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NEWS RELEASE **May 7, 2014**

BLACKPEARL ANNOUNCES FIRST QUARTER 2014 FINANCIAL AND OPERATING RESULTS

CALGARY, ALBERTA – BlackPearl Resources Inc. ("BlackPearl" or the "Company") (TSX:PXX) (NASDAQ OMX Stockholm:PXXS) is pleased to announce its financial and operating results for the three months ended March 31, 2014.

Highlights include:

- The Board of Directors sanctioned development of the Onion Lake thermal project in Saskatchewan and construction began on the first 6,000 barrel per day phase of the project; target date for completion of construction and first steam is mid-2015. Initial oil production from the project is expected within three months of steam injection and peak production rates are expected 9 to 12 months thereafter;
- At Blackrod, the second SAGD pilot well pair was converted to SAGD operation (production phase) in March and we expect to reach peak production rates in 12 to 15 months; we continue to expect approval of our 80,000 barrel per day commercial development application later in 2014;
- At Mooney, development drilling continued on phase two lands and our ASP flood will be expanded to this area later in 2014 or early 2015; initial development of phase 3 lands was initiated in the quarter;
- Strong heavy oil prices resulted in revenues increasing 46% to $59.6 million, funds flow from operations increased 129% to $23 million compared to Q1 2013;
- Funding for our 2014 capital projects was secured with $88 million of equity financings and an expansion of our credit facilities to $150 million;
- Production averaged 9,363 barrels of oil equivalent (boe) per day, a 3% increase over Q1 2013 volumes.

John Festival, President of BlackPearl, commenting on Q1 2014 activities, indicated that "the most significant events in the first quarter was securing financing for our projects and initiating construction of our thermal project at Onion Lake. It has been a very challenging market to secure financing for oil sands and thermal projects over the last 18 months and we are pleased to have been able to complete a combination of debt and equity financings to fully fund the first phase of our Onion Lake thermal project. Once we secured the financing we moved quickly into the construction phase of this project, which will likely take 12 to 15 months to complete. Initiation of construction of this project is an important milestone for our Company. Our long term growth and value creation is directly linked to development of our thermal assets. Thermal projects in Saskatchewan provide very attractive economics with lower capital costs and quicker production ramp-up times compared to Alberta oil sands projects, and we are pleased and excited to begin this development."

Property Review

Onion Lake

At Onion Lake, construction of the initial phase of thermal development began in the first quarter. Capital spending on the thermal project during the quarter was near $30 million. Major equipment packages have been ordered and fabrication of the facility modules is underway. Field construction and assembly of the equipment modules is expected to commence in the third quarter. Three water source wells will be drilled and construction of the water pipeline infrastructure is expected to begin during the third quarter.

Thermal development of the Onion Lake area will utilize a combination of the traditional SAGD process (two horizontal wells drilled approximately 5 metres apart) and a modified SAGD process (using existing and new vertical wells as steam injectors and horizontal producers). The initial 6,000 barrel phase of the project will utilize the modified SAGD process. The advantage of using vertical injectors is that it utilizes existing wellbores and provides us with the flexibility to steam upper hole zones at a later date. The wells are expected to be drilled during the third and fourth quarters this year.

The Company's target for initial steam injection for the commercial facility is mid-2015. Peak oil production rates are expected 12 to 15 months after commencement of steam injection. Capital costs for the first phase of the project are still estimated to be between $200 and $210 million.

We have also begun to assemble our thermal operations team for the project. When we are in full operation next year we expect to have up to 20 staff allocated to thermal operations.

No conventional development drilling occurred at Onion Lake during the first quarter; however, we are planning to begin a 20 well drilling program at Onion Lake after spring-break-up.

Blackrod SAGD Project

At Blackrod, after four months of steam circulation, we converted the second well pair to SAGD operation (production phase) in late March. The second well pair is currently producing approximately 150 barrels of oil per day and is expected to ramp-up and reach peak rates in 12 to 15 months. The initial pilot well pair has recovered in excess of 225,000 barrels of oil and continues to produce in excess of 200 barrels of oil per day. Due to limited steam capacity with our pilot facilities more of our steam is being directed to the second well pair and the lower steam injection rates in the first well pair will impact production rates going forward.

The AER is continuing to review our 80,000 barrel per day commercial SAGD application which we filed in May 2012. No significant issues or opposition to the proposed development have been raised to date in the review process. The initial phase of the project is expected to be designed for 20,000 barrels of oil per day. We continue to expect to receive regulatory approval for the project in 2014. Once we receive development approvals for the project and we obtain more production history from the second well pair we will actively pursue joint venture opportunities to accelerate development of the project.

Mooney

At Mooney, during the first quarter we drilled seven horizontal wells, including two wells on the phase two lands and five wells on phase three lands. We are planning to expand our ASP flood to these lands later this year.

In addition, during the first quarter we expanded our pipeline, facility and road infrastructure to accommodate development of the phase three lands. The wells drilled during the first quarter will be placed on production during the second quarter when the infrastructure expansion is completed. We are planning additional drilling on phase three lands later this year.

We continue to see a favourable response from the ASP flood on the phase one lands at Mooney. Current production from the phase one lands is approximately 2,200 barrels of oil equivalent per day. The response to the ASP flood has been slower in the southern portion of the pool where the oil and reservoir quality is lower than the other areas of the pool. When these southern areas of the pool begin to respond to the flood we expect to reach peak production rates of 2,500 to 3,000 barrels of oil per day later this year.

Production

Oil and gas production averaged 9,363 barrels of oil equivalent per day in the first quarter of 2014, a 3% increase compared with the first quarter of 2013. The increase in oil production in Q1 2014 compared to Q1 2013 is primarily attributable to successful drilling programs at Onion Lake and John Lake in 2013 and a continued positive re-pressurization response form the first phase of the ASP flood at Mooney.

Production volumes in Q1 2014 were 10% lower than Q4 2013 production volumes. The decrease in production is attributable to natural production declines at Onion Lake, as well as, selectively shutting-in some of our wells in the area to prepare for thermal activities in certain portions of the field. The production declines at Onion Lake were not unexpected. The Onion Lake field is a maturing area and many of the wells drilled over the last seven years have reached or are near the end of their productive life. We intend to continue conventional drilling at Onion Lake after spring break-up to flatten the field's primary production profile until we transition to thermal production. The decrease in Q1 2014 production volumes is also partially due to lower volumes at Mooney caused by cold weather issues and the need to temporarily take certain wells off production to facilitate drilling and pipeline work during the first quarter of 2014.

Average Daily Sales Volume

	Three months ended March 31	
(boe/day)	**2014**	2013
Onion Lake	**4,274**	4,322
Mooney	**3,696**	3,892
John Lake	**1,069**	781
Other	**113**	19
	9,014	9,014
Blackrod SAGD pilot	**211**	73
	9,363	9,087

Financial Results

Oil and gas revenues increased 46% in the first quarter of 2014 to $59.6 million compared with $40.7 million in Q1 2013. The increase in revenues is attributable to the 3% increase in production volumes as well as higher realized oil prices in 2014. Our realized oil price (before the effects of risk management activities) in Q1 2014 was $73.23 per barrel compared to $50.64 per barrel in 2013. The increase in realized wellhead price reflects higher WTI reference oil prices in Q1 2014 compared with Q1 2013 (US$98.68/bbl vs US$94.34/bbl), significantly tighter heavy oil differentials (US$23.11/bbl vs US$31.95/bbl) and a weaker Canadian dollar relative to the US dollar ($0.906 vs $0.991).

