \$989,608 recorded in the first quarter of fiscal 2009, due to the corporate restructuring and salary reduction that occurred in early fiscal 2009. There were other significant reductions in office supplies, marketing and travel costs during the first quarter of fiscal 2010.

When compared to the fourth quarter of fiscal 2009, Cabo also recorded a reduction in general and administration costs in the first quarter of fiscal 2010 of approximately 17%, from \$1.65 million to \$1.37 million. The primary reason for this reduction is lower wages, professional fees, office costs, and travel costs. We anticipate these reduced general and administrative costs to continue throughout fiscal 2010 as management maintains its strict cost control measures.

### **Amortization**

Amortization of property, plant and equipment for the quarter ending September 30, 2009 increased by \$174,160 to \$851,734 during the first quarter of fiscal 2010 as compared to \$677,574 in the first quarter of fiscal 2009 and increased by \$64,724 when compared to \$787,010 recorded in the fourth quarter of fiscal 2009. The reason for the increase is the acquisition of \$4.84 million of capital assets during fiscal 2009.

### **Interest Expense**

The Company incurred a \$93,913 interest expense during the first quarter ending September 30, 2009, compared to \$127,650 incurred during the comparable quarter in the previous fiscal year. This decrease is a result of the lower utilization of the operating line. Interest expense increased marginally by \$35,344 during the quarter when compared to the fourth quarter of fiscal 2009, because of a new loan for drilling equipment acquired for a long term project.

### **Income Taxes**

During the quarter no income tax provision was recorded due to utilization of tax losses in the taxable entities and the recording of tax benefits for losses in the entities that had a negative taxable income resulting in offsets and no tax expense.

### **Net Income**

Net loss for the first quarter of fiscal 2010 was \$463,495 compared to net earnings of \$1.09 million in the first quarter of fiscal 2009. Earnings decreased due to lower revenues, and increased amortization.

### **Consolidated Financial Position**

Consolidated total assets decreased by \$583,510 to \$32.60 million at September 30, 2009 from \$33.19 million at June 30, 2009.

Consolidated total liabilities remained virtually unchanged at \$14.02 million at September 30, 2009. There was a net increase of \$181,923 in long term debt but this was offset by a decrease in accounts payable of \$268,859 during the first quarter of first quarter of fiscal 2010.

The Company's cash (cash and cash equivalents) position at September 30, 2009, is \$587,126 compared to \$455,006 at June 30, 2009.

Short term investments and marketable securities increased \$19,830, from \$40,728 at June 30, 2009, to \$60,558 at September 30, 2009. The increase can be attributed to changes in market share prices at September 30, 2009. We have adjusted the value of our holdings at September 30, 2009, as recorded in the comprehensive income statement. At September 30, 2009, the balance of \$60,558 consists of shares in Canadian public corporations.

Accounts receivable decreased by \$578,573 or 9% to \$5.59 million at September 30, 2009 from \$6.17 million at June 30, 2009.

Inventory levels increased by \$342,772 to \$9.07 million at September 30, 2009 from \$8.73 million at June 30, 2009. The primary reason for the increase is the acquisition of inventory for a significant new project in Ontario. During fiscal 2009, the Company recorded an allowance of \$700,000 to reduce inventory to net realizable value due to reduction in prices as a result of the more competitive market during the economic slowdown. The Company is allowed to increase the value of inventory to net realizable value in the future.

Property plant & equipment decreased to \$15.05 million at September 30, 2009 from \$15.33 million at June 30, 2009, a decrease of \$283,257 during the first quarter of fiscal 2010. The decrease is a direct result of the higher depreciation expense recorded during the quarter due to \$4.84 million in new property plant and equipment acquired fiscal 2009.

The Company owns 3,377,235 shares of International Millennium Mining Corp. ("IMMC"). As of September 30, 2009, the 3,377,235 shares of IMMC had a market value of \$0.06 per share. As a result, the Company recorded an unrealized loss of \$137,143 on the consolidated statements of comprehensive income.

Unearned revenue decreased marginally to \$1.00 million at September 30, 2009 from \$1.05 million at June 30, 2009. The balance represents advances for longer term projects in Panama and operations in Central Canada. In addition to these advances, the Company normally requests advances for new contracts, which advances are applied to the last invoices for a completed project.

