

Cabo Drilling can Anticipate Excellent Results In 2007

Sure as eggs, when the junior mining industry has some money behind it and investors are looking for excitement, the companies that will do really well, whether discoveries are made or not, are the contract drillers. In fact John Versfelt of Toronto listed Cabo Drilling will not be attending PDAC in Toronto this week looking for business, he will simply be there to assure customers that his company will be carrying out the job allocated to it as quickly and efficiently as possible. Cabo describes itself very simply on its website as a drilling services company headquartered in Vancouver which provides mining related and specialty drilling services through a number of subsidiaries in British Columbia, Montreal, Ontario, Quebec, Newfoundland, Mexico and Panama.

Somewhere along the line, however, Cabo, acquired some exploration properties – maybe from juniors who preferred to do a deal rather than stump up real cash. And last month it announced that a company called International Millennium Mining Corporation, to which it had sold its mineral properties for 10 million units, has started trading on the Venture Exchange. Each unit consists of a share in IMMC and 1/3rd of a warrant. A full warrant carries the right to subscribe for an ordinary share in IMMC at C\$0.35 cents within two years. As 75 per cent of the units are going to be re-distributed to Cabo shareholders they must be pretty happy with the deal as they will have a foot in both camps – drilling and exploration.

IMMC will start life with about C\$3.5 million of working capital and 100 per cent interests in nine mineral properties located in Nevada, Sonora State in Mexico, British Columbia and Ontario, Canada as well as a 50 per cent interest in a second property in BC. The initial focus will be on the silver, lead, zinc and copper Simon mine near Mina, Nevada, the gold, copper, molybdenum High Lake/Electrum Lake project in northwestern Ontario and on its silver, cobalt and base metals project near Cobalt, Ontario. The Simon mine is a former producing polymetallic mine, located in the Walker-Lane Trend south of Reno which was shut down in the late 1960s. It is the first time the High Lake property, which consists of 20 claims, has been explored by a single owner. It is contiguous on the south border of IMMC's Electrum Lake property which also contains several known gold and gold-copper-molybdenum prospects.

The Cobalt property has numerous silver targets outlined on it and three already warrant further testing. Geophysics work is being undertaken to identify the location of volcanogenic massive sulfide and Cobalt-type targets. Meanwhile exploration will continue at the Harrison Lake project in British Columbia as a joint venture with Sutcliffe Resources. Active mining took place at the Giant Mascot Mine, approximately 10 km from the southeast corner of the Harrison Lake property between 1958 and 1974, producing 4.2 million tonnes from reserves totalling 4.7 million tonnes grading 1.19% nickel, 0.46% copper, 0.1% cobalt, 1.0% chromium and unreported grades of platinum group metals, gold and silver. The Harrison Lake ultramafic belt provides a very attractive exploration prospect for nickel/copper and platinum group mineralization.

Meanwhile in the year ended June 2006, which was the first full year for all the company's various divisions, revenue rose by 24 per cent to C\$28.79 million. Gross margins also rose from 16.96 per cent to 20 per cent, but a modest loss was recorded at the pre-tax level after writing down the mineral properties prior to the sale to IMMC as well as some goodwill and software. Cabo reached this stage through an aggressive series of acquisitions and should now be in a position to capitalise on its success as it is working for bigger companies and this reduces the incidence of bad debts. Suppliers can be persuaded to do better deals; cost controls can be improved; and better planning can reduce downtime for drilling teams.

The deal with IMMC means that Cabo no longer has to maintain its mineral properties in good standing or spend anything on exploration, so margins should get a further boost. John Versfelt is now looking forward to building on his company's capability and expertise, not only in Canada, but also in the US and Central and South America. It has come from nothing to its current position in less than three years, so the future should be interesting.

Companies featured in this Story
Cabo Drilling Corp (TSX.V-CBE)