



Hello!

September 2010

Welcome again to Cabo's Letter from the President. In case you missed them, our previous letters are archived on our website for your review. 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.

The challenges and hardships that faced us throughout 2009 and early 2010 were met by Cabo management with a variety of strategic maneuvers, procedures and policies. Our entire Cabo management team, both executive and operational, implemented dramatic cost saving procedures along with other policies to ensure Cabo's success at minimizing the economic effects of the market's downward pressures. In addition, our management team redirected our marketing and client focus by researching and monitoring the more senior junior exploration companies and the mid to large tier mining and exploration companies to determine which were most likely to succeed in obtaining financing and to continue with or develop drill programs.

We are now into our first quarter of fiscal 2011, and I am pleased to report that, as we anticipated, new contracts and increased business opportunities have materialized and are continuing to show increasing opportunities. Many of our drills have mobilized to new projects and we are experiencing more stable pricing. Drill utilization is up significantly with a total of 51 drills in service as of this writing and another 4 drills anticipated for near term or immediate mobilization. Our drill utilization is up in all divisions both domestic and international. We are pleased that our start up efforts in Albania, Panama and Colombia are now transforming into credible client relationships and new contracts. Domestically our Ontario division is taking advantage of improved market conditions and now has 25 drills mobilized and running. Our specialty drilling division, Forages Cabo, Inc. of Montreal, Quebec, has 4 drills operating in the geotechnical sector for such clients as Technisol Inc., Enviro-Sciences Inc. and Watters Environmental Group Inc.

While there has been an improvement in the financing of exploration/mining companies; the market continues to be slow, especially for the smallest early stage companies. As this was anticipated, Cabo management focused its sales efforts toward more mid-tier higher quality juniors and medium to higher-level quality exploration/mining companies. This has resulted in the signing of contracts with Goldcorp. Inc., Brett Resources Inc. and Fire River Gold Corp. We will continue with our marketing focus on these intermediate and senior company customers as they provide greater revenue stability. As we have in the past, we will also continue to build our relationships with well-financed junior companies. As the prices of gold and base metals continue to improve we anticipate the demand for drilling services to improve.

Gold prices have endured the recent recession and have remained stable through these early stages of recovery. The stability in the price of gold can also be attributed to the widespread fears of longer-term inflation, concerns about sovereign debt and a worldwide decline in gold production. Therefore it is expected that gold will remain an attractive commodity over the next few years. During the first quarter of 2010 approximately 55% of our drills were drilling on gold projects.

Base metals prices have returned from their lows in response to the gradual economic recovery. A couple of factors that have contributed to this is the resurgence in Chinese demand as well as the limited mine supply. During the first quarter of 2010 approximately 15% of our drills were drilling on base metal projects with the balance drilling on silver, various other commodities and geotechnical projects.

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.  
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