As of September 30, 2009, the Company had drawn down \$4.73 million on the \$5.00 million operating line and \$755,523 on the \$1.50 million demand loan. The operating line has been used to finance the increased inventories, receivables and acquisition of capital assets.

Total long term debt and capital leases increased by \$ 237,035 to \$2.42 million at September 30, 2009. During the quarter, the Company acquired drill and auxiliary equipment to be financed over a five year period for \$469,360. This increase was offset by regular payments on the loans and leases.

### **Effect of Exchange Rate**

The Company's reporting currency is the Canadian dollar; however a growing percent of the Company's revenue and operating contracts outside of Canada are denominated in U.S. dollars and Euros. In order to reduce its exposure to foreign exchange risks, the Company contracts in U.S. dollars and Euros. This may negatively impact a project's profitability due to currency exchange volatility, but a large portion of the costs are typically in same currency as revenues, reducing the overall effect of currency fluctuations. The Company holds US Dollar, Euros, Mexico Pesos, and Albania Leks denominated currencies and securities that may be subject to exchange volatility.

### **Liquidity and Capital Resources**

#### **Financing Activities**

The Company has a \$10.00 million debt financing facility with HSBC Bank Canada comprised of a \$5.00 million operating loan secured by accounts receivable and inventory, a \$1.50 million demand loan and a \$3.50 million capital loan/lease facility. The demand loan is secured by a general security agreement charge over Company assets and the capital loan/lease facility is secured by specific assets. The cost for the operating line, demand and capital loan, is Canadian bank prime plus 2.5% and the capital lease facility is at 3.5% over the three year GIC rate. The demand loan can be drawn down in multiple advances and is repayable in monthly payments over 5 years.

The Company has a \$1.75 million capital lease facility with a major equipment manufacturer. This facility is secured by specific security by specific assets. The cost for borrowing is normally set at 2% above prime. At September 30, 2009 Cabo Drilling utilized \$721,295 of this facility. These leases will be paid down over the next three years.

Under the terms of certain of the Company's debt agreements, the Company must satisfy certain financial covenants. During this period, the Company was, and continues to be, in compliance with all the covenants and other conditions imposed by its debt agreements.

The Company believes that it will be able to generate sufficient cash flow to meet current and future working capital, capital expenditure and debt obligations. As of September 30, 2009, the Company had drawn down \$4.73 million on the \$5.00 million operating line; \$755,523 on the \$1.50 million demand loan; and \$268,862 on the \$3.50 million capital loan/ lease facility.

### Contractual Obligations

The following table represents the Company's future payment obligations at September 30, 2009:

	<b>Total</b>	<b>Less than 1 year</b>	<b>2-3 years</b>	<b>4-5 years</b>
Long term debt	\$2,416,354	\$846,899	\$1,143,147	\$426,308
Demand loans	\$755,523	\$300,000	\$455,523	-
Client deposits	\$1,000,984	\$1,000,984	-	-
Total	\$4,172,861	\$2,147,883	\$1,598,670	\$426,308

### Outstanding Share Data

There were no changes during fiscal 2009 in total common shares outstanding. At September 30, 2009 the total issued and outstanding shares is 47,767,013.

During the fiscal year ending June 30, 2008, a total of 7,520,167 warrants were exercised for gross proceeds of \$3,766,834 (1,143,700 warrants expired). At September 30, 2009, there were no warrants outstanding.

On June 29, 2009 the Company granted 2,700,000 options to directors, officers, employees and consultants.

<b>Number</b>	<b>Exercise price</b>	<b>Expiry date</b>
1,350,000	\$0.225	June 30, 2012
1,350,000	\$0.25	June 30, 2012
2,700,000		

### Subsequent events

On October 16, 2009, the Company issued 200,334 shares (\$24,040) to employees as payment for performance bonuses earned on the fiscal results for the year ending June 30, 2008.

On November 16, 2009, the Company closed a private placement of 7,273,333 units at \$0.12 per unit, for total cash proceeds of \$872,800, subject to TSX Exchange approval. The units comprise one (1) common share and one half (½) non-transferable share purchase warrant, each full warrant will entitle the holder to purchase an additional share for \$0.15 for a period of two (2) years from the date of issuance. The Company will use the proceeds of the financing to support the purchase of equipment and for working capital.

