



# CEOCFO

## Interviews & News!

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### The Ability To Monitor Corrosion Without Intrusion Inside A Pipeline Or Vessel Gives FOX-TEK A Decided Edge On The Competition



**Technology  
(FOX-TSX Venture)**

**Fiber Optic Systems Technology, Inc.**

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**Dr. Essam Zaghoul  
Chairman, President and CEO**

#### **BIO:**

Dr. Zaghoul is a seasoned executive with 30 years international and domestic experience. Managed projects from \$1 M to \$1.2B. Essam has set up several companies and took three companies public, is Board member of three companies, also President and COO of several companies.

Dr. Zaghoul holds a B.Sc. in Geology from Cairo University and an M.Phil. and Ph.D. from the University of London. Essam has worked in major and independent Oil companies in most geological

provinces in the world. Essam was the Executive Director for Canadian Occidental in Yemen in the early days of exploration and development where he was a key member for the development of a major oil discovery on Canadian Oxy's Masila block in Yemen and other discoveries in Canada, Libya and Egypt (added significant reserves in those countries as well). Essam, at EnCana, was the Team Lead for New Discoveries, prior to transferring as the General Manager in Yemen. Essam was the VP Exploitation & Business Development for Centurion Energy in Egypt, a successful gas producer in the Nile Delta. Essam is currently the President and CEO of FOX-TEK and is also the chairman of the Board.

#### **Company Profile:**

Fiber Optic Systems Technology, Inc. (FOX-TEK) (TSX VENTURE:FOX) is engaged in the development, design, manufacture and supply of systems using fiber optic sensors, related monitoring instruments, and software. Clients either buy systems and operate them, or FOX-TEK handles the installation and reporting of information on an outsourcing basis. For either choice, FOX-TEK provides support engineering services related to planning, training, on-site installation, and data interpretation and reporting.

FOX-TEK's systems serve the needs of the oil and gas, power generation, chemical, mining, and civil structure market sectors, worldwide. Systems can be configured to operate continuously or on an inspection basis. They can also be monitored remotely.

FOX-TEK's sensors measure displacement to add value in the areas of critical operations, safety, environmental protec-

tion, improved maintenance, and extended lifetime. This measurement is processed into client-specified information such as temperature, pressure, wall loss in a pipe, strain in a foundation, distortion under pressure, integrity under bending loads, and the development of cracks.

These parameters are precursors or indications of erosion, corrosion, ground settling, earthquakes, fatigue, or overloading.

FOX-TEK's systems are built on proven components and know-how in the areas of telecommunications based fiber optics, electronics and optics, and control and signal processing software. Installations are designed to be quick, non-intrusive, and efficient. The systems operate non-intrusively in rugged environments and are designed to match the long life of the assets the systems support.

The company began operations in 2001. An experienced management and technical team leads operations and expansion in North America and locations around the world. FOX-TEK is headquartered in Toronto, Ontario and is traded on the TSX Venture Exchange under the symbol "FOX".

**Interview conducted by:  
Lynn Fosse, Senior Editor  
CEOCFOinterviews.com**

**CEOCFO:** Dr. Zaghoul, how has FOX-TEK changed under your leadership?

**Dr. Zaghoul:** "We have reorganized FOX-TEK completely to build it on a solid foundation. We now have a strong executive team and a strong management and board. We have had repeat clients,

and a very focused business strategy. We have put on the back burner the research part of the business and we are now in full commercialization. We are addressing a large and growing market and the company is in a very good financial position. We have no debt at all.”

**CEO CFO:** What is the current business strategy?

**Dr. Zaghoul:** “Our current business strategy is to expand into several markets and the current markets we have are North America and the Gulf region particularly Saudi Arabia and also Russia. We are also developing some new products that will address a wider part of our markets.”

**CEO CFO:** What are you offering today?

**Dr. Zaghoul:** “We are in the business of monitoring for corrosion and pipeline bending. Our product offering consists of a fiber optic system and we have an Electric Formation Mapping system (EFM – Pinpoint). Both are very useful in monitoring different types of corrosion. We hold the patents for corrosion using fiber optics.”

**CEO CFO:** How is corrosion monitored today and how is the fiber optics and FOX-TEK’s approach different?

**Dr. Zaghoul:** “There are many companies that offer monitoring of corrosion, but the technologies are generally old and the data is not very accurate and they require intrusion inside the pipeline or vessel. Our systems do not require intrusions inside of pipelines so you do not need to shut the pipeline or a vessel down, you do not need to reduce pressure and hence you do not lose or delay income. This is quite unique. We get instant data; it could be in remote sites as well. Most other systems require people to travel and do the monitoring. For us, once you install the system you get data 24/7 365. It is quite unique for hard to access areas and remote areas as well.”

