



Hello!

April 2010

Welcome to Cabo's first Letter from the President specifically targeted to our valued shareholders. This bi-monthly message is designed to give you on-going insight into Cabo's business, a brief understanding of my vision for the Company and an update on how current and anticipated economic conditions are affecting our regional and global operations.

During the past twelve months, despite difficult market conditions and drilling program cancellations, our revenues held steady coming in between \$6 - \$8 million per quarter. Adding to the difficult conditions was a per meter price drop of approximately 35%.

In their March 2010 special report, *World Exploration Trends*, the Metals Economics Group (MEG) reports that "after six years of increased exploration budgets – including five years of growth averaging almost 60% annually – junior companies' aggregate exploration total fell by more than half in 2009." MEG also notes that the "major and intermediate companies" aggregate 2009 exploration budgets also declined significantly, but the cuts were not as deep; as a result, the majors accounted for the largest share of the 2009 exploration total for the first time since being eclipsed by the juniors in 2004."

While Cabo's revenues fell in line with the decline of junior, intermediate and major exploration expenditures in 2009, our margins improved to the 28% to 29% level, largely due to cost reductions and improved performance per drill.

The improvement in our margins, which corresponds to a reduction in administrative costs and an improvement in drill performance, is tied directly to our efforts to improve our drill fleet and our preventative maintenance program over the last two years. These concurrent programs resulted in a substantial reduction in equipment downtime throughout the Company. In addition, we have focused on the development of our field personnel and we now have a core of well trained drillers and helpers as a base for the anticipated market upswing.

In 2009, despite the downturn, senior management focused on enhancing people values: building respect and self-esteem, improving communications and encouraging improved people relations with our employees, our customers, our suppliers and the communities where we work. Recently, as a result of our "people focus strategy", Cabo announced formation of a joint venture drilling company with the Tahltan Nation. We believe that by elevating our emphasis on relationships Cabo will differentiate itself from the other drilling services companies and ultimately, result in greater loyalty at all business levels over the long term.

As we move into the fourth quarter of fiscal 2010, we are experiencing improved demand for drilling services in most of our drilling divisions. Ontario has been the best area for drilling, but we are now seeing a breakout in drill demand in all

regions. The increase in demand that we are experiencing is reflected in the market analysis of the MEG, as reported by Euan Rocha, of Thomson Reuters (April 6, 2010). In an interview with Jason Goulden, vice president of research at MEG, he states that “unless we get a major drop in metals prices by mid-year, we are expecting a 30 to 40 percent increase in (exploration) spending this year, from 2009 levels”.

Moving forward, we expect to see more improvements in our market regions. The upward movement in commodity prices that we have seen since the market low at the end of 2008 will be favourable for most mining companies who are starting to move forward with their exploration projects; however grassroots and higher risk junior mining companies will continue to experience funding issues into 2011.

We currently have 73% of our drills on gold projects, 10% on copper/gold projects, 7% on silver projects and 10% on base metal only projects. Although, we are currently operating at an approximate 40% utilization rate with drills turning in all of our Canadian, Mexico, Panama and Europe operations, our utilization rates should improve as markets around the world improve. In fact new contracts have already been signed within the last month that will employ another 7 drills in the fourth quarter of fiscal 2010.

We expect pricing to remain competitive until utilization rates pick up, especially in conventional drilling, but drill prices per meter have firmed up and we should see pockets globally where meterage prices will increase. During the next 12 – 18 months, we expect that the lack of new deposits going into production will start to have an impact on supply. Current demand will begin to increase, pushing the metal prices and, therefore, exploration/development budgets and new financings for the mining industry to pre-2009 levels. My hope is that this trend will not bring back the “greed/fear” syndrome that was so prevalent in 2007 and most of 2008, causing major labour and supply cost stresses.

Our intention with the establishment of this Letter from the President is to standardize the flow of information to each of you and to provide a regular business information forum every two months. In the future, please direct all inquiries to [ir@cabo.ca](mailto:ir@cabo.ca), or you can contact Sheri Barton at 403-217-5830. As always, I am also available to speak with you at 778-999-4997 or via email @ [jav@cabo.ca](mailto:jav@cabo.ca).

Thank you for your support!

Most Sincerely,

John A. Versfelt  
President and CEO