On November 16, 2009, the Company has granted 200,000 employee incentive options under terms of its Stock Option Plan, providing the right to purchase up to 100,000 common shares of the Company at \$0.225 per share and 100,000 common shares at \$0.25 per share

## Commitments

### Redistribution of the International Millennium Mining Corp ("IMMC") Units

On December 29, 2006 Cabo closed the sale of its resource properties to IMMC. Pursuant to the transaction, the Company transferred all of the resource properties to IMMC in exchange for 10,000,000 units of IMMC. Each unit consisted of one IMMC common share and one-third (1/3) of a warrant. Each full warrant entitled the holder to purchase one share in the capital stock of IMMC for thirty-five cents (\$0.35) within a period of two years.

The Company was to redistribute 10,051,336 Units to its shareholders on a ratio of one IMMC unit for each four (4) shares of the Company as of the record date January 11, 2007. To June 30, 2009 the Company has distributed or sold on behalf of its shareholders 8,233,583 IMMC shares and distributed 2,497,844 warrants to the Company's shareholders.

As of September 30, 2009, the Company's trust account for its U.S. shareholders commitment is holding 1,817,753 undistributed shares.

## Transactions with Related Parties

### Expressed in thousands \$ (000's)

	Q1-10	Q4-09	Q3-09	Q2-09
John A. Versfelt, Chairman, President and CEO, provides executive management and an accounting person to the Company through American Resources Management Consultants Inc., a company owned and controlled by Mr. Versfelt	45	45	60	49

## Business Outlook and Strategy

The mineral drilling industry is dependent on demand for and supply of precious, base and strategic metals as well as precious stones. Demand and supply factors for these commodities can change dramatically up and down, as we have witnessed in the past two years, causing dynamic shifts in the supply of drills and drilling personnel from under supply to over supply. The recent financial stress in financial credit and equity markets, as well as significant global currency and economy changes have caused substantial negative changes to the global metals supply and demand factors, resulting in much uncertainty in the global mining and related services markets. Management has initiated comprehensive cost and spending controls, as well as risk management procedures throughout the Company. Largely due to prudent debt management over the past two years, the Company's banking facilities are safe and debt ratios are low. Senior management is very focused on careful cash management, reduction of debt, high customer relations and high employee relations.

Historical corporate strategies of building the long term customer base revenues and attracting new clients, while achieving operating efficiencies will continue. However with the slowdown in growth, management has greater opportunity to be even more focused on basic business principles, including:

1. Improving utilization of existing rigs over eight divisions;
2. Sharing of drills & people between divisions;
3. Actively working to enhance the Company's human capital;
4. Expanding effective capacity per drill;
5. Building and maintaining a highly cost effective organization; and
6. Aggressively promoting and marketing Cabo's services.

During the past two years, the Company has improved its drilling fleet, which will allow it to better service its customers at a reduced cost.

## **General Risks and Uncertainties**

Cabo is subject to a number of risks and uncertainties.

### **Competition**

Contract drilling is a highly competitive industry, where numerous competitors tender bids for contracts. The Company's ongoing ability to continue to secure profitable contracts on an ongoing basis is not assured.

### **Cyclical Downturn**

The most significant operating risk is a downturn in demand for minerals and metals which directly impacts the need for drilling services. To mitigate this risk, the Company has exploited its competitive advantage in specialized drilling such as geotechnical, geo-environmental, as well as drilling in difficult environmental conditions.

As the mining cycle lengthens and activity levels increase, the requirement for working capital, particularly accounts receivable and inventory, grows. Accounts receivable levels from junior mining companies typically increase. Junior mining companies are heavily dependent on the capital markets and any change in outlook of the mining sector, or lack of success of their exploration activities, can quickly affect their ability to carry on drilling programs as, we have witnessed over the past twelve (12) months. The Company manages this risk by closely monitoring accounts receivable aging and the activity of junior mining companies in the capital markets. Deposits and letters of credit are required for 95% of all drilling contracts.