Operating costs were $19.7 million or $23.88 per boe in Q1 2014 compared to $18.7 million or $23.05 per boe in Q1 2013. In 2014 we began to expense all operating costs associated with the first phase of the ASP flood at Mooney. During the initial re-pressurization of the reservoir these costs were being capitalized.

The increase in production and higher wellhead prices partially offset by higher operating costs resulted in a 129% increase in funds flow from operations in Q1 2014 to $23.0 million compared to $10.0 million for the same period in 2013.

On March 18, 2014, the Company completed a bought deal equity offering of 26,500,000 common shares at a price of $2.65 per common share for gross proceeds of $70.2 million. Subsequent to March 31, 2014, the Company completed a private placement of 3,773,585 common shares at a price of $2.65 per share for gross proceeds of $10.0 million and the underwriters of the bought deal equity offering exercised their over-allotment option on 3,100,000 common shares at a price of $2.65 per share, for additional gross proceeds of $8.2 million. Upon completion of these share issuances, the Company's lending syndicate increased the Company's existing credit facilities from $115 million to $150 million. The increase in debt and equity funding is intended to finance the Company's capital expenditure program in 2014.

Financial and Operating Highlights

	Three months ended March 31	
	2014	2013
Daily production / sales volumes (1)		
Oil (bbl/d)	9,122	8,941
Natural gas (mcf/d)	1,448	879
Combined (boe/d)	9,363	9,087
Product pricing ($) (before the effects of hedging transactions)		
Crude oil - per bbl	73.23	50.64
Natural gas - per mcf	5.41	3.18
Combined - per boe	72.30	50.13
($000's, except per share and boe amounts)		
Revenue		
Oil and gas revenue – gross	59,555	40,671
Royalties ($/boe)	14.00	7.80
Transportation costs ($/boe)	1.87	3.60
Operating costs ($/boe)	23.88	23.05
Loss for the period	(1,126)	(5,644)
Per share, basic and diluted	(0.00)	(0.02)
Funds flow from operations(2)	23,037	10,039
Capital expenditures	49,360	19,101
Working Capital, end of period	28,192	(4,624)
Long term debt	-	11,915
Shares outstanding, end of period	328,398,308	296,108,308

(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.

OUTLOOK

2014 Guidance	Initial Guidance	Q1 Update
Production (boe/d)		
Annual average	10,000 – 10,500	9,000 – 9,500
Funds flow from operations ($millions)	80 - 85	75 – 80
Capital expenditures ($millions)	260 - 270	280 – 300
Year-end debt ($millions)	95 - 105	135 – 140
Pricing Assumptions (annual average)		
Crude oil - WTI	US $92.00	US $95.50
Light/heavy differential	US $21.00	US $20.50
Foreign Exchange (Cdn$ to US$)	0.94	0.92

We have increased our planned capital spending for 2014 from $260 - $270 million to $280 - $300 million. The increase is primarily attributable to timing of expenditures on the Onion Lake thermal project. Delivery of certain equipment modules originally planned for the first half of 2015 is now expected to be accelerated and delivered in 2014. The total capital costs for the first phase of the project continue to be in the range of $200 to $210 million. The increase in planned capital spending has resulted in an increase in our anticipated year-end debt levels to $135 to $140 million.

Due to strong first quarter oil prices we have increased our average pricing assumptions for the year. In our Q1 2014 update we have used an average 2014 WTI price of US$95.50 per barrel and a heavy oil differential of US$20.50 per barrel.

We have lowered our average oil production from 10,000 – 10,500 boe/d to 9,000 – 9,500 boe/d due to weather related issues at Mooney. We were not able to complete our Q1 infrastructure plans (roads and pipelines); this work will get pushed out into Q3 when the ground is drier. As a result, the wells drilled in phase 3 in Q1 and implementation of our ASP flood on our phase 2 lands will be delayed, causing our full year corporate guidance to be lowered.

The 2014 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).

This news release includes terms commonly used in the oil and natural gas industry, such as funds flow and funds flow from operations which represent cash flow from operating activities expressed before changes in non-cash working capital. 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.

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 historical fact are forward-looking statements. Forward-looking information typically contains statements with words such as “anticipate”, “anticipated”, “planning”, “planned”, “potential”, “could”, “continue”, “continued”, “continuing”, “estimate”, “estimates”, “estimated”, “forecast”, “likely”, “expect”, “expected”, “may”, “intend”, “intends”, “intended”, “intention”, “deferred”, “successful”, “will”, “project”, “timing”, “in the event”, “move toward”, “should”, “scheduled”, “outlook” or similar words suggesting future outcomes.

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

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 of mid-2015 for completion of construction and first steam at Onion Lake and anticipated timing of initial and peak oil production rates at the Onion Lake EOR project, anticipated lower capital costs and quicker production ramp-up times for Saskatchewan thermal projects, reaching peak production rates 12 to 15 months after steam injection at Onion Lake, estimated capital costs of $200 and $210 million for the first phase of thermal development at Onion Lake, estimated timing to begin a 20 well conventional drilling program at Onion Lake after spring break-up, timing and expected ramp-up time to reach peak production rates of the second pilot well pair at Blackrod, expected timing to receive regulatory approval for our commercial development application at Blackrod, anticipated expansion of the ASP flood to phase two lands at Mooney in 2014, and timing and expected peak production rates of 2,500 to 3,000 barrels of oil from the first phase of the ASP flood at Mooney as well as all the information contained in the Outlook section.

The forward-looking information is based on expectations and assumptions by management regarding future production levels, future oil and natural gas prices, continuation of existing tax, royalty and regulatory regimes, foreign exchange rates, estimates of future operating costs, timing and amount of capital expenditures, performance of existing and future wells, the ability to obtain financing on acceptable terms, availability of skilled labour and drilling and related equipment, general economic and financial market conditions and the ability to market oil and natural gas successfully to current and new customers. Although management considers these assumptions to be reasonable based on information currently available to it, they may prove to be incorrect.

Undue reliance should not be placed on forward-looking statements. There can be no assurance that the plans, intentions or expectations upon which forward-looking statements are based will be realized. Actual results will differ, and the differences may be material and adverse to the Company and its shareholders.

By their very nature, forward-looking statements involve inherent risks and uncertainties (both general and specific) and risks that the goals or figures contained in forward-looking statements will not be achieved. 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, volatility of commodity inputs, substantial capital requirements, customary conditions including receipt of necessary regulatory and stock exchange approvals on the issuance of common shares, 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, financial loss associated with derivative risk management contracts, potential cost overruns, variations in foreign exchange rates, variations in interest rates, diluent and water supply shortages, competition for capital, equipment, new leases, pipeline capacity and skilled personnel, uncertainties inherent in the SAGD bitumen and ASP recovery process, credit risks associated with counterparties, the failure of the Company or the holder of licences, leases and permits to meet requirements of such licences, 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 may be found under "Risk Factors" in the Annual Information Form.