**CEO CFO:** Are companies looking for newer systems?

**Dr. Zaghoul:** “You always need to convince clients that this is the better way to

go. This is new technology and it is quite revolutionary. It takes time to introduce and educate. Corrosion is a slow process; it takes normally six to nine months when a client installs the first system. If he is happy with it he does the second, third, and so on, which is what has happened with us with companies like Duke and Enbridge, Saudi Aramco, and Gazprom in Russia. Many of our clients, once they try the system, they like it and will order it many times. It still is educating particularly my generation, which has been around for thirty or forty years. They use the older systems, because they are comfortable with them. The younger generation likes to experiment and try new things and this is what we are working on, educating my generation and working with the younger generation to introduce new technology.”

**“We have reorganized FOX-TEK completely to build it on a solid foundation. We now have a strong executive team and a strong management and board. We have had repeat clients, and a very focused business strategy. We have put on the back burner the research part of the business and we are now in full commercialization. We are addressing a large and growing market and the company is in a very good financial position. We have no debt at all.”**

**- Dr. Essam Zaghoul**

**CEO CFO:** What is the revenue model?

**Dr. Zaghoul:** “There are two types of revenue model; the first is the sale, the engineering, the installation, which is about 90% of our revenue. The second type is the monitoring part and that gets us recurring revenue of 10% every year.”

**CEO CFO:** Do you see an increase in the monitoring part of the business?

**Dr. Zaghoul:** “Very much so. In the past people did not do extensive monitoring, but with the new legislation and with companies becoming more aware of the issues with the aging infrastructure, monitoring is now a must. Therefore, companies are beginning to appreciate that and are beginning to spend money. The monitoring side of the business is approximately \$1 billion globally. It is a large field.”

**CEO CFO:** Please tell us how you educate the industry.

**Dr. Zaghoul:** “We do several things, we publish in magazines and journals that our peers review. We go to luncheons, conferences with a lot of our clients and individual visits. Therefore, it is a package of different things that we do.”

**CEO CFO:** Please tell us about the new products you will be introducing.

**Dr. Zaghoul:** “The first product is in our Pinpoint Systems; we are now introducing a mobile system and we are also introducing a high-temperature system that can go up to a thousand degrees Fahrenheit. This will open up the refinery industry and open up chemical plants for us. The other systems are in the fiber optic systems and we are introducing a simpler monitor that will cost less than the monitors that we have. We have a monitor that is the Cadillac of monitors and address many things. We are now trying to get a simpler version for specific applications that are cheaper. The other one is we are introducing some fiber brag that will allow perimeter monitoring. In addition, we are introducing some Brilluon systems that will also allow us to do leak detection and perimeter monitoring as well.”

**CEO CFO:** How is business today?

**Dr. Zaghoul:** “We are very excited since I joined and particularly since January of this year when I took full control of the company. We have gone into a sales mode and have moved from revenues of \$100 thousand based on research. The first nine months of this year, we have already done about \$650 thousand in sales, so sales are progressing. We are getting repeat sales from our clients and opening up with several new clients as well.”

**CEO CFO:** Are you up and running in all the areas you would like to be in and do you see new areas down the road?

**Dr. Zaghoul:** “We are up and running in Russia. Russia has proven to be very large, a big market for us and is growing very fast. We have several projects growing and one significant one that we are

working on now. We are slowly progressing in the Middle East. It takes a bit of time when you are dealing with a huge organization. We are in North America and we are progressing at a very steady pace. Other areas we would like to expand in include Mexico. I had visits with Pemex last week and we are progressing there. For the future, I would like to have facilities in Europe, which is relatively small and a lot of it is highly concentrated, so it requires a lot of monitoring. In Southeast Asia we have done some work for Petronas and we are hoping to expand in that next year as well.”

**CEOCFO:** Is the investment community paying attention?

**Dr. Zaghoul:** “Yes. I do road shows and there is a lot of interest and excitement. What the investors like about the technology is it is unique, it is patented, we hold the rights to it, and it is a low-risk investment. We have continuous growth with systems that are already developed and in service with repeat clients. The company has been around for several years now. The future and growth are very promising.”

**CEOCFO:** Do you envision a day when FOX-TEK would be standard for monitoring pipelines?

**Dr. Zaghoul:** “Very much so. We have quite unique products. Everyone who has listened to our story in the industry loved the products. Introducing it into the mar-

ket takes time and introducing any new technology takes time. When plasma TV first came out we tried one, when we liked it we tried another one and so on. Growth is generally slow.”

**CEOCFO:** What should readers take away about FOX-TEK?

**Dr. Zaghoul:** “FOX-TEK is a strong company with unique products. It has a strong management team onboard, a strong business and technical team. It is a low-risk investment. We have no debt and excess of five-and-a-half million dollars cash in the bank. It is an established company with solid growth potential.”



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