Levels of inventory increase from increased revenue activity and an increase in activity in remote locations. In the event of a sudden downturn the Company may be exposed to inventory carrying costs and possible obsolescence. At this point, management has determined that there is little obsolescence within the Company. However, it is substantially reducing purchases and using existing inventory, as well as moving inventory between divisions as the demands ebb and flow in the seven areas of the world where the Company is located. Also, in order to minimize exposure to high inventory risk, the Company works closely with its customers to anticipate and plan for scheduled reductions in their drilling programs.

## **Country Risk**

The Company has been expanding its operations outside of North America into Central & South America, West and East Europe, as well as West Africa. With this, comes the risk of dealing in a variety of business and political jurisdictions. Unanticipated economic, political, tax related, regulatory or legal changes could have a negative impact on operations and assets. The risks include, but are not limited to, extreme fluctuations in currency exchange rates and high rates of inflation, changes in mining or investment policies or shifts in political attitude that may adversely affect the business. The Company continues to monitor developments in all current jurisdictions.

## **Workforce Availability**

The change in the metals and minerals industry has eliminated the shortage of qualified drillers. In the past two years, the Company implemented a number of initiatives to retain experienced existing and new employees for the field, as well as for international management. In addition, the Company has been successful at utilizing non-Canadian drillers in its international operations.

We believe that as we experience the existing difficult market conditions, the dedicated people that the Company hired will rise to the challenge and help the Company weather the storm that has continued into the Company's first quarter of fiscal 2010.

## **Reliance on Key Accounts**

The Company has a number of accounts that make up a significant portion of overall revenue and gross profits. When a contract expires or is terminated there is no guarantee that the Company has sufficient replacement contracts. Cabo continues to work with its existing client base and is actively pursuing new clients in order to minimize exposure in this area.

## **Long Term Contracts**

The Company may enter into long term contracts with customers at fixed prices. The Company's expenses may vary significantly over a contract period due to fluctuations in the cost of labour, materials and equipment, consequently creating variations in the profitability of these contracts with fixed prices. The Company mitigates this risk by anticipating an escalation in costs when bidding on projects or providing for cost escalation in the contract. However, significant price fluctuations without warning could negatively impact the Company's margins.

## **Extreme Weather Conditions**

The Company has operations across Canada and globally that are subject to extreme weather conditions which can have a significant impact on its operations. In addition, natural and other disasters could have an adverse impact.

## **Credit Risks**

The Company provides credit to its customers in the normal course of its operations. The Company has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. It carries out, on a continuing basis, credit checks on its customers and maintains provisions for contingent credit losses.

Three major customers represent 43% of the trade accounts receivable as at September 30, 2009, respectively by customer, 17%, 14% and 12%.

Three major customers represent 41% of the contract revenue for the quarter ended September 30, 2009, respectively by customer, 26%, 11% and 4%.

## **Interest Rate Risk**

The Company is subject to interest rate risk since a significant part of the long-term debt and demand loans bear interest at variable rates.

As at September 30, 2009 the Company has estimated that a one percentage point increase or decrease in interest rates would have caused a corresponding annual increase or decrease in net earnings of approximately \$75,000

## **Acquisition Integration**

The Company has worked towards its strategic objective of becoming a drilling services provider of sufficient size to benefit from economies of scale and to provide the foundation from which to pursue new opportunities. In the past, business acquisitions were an important tool in this pursuit, but over the last four years no acquisitions have taken place, precluding any integration problems.

## **Metal Prices and Marketability of Minerals**

Metal prices fluctuate widely and are affected by numerous factors beyond the control of the Company, including international economic and political trends, expectation of inflation, currency exchange fluctuations, interest rates, global or regional consumption patterns, speculative activities, and worldwide production levels. These factors include market supply and demand fluctuations, the proximity of metal markets and processing equipment, government regulations, including regulations relating to prices, taxes, royalties, land tenure, land use, the import and export of minerals and environmental protection. The exact effect of these factors cannot be accurately predicted, but the combination of these factors may result in the Company not receiving an adequate return on invested capital.

