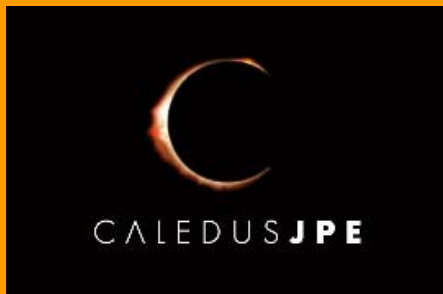


Caledus Craic

Welcome to the 3rd edition of the Caledus Craic. It has been an exciting period for Caledus since the last edition. As a business our size has more than doubled, after acquiring the precision engineering manufacturing company JPE. This will give Caledus better control over manufacturing volume and quality for most of our products and services, especially SlimWELL.

Johnshaven Precision Engineering (JPE) was established in 1986, originally located in Johnshaven before it moved to a larger site in Inverbervie, just south of Aberdeen. The plant has full CNC lathes and mills, as well as manual machines, and a fabrication capability. Caledus has been able to move all warehousing and servicing onto the location and there are plans to expand the facility beyond its current size (20,000 sq.ft. of buildings on a 3.1/2 acre site), and its output capacity.



Trading as CaledusJPE the manufacturing plant will continue to service a range of third party customers, some new, and some well-established customers from the previous ownership.

Caledus has already invested in new plant for the machine shop with the arrival of a long bed CNC DSG lathe (pictured below).

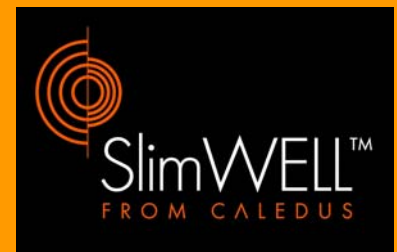


In addition to the new plant additional CNC programmers and operators have been employed to compliment the existing highly experienced workforce. Our website under construction is www.caledusjpe.com



Another significant arrival at Caledus is Bill Nelson, a highly qualified and experienced professional in all areas of Quality, Health, Safety and the Environment. Bill joins Caledus at a time when the rapid growth of the business demands that a professional takes responsibility and guides the further development of these vital areas of any oil and gas service sector business. CaledusJPE is already accredited to ISO9001-2000 and during the course of the summer Caledus is to be audited to gain accreditation for its existing QMS system.

We have now operated for more than 50,000 man-hours with zero LTA's or recordable incident, a significant achievement for a start-up business. The company is determined to maintain this excellent record of no harm to people.



There has been great progress taking the SlimWELL™ well construction system from the full system test results and making it ready for field trials. The engineering team have done a great job crossing the t's and dotting the i's to ensure that Caledus is ready to run a field trial as soon as the earliest opportunity presents itself. In fact Caledus has boldly built two complete sets of all the 5.1/2" x 7" equipment so that a field trial can be mobilised in a short number of weeks once the well is identified. There has been significant interest in SlimWELL™ from a number of operators across a range of well types, from Deepwater HPHT wells, finder/exploration wells, all the way through to the simplest of shallow lands wells. At present the early commercial runs look as if they might be in the North Sea. Caledus expects that several other sizes of SlimWELL™ will be developed in the next 12-18 months.

The sales and engineering team has participated in a number of technical forums and "poster sessions" in recent weeks where SlimWELL™ has proven to be one of the high interest subjects. There are short-term plans to bring additional people resources to the SlimWELL™ team in sales/commercialisation, engineering, operations and installation.



SlimWELL™ and our other products and services can be viewed at Offshore Europe 2005, from the 6th-9th September by visiting us on stand 207/3, conveniently located just to the left of the main entrance as you enter the show, and information will also be available on the Industry Technology Facilitator (ITF) stand 610



On the 9th of June Caledus attended the Grampian Awards for Business Enterprise 2005 as a finalist in two categories. We were fortunate enough during 2004 to pick up the New Business Award.

2005 was even better, winning the Young Business Award and the coveted Sir Ian Wood Award for Innovation. We were presented with the awards during a gala dinner at the Ardoe House Hotel in front of more than 400 guests from the business community. Several guests were able to attend the event with us and join in the celebrations. Below Mike, Paul and Jim pictured with the trophies towards the end of the evening.



Paul escorts the trophy bearers from the stage after the press photos.

The Caledus products and services track record is building steadily.

CavoMOTOR™ SR, the single run disposable motors are being used quite regularly on final string cemented liners and sand-screen installations. We believe the use of these disposable single run motors is going to become more popular as the track record and acceptance extends.

BridgeBUSTER®, the casing and liner reaming guide shoe is widely used by several operators. We have supplied 18.5/8", 13.3/8", 9.5/8", 7", 5.1/2" on several occasions and have a very good track record with this line both when needed in the hole and during subsequent drill-out.

RotoTEC Friction Reducer®, the drill pipe deployed torque, drag and casing wear reduction tool has just completed another job in Canada, and we have been awarded a job here in the UK, with a job on the cards for the Yemen, and another here in the North Sea for a large independent operator.

Drifting DartCATCHER™, the drill pipe drifting, wiping and volumetric checking tool has been recently introduced as an up-grade to the drift catcher, with several successful runs. We have drifted 5.1/2", and 5" DP in the hole already, and have a 5" x 3.1/2" drifting job coming up.

ScorpionTONG™, the portable off-line tong has just been used at the DTL/BOD test rig site, to save rig floor time. The 2-week job went well, and several operators are evaluating using the tong offshore or on land to save rig floor time. This tool is a timesaving, safer way of handling some makes and breaks of assemblies and subs, off the critical path.

Innicor LinerHANGER™ equipment, our fully spec'd North Sea compatible liner hanger systems will soon be arriving in Aberdeen. We will then be in a position to supply 7" x 9.5/8" and 4.1/2"/5" x 7" systems.

FloMASTER™ DP, the drill pipe deployed u-tube control tool for cementing recently completed a series of jobs in the North Sea, and allowed cement plugs to be laid consecutively on an otherwise tricky project.

DriveSHOE™, we have just developed and are in the process of supplying closed-end drive shoes for conductor driving in the Caspian region. The closed-end design prevents formation coming into the ID while driving. Drilling only occurs once there is a riser connected so there are no returns or cuttings accumulated to the seabed.

For more information on any Caledus products or services go to www.caledus.com or email info@caledus.com or call us on +44 (0)1224 659000