Readers are cautioned that these factors and risks are difficult to predict and that the assumptions used in the preparation of such information, although considered reasonably accurate at the time of preparation, may prove to be incorrect. Readers are also cautioned that the foregoing list of factors is not exhaustive. Consequently, there is no representation by the Corporation 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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BLACKPEARL RESOURCES INC.

Management's Discussion and Analysis

The following is Management's Discussion and Analysis (MD&A) of the operating and financial results of BlackPearl Resources Inc. ("BlackPearl" or "the Company") for the three months ended March 31, 2014. These results are being compared with the three months ended March 31, 2013. The MD&A should be read in conjunction with the Company's unaudited consolidated financial statements for the three months ended March 31, 2014, together with the accompanying notes and with the Company's annual MD&A for the year ended December 31, 2013.

All dollar amounts are referenced in thousands of Canadian dollars, except where otherwise noted. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as is required under Canadian generally accepted accounting principles (GAAP).

Throughout this MD&A the calculation of barrels of oil equivalent (boe) is based on a conversion rate of six thousand cubic feet (mcf) of natural gas to one barrel of oil. Boe may be misleading, particularly if used in isolation. A boe conversion ratio of 6 mcf:1 bbl is based on an energy equivalence conversion method primarily applicable at the burner tip and is not intended to represent a value equivalence at the wellhead.

The following is a summary of the abbreviations that may have been used in this document:

Oil and Natural Gas Liquids		Natural Gas	
bbl	Barrel	Mcf	thousand cubic feet
bbls/d	barrels per day	MMcf	million cubic feet
Mbbls/d	thousand barrels per day	Mcf/d	thousand cubic feet per day
MMbbls	million barrels	Bcf	billion cubic feet
NGLs	natural gas liquids	MMBtu	Million british thermal units
boe	barrel of oil equivalent	GJ	Gigajoule
boe/d	barrel of oil equivalent per day		
WTI	West Texas Intermediate (a light oil reference price)		
WCS	Western Canadian Select (a heavy oil reference price)		
SAGD	Steam Assisted Gravity Drainage (a thermal recovery process)		
ASP	Alkali, Surfactant, Polymer		
EOR	Enhanced Oil Recovery		

Non-GAAP Financial Measures

Throughout this MD&A, the Company uses terms "funds flow from operations", "funds flow from operations per share - basic", "funds flow from operations per share – diluted" and "operating netback". These terms do not have any standardized meaning 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 is not intended to represent cash flow from operating activities or other measures of financial performance in accordance with GAAP. Operating netback is calculated as production sales less royalties, production costs and transportation costs, divided by total production for the period on a boe basis.

The following table reconciles non-GAAP measurement "Funds flow from operations" to "Cash flows from operating activities", the nearest GAAP measure. "Funds flow from operations" excludes decommissioning costs incurred and changes in non-cash working capital related to operations, while the GAAP measurement, "Cash flows from operating activities" includes these items. Funds flow from operations per share – basic & diluted is calculated as cash flow from operating activities before decommissioning costs incurred and changes in non-cash working capital related to operations divided by the average number of common shares outstanding for the period.

($000s)	**Q1 2014**	Q4 2013	Q1 2013
Cash flows from operating activities (1)	**18,517**	23,772	3,244
Add (deduct):			
Decommissioning costs incurred	**204**	294	329
Changes in non-cash working capital related to operations	**4,316**	(3,331)	6,466
Funds flow from operations (2)	**23,037**	20,735	10,039

(1) Cash flow from operating activities is a GAAP measure and has a standardized meaning prescribed by Canadian GAAP.

(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 and funds flow from operations per share do not have standardized meanings prescribed by Canadian GAAP and therefore may not be comparable to similar measures used by other companies. Management uses these non-GAAP measurements for its own performance measures and to provide its shareholders and investors with a measurement of the Company's efficiency and its ability to fund a portion of its growth expenditures.

Additional information relating to the Company, including its Annual Information Form, is available on SEDAR at www.sedar.com.

This MD&A contains forward-looking information and statements. At the end of this MD&A is an advisory on forward-looking information and statements.

The effective date of this MD&A is May 7, 2014.

OVERVIEW

BlackPearl is a Canadian-based oil and natural gas company whose common shares are traded on the Toronto Stock Exchange (TSX) under the symbol "PXX". The Corporation's Swedish Depository Receipts trade on the NASDAQ OMX Stockholm market under the symbol "PXXS". BlackPearl's primary focus is on heavy oil and oil sands projects in Western Canada.

BlackPearl's current core properties are:

- Onion Lake, Saskatchewan – a conventional heavy oil property with a planned thermal EOR project;
- Mooney, Alberta – a conventional heavy oil property using horizontal drilling and ASP flooding; and
- Blackrod, Alberta – a bitumen property located in the Athabasca oil sands region using the SAGD recovery process.

These core properties provide the Company with a combination of short-term cash flow generation, medium-term reserves and production growth, and longer-term reserves and production growth on multi-phase low decline projects using both EOR and SAGD thermal recovery processes.

2014 SIGNIFICANT EVENTS

- Capital expenditures during the first quarter were $49.4 million, with approximately $29.2 million related to the construction of the Onion Lake EOR project, $17.7 million spent at Mooney and $2.5 million spent at Blackrod. The focus of the 2014 capital program during the first quarter was the commercial engineering designs and construction at the Onion Lake EOR project, the drilling of seven wells and expansion of pipeline and road infrastructure at Mooney and the conversion of the second pilot well pair at Blackrod to the production test phase along with continued capitalization of net revenues.

- Oil and gas sales during the first quarter were $59.6 million and funds flow from operations (non-GAAP measure) were $23.0 million. For the quarter ended March 31, 2014, the Company incurred a net loss of $1.1 million.

- During the first quarter the Company's Board of Directors approved development of the first phase of the Onion Lake EOR project. The first phase of development is being designed for production of approximately 6,000 bbls/d of oil; target date for completion of construction and first steam is mid-2015. Initial oil production from the project is expected within three months of steam injection and peak production rates are expected 9 to 12 months thereafter.

- On March 18, 2014, the Company issued 26,500,000 common shares at a price of $2.65 per share, for aggregate gross proceeds of $70.2 million. During the first quarter of 2014, 1,473,500 common shares were issued pursuant to the exercise of stock options which generated net proceeds of $1.4 million for the Company.

- On March 31, 2014, the Company announced that it has entered into a lump sum contract with Propak Systems Ltd. (Propak) for the engineering, procurement and fabrication of the central processing facilities for the Company's Onion Lake EOR project.

- At March 31, 2014, BlackPearl had working capital of $28.2 million and no amounts drawn on the Company's long-term debt, leaving $115.0 million available to be drawn under the Company's existing credit facilities.

- Subsequent to March 31, 2014, the Company completed its previously announced private placement of 3,773,585 common shares at $2.65 per share representing gross proceeds of $10 million. On the closing of this private placement, the Company's lending syndicate increased the Company's existing credit facilities from $115 million to $150 million. In addition, pursuant to the partial exercise of the over-allotment option as part of the bought deal equity offering previously announced, the Company issued 3,100,000 common shares at a price of $2.65 per share representing gross proceeds of $8.2 million. The Company intends to use the net proceeds from the private placement and exercised over-allotment option, along with the increased credit facilities, to fund ongoing capital expenditures, including the first phase of the Onion Lake EOR project and for general corporate purposes.

