BlackPearl Announces Third Quarter 2013 Financial and Operating Results

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CALGARY, ALBERTA -- (Marketwired - Nov. 7, 2013) - BlackPearl Resources Inc. ("BlackPearl" or the "Company") (TSX:PXX) (OMX:PXXS) is pleased to announce its financial and operating results for the three and nine months ended September 30, 2013.

Third quarter highlights include:

- Higher crude oil prices and narrower heavy oil differentials contributed to a 38% increase in revenues to $69.1 million compared to Q3 2012;

- Record cash flow from operations of $32.6 million, a 57% increase from a year earlier;

- Net earnings for the quarter were $9.3 million compared to $0.5 million in Q3 2012;

- At Onion Lake, we received environmental approval for our thermal enhanced oil recovery (EOR) project; we now have all key regulatory approvals required to initiate construction of the project; we drilled 24 successful conventional oil wells in Q3 which will positively impact Q4 production;

- At Blackrod, results from the SAGD pilot continue to meet our expectations; cumulative production from the pilot has reached 200,000 barrels of oil. Steam injection in the second well pair commenced in early November;

- At Mooney, production growth from the ASP flood was temporarily impacted by facility and pipeline maintenance work during the quarter; current field production is near 4,000 barrels of oil per day.

John Festival, President of BlackPearl, commenting on Q3 2013 activities, stated that:

"Strong crude oil prices and tighter differentials contributed to BlackPearl posting record revenues and cash flow during the third quarter.

Production volumes were temporarily lower due to maintenance work at Mooney during the quarter; however, corporate production levels are now back over 10,000 barrels per day and we are on target to reach the upper end of our exit rate production guidance for the year of 10,500 barrels per day.

Operationally, a key component of our strategy is to move our thermal assets into development and we made very good progress in the third quarter. At Onion Lake, we received regulatory approval to commence construction of our project and we made the decision to develop the project in phases, with the first phase planned for 6,000 barrels per day. Financing thermal projects in the current environment is a challenge; however, by reducing the size of the initial phase of the Onion Lake thermal project and lowering our capital requirements we believe the project is financially and technically more manageable. We are currently evaluating a number of financing options for the first phase of the project and we are targeting to have a fully funded financing plan in place by year-end. At Blackrod, the regulatory review of our commercial development application is progressing and we have recently started steam injection into the second well pair of our pilot expansion.

From 2009 to 2013, our compounded average growth rate (CAGR) in oil and gas production was about 16%. With phase one of the Onion Lake EOR project producing 6,000 barrels of oil per day by early 2016, we will exceed that historical CAGR with little or no dilution. We should be able to achieve that growth with a debt to cash flow under two times. In addition, our ability to find a partner for our commercially proven Blackrod project would further enhance that growth rate."

Property Review

Blackrod SAGD Pilot Project

We have been operating the SAGD pilot at Blackrod for over two years. The single well pair pilot has produced in excess of 200,000 barrels of oil during this period. The objective of the pilot was to, in part, show that we are able to achieve commercial production rates and steam oil ratios from the Grand Rapids formation in the Athabasca oil sands region. In addition to meeting this objective the pilot has allowed us to test and refine some of our operating procedures to optimize production before we transition to a commercial operation. The existing pilot continues to produce in excess of 300 barrels of oil per day at a steam oil ratio of between 3.5 and 4.

Earlier this year we expanded the pilot by drilling a second well pair. This well pair was drilled longer (950 metres) and deeper in the reservoir which we expect will result in an increase in production rates compared to the original well. The objective of the second well pair is to continue to refine some of our operating strategies including well start-up procedures, steam distribution and sand control methods. We initiated steam injection in the second well pair in early November and, after a three to six month warm-up period (when steam is injected into both the injector and producer wells) the well pair will be converted to SAGD operation.

The Alberta Energy Regulator (AER) is continuing to review our 80,000 barrel per day commercial development application at Blackrod. We have received and responded to the AER's first set of supplemental information requests (SIR) and we recently received a second set of SIRs, which we expect to respond to in early December. In addition, we continue to discuss our application with stakeholders in the area and address any of their concerns regarding the proposed development. We are continuing to target receipt of regulatory approval for the commercial project during the first half of 2014.

Due to the size of the Blackrod project and the financial resources required to initiate the first phase of development we will look at joint venture opportunities to accelerate development and reduce our financial exposure in the project. If we are unable to find a joint venture partner on attractive terms we will likely defer development until after we have completed construction of the Onion Lake EOR thermal project, when we are, financially, in a better position to tackle a larger thermal project.

