CALGARY, ALBERTA--(Marketwired - May 4, 2016) - BlackPearl Resources Inc. ("BlackPearl" or the "Company") (TSX:PXX)(OMX:PXXS) is pleased to announce its financial and operating results for the three months ended March 31, 2016.

Highlights include:

- Production averaged 9,166 barrels of oil equivalent (boe) per day, an 11% increase compared to Q1 2015 volumes. The increase is attributable to the production ramp-up on the Onion Lake thermal project.
- Operating costs and transportation costs averaged $15.03/bbl, a 36% decrease from Q1 2015.
- During a period of exceptionally low oil prices we reduced our bank debt by $2 million to $86 million at March 31, 2016.
- Revenues for the quarter were $13 million and funds flow from operations was $3.3 million.
- The first phase of the Onion Lake thermal EOR project is currently producing 5,300 barrels of oil per day - on target to reach its design capacity of 6,000 barrels per day by mid-year.
- The Blackrod SAGD pilot continues to provide very positive results - the pilot has averaged over 550 barrels of oil per day at a steam oil ratio of 2.75 over the last 12 months.

John Festival, President of BlackPearl commented, "The first quarter was a very challenging period for the oil and gas sector. During the first quarter we saw oil prices drop to levels we had not seen in over 12 years. Our objective during the period was to limit spending, cut costs, maintain financial liquidity and focus on our best projects. Production from our Onion Lake thermal project steadily increased during the quarter. This long life, low cost project is very beneficial in the current low price environment. Our Blackrod and Onion Lake assets provide us with an excellent suite of thermal assets with many years of development potential. Expansion of the Onion Lake thermal project is the next large project we expect to tackle as oil prices recover."

Operations Review

In the current low oil price environment our objective has been to reduce exploration and development activities, limit capital spending and focus on our most cost effective projects. We did not undertake any new drilling activity during the first quarter of 2016. Capital expenditures in the first quarter were $2 million.

At Onion Lake, we are continuing to achieve a steady production ramp-up from the first phase of our thermal EOR project. We initiated steam injection in June of last year and achieved first oil in September. During the first quarter of 2016 oil production from the project averaged over 4,200 bbl/d, with a steam oil ratio of 3.5. In April, the project produced approximately 5,300 bbl/d with a steam oil ratio of 2.9 and we are on target to reach our design capacity of 6,000 bbl/d by mid-year. We have commenced preliminary planning for the second 6,000 bbl/d phase on the project; however, we do not expect to incur any significant expenditures on this phase until oil prices improve. The thermal project in the Onion Lake area is our lowest cost production. During the first quarter of 2016 operating and transportation costs were $15.17/bbl on the thermal project, and we expect these costs to trend lower as our production volumes increase.

At Blackrod, we did not undertake any new activities in 2016; however, our existing SAGD pilot is continuing to perform exceptionally well. In March, oil production averaged over 600 bbls/d, with a steam oil ratio of 2.7. The pilot well's production rate has averaged in excess of 550 bbl/d of oil for 12 consecutive months and has cumulatively produced over 300,000 barrels of oil. We are planning to continue to operate the pilot as we are still acquiring valuable technical and operational data. In 2012, we filed an application for an 80,000 bbl/d commercial development of the Blackrod leases, including a full environmental impact study. We have been advised that our application has met all of the regulatory requirements and we are waiting on final approval. Having an approved development application with a successful pilot project would be very helpful in reviewing financing options for the project in the future.

At Mooney, during the first quarter of 2016 we elected to temporarily shut-in the majority of the first phase of the ASP flood until oil prices improve. Due to the polymer and other chemicals required for an ASP flood, Mooney is one of our higher cost areas and we feel it is prudent to defer on-going development of the area until we see a sustained increase in oil prices. Temporarily shutting-in the ASP flood is not expected to affect the ultimate recovery of the reserves in the area.

Production

Oil and gas production averaged 9,166 barrels of oil equivalent per day in the first quarter of 2016, an 11% increase compared with the first quarter of 2015. The increase reflects the successful ramp-up of production from our Onion Lake thermal EOR project. Production has decreased in our non-thermal areas as a result of limited new drilling activity, natural declines as well as the result of the Company's decision to temporarily shut-in oil production at Mooney and on our conventional Onion Lake properties. Approximately 900 bbl/d are currently shut-in at Mooney and 1,000 bbl/d at Onion Lake.We plan to put these wells back on production when oil prices recover to a level where they can contribute positive cash flow to our operations.