## **Legal and Regulatory Risk**

The mining and drilling industries are highly regulated by legal, environmental and health and safety regulations. Failure to comply with such regulations could lead to penalties, including fines or suspension of operations which could have a significant impact on the financial strength and future earnings potential of the Company. Furthermore, the Company's mineral exploration customers are also subject to similar legal, regulatory, health and safety regulations which could materially affect their decision to go ahead with mineral exploration or mine development and thereby indirectly negatively impact the Company.

## **Critical Accounting Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses for the reporting period. Significant areas requiring use of management estimates relate to the useful lives of capital assets for amortization purposes, inventory valuation, valuation of future income taxes, assumptions used in compilation of stock-based compensation, and amounts recorded as accrued liabilities. Actual results, therefore, could differ from these estimates. A summary of the Company's significant accounting policies is set out in Note 2 of the consolidated financial statements for the year ended June 30, 2009.

The accounting estimates believed to require the most difficult, subjective or complex judgments and which are the most critical to our reporting of results of operations and financial positions are as follows:

### **Allowance for Doubtful Accounts**

The Company performs ongoing credit evaluations of its customers and grants credit based upon past payment history, financial condition and anticipated industry conditions. Customer payments are carefully and regularly monitored, and a provision for doubtful accounts is established based upon specific situations and overall industry conditions.

### **Excess and Obsolete Inventory Provisions**

The Company regularly reviews the quantities of inventory on hand and provisions for obsolete inventory. Significant or unanticipated changes in business conditions could impact the amount and timing of any additional provision for excess or obsolete inventory that may be required.

### **Impairment of Long Lived Assets**

The carrying value of long lived assets is regularly reviewed for impairment or whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. Significant, unanticipated changes to these assumptions could require a provision for impairment in the future.

### **Amortization**

The Company's capital assets are amortized based upon estimates of useful lives and salvage values. These estimates may change as more experience is gained, market conditions shift or new technological advancements are made.

### **Income Taxes**

The Company uses the liability method which takes into account the differences between financial statement treatment and tax treatment of certain transactions, assets and liabilities. Future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Valuation allowances are established to reduce future tax assets when there is potential that some or all of the asset will not be realized. Estimates of future taxable income and the continuation of ongoing prudent tax planning arrangements have been considered in assessing the utilization of available tax losses. Changes in circumstances and assumptions and clarifications of uncertain tax regimes may require changes to the valuation allowances associated with the Company's future tax assets.

The Company is subject to many different forms of taxation in various jurisdictions throughout the world, including but not limited to, income tax, withholding tax, commodity tax and social security and other payroll related taxes, which may lead to disagreements with tax authorities regarding the application of tax law. Tax law and administration is extremely complex and often requires us to make subjective determinations. The computation of income, payroll and other taxes involves many factors, including the interpretation of tax legislation in various jurisdictions in which we are subject to ongoing tax assessments. Our estimate of tax related assets, liabilities, recoveries and expenses incorporates significant assumptions. These assumptions include, but are not limited to, the tax rates in various jurisdictions and the effect of tax treaties.

### **Off Balance Sheet Financing**

The Company does not have any off-balance sheet arrangements.

## **Proposed Transactions**

The Company has not entered into any proposed transactions.

### **Hedges**

The new standard specifies the criteria under which hedge accounting can be applied and how hedge accounting can be executed. As at September 30, 2009 the Company has not designated any hedging relationships.

## **Changes in Accounting Policies including Initial Adoption**

### **Financial Instruments – Disclosure & Presentation**

In March 2007, the CICA issued Section 3862, “Financial Instruments – Disclosures”, and Section 3863, “Financial instruments – Presentation”, which together comprise a complete set of disclosure and presentation requirements that revise and enhance current disclosure requirements for financial instruments. These sections apply to interim and annual financial statements relating to fiscal years beginning on or after October 1, 2007. Section 3862 requires disclosure of additional detail by financial asset and liability categories. Section 3863 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. Effective June 30, 2008, the Company implemented these disclosures, although the adoption of these sections did not impact the Company.

### **Comprehensive Income**

Effective July 1, 2006, the Company adopted CICA Handbook Section 1530, which establishes standards for reporting and presenting comprehensive income, defined as the change in equity from transactions and other events from non-owner sources. Accordingly, a new consolidated statement of operations and comprehensive income now forms part of the Company’s consolidated financial statements and displays current period net income and other comprehensive loss. Other comprehensive loss consists of unrealized losses on available-for-sale financial assets. The cumulative changes in other comprehensive loss are included in accumulated other comprehensive loss, which is a new category within shareholders’ equity in the consolidated balance sheet.