SELECTED QUARTERLY INFORMATION

	2014		**2013**				2012	
($000s, except where noted)	**Mar 31**	**Dec 31**	**Sept. 30**	**June 30**	Mar. 31	Dec. 31	Sept. 30	June 30
Production (boe/d) [(1)]	**9,363**	**10,454**	**9,382**	**9,986**	9,087	9,067	9,340	9,471
Oil and gas sales	**59,555**	**54,072**	**69,092**	**58,322**	40,671	47,569	50,081	49,099
Oil and gas sales ($/boe)	**72.30**	**57.67**	**82.72**	**66.20**	50.13	58.45	60.34	58.82
Production costs	**19,673**	**18,420**	**16,664**	**18,413**	18,702	14,563	14,104	13,950
Production costs ($/boe)	**23.88**	**19.65**	**19.95**	**20.90**	23.05	17.89	16.99	16.71
Loss on risk management contracts	**(5,967)**	**-**	**-**	**-**	-	-	-	-
Net income (loss)	**(1,126)**	**226**	**9,270**	**2,597**	(5,644)	(4,277)	530	218
Per share, basic and diluted ($)	**(0.00)**	**0.00**	**0.03**	**0.01**	(0.02)	(0.01)	0.00	0.00
Capital expenditures	**49,360**	**22,749**	**24,326**	**27,315**	19,101	34,635	28,991	32,453
Funds flow from operation [(2)]	**23,037**	**20,735**	**32,609**	**22,823**	10,039	17,684	20,781	19,765
Per share, basic and diluted ($)	**0.08**	**0.07**	**0.11**	**0.08**	0.03	0.06	0.07	0.07
Cash flows from operating activities[(3)]	**18,517**	**23,772**	**33,090**	**20,592**	3,244	33,973	11,483	13,649
Total assets (end of period)	**747,763**	**652,216**	**648,554**	**647,839**	613,738	620,725	612,083	608,610
Shares outstanding (000s)	**328,398**	**300,425**	**296,306**	**296,122**	296,108	295,766	285,401	285,318
Weighted average shares outstanding, basic (000s)	**304,841**	**298,843**	**296,244**	**296,113**	296,052	288,760	285,344	285,272
Weighted average shares outstanding, diluted (000s)	**305,874**	**300,768**	**298,584**	**299,693**	300,768	294,525	299,148	299,863

(1) Includes test production from the Blackrod SAGD pilot. All sales and expenses from the Blackrod SAGD pilot are being recorded as an adjustment to the capitalized costs of the project until the technical feasibility and commercial viability of the project is established.
(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 and funds flow from operations per share do not have standardized meanings prescribed by Canadian GAAP and therefore may not be comparable to similar measures used by other companies. Management uses these non-GAAP measurements for its own performance measures and to provide its shareholders and investors with a measurement of the Company's efficiency and its ability to fund a portion of its growth expenditures.
(3) Cash flow from operating activities is a GAAP measure and has a standardized meaning prescribed by Canadian GAAP.

Fluctuations in quarterly oil and gas sales and net income (loss) over the last eight quarters are primarily attributable to the volatility in crude oil prices and changes in sales volumes from new drilling activity, partially offset by natural declines in production. Production costs have increased in 2014 as the Company has begun to expense all costs related to Phase 1 of the ASP flood at Mooney. During 2013 polymer and injection costs related to Phase 1 of the ASP flood at Mooney were expensed and prior to 2013 all costs were being capitalized while the reservoir was being re-pressurized.

BUSINESS ENVIRONMENT

Fluctuations in commodity prices have a significant influence on BlackPearl's results of operation and financial condition. The following table shows selective market benchmark prices and foreign exchange rates to assist in understanding how these factors impact our performance.

Commodity Prices

	2014	2013				2012		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Average Crude Oil Prices								
West Texas Intermediate (WTI) (US$/bbl)	98.68	97.46	105.83	94.29	94.34	88.51	92.17	93.44
Western Canadian Select (WCS) (Cdn$/bbl)	83.39	68.43	91.75	76.68	62.96	69.43	70.02	71.29
Differential – WCS/WTI (US$/bbl)	23.11	32.21	17.48	19.36	31.95	18.46	21.71	23.08
Differential - WCS/WTI (%)	23.4%	33.1%	16.5%	20.6%	33.8%	20.8%	23.6%	24.5%
Average Natural Gas Prices								
AECO gas (Cdn$/GJ)	5.45	2.99	2.67	3.40	2.92	2.90	2.08	1.74
Average Foreign Exchange (Cdn$ to US$)	0.906	0.950	0.962	0.977	0.991	1.009	1.005	0.990

Crude oil prices are based on demand for oil which is generally tied to global economic growth, but is also influenced by other factors such as political instability, market uncertainty, weather conditions, infrastructure constraints and government regulations. Crude oil in North America is commonly priced relative to the price of WTI oil, a light sweet crude with API gravity of about 40 degrees. Virtually all of BlackPearl's production is heavy oil and bitumen and is typically priced relative to Western Canadian Select oil prices, which have an average gravity of about 20.5 degrees API.

WCS oil prices are generally lower than WTI oil prices due to the higher cost of refining a bbl of heavy oil compared to light oil. This difference between the reference price for light oil and heavy oil is commonly referred to as the light to heavy differential.

Increased crude oil prices and tighter heavy oil differentials contributed to higher heavy oil prices for producers in the first quarter of 2014. Crude oil prices increased 4.6% in Q1 2014 compared to the first quarter of 2013, with WTI crude oil averaging US$98.68 per bbl during the quarter. The light to heavy differential narrowed significantly in Q1 2014, averaging US$23.15 per bbl compared to US$31.95 per bbl in the same period in 2013. The improvement in heavy oil prices has been attributed to increased refinery demand in the US Midwest, a continued increase in rail shipments of oil and a number of pipeline capacity improvements and expansion projects. In Q1 2014 BlackPearl transported approximately 3,000 boe/d by rail, or about 32% of our total production volumes.

In addition, the weakness in the Canadian dollar also contributed to higher oil prices for Canadian producers. Changes in the value of the Canadian dollar relative to the US dollar impacts our revenues and cash flows as our oil sales price is determined by US benchmark prices. The Canadian dollar weakened against the US dollar in Q1 2014 which has had a positive impact on our revenues and cash flows. The exchange rate between the Canadian dollar and the US dollar averaged Cdn$1 = US$0.90 during Q1 2014 compared to Cdn$1 = US$0.94 at December 31, 2013.

Higher crude oil prices, lower differentials and the weakness in the Canadian dollar resulted in WCS oil prices averaging $83.39 per bbl in Q1 2014 compared to $62.96 per the same period in 2013.

Natural gas prices increased in Q1 2014 averaging $5.45/GJ compared to $2.92/GJ in Q1 2013. BlackPearl produces very little natural gas and therefore prices do not have a significant impact on our current oil and gas sales. However, we do consume gas at both our thermal projects and as we move toward commercial development of these projects the cost of gas will have a significant impact on our cost structure.