Average Daily Sales Volume

| Production by area (boe/d) | Q1 2016 | Q4 2015 | Q1 2015 |
|---|---|---|---|
| Onion Lake - thermal | 4,252 | 3,010 | - |

| | | | |
|---|---|---|---|
| Onion Lake - conventional | 2,232 | 2,914 | 3,959 |
| Mooney | 1,042 | 1,902 | 2,797 |
| John Lake | 861 | 955 | 1,011 |
| Blackrod | 584 | 562 | 406 |
| Other | 195 | 178 | 96 |
| | 9,166 | 9,521 | 8,269 |

Financial Results

Oil and gas revenues were $13.0 million in the first quarter of 2016, a decrease of 41% from the first quarter of 2015. The decrease in revenues is attributable to a 47% decrease in our average sales price partially offset by an 11% increase in production volumes.

Our realized oil price (before the effects of risk management activities) in Q1 2016 was $16.77 per barrel compared to $32.05 per barrel in 2015. The decrease in our realized wellhead price reflects significantly lower WTI reference oil prices in Q1 2016 compared with Q1 2015 (US$33.45/bbl vs US$48.63/bbl), partially offset by a weaker Canadian dollar relative to the US dollar ($0.727 vs $0.806) and slightly tighter heavy oil differentials (US$14.32/bbl vs US$14.71).

During the first quarter we also realized a gain of $6.1 million from our oil hedging program, which was the equivalent of adding $7.84 per barrel to our wellhead price in the quarter. The following summarizes the hedging contracts we currently have outstanding:

| Subject of Contract | Volume | Term | Reference | Strike Price | Option Traded |
|---|---|---|---|---|---|
| Oil | 1,000 bbls/d | April 1, 2016 to December 31, 2016 | CDN$ WCS | CDN$ 51.15/bbl | Swap |
| Oil | 2,000 bbls/d | April 1, 2016 to December 31, 2016 | CDN$ WCS | CDN$ 47.60/bbl | Swap |
| Oil | 2,000 bbls/d | April 1, 2016 to December 31, 2016 | US$ WTI | US$ 65.00/bbl | Sold Call |
| Oil | 1,000 bbls/d | January 1, 2017 to December 31, 2017 | US$ WTI | US$ 60.00/bbl | Sold Call |

Operating costs decreased significantly in the first quarter of 2016. In Q1 2016 operating and transportation costs were $11.7 million or $15.03/bbl compared with $16.7 million or $23.58/bbl in Q1 2015. The decrease in operating and transportation costs is attributable to our on-going efforts to reduce our cost structure including generating a higher proportion of our production volumes from the Onion Lake thermal project which has lower average operating costs, as well as temporarily shutting-in some of our higher cost production, which includes the Mooney ASP flood.

Reduced revenue, partially offset by lower royalties, transportation costs and operating costs resulted in a 75% decrease in funds flow from operations in Q1 2016 to $3.3 million compared to $12.9 million for the same period in 2015.

Bank debt at March 31, 2016 was $86 million. The total credit facilities available to the Company are currently $150 million. The lenders next review of these facilities will be completed by May 31, 2016.

*Financial and Operating Highlights*

| | Three months ended March 31 | |
|---|---|---|
| | 2016 | 2015 |
| Daily sales volumes(1) | | |
| Oil (bbl/d) | 8,422 | 7,479 |
| Bitumen (bbl/d) | 584 | 406 |
| Combined | 9,026 | 7,885 |
| Natural gas (mcf/d) | 845 | 2,303 |
| Combined (boe/d) | 9,166 | 8,269 |
| Product pricing ($) | | |
| Crude oil - per bbl | 16.77 | 32.05 |
| Natural gas - per mcf | 1.77 | 2.63 |
| Combined - per boe | 16.67 | 31.25 |
| Operating netback ($/boe) | | |
| Sales | 16.67 | 31.25 |
| Realized gains on risk management contracts | 7.84 | 19.37 |
| | 24.51 | 50.62 |
| Royalties | 1.72 | 5.82 |
| Transportation costs | 2.68 | 1.10 |

| | | |
|---|---|---|
| Operating costs | 12.35 | 22.48 |
| Netback [3] | 7.76 | 21.22 |
| ($000's, except per share and boe amounts) | | |
| Revenue | | |
| Oil and gas revenue - gross | 13,021 | 22,115 |
| Loss for the period | (9,322) | (10,944) |
| Per share, basic and diluted | (0.03) | (0.03) |
| Funds flow from operations[2] | 3,278 | 12,940 |
| Capital expenditures | 2,077 | 42,981 |
| Working capital defiency (surplus), end of period | (9,155) | 11,137 |
| Long term debt | 86,000 | 78,000 |
| Net debt [4] | 76,845 | 89,137 |
| Shares outstanding, end of period | 335,638,226 | 335,638,226 |

*[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] Funds 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. Funds 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.

