



Oct. 7, 2016

RE: Corporate Update

Dear Shareholder,

Since taking over operations of the Manola property on July 15, 2016, Axiom ("The Company") has completed the following:

- Implemented corporate health, safety, environment, and emergency response programs;
- Worked over 9 oil wells to repair holes in tubing, broken rods, adding additional perforations in wellbores; 6 producing while 3 awaiting pipeline reactivation in next 7 to 14 days;
- Increased field production from approximately 110 to 170 barrels oil per day ("bopd") and from 600 to 1,200 mcf/d. This is a field increase from 210 to 370 barrels equivalent per day which is an increase of roughly 75%;
- Completed annual facility maintenance turn-around in September including annual inspections and a major vessel repair;
- Developed pressure equipment, pipeline integrity and pipeline operations programs;
- Received positive initial indications from reputable reservoir engineering experts for further exploitation potential such as horizontal drilling;
- Identified approximately 15 to 20 total workovers/reactivations on existing wells with 9 of them now completed;
- Identified approximately 20 horizontal legs for future drilling from either existing well re-entries or new drills;
- Developed and approved corporate governance policies;
- Overcame challenges:
  - August and September were very wet as shown on the photo. Purchased rig mats to permit continued operations through these wet conditions.
  - Pipe stuck on first well: Returned a week later and were able to free the stuck pipe downhole. The problem was split tubing.

- Treater turnaround maintenance: Major vessel had pitting and was repaired with welding and coating. This unforeseen problem resulted in a \$25,000 cost overrun. September field downtime was 8 days instead of 3. This repair was mandatory to prevent a possible future failure and spill incidents and increases the life of the vessel.

Wet weather makes for challenging field service rig work:



Future Company plans:

- Continue with 2 service rigs in the field doing 3 more oil workovers and field optimization with a short term risked target of 200 bopd;
- Schedule 5 to 10 gas well workovers/reactivations with a short term risked target of 2.0 mmcf/d;
- Deploy rental compressors to reduce surface flowline, which in turn allows better inflow and higher production;
- Shoot downhole fluid levels to optimize pump jack speeds on oil wells;
- Continue pipeline testing to ensure integrity and allow more wells to come on-stream;
- Continue to improve company's AER License Liability Rating (LRR) from current 1.55;
- Evaluate minor area acquisitions;
- Continue to monitor capital markets for IPO opportunity

Thank you for your continued support as we continue to grow the company and add shareholder value. The Company will continue to provide updates on its website ([www.axiomoilandgas.ca](http://www.axiomoilandgas.ca)) on a regular basis and as material events happen. Please do not hesitate to contact me should you have any concerns or questions.

Regards,

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Service Rig:



## Removal of fire tube from major treater vessel for inspection and repairs:



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