CALGARY, ALBERTA--(Marketwired - Aug. 9, 2016) - BlackPearl Resources Inc. ("BlackPearl" or the "Company") (TSX:PXX) (OMX:PXXS) is pleased to announce its financial and operating results for the three and six months ended June 30, 2016.

Highlights include:

- The Onion Lake thermal EOR project successfully reached its design capacity of 6,000 barrels of oil per day (bbl/d) during the second quarter and is currently producing over 6,400 bbl/d at a steam oil ratio of 2.5.
- Corporately, production averaged 9,698 barrels of oil equivalent (boe) per day in Q2 2016, a 20% increase compared to Q2 2015 volumes. The increase is attributable to the production ramp-up on the Onion Lake thermal project.
- Stronger Q2 crude oil prices contributed to a 117% increase in revenues and 251% increase in funds from operations compared to Q1 2016. Year to date we have generated revenues of $41 million and funds from operations of $15 million;
- We continued to use free cash flow to reduce debt levels; our bank debt dropped from $88 million at the beginning of the year to $80 million on June 30, 2016; and it has been further reduced to $75 million after the end of the quarter.
- At Blackrod, the pilot well pair has produced in excess of 550 bbl/d at a steam oil ratio of 2.8 for the last 12 months. The continuing positive results generated from our SAGD pilot further support the viability of our proposed 80,000 bbl/d commercial development.
- As a result of the Company's on-going cost reduction initiative operating and transportation costs averaged $14.71/bbl, a 30% decrease from Q2 2015.

John Festival, President of BlackPearl commenting on Q2 activities indicated that "the highlight of the quarter was the impressive performance of our Onion Lake thermal operations. These results put our Onion Lake project in the top quartile of Canadian thermal projects. We have a high quality team that built and is now operating the project and the success of the first phase bolsters our confidence and commitment to expand the project that will double its size."

Financial and Operating Highlights

	Three months ended June 30,		Six months ended June 30,	
	2016	2015	2016	2015
Daily sales volumes				
Oil (bbl/d)	9,004	6,937	8,723	7,207
Bitumen (bbl/d)	553	613	568	510
	9,557	7,550	9,291	7,717
Natural gas (mcf/d)	847	3,004	846	2,655
Combined (boe/d) (1)	9,698	8,051	9,432	8,159
Product pricing ($) (before the effects of hedging transactions)				
Crude oil - per bbl	34.44	47.52	25.89	39.53
Natural gas - per mcf	1.29	2.61	1.53	2.62
Combined - per boe (1)	34.03	45.37	25.63	38.15
Netback ($/boe) (1) (2)				
Oil and gas sales	34.03	45.37	25.63	38.15
Realized gain on risk management contracts	2.35	7.75	5.01	13.69
Royalties	4.58	6.58	3.20	6.19
Transportation	1.48	1.18	2.06	1.14
Operating costs	13.23	19.86	12.80	21.20
	17.09	25.50	12.58	23.31
($000's, except per share amounts)				
Revenue				
Oil and gas revenue - gross	28,318	30,712	41,339	52,827
Loss for the period	(8,945)	(10,079)	(18,267)	(21,023)

Per share, basic and diluted	(0.03)	(0.03)	(0.05)	(0.06)
Funds flow from operations[3]	11,497	14,968	14,775	27,908
Capital expenditures	945	15,992	3,022	58,973
Working capital deficiency (surplus), end of period	(4,497)	20,086	(4,497)	20,086
Long term debt	80,000	79,000	80,000	79,000
Net debt [4]	75,503	99,086	75,503	99,086
Shares outstanding, end of period	335,646,559	335,638,226	335,646,559	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) 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.

(3) Funds flow from operations is a non-GAAP measure that represents cash flow from operating activities (the closest GAAP measure) 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.

(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.

Property Review

Onion Lake

Our new Onion Lake thermal project is proving to be the low cost, low risk growth opportunity, that we anticipated when we sanctioned the development of the project in 2014.