We have a 100% working interest in the Blackrod project and as at December 31, 2012 our independent reserves evaluator assigned 180 million barrels of probable reserves to the first phase of commercial development and a best-estimate recoverable contingent resource of 476 million barrels for the remainder of the project (see cautionary statement regarding contingent resources later in this release).

Onion Lake

The Onion Lake area continues to be BlackPearl's most active area, accounting for 50% of total corporate production. Production in the third quarter averaged 4,678 barrels of oil per day, 6% lower than Q2 2013 production. The decrease in production is mainly attributable to natural declines.

We drilled 24 conventional heavy oil wells at Onion Lake during the third quarter with a 100% success rate. The majority of these wells were completed and placed on production in October.

During the third quarter, our application to construct a 12,000 barrel per day thermal EOR project at Onion Lake was approved by Indian Oil and Gas Canada, which was the final major regulatory hurdle before development could begin. With all key regulatory approvals in hand, internally we estimate that we could move 70+ million barrels of oil from the resource category to the reserve category for our year-end reserve reports.

We have decided to develop the Onion Lake thermal project in phases, with the first phase designed for 6,000 barrels of oil per day, rather than proceeding directly with a 12,000 barrel per day project, which was our original plan. The phased approach allows us to reduce our financial exposure and technical risks while allowing us to benefit from learnings gathered from reviewing similar sized thermal projects near Onion Lake. A number of other operators have demonstrated that these Saskatchewan thermal projects tend to be smaller than projects typically developed in the Alberta oil sands, but they also have certain cost advantages which can provide very attractive economics.

We have begun detailed engineering work for a 6,000 barrel per day project but we will defer procurement and construction until financing is in place for the project, which we expect to have in place by the end of the year. Capital costs for a 6,000 barrel per day first phase is anticipated to be approximately $175 million.

At December 31, 2012, the Company's independent reserves evaluator assigned 74 million barrels of "best estimate" contingent resources to the thermal project at Onion Lake (see cautionary statement regarding contingent resources later in this release).

Mooney

At Mooney, no new drilling occurred during the third quarter due to wet weather conditions. The ASP flood continues to perform in-line with our expectations; achieving a record production rate of 2,200 boe/day in October. Twenty three wells in Phase one of the flood have seen increased pressure and are experiencing production response. We anticipate further production increases as these wells continue to respond to the ASP flood.

Third quarter production from the ASP flood as well as the Phase two expansion lands was temporarily impacted due to preventative maintenance work undertaken on the production facilities as well as the flow-line infrastructure in the field. In the third quarter total field production was 3,324 boe/day, a 33% increase compared to the third quarter in 2012 and 10% lower than second quarter production volumes. The maintenance work was completed in September and the production ramp-up from the ASP flood resumed. During the month of October, the Mooney field produced almost 4,000 boe/day.

In the fourth quarter we are planning to drill an additional six horizontal wells on the Phase 2 expansion lands. We have drilled 29 horizontal wells on these lands to date and the average production rate on these wells has exceeded the primary production rates from the Phase one wells. We have received regulatory approval to expand the ASP flood to the Phase 2 lands and we expect to convert these lands to ASP flood by the second half of 2014.

Production

Oil and gas production averaged 9,382 boe/day in the third quarter, comparable to the same quarter in 2012.

Higher production volumes associated with the ASP flood at Mooney were offset by natural production declines at Onion Lake. Our year-end exit production rate is expected to be between 10,000 and 10,500 boe/day.

	Three months ended September 30,		Nine months ended September 30,	
(boe/day)	2013	2012	2013	2012
Onion Lake	4,678	5,889	4,666	6,313
Mooney	3,324	2,495	3,634	2,271
John Lake	940	624	841	547
Blackrod	303	318	227	289
Other	137	14	117	47
	9,382	9,340	9,485	9,467

Financial Results

Oil and gas revenues increased 38% in the third quarter of 2013 to $69.1 million compared with $50.1 million in Q3 2012. The increase is mainly attributable to higher realized oil prices in 2013. The increase in our realized wellhead price reflects higher WTI reference oil prices in Q3 2013 compared with Q3 2012 (US$105.83/bbl vs US$92.17/bbl), as well as narrower heavy oil differentials (US$17.48/bbl vs US$21.71/bbl).

Operating costs were $19.95 per boe in Q3 2013 compared with $16.99 per boe in Q3 2012. The increase in operating costs in 2013 is primarily due to starting to expense injection and polymer costs associated with the ASP flood at Mooney. During the initial re-pressurization of the reservoir these costs were capitalized.

Cash flow from operations increased 57% in Q3 2013 to $32.6 million compared to $20.8 million in Q3 2012. The increase is attributable to higher oil prices.