Oil and Gas Production, Oil and Gas Pricing and Oil and Gas Sales

	Q1 2014	Q4 2013	Q1 2013
Daily production/sales volumes [1]			
Oil (bbls/d)	**8,911**	9,981	8,868
Natural gas (Mcf/d)	**1,448**	1,266	879
Combined (boe/d)	**9,152**	10,192	9,014
Bitumen – Blackrod (bbls/d) [2]	**211**	262	73
Total production (boe/d)	**9,363**	10,454	9,087
Product pricing (excluding risk management)			
Oil ($/bbl)	**73.23**	58.44	50.64
Natural gas ($/Mcf)	**5.41**	3.50	3.18
Combined ($/boe)	**72.30**	57.67	50.13
Sales ($000s)			
Oil and gas sales – gross	**59,555**	54,072	40,671
Royalties	**(11,529)**	(11,128)	(6,331)
Oil and gas sales – net	**48,026**	42,944	34,340

(1) Natural gas production converted at 6:1 (for boe figures)
(2) All sales and expenses from the Blackrod SAGD pilot are being recorded as an adjustment to the capitalized costs of the project until the technical feasibility and commercial viability of the project is established.

Oil and natural gas sales increased 46% in the first quarter of 2014 to $59.6 million from $40.7 million in the same period in 2013. The increase in oil and gas sales is attributable to 44% increase in average sales prices received in Q1 2014 compared to Q1 2013 and a 3% increase in production (on a boe basis).

Higher crude oil prices, narrow heavy oil differentials and the weakening of the Canadian dollar relative to the US dollar all contributed to an increase in our realized crude oil sales price in 2014. Our average oil wellhead sales price, prior to the impact of risk management activities, was $73.23 per bbl in Q1 2014 compared with $50.64 per bbl in Q1 2013.

The increase in oil production in Q1 2014 compared to Q1 2013 is primarily attributable to successful drilling programs at Onion Lake and John Lake in 2013 and a continued positive re-pressurization response from the first phase of the ASP flood at Mooney. As a result of re-pressurization of the reservoir, production from the ASP flooded areas at Mooney increased to 2,201 boe/d in Q1 2014 compared to 1,846 boe/d in Q1 2013. We anticipate continuing positive production response from the first phase of the ASP flood at Mooney.

Production volumes in Q1 2014 were 10% lower than Q4 2013 production volumes. The decrease in production is attributable to natural production declines at Onion Lake, as well as, selectively shutting-in some of our wells in the area to prepare for thermal activities in certain portions of the field. The production declines at Onion Lake were not unexpected. The Onion Lake field is a maturing area and many of the wells drilled over the last seven years have reached or are near the end of their productive life. We intend to continue conventional drilling at Onion Lake after spring break-up to flatten the field’s primary production profile until we transition to thermal production. The decrease in Q1 2014 production volumes is also partially due to lower volumes at Mooney caused by cold weather issues and the need to temporarily take certain wells off production to facilitate drilling and pipeline work during the first quarter of 2014.

On a boe basis, 97% of the Company’s oil and natural gas production in the first quarter of 2014 was heavy oil or bitumen. The Onion Lake area accounted for 46% and the Mooney area accounted for 39% of total production in the first quarter of 2014.

Production by area (boe/d)	**Q1 2014**	Q4 2013	Q1 2013
Onion Lake	**4,274**	5,186	4,322
Mooney	**3,696**	3,837	3,892
John Lake	**1,069**	1,066	781
Other	**113**	103	19
Blackrod	**211**	262	73
	9,363	10,454	9,087

In 2011, BlackPearl commenced its SAGD pilot project at Blackrod. The pilot started with a single horizontal well pair and associated steam and water handling facilities. The pilot is being undertaken to provide operating data to design the commercial development of the Blackrod lands. All sales and expenses from the pilot are being recorded as an adjustment to the capitalized costs of the project until the technical feasibility and commercial viability of the project is established. Technical feasibility and commercial viability are confirmed when reserves are recognized, regulatory approval has been obtained and our Board of Directors has sanctioned commercial development. As of March 31, 2014, BlackPearl had not received regulatory approval for the commercial Blackrod project. During the first quarter of 2014, the pilot produced on average 211 bbls/d of bitumen and the net revenues capitalized were a loss of $1.3 million ($2.0 million loss in the first quarter of 2013). A second pilot well pair was drilled in 2013 and steam injection in this well pair commenced during the fourth quarter of 2013. After the initial warm up phase the well pair was converted to SAGD mode (production test phase) in March 2014. Production is expected to ramp-up to peak rates during the next twelve to fifteen months.

Risk Management Activities

The Company will periodically enter into risk management contracts in order to ensure a certain level of cash flow to fund planned capital projects. BlackPearl’s strategy focuses on swaps and fixed price contracts to limit exposure to fluctuations in oil prices. The Company’s risk management trading activities are conducted pursuant to the Company’s Risk Management Policy approved by the Board of Directors and are not used for trading or speculative purposes.

The Company realized a loss of $0.7 million on its risk management contracts during the first quarter of 2014. The unrealized loss of $5.3 million in the first quarter represents the non-cash change in the mark-to-market values of our outstanding risk management contracts at March 31, 2014.

($000s, except per boe)	**Q1 2014**	Q4 2013	Q1 2013
Realized loss on risk management contracts	**666**	-	-
Per boe ($)	**0.81**	-	-
Unrealized loss on risk management contracts	**5,301**	-	-

At March 31, 2014, the following risk management contracts were outstanding:

Subject of Contract	Volume	Term	Reference	Strike Price	Option Traded
Oil	2,500 bbls/d	April 1, 2014 to December 31, 2014	CDN$ WCS	CDN$ 82.10/bbl	Swap
Oil	1,000 bbls/d	April 1, 2014 to December 31, 2014	CDN$ WCS	CDN$ 82.00/bbl	Swap

At March 31, 2014, these contracts had a mark-to-market liability value of $5.3 million.

Subsequent to March 31, 2014, the Company entered into the following risk management contracts:

Subject of Contract	Volume	Term	Reference	Strike Price	Option Traded
Oil	500 bbls/d	May 1, 2014 to December 31, 2014	CDN$ WCS	CDN$ 86.05/bbl	Swap

Royalties

	Q1 2014	Q4 2013	Q1 2013
Royalties ($000s)	**11,529**	11,128	6,331
Per boe ($)	**14.00**	11.87	7.80
As a percentage of oil and gas sales	**19%**	21%	16%

BlackPearl makes royalty payments to the owners of the mineral rights on the lands we have leased. Most of the payments are to provincial governments or, in the case of our Onion Lake area production, to the Onion Lake Cree Nation. Royalties as a percentage of revenue increased to 19% of revenues in the first quarter of 2014 from 16% of revenues in the same period in 2013. The increase in the royalty as a percentage of revenue and royalty per boe in the first quarter of 2014 compared to the first quarter of 2013 is attributed to higher wellhead prices in 2014, which impact royalty rates, as well as the expiration of the 5% incentive royalty rate on several wells located in the non-ASP flooded areas at Mooney.

Transportation Costs

	Q1 2014	Q4 2013	Q1 2013
Transportation costs ($000s)	**1,539**	1,657	2,917
Per boe ($)	**1.87**	1.77	3.60

Transportation costs are incurred to move marketable crude oil and natural gas to their selling points. Changes in transportation costs, on a boe basis, are generally related to moving crude oil to different sales points to capture better marketing opportunities or as a result of production being shipped as emulsion rather than clean marketable oil. Costs related to trucking emulsion are classified as production costs rather than transportation costs.