We commenced construction of the project in March 2014. Construction was completed 15 months later and we initiated steam injection in June 2015. Production has steadily increased over the last year and, in June 2016, production reached name plate design capacity of 6,000 bbls/d. Equally important, the steam oil ratio averaged 2.7 in June, lower than our engineering design of 2.9. The ramp-up in production volumes is continuing, with July 2016 oil production averaging over 6,400 bbls/d. A planned turn-around of the central processing facilities for general maintenance and minor equipment modifications was completed in May.

Thermal projects in Saskatchewan, such as our Onion Lake project, provide some of the most attractive economics in industry in terms of capital efficiency and low operating costs. The first phase of our Onion Lake thermal project was built for under $35,000 per flowing barrel and operating costs are currently under $10/bbl. Because thermal production is our lowest cost production, growth from the Onion Lake project has the effect of bringing down our overall cost structure which is critical in a lower oil price environment. Additionally, these projects have stable production for 15 to 20 years, with relatively low annual sustaining capital of $4 to $6 per barrel.

We have begun the planning for phase two expansion of the Onion Lake thermal project. This phase will be similar to the first phase - designed for production of 6,000 bbl/d, with similar central processing facilities, and primarily using a modified SAGD process (horizontal producers, vertical injectors). Because the second phase will be a "look-a-like" to the first phase and the fact that phase one included construction of certain infrastructure to support phases one and two, total engineering, design and construction time is expected to be less, likely 12 to 15 months. We currently have regulatory approval for a 12,000 bbl/d development at Onion Lake. Detailed cost estimates have not been completed for phase two; however, our preliminary estimates are in the range of $175 to $185 million, which is 20% less than the costs to construct phase one. Timing to sanction phase two development is dependent on improved economic conditions (oil prices) and securing additional financing for the project. We are evaluating various funding opportunities for the phase two expansion.

We have also been looking for thermal growth opportunities at Onion Lake beyond phases one and two and our on-going technical review of our Onion Lake acreage has identified several opportunities that have the potential to add another phase of 6,000 bbl/d (phase three) of production. Further evaluation of these opportunities will continue over the next several months.

No new drilling occurred in Q2 2016 within our conventional development at Onion Lake; however we are planning a small drilling program during the second half of the year.

Blackrod

The performance of our SAGD pilot at Blackrod continues to demonstrate the positive technical traits required for a successful commercial development on our Blackrod lands. During the second quarter, the pilot produced an average of 553 bbl/d. The pilot has produced in excess of 550 bbl/d for 12 consecutive months, and has produced, cumulatively, over 390,000 barrels of oil.

Our Blackrod leases have over a billion barrels of oil in place. The success of our SAGD pilot bolsters our commitment to commercially develop these lands. Our 80,000 bbl/d commercial development application is waiting on Order-In-Council approval from the Alberta government. Our aim is to accelerate development of our Blackrod lands as market conditions improve.

Mooney

No new activities were initiated at Mooney during the first half of the year due to low oil prices. During the first quarter we temporarily shut-in the majority of the first phase of the ASP flood due to low oil prices. We plan to re-initiate the flood and ultimately expand it as oil prices recover. 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 9,698 barrels of oil equivalent per day in the second quarter of 2016, a 20% increase compared with the second quarter of 2015. The increase in oil production reflects the successful ramp-up of production from our Onion Lake thermal project partially offset by a reduction in our conventional oil production as a result of natural declines, limited new drilling activity and our decision to selectively shut-in production at Onion Lake and Mooney due to low oil prices.

Average Daily Sales Volume

	Three months ended June 30,		Six months ended June 30,	
(boe/day)	2016	2015	2016	2015
Onion Lake - thermal	5,221	-	4,737	-
Onion Lake - conventional	2,138	3,624	2,185	3,790
Mooney	714	2,588	878	2,692
John Lake	870	1,022	865	1,016
Blackrod	553	613	568	510
Other	202	204	199	151
	9,698	8,051	9,432	8,159

Financial Results

Oil and gas revenues in Q2 2016 improved significantly from the first quarter due to higher crude oil prices and higher production volumes; however, revenues were lower than the comparable quarter in 2015. Oil and gas revenues were $28.3 million in the second quarter of 2016, an 8% decrease from the second quarter of 2015. The decrease in revenues is attributable to a 25% decrease in our average sales price partially offset by a 20% increase in production volumes.