At September 30, 2013, long term debt was $10 million.

Financial and Operating Highlights

($000, except where noted)	Three months ended September 30 2013	2012	Nine months ended September 30 2013	2012
Daily production / sales volumes				
Oil (bbl/d) (2)	9,108	9,259	9,237	
Natural gas (mcf/d)	1,643	485	1,491	
Combined (boe/d) (1)	9,382	9,340	9,485	
Product pricing ($)				
Crude oil - per bbl	84.85	60.76	67.57	
Natural gas - per mcf	2.38	2.20	3.06	
Combined - per boe	82.72	60.34	66.50	
Revenue				
Oil and gas revenue - gross	69,092	50,081	168,085	
Royalties ($/boe)	17.39	13.05	12.90	13.8
Transportation costs ($/boe)	2.50	3.07	3.14	
Operating costs ($/boe)	19.95	16.99	21.28	
Net income for the period	9,270	530	6,223	
Per share, basic	0.03	0.00	0.02	
diluted	0.03	0.00	0.02	0
Cash flow from operations(3)	32,609	20,781	65,471	
Capital expenditures	24,326	28,991	70,742	
Working Capital (deficiency), end of period	(2,380)	1,394	(2,380	
Long term debt	10,000	-	10,000	-
Shares outstanding, end of period	296,305,808	285,401,346	296,305,808	285,401

(1) Boe amounts are based on a conversion ratio of 6 mcf of gas to 1 barrel of oil. Boe's may be misleading, particularly if used in isolation. A boe conversion ratio of 6 mcf: 1 barrel is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.

(2) Includes production from the Blackrod SAGD pilot.

(3) Cash flow from operations is a non-GAAP measure that represents cash flow from operating activities before decommissioning costs incurred and changes in non-cash working capital related to operations. Cash flow from operations does not have a standardized meaning prescribed by Canadian GAAP and therefore may not be comparable to similar measures used by other companies.

Outlook

We expect our oil and gas production to average between 9,500 to 10,000 boe/d for the year, unchanged from our Q2 update. Cash flow from operations for the year is anticipated to bebetween $80 to $85 million. This is slightly higher than our Q2 outlook as a result of higher realized oil prices during the third quarter. Capital spending for the year is anticipated to be between $90 to $95 million, a slight decrease from the $95 to $100 million forecast in our Q2 update. During the fourth quarter our capital spending will be focused on drilling six horizontal wells at Mooney as well as facility upgrades and continuing work on the Onion Lake thermal project. It is expected that this capital program will be funded from anticipated cash flow from operations, proceeds from the recent sale of a non-core assets sale ($5 million) and the Company's credit facilities. The Company's long term debt is expected to between $10 and $15 million at year-end.

The 2013 third quarter report to shareholders, including the financial statements, management's discussion and analysis and notes to the financial statements are available on the Company's website (www.blackpearlresources.ca) or SEDAR (www.sedar.com).

Non-GAAP Measures

This news release includes terms commonly used in the oil and natural gas industry, such as cash flow and cash flow from operations which represent cash flow from operating activities expressed before changes in non-cash working capital and decommission costs incurred during the period. These terms are used by the Company to analyze operating performance, leverage and liquidity and to provide shareholders and investors with additional information to measure the Company's performance and efficiency and its ability to fund a portion of its future activities and to service any long-term debt if incurred in the future. These terms do not have standardized meanings prescribed by GAAP and therefore may not be comparable with the calculation of similar measures by other entities. Consequently, these are referred to as non-GAAP measures.

Contingent Resources

This document makes reference to contingent resources. Contingent resources are defined in the COGE Handbook as those quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations using established technology or technology under development, but are not currently considered to be commercially recoverable due to one or more contingencies. Contingencies may include factors such as economic, legal, environmental, political and regulatory matters or a lack of markets. In the case of the contingent resources assigned to BlackPearl's three core projects the contingencies include the requirement for more evaluation drilling to better define the resource, the absence of submission of commercial SAGD development applications (for future phases of development at Blackrod), the likelihood of attaining regulatory approvals for commercial SAGD development (for our Onion Lake SAGD project), further establishment of increased oil production response from the ASP flood at Mooney and the uncertainty of the timing of production and development. There is no certainty that it will be commercially viable to produce any of the contingent resources. Best estimate (P50) is a classification of estimated resources described in the COGE Handbook as being considered to be the best estimate of the quantity that will be actually recovered. It is equally likely that the actual remaining quantities recovered will be greater or less than the best estimate. If probabilistic methods are used, there should be at least a 50% probability that the quantities actually recovered will equal or exceed the best estimate. For further discussion regarding our contingent resources see our 2012 Annual Information Form available on the Company's website (www.blackpearlresources.ca) or SEDAR (www.sedar.com).