Transportation costs decreased 47% in the first quarter of 2014 to $1.5 million from $2.9 million in the same period in 2013. The decrease is mostly attributable to lower costs at Mooney.

Production Costs

	Q1 2014	Q4 2013	Q1 2013
Production costs ($000s)	**19,673**	18,420	18,702
Per boe ($)	**23.88**	19.65	23.05

Production costs increased by 5% in the first quarter of 2014 to $19.7 million from $18.7 million in the same period in 2013. On a per boe basis, production costs increased 4% in the first quarter of 2014 to $23.88 per boe from $23.05 per boe in the same period in 2013.

The increase in production costs in the first quarter of 2014 is attributable to increased expenses at Onion Lake due to the relative maturity of the field (higher repairs, maintenance and workover costs) and the expensing, for the first time, of all operating costs associated with the first phase of the ASP flood at Mooney. Prior to 2013, all operating costs related to the ASP flood were being capitalized until the reservoir was re-pressurized. In 2013, it was evident that we were achieving a positive production response from the re-pressurization and we began to expense polymer and injection costs associated with the re-pressurization. In 2014 we began to see a consistent production response from the injection of alkali and surfactant and therefore, beginning in 2014, we began to expense all operating costs associated with the first phase of the ASP flood. A breakdown of the ASP related expenses is provided below.

($000s)	**Q1 2014**	Q4 2013	Q1 2013
Polymer costs	**1,816**	1,009	1,997
Other chemical costs	**1,745**	2,614	1,151
Injection costs	**618**	677	682
Total ASP costs	**4,179**	4,300	3,830
ASP costs capitalized	**-**	(2,614)	(1,151)
ASP costs expensed in production costs	**4,179**	1,686	2,679

***Operating Netback* (1)**

($/boe)	**Q1 2014**	Q4 2013	Q1 2013
Revenues	**72.30**	57.67	50.13
Royalties	**14.00**	11.87	7.80
Transportation costs	**1.87**	1.77	3.60
Production costs	**23.88**	19.65	23.05
Operating netback excluding realized risk management contracts	**32.55**	24.38	15.68
Realized loss on risk management contracts	**0.81**	-	-
Operating netback including realized risk management contracts	**31.74**	24.38	15.68

(1) Operating netback is a non-GAAP measure. Operating netback does not have a standardized meaning prescribed by GAAP and, therefore, may not be comparable to similar measures used by other companies in the oil and gas industry.

Operating netback is the cash margin we receive from each boe sold. Operating netback, excluding realized losses on risk management activities, increased 108% in the first quarter of 2014 to $32.55 per boe from $15.68 per boe in the same period in 2013. The increase is primarily attributable to the increase in realized crude oil prices, partially offset by higher royalties and production costs.

General and Administrative Expenses (G&A)

($000s, except per boe)	**Q1 2014**	Q4 2013	Q1 2013
Gross G&A expense	**3,625**	2,549	3,123
Operator recoveries	**(510)**	(480)	(499)
Net G&A expense	**3,115**	2,069	2,624
Per boe ($)	**3.78**	2.21	3.23

General and administrative expenses consist primarily of salaries and wages of employees, office rent, computer services, legal, accounting and consulting fees. The increase in gross G&A expenses is primarily attributable to performance incentive payments to staff in Q1 2014 as well as higher office rental expenses.

Stock-Based Compensation

($000s, except per boe)	**Q1 2014**	Q4 2013	Q1 2013
Gross stock-based compensation	**941**	755	1,166
Recoveries from forfeitures	**(169)**	(111)	(145)
Net stock-based compensation before capitalization	**772**	644	1,021
Capitalized stock-based compensation	**(31)**	(16)	(57)
Net stock-based compensation	**741**	628	964
Per boe ($)	**0.90**	0.67	1.19

Stock-based compensation costs are non-cash charges which reflect the estimated value of stock options granted. The Company uses the fair value method of accounting for stock options granted to directors, officers, employees and consultants whereby the fair value of all stock options granted is recorded as a charge to operations over the period from the grant date to the vesting date of the option. The fair value of common share options granted is estimated on the date of grant using the Black-Scholes options pricing model.

The decrease in stock-based compensation expense in the first quarter of 2014 compared to the same period in 2013 reflects a lower option value per share assigned to each grant of options. In the first quarter of 2014, 7,806,000 options were granted and 1,473,500 options were exercised.

During the first quarter of 2014, $31,000 of stock-based compensation costs were capitalized to property, plant and equipment related to options granted to contractors who work exclusively on the development activities at the Onion Lake EOR project.

Finance Costs

($000s)	**Q1 2014**	Q4 2013	Q1 2013
Gross interest & financing charges	**150**	177	183
Capitalized interest & financing charges	**(89)**	(8)	(105)
Net interest & financing charges	**61**	169	78
Accretion of decommissioning liabilities	**371**	364	206
Debt financing costs	**-**	(80)	-
Total finance costs	**432**	453	284

The increase in interest and financing charges in the first quarter of 2014 compared to the same period in 2013 is a result of the higher accretion of decommissioning liabilities which is due to an increase in decommissioning liabilities during Q1 2014 compared to Q1 2013.

During the first quarter of 2014, $89,000 of interest costs related to the construction of the thermal projects were capitalized.

Depletion and Depreciation

	Q1 2014	Q4 2013	Q1 2013
Depletion and depreciation ($000s)	**17,886**	19,788	16,044
Per boe ($)	**21.71**	21.10	19.78

The Company's properties are depleted on a unit of production basis based on estimated proven plus probable reserves. Depletion and depreciation expense increased 11% in the first quarter of 2014 to $17.9 million from $16.0 million in the same period in 2013. On a boe basis, depletion and depreciation increased 10% in the first quarter of 2014 to $21.71 per boe from $19.78 per boe in the same period in 2013. The increase in depletion and depreciation was mainly attributable to increase production volumes in 2014 and increased property, plant and equipment costs subject to depletion in 2014.

As of March 31, 2014, $45.2 million of expenditures included in property, plant and equipment that relate to the Onion Lake EOR project are not subject to depletion until production at this project begins.

Interest Income

($000s)	**Q1 2014**	Q4 2013	Q1 2013
Interest income	**29**	13	8

Interest income consists of interest earned on excess cash held by the Company. Interest income has increased as a result of higher average cash balances maintained by the Company in the first quarter of 2014 compared to the same period in 2013.

Income Taxes

($000s)	**Q1 2014**	Q4 2013	Q1 2013
Current income tax	**18**	27	6
Deferred income tax (recovery)	**(181)**	354	(1,553)
Total income tax (recovery)	**(163)**	381	(1,547)

BlackPearl did not pay cash income taxes in the first quarter of 2014 and does not expect to pay income taxes during the remainder of 2014 as we have sufficient tax pools to shelter expected income.

