



## CABO DRILLING CORP.

# BIG - TIME DRILLING

Cabo Drilling Corp. is working on growth strategies and establishing itself as a major player in Canada's mining services sector. By Stephanie Sims

Cabo Drilling Corp., a mineral and specialty drilling services provider headquartered in North Vancouver, British Columbia, has become Canada's third-largest mineral drilling company through its acquisitions.

"We are a company that went from [practically no revenue] in fiscal year 2004 to \$29 million in approximate gross revenue in fiscal year 2006," according to CEO John Versfelt. "That's fairly aggressive. I want to continue to do that, and I want people to understand that pulling all this together takes time. It is not an instant story; it's a growing story."

Versfelt says Cabo Drilling wanted to establish a solid base in Canada and, from there, expand the company outward. "We want to continue to expand in Canada, but we are also targeting the United States and South America, focusing on English-, French- and Spanish-speaking countries," Versfelt says. "We will [achieve our] goals through acquisitions and organic growth within our subsidiaries."

With operations across Canada and in Mexico, Cabo Drilling's growth within the mineral and specialty drilling services sector will enable it to provide its customers with improved services, technical capabilities and an expanded geographical reach.

Cabo Drilling currently provides drilling services through its four divisions:

- Advanced Drilling Ltd. of Surrey, British Columbia
- Forages Cabo Inc. of Montreal, Quebec
- Heath and Sherwood Drilling Inc. of Kirkland Lake, Ontario
- Petro Drilling Co. Ltd. of Springdale, Newfoundland

Cabo Drilling has a three-part mission statement. It aims to be the first choice:

- For mineral exploration, mining, geo-environmental/geotechnical and geothermal customers by offering the best value in the drilling services industry
- Among employees by offering the most stable, safe and rewarding workplace in the drilling services industry
- For investors, by consistently generating superior value and providing excellent corporate governance to shareholders and stakeholders

Versfelt notes within five to 10 years, he'd like to set up new subsidiaries in other countries, maintaining the company's focus on drilling without branching into other services. "Right now," Versfelt explains, "we are in the underground and surface drilling in the mining sector. Fifty-eight percent of Cabo Drilling's revenue comes from surface drilling projects and 42 percent comes from underground operations. We have looked into other areas of drilling, such as horizontal or directional drilling, large-borehole drilling, water-well drilling and drilling and blasting, but we haven't put a significant amount of effort into expanding [in these areas]."

## Recent Projects

Cabo Drilling's Heath and Sherwood Drilling division was recently awarded a contract by Inco Ltd. for 62,000 feet of deep underground diamond drilling at Inco's Creighton Mine in Sudbury, Ontario. The company says this exploration drilling project is comprised of two phases:

- Phase 1 includes approximately 16,700 feet of drilling in two locations on the 7,680-foot level of the Creighton Mine. The holes range in length from 600 feet to 2,500 feet. Work started for Phase 1 in August and is scheduled for completion in February, 2007.
- Phase 2 – commencing upon completion of Phase 1 – consists of approximately 45,400 feet of drilling from two locations on the 7,810-foot level of the Creighton Mine. For this drill program, holes range in length from 1,600 feet to 3,500 feet. Phase 2 is scheduled to be completed in February 2008.

## Overcoming a Labor Shortage

Versfelt says that there are always challenges when working on projects. The latest obstacle is the shortage of drillers. "With drilling companies, one of the biggest difficulties is the shortage of skilled people in the industry," he says. "This was brought about because between 1997 and 2002, the whole mining sector was in a depressed state. There was a bear market for metals and very few contracts, so the industry cut back on drillers. [Skilled drillers] found other jobs; people who are mechanically inclined are able to find other jobs in industries such as construction, oil and gas and trucking."

In response to the shortage, Cabo Drilling is implementing a new recruiting and training program. At the moment, Versfelt says, "we are going through the process of hiring a human resources coordinator, which is the first step in developing a comprehensive program for recruiting employees." As part of that process, he insists, "We must create loyalty and be loyal to our employees. When we bring them on board, we must show we are confident in their abilities and offer them long-term stability." E+P