[3] Netback is a non-GAAP measure that does not have a standardized meaning prescribed by Canadian GAAP and therefore may not be comparable to similar measures used by other companies

*[4] Net debt is a non-GAAP measure that does not have a standardized meaning prescribed by Canadian GAAP and therefore may not be comparable to similar measures used by other companies*

Outlook

For the remainder of the year we will continue to maintain our strong balance sheet by limiting our capital spending and using a portion of our funds flow to reduce debt levels until we see a sustained price recovery. We are planning to spend $10 to $15 million on capital projects, unchanged from our February guidance. Capital spending includes preliminary planning for the second phase of the Onion Lake thermal EOR project, continuing to operate the Blackrod SAGD pilot through the year and maintenance capital in all our core areas. Expansion of the Mooney ASP flood has been deferred until oil prices improve. The Company continues to have the flexibility to expand or defer our capital program as economic conditions change.

The capital program is expected to be funded from our anticipated funds flow from operations which is expected to be between $20 and $25 million, up from our February guidance of $5 to $10 million. The increase in funds flow is a result of an increase in our forecast oil prices for the remainder of the year. For budget purposes, we are using US$40/bbl WTI prices, a heavy oil differential of US$14/bbl and Cdn$1=US$0.77 foreign exchange rate for the remainder of the year. A portion of anticipated funds flow is also expected to be used to reduce our debt levels. Yearend debt levels are expected to between $75 and $80 million, a decrease from our February guidance of $90 to $95 million.

We anticipate oil and gas production to average between 9,000 and 10,000 boe/d in 2016, unchanged from our February guidance. We will continue to monitor crude oil prices and make prudent changes to our capital spending programs and operations as we believe are required.

The 2016 first 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

Throughout this news release, the Company uses terms "funds flow from operations", "netback" and "net debt". These terms do not have standardized meanings as prescribed by GAAP and, therefore, may not be comparable with the calculation of similar measures presented by other issuers. 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. "Funds flow from operations" represents cash flow from operating activities (the closest GAAP measure) expressed before decommissioning costs incurred and changes in non-cash working capital. "Netback" is calculated as oil and gas revenues less royalties, production costs, transportation costs and realized gains/losses on risk management contracts, divided by total production for the period on a boe basis. "Net debt" represents long term debt less working capital. All dollar amounts throughout this new release are stated in Canadian dollars unless otherwise noted.

Forward-looking Statements

This 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 historic fact are forward-looking statements. Forward-looking statements are typically identified by such words as "seek", "anticipate", "plan", "continue", "estimate", "expect", "may", "will", "project", "potential", "targeting", "intend", "could", "might", "should", "believe" or similar words suggesting future events or future performance.

In particular, but without limiting the foregoing, this report contains forward-looking statements pertaining to our business plans and strategies; capital expenditure and drilling programs including the target date for the Onion Lake thermal EOR project to reach its design capacity of 6,000 bbl/d, timing for expansion of the Onion Lake thermal EOR project, the expectation that operating costs will trend lower as production volumes increase at the Onion Lake thermal EOR project, the expectation that temporarily shutting-in the Mooney ASP flood will not impact the ultimate recovery of reserves, timing as to when we would bring back on production the Onion Lake and Mooney shut-in wells and all information in the Outlook section of this news release.

The forward-looking statements in this document 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; risks related to the exploration, development and production of crude oil, natural gas and NGLs reserves; 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 ASP 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 abandonment and reclamation 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 and others 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. Consequently, there is 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 statements. Furthermore, the forward-looking statements contained in this document are made as of the date hereof, and the Company 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.

The information in this release is subject to the disclosure requirements of BlackPearl Resources Inc. under the Swedish Securities Market Act and/or the Swedish Financial Instruments Trading Act. This information was publicly communicated on May 4, 2016 at 3:30 p.m. Mountain Time.

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