RESULTS FROM OPERATIONS

	Q1 2014	Q4 2013	Q1 2013
Net income (loss) ($000s)	**(1,126)**	226	(5,644)
Per share, basic ($)	**(0.00)**	0.00	(0.02)
Per share, diluted ($)	**(0.00)**	0.00	(0.02)

For the quarter ended March 31, 2014, the Company incurred a net loss of $1.1 million compared to a net loss of $5.6 million in the same period in 2013. The reduction in net loss in the first quarter of 2014 compared to the same period in 2013 is primarily a result of a higher wellhead sales price in 2014, partially offset by higher production costs and the loss on risk management contracts.

	Q1 2014	Q4 2013	Q1 2013
Funds flow from operations [(1)] ($000s)	**23,037**	20,735	10,039
Per share, basic ($)	**0.08**	0.07	0.03
Per share, diluted ($)	**0.08**	0.07	0.03

(1) 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 and funds flow from operations per share do not have standardized meanings prescribed by Canadian GAAP and therefore may not be comparable to similar measures used by other companies. Management uses these non-GAAP measurements for its own performance measures and to provide its shareholders and investors with a measurement of the Company's efficiency and its ability to fund a portion of its growth expenditures.

Funds flow from operations increased by 129% to $23.0 million in the first quarter of 2014 compared to $10.0 million in the same period in 2013. The increase is funds flow in 2014 is primarily a result of higher wellhead sales prices in 2014.

LIQUIDITY AND CAPITAL RESOURCES

At March 31, 2014, the Company had working capital (current assets less current liabilities) of $28.2 million compared to a working capital deficiency of $8.8 million at December 31, 2013. The increase is mainly a result of the proceeds from the issuance of common shares, net of costs, of $68.1 million and funds flow from operations of $23.0 million offset by capital expenditures of $49.4 million.

At March 31, 2014, the Company had issued letters of credit in the amount of $20,000; leaving $115 million available to be drawn under the credit facilities. The amount available under these facilities ("Borrowing Base") is re-determined by the lenders at least twice a year and is primarily based on our oil and gas reserves, forecast commodity prices, the current economic environment and other factors as determined by the lenders. The most recent credit facilities review occurred in February 2014 and the aggregate borrowing base determined by the lenders increased from $115 million to $150 million, contingent on the successful completion of the planned issuance of common shares of the Company. On March 18, 2014, the Company completed a bought deal equity offering of 26,500,000 common shares at a price of $2.65 per common share for gross proceeds of $70.2 million. Subsequent to March 31, 2014, the Company completed a private placement of 3,773,585 common shares at a price of $2.65 per share for gross proceeds of $10.0 million. Upon completion of these share issuances, the Company's lending syndicate increased the Company's existing credit facilities to $150 million. The next scheduled Borrowing Base redetermination is to occur by November 30, 2014. In the event the lenders elected not to renew the credit facilities during the credit facilities review any amounts outstanding on the facilities would be due and payable in full by May 30, 2016. Subsequent to March 31, 2014, the underwriters of the bought deal equity offering exercised their over-allotment option on 3,100,000 common shares at a price of $2.65 per share, for additional gross proceeds of $8.2 million.

Pursuant to the terms of the credit agreement, the only financial covenant in the credit facilities is to maintain a working capital ratio of 1:1 at the end of each fiscal quarter. Working capital as defined in the lending agreement is current assets, from the Company's consolidated balance sheet, plus any undrawn amount on the credit facilities compared to current liabilities from the Company's consolidated balance sheet. BlackPearl was in compliance with this covenant throughout the first quarter ended 2014. The credit facilities are secured by a floating and fixed charge debenture. The terms of our credit agreement also restrict the payment of cash dividends to shareholders.

We expect to fund the ongoing development of our conventional heavy oil projects at Mooney, Onion Lake and other minor project areas from funds flow from operations and amounts available under the credit facilities. We are also able to scale back our capital expenditure program on these projects relatively easily if circumstances warrant it. The first phase of the Onion Lake EOR project is being designed for production of 6,000 bbls/d of oil and capital costs are expected to be approximately $200 million. Funding for the first phase of the project is expected to come from the recently expanded credit facilities, recent share issuances (aggregate gross proceeds of $88.4 million) and funds flow from operations. Construction is expected to be completed in mid-2015.

The Company is planning to build the Blackrod SAGD project in phases as well, with the first phase likely to be designed for 20,000 bbls/d of oil. We have not completed detailed cost estimates for this phase but our internal estimates suggest initial capital costs will be approximately $800 million. Regulatory approval of the first phase of the Blackrod SAGD project is expected in 2014. Timing of development of this project is dependent on additional financing. We will consider joint venture opportunities to accelerate development of this project.

CAPITAL EXPENDITURES

During the quarter ended March 31, 2014, capital spending was $49.4 million, an increase from $19.1 million during the same period in 2013. The main components of the capital spending program during the first quarter was the commercial engineering design and construction at the Onion Lake EOR project, the drilling of seven wells and expansion of pipeline and road infrastructure at Mooney and the conversion of the second pilot well pair at Blackrod to the production test phase along with continued capitalization of net revenues.

($000s)	**Q1 2014**	Q4 2013	Q1 2013
Land	**253**	1,060	73
Seismic	**(62)**	(54)	898
Drilling and completion	**39,114**	12,137	14,041
Equipment	**10,052**	9,535	3,889
Other	**3**	71	7
Total	**49,360**	22,749	18,908
Property acquisitions	**-**	-	193
Total capital expenditures	**49,360**	22,749	19,101
Property dispositions	**-**	(2,302)	-
Net capital expenditures	**49,360**	20,447	19,101

CONTRACTUAL OBLIGATIONS AND COMMITMENTS

The Company has a number of financial obligations in the ordinary course of business. The following table summarizes the contractual obligations and commitments of the Company outstanding as at March 31, 2014. These obligations are expected to be funded from funds flow from operations and the Company's credit facilities.

($000s)	2014	2015	2016	2017	2018	Thereafter
Operating leases (1)	1,446	1,780	1,287	-	-	-
Electrical service agreements (2)	712	1,003	520	119	119	2,225
Capital commitments (3)	97,161	4,835	-	-	-	-
Decommissioning liabilities (4)	847	897	1,960	1,027	1,099	58,435
	100,166	8,515	3,767	1,146	1,218	60,660

(1) The Company has 30 months remaining on an operating lease for office space as at March 31, 2014. The Company's office lease was executed jointly with another party. Under the terms of the lease, BlackPearl and the other party are joint and severally liable for the obligations pursuant to the lease. Accordingly, if the other party is unable to fulfill their lease obligation, BlackPearl would be required to pay a maximum additional $7.6 million (including an estimate for operating costs) over the next 30 months. At March 31, 2014, no amounts were owed (2013 – no amounts owing).

(2) The Company entered into certain long-term agreements to acquire electricity for one of its processing facilities.

(3) The Company entered into certain agreements pertaining to the construction of the Onion Lake EOR project.

(4) The Company also has ongoing obligations related to the decommissioning of well sites and facilities which have reached the end of their economic lives. The undiscounted estimated obligations associated with the retirement of the Company's oil and gas properties were $64.3 million as at March 31, 2014. Decommissioning programs are undertaken regularly in accordance with applicable legislative requirements.

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company's financial instruments as at March 31, 2014 include cash and cash equivalents, trade and other receivables, deposits within prepaid expenses and deposits, accounts payable and accrued liabilities and risk management liabilities. The carrying value of these instruments approximates their fair value due to the short-term nature of the instruments except for risk management liabilities which are measured at fair value. The Company manages its risk through its policies and processes and starting in the first quarter of 2014, the Company began to use risk management contracts to manage some of these risks.