### **Inventory**

In June 2007, the CICA issued Section 3031, “Inventories”, which requires inventory to be measured at the lower of cost and net realizable value and which includes guidance on the determination of cost, including allocation of overheads and other costs to inventory. Further, it requires the reversal of previous write-downs to net realizable value when the economic circumstances have changed to support an increased inventory value. This standard is effective for fiscal years beginning on or after January 1, 2008. The Company is in the process of evaluating the impact of this standard.

## **Accounting Policy Choice for Transaction Costs**

On June 1, 2007, the Emerging Issues Committee of the CICA issued Abstract No. 166, "Accounting Policy Choice for Transaction Costs" ("EIC-166"). This EIC addresses the accounting policy choice of expensing or adding transaction costs related to the acquisition of financial assets and financial liabilities that are classified as other than held-for-trading. Specifically, it requires that the same accounting policy choice be applied to all similar financial instruments classified as other than held-for-trading, but permits a different policy choice for financial instruments that are not similar. The Company has adopted EIC-166 effective June 30, 2008, which requires retroactive application to all transaction costs accounted for in accordance with CICA Handbook Section 3855, "Financial Instruments – Recognition and Measurement". The Company has evaluated the impact of EIC-166 and determined that no adjustments are currently required.

## **International Financial Reporting Standards ("IFRS")**

In 2006, the Canadian Accounting Standards Board ("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, requiring the restatement for comparative purposes of amounts reported by the Company for the year ended June 30, 2011. While the Company has begun assessing the adoption of IFRS for 2011, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

## **Capital Disclosures**

The CICA issued a new accounting standard, Section 1535, "Capital Disclosures", which requires the disclosure of both qualitative and quantitative information that provides users of financial statements with information to evaluate the entity's objectives, policies and processes for managing capital. This new section will be effective for the Company beginning July 1, 2008. The Company is currently assessing the impact of the above new accounting standards on the Company's financial positions and results of operations.

## **Accounting Changes**

Effective July 1, 2007, the Company adopted Section 1506, "Accounting Changes", which establishes criteria for changing accounting policies, together with the accounting treatment and disclosure of changes in accounting policies, changes in accounting estimates and the correction of errors. The disclosure is to include, on an interim and annual basis, a description and the impact on the Company of any new primary source of GAAP that has been issued but is not yet effective. The impact that the adoption of Section 1506 will have on the Company's results of operations and financial condition will depend on the nature of future accounting changes.

## **Business combinations**

Section 1582, "Business Combinations", applies prospectively to the Company's business combinations on or after January 1, 2011. Early adoption of this recommendation is permitted. This section replaces Section 1581, "Business Combinations", and harmonizes the Canadian accounting standards with International Financial Reporting Standards ("IFRS"). Under the new guidance, the purchase price used in a business combination will be the new fair value of the shares exchanged at their market price on the date of the exchange.

Currently, when shares are issued, they are valued based on the market price for a reasonable period before and after the date the acquisition is agreed upon and announced. Under the new guidelines, all acquisition costs are expensed where currently they are capitalized as part of the acquisition costs. There are also a number of other differences between the new guidelines and current GAAP. The Company does not expect the adoption of this pronouncement to impact the financial statements.

### **Internal Controls over Financial Reporting**

Management has designed internal controls over financial reporting (as defined in Multilateral Instrument 52-109, Certification of Disclosure in Issuers' Annual and Interim Filings) to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian GAAP.

There have been no changes in our internal controls over financial reporting during the quarter ended September 30, 2009, that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

### **Convergence with International Financial Reporting Standards**

In 2006, the Canadian Accounting Standards Board ("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 will require the restatement for comparative purposes of amounts reported by the Company for the year ended June 30, 2011. While the Company has begun assessing the adoption of IFRS for 2011, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

### **Additional Sources of Information**

Additional information relating to Cabo Drilling Corp., including the Company's Annual Report for the most recent financial year, can be found on SEDAR at [www.sedar.com](http://www.sedar.com).