



Hello!

June 2010

Welcome again to Cabo's Letter from the President. In case you missed it, our first letter went out in April 2010 and is archived on our website. We plan on utilizing this bi-monthly message to convey our vision for the Company and to provide on-going insight into Cabo's business strategies, how current and anticipated economic conditions are affecting our regional and global operations and how we will deliver on the Cabo mission statement.

We recently announced our third quarter financial and operating results for the period ended March 31, 2010. The quarter was one of our slowest quarters largely due to the reduced activity stemming from seasonal conditions throughout Canada, where we generated 71% of our third quarter revenue. Furthermore, contract bids that we expected to move forward on in the third quarter were delayed to later in the fourth quarter and, in Mexico, we did not feel it was beneficial for us to decrease our margins to the levels required to win the bids. As previously reported, our cost efficiency programs have been implemented and we were able to maintain respectable margins despite the seasonally low revenues.

As we anticipated, new contracts and increasing business opportunities are materializing in the fourth quarter for late fourth quarter or July, 2010 start up. Our drills are mobilizing to new projects and we are experiencing a trend toward more stable pricing. Higher tier juniors and mid to large size mining companies have recently experienced greater success obtaining financing and raising equity funding. This is partially due to the investment community's predominant opinion that precious metal pricing is looking stable and probably trending upward. China continues to exhibit strong demand, and as we have previously discussed, emerging markets around the world are creating a significant and increasing demand for most precious metals. If the U.S. domestic market improves then this positive affect will also be accentuated through higher demand.

Recent economic events in Greece and other European countries have partially spawned a renewed cloud of anxiety over the world wide financial markets, which may dampen the flow of investment capital. If this proves to be the case, our executive management will evaluate economic conditions and make adjustments accordingly. We continue to market our services to well funded companies with significant exploration budgets in place.

As we look to the future, we expect to reach 50% or more drill utilization in the beginning of the 1<sup>st</sup> quarter of fiscal year 2011. Our expectations are that the improving demand for drilling services will continue throughout the remainder of this year and well into the following year. Gross margins are anticipated to continue in the 27% to 29% range.

Cabo is modernizing its equipment on an on-going basis and is currently experiencing success in the recruitment of more experienced drillers. Safety remains our priority, and we are reaping the benefits of a highly trained safety minded work force.

Two of our more recent announcements include the selection of Cabo's U.S. division, Cabo Drilling (America) Inc., to drill 8,000 meters on Fire River Gold Corp.'s Nixon Fork Mine located in the western interior of Alaska and secondly, the awarded drill contract by Brett Resources, Inc. to our First Nations

joint venture with Rainy Lake Tribal Contracting Ltd. for a contract minimum of 30,000 meters on the Ontario Hammond Reef Gold Deposit.

The Nixon Fork Mine project is a good example of our internal creativity and application of innovative technology to the customization of select drills to achieve drilling advantages over the standard drills utilized in the industry. The Cabo drill mobilized to service this project is a highly customized small but powerful hybrid that we expect to translate into impressive surface and underground drilling results along with significant cost savings to the client.

The Brett Resources Inc. contract provides Cabo with a significant pilot project to initiate our strategic and unique relationship with the Fort Frances area First Nation communities. We believe these extensive collaborative efforts will prove to be the start of a mutually rewarding relationship in which numerous financial and educational goals will be achieved by the First Nations group along with economic and relationship building benefits to Cabo.

As we continue with our “people focus strategy” more opportunities such as the First Nation relationship will unveil themselves offering us greater loyalty at all business levels including employees, clients and the valued communities that we are a part of.

We hope that this message is helpful in providing insight into Cabo’s management and the Company. You may feel free to direct any 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 at [jav@cabo.ca](mailto:jav@cabo.ca).

Thank you for your support!

Most Sincerely,

John A. Versfelt  
President and CEO  
Cabo Drilling Corp.  
[www.cabo.ca](http://www.cabo.ca)