Our realized oil price (before the effects of risk management activities) in Q2 2016 was $34.44 per barrel compared to $47.52 per barrel in 2015. The decrease in our realized wellhead price reflects lower WTI reference oil prices in Q2 2016 compared with Q2 2015 (US$45.59/bbl vs US$57.94/bbl) and wider heavy oil differentials (US$13.30/bbl vs US$11.62/bbl), partially offset by a weaker Canadian dollar relative to the US dollar ($0.776 vs $0.813).

Our oil hedging program has helped mitigate some of the negative impact of the low oil price environment in 2016. During the first half of 2016 we realized a gain of $8.1 million from our oil hedging program, which was the equivalent of adding $5.01 per barrel to our wellhead price. The following summarizes the hedging contracts we currently have outstanding:

Subject of Contract	Volume	Term	Reference	Strike Price	Type
2016					
Oil	1,000 bbls/d	July 1, 2016 to December 31, 2016	CDN$ WCS	CDN$ 51.15/bbl	Swap
Oil	2,000 bbls/d	July 1, 2016 to December 31, 2016	CDN$ WCS	USD$ 47.60/bbl	Swap
Oil	2,000 bbls/d	July 1, 2016 to December 31, 2016	US$ WTI	USD$ 65.00/bbl	Sold Call
2017					
Oil	1,000 bbls/d	January 1, 2017 to December 31, 2017	CDN$ WCS	CDN$ 50.00/bbl	Swap

Oil	1,000 bbls/d	January 1, 2017 to December 31, 2017	CDN$ WCS	CDN$ 49.50/bbl	Swap
Oil	1,000 bbls/d	January 1, 2017 to December 31, 2017	US$ WTI	USD$ 60.00/bbl	Sold Call

Operating costs continued to trend lower during the second quarter of 2016. In Q2 2016 operating and transportation costs were $12.2 million or $14.71/bbl compared with $14.2 million or $21.04/bbl in Q2 2015. The decrease in operating and transportation costs is attributable to our on-going efforts to reduce our cost structure which includes 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 at Onion Lake and the majority of the Mooney ASP flood.

Stronger crude oil prices and higher production volumes in Q2 2016 had a positive impact on our funds flow from operations during the quarter. In Q2 2016 our funds flow from operations was $11.5 million, significantly higher than the $3.3 million generated during the first quarter of the year.

During this low oil price environment our focus has been to use our operating cash flow to reduce our debt levels. Long term debt as at June 30, 2016 was $80 million, $8 million lower than at the beginning of the year. The Company recently completed its annual review and semi-annual borrowing base redetermination with the syndicate of lending institutions in its credit facility. Under the terms of the amended credit agreement with the lenders, the total credit facilities available to the Company was amended to $117.5 million, consisting of a $107.5 million syndicated revolving line of credit and a non-syndicated operating line of credit of $10 million.

The 2016 second 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).

Guidance

Our plans for the remainder of 2016 are relatively unchanged from our Q1 2016 guidance update. We are still planning to limit capital spending and use most of our cash flow to reduce debt levels until oil prices recover. Capital spending in 2016 is expected to be between $10 million and $15 million, unchanged from our Q1 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, a small drilling program on our conventional lands and maintenance capital in all our core areas.

Funds flow from operations for 2016 is expected to be between $35 and $40 million, an increase from our Q1 guidance of $20 to $25 million. Year-end 2016 debt levels are anticipated to be between $60 and $65 million, down from our Q1 guidance of $75 to $80 million. The increase in expected funds flow from operations and lower year-end debt levels is primarily due to higher average wellhead prices than what was used in previous guidance. For budget purposes we are using an average US$44.00/bbl WTI price, a heavy oil differential of US$14.30/bbl and Cdn$1 = US$0.76 foreign exchange rate for the second half of the year. We anticipate oil and gas production to average between 9,000 and 10,000 boe/d in 2016, unchanged from our Q1 2016 guidance update.

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 timing and estimated capital costs for the expansion of the Onion Lake thermal EOR project, the expected annual sustaining capital for the Onion Lake 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 Guidance 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 EU Market Abuse Regulation and/or the Swedish Financial Instruments Trading Act. This information was publicly communicated on August 9, 2016 at 3:00 p.m. Mountain Time.

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