Forward-Looking Statements

This news release contains certain forward-looking statements and forward-looking information (collectively referred to as "forward-looking statements") within the meaning of applicable Canadian securities laws. All statements other than statements of historical fact are forward-looking statements. Forward-looking information typically contains statements with words such as "anticipate", "anticipated", "believe", "appears", "plan", "target", "continue", "continuing", "estimate", "expect", "hope", "may", "intends", "deferred", "will", "project", "timing", "in the event", "move toward", "should", "scheduled", "outlook" or similar words suggesting future outcomes.

In particular, this document contains forward-looking statements pertaining to the estimated exit rate production guidance of 10,500 barrels per day, future CAGR as a result of bringing the Onion Lake EOR project on production as well as discussion of debt to cash flow ratios and dilution from financing the Onion Lake EOR project, our target date to have financing in place for the Onion Lake EOR project, expected transfer of 70+ million barrels of oil from the resource category to the reserve category as a result of having regulatory approval to proceed with the project, anticipated increase in production rates from the second well pair at the Blackrod pilot, estimated timing of receipt of regulatory approval for the Blackrod commercial project, estimated capital costs of $175 million for the first 6,000 barrel per day phase of the Onion Lake EOR project, drilling plans for Mooney for the remainder of the year as well as the timing of converting the Phase 2 lands to ASP flood, and the corporate guidance for 2013 included in the "Outlook" section of this release.

Statements relating to reserves and contingent resources are forward-looking, as they involve the implied assessment, based on certain estimates and assumptions, that the reserves and contingent resources described exist in the quantities predicted or estimated and can profitably be produced in the future.

The forward-looking statements in this report reflect certain assumptions and expectations by management. The key assumptions that have been made in connection with these forward-looking statements include the continuation of current or, where applicable, assumed industry conditions, the continuation of existing tax, royalty and regulatory regimes, commodity price and cost assumptions, the continued availability of cash flow or financing on acceptable terms to fund the Company's capital programs, the accuracy of the estimate of the Company's reserves and resource volumes and that BlackPearl will conduct its operations in a manner consistent with past operations. Although management considers these assumptions to be reasonable based on information currently available to it, they may prove to be incorrect.

By their very nature, forward-looking statements involve inherent risks and uncertainties which could cause actual results to differ materially from those contained in forward-looking statements. These factors include, but are not limited to, risks associated with fluctuations in market prices for crude oil, natural gas and diluent, general economic, market and business conditions, substantial capital requirements, uncertainties inherent in estimating quantities of reserves and resources, extent of, and cost of compliance with, government laws and regulations and the effect of changes in such laws and regulations from time to time, the need to obtain regulatory approvals on projects before development commences, environmental risks and hazards and the cost of compliance with environmental regulations, aboriginal claims, inherent risks and hazards with operations such as fire, explosion, blowouts, mechanical or pipe failure, cratering, oil spills, vandalism and other dangerous conditions, potential cost overruns, variations in foreign exchange rates, diluent supply shortages, competition for capital, equipment, new leases, pipeline capacity and skilled personnel, uncertainties inherent in the SAGD bitumen and Alkali Surfactant Polymer recovery processes, credit risks associated with counterparties, the failure of the Company or the holder of licenses, leases and permits to meet requirements of such licenses, leases and permits, reliance on third parties for pipelines and other infrastructure, changes in royalty regimes, failure to accurately estimate decommissioning costs, inaccurate estimates and assumptions by management, effectiveness of internal controls, the potential lack of available drilling equipment and other restrictions, failure to obtain or keep key personnel, title deficiencies with the Company's assets, geo-political risks, risks that the Company does not have adequate insurance coverage, risk of litigation and risks arising from future acquisition activities. Further information regarding these risk factors may be found under "Risk Factors" in the Annual Information Form.

Undue reliance should not be placed on these forward-looking statements. Readers are cautioned that the actual results achieved will vary from the information provided herein and the variations could be material. Readers are also cautioned that the foregoing list of assumptions, risks and factors is not exhaustive. There can be no assurance by the Company that actual results achieved will be the same in whole or in part as those set out in the forward-looking information. Furthermore, the forward-looking statements contained in this report are made as of the date hereof, and the Corporation does not undertake any obligation, except as required by applicable securities legislation, to update publicly or to revise any of the included forward-looking statements, whether as a result of new information, future events or otherwise. The forward-looking statements contained herein are expressly qualified by this cautionary statement.

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