The risks associated with these financial instruments including foreign currency risk, credit risk, interest rate risk, liquidity risk and commodity price risk have not changed from December 31, 2013.

OFF-BALANCE-SHEET ARRANGEMENTS

The Company had no off-balance-sheet arrangements during the first quarter ended 2014 or 2013. We do utilize operating leases in our normal course of business as disclosed under contractual obligations and commitments.

RELATED-PARTY TRANSACTIONS

There was no related-party transactions during the first quarter ended 2014 or 2013.

OUTSTANDING SHARE DATA AND STOCK OPTIONS

As at May 7, 2014, the Company had 335,438,226 common shares outstanding and 19,936,671 stock options outstanding under its stock-based compensation program.

OUTSTANDING LONG-TERM DEBT DATA

As at May 7, 2014, the Company had no amounts drawn under its existing credit facilities and had issued letters of credit in the amount of $20,000; leaving $149,980,000 available to be drawn under these credit facilities.

PROPOSED TRANSACTIONS

As of May 7, 2014, the Company does not have any significant pending transactions.

CRITICAL ACCOUNTING ESTIMATES

The preparation of the interim consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, sales, expenses and the disclosure of contingencies. Such estimates primarily relate to unsettled transactions and events as of the date of the interim consolidated financial statements. These estimates are subject to measurement uncertainty. Actual results could differ from and affect the results reported in these interim consolidated financial statements. Further information on the Company's critical accounting estimates can be found in the notes to the annual consolidated financial statements and annual MD&A for the year ended December 31, 2013. There have been no changes to the Company's critical accounting estimates as of March 31, 2014.

CHANGES IN ACCOUNTING POLICIES

The Company has adopted the following new and amended standards with a date of initial application of January 1, 2014.

IAS 32: Financial Instruments: Presentation – amendments to IAS 32 clarified the meaning of "currently has a legal enforceable right to set-off" and the application of the IAS 32 offsetting criteria to settlement systems which apply gross settlement mechanisms that are not simultaneous. IAS 32 amendments required minimal disclosure changes in the Company's financial statements as of January 1, 2014.

IAS 36: Impairment of Assets –amendments to IAS 36 requires entities to disclose the recoverable amount of impaired Cash Generating Units ("CGU"). IAS 36 amendments required minimal disclosure changes in the Company's financial statements as of January 1, 2014.

ACCOUNTING STANDARDS ISSUED BUT NOT YET APPLIED

There were no new or amended standards issued during the three months ended March 31, 2014 that are applicable to the Company in future periods. A description of standards and interpretations that will be adopted by the Company in future periods can be found in the notes to the annual consolidated financial statements for the year ended December 31, 2013.

RISKS AND UNCERTAINTIES

Please refer to the Company's annual MD&A and Annual Information Form for the year ended December 31, 2013 for a discussion of the risks and uncertainties associated with the Company activities. There have been no significant changes in these risks and uncertainties during the first three months of 2014.

CONTROL CERTIFICATION

Management reported on its disclosure controls and procedures and the design of its internal controls over financial reporting in the annual MD&A for the year ended December 31, 2013. There has been no material change to the Company's disclosure controls or procedures or to the design of internal controls over financial reporting since that time.

OUTLOOK

2014 Guidance	Initial Guidance	Q1 Update
Production (boe/d)		
Annual average	10,000 – 10,500	9,000 – 9,500
Funds flow from operations ($millions)	80 - 85	75 – 80
Capital expenditures ($millions)	260 - 270	280 – 300
Year-end debt ($millions)	95 - 105	135 – 140
Pricing Assumptions (annual average)		
Crude oil - WTI	US $92.00	US $95.50
Light/heavy differential	US $21.00	US $20.50
Foreign Exchange (Cdn$ to US$)	0.94	0.92

We have increased our planned capital spending for 2014 from $260 - $270 million to $280 - $300 million. The increase is primarily attributable to timing of expenditures on the Onion Lake thermal project. Delivery of certain equipment modules originally planned for the first half of 2015 is now expected to be accelerated and delivered in 2014. The total capital costs for the first phase of the project continue to be in the range of $200 to $210 million. The increase in planned capital spending has resulted in an increase in our anticipated year-end debt levels to $135 to $140 million.

Due to strong first quarter oil prices we have increased our average pricing assumptions for the year. In our Q1 2014 update we have used an average 2014 WTI price of US$95.50 per barrel and a heavy oil differential of US$20.50 per barrel.

We have lowered our average oil production from 10,000 – 10,500 boe/d to 9,000 – 9,500 boe/d due to weather related issues at Mooney. We were not able to complete our Q1 infrastructure plans (roads and pipelines); this work will get pushed out into Q3 when the ground is drier. As a result, the wells drilled in phase 3 in Q1 and implementation of our ASP flood on our phase 2 lands will be delayed, causing our full year corporate guidance to be lowered.

FORWARD-LOOKING STATEMENTS

This report 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”, “approximately”, “planning”, “planned”, “could”, “continue”, “continued”, “continuing”, “estimate”, “estimates”, “estimated”, “forecast”, “likely”, “expect”, “expected”, “may”, “intend”, “intends”, “intended”, “successful”, “will”, “project”, “timing”, “in the event”, “move toward”, “scheduled”, “outlook” or similar words suggesting future outcomes.

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

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:

- Anticipated timing of initial and peak oil production at the Onion Lake EOR project as discussed in the 2014 Significant Events section;
- Estimated oil shipments by rail in Canada included under the Business Environment section;
- Expected future gas prices and their impact on costs related to our thermal projects as discussed per the Commodity Prices section;
- Future oil and gas prices and their impact on BlackPearl as discussed per the Commodity Prices section;
- Anticipated timing of a production response from the first phase ASP flood at Mooney as discussed in the Oil and Gas Production, Oil and Gas Pricing and Oil and Gas Sales section;
- Anticipated timing of peak production rates at the second pilot well pair at Blackrod as discussed in the Oil and Gas Production, Oil and Gas Pricing and Oil and Gas Sales section;
- Expected cash taxes to be paid in 2014 in the Income Taxes section;
- The estimated capital costs for the first phase of thermal development at Blackrod and the first phase of thermal development at Onion Lake as discussed under the Liquidity and Capital Resources section;
- Methods, sources and timing to finance capital expenditure programs, particularly for the thermal projects at Blackrod and Onion Lake as discussed under the Liquidity and Capital resources section;
- Potential production levels for the Blackrod SAGD project and the Onion Lake thermal project in the Liquidity and Capital resources section; and
- All of the statements under the Outlook section and the table presented since they are estimates of future conditions and results.

The forward-looking information is based on expectations and assumptions by management regarding future production levels, future oil and natural gas prices, continuation of existing tax, royalty and regulatory regimes, foreign exchange rates, estimates of future operating costs, timing and amount of capital expenditures, performance of existing and future wells, the ability to obtain financing on acceptable terms, availability of skilled labour and drilling and related equipment, general economic and financial market conditions and the ability to market oil and natural gas successfully to current and new customers. Although management considers these assumptions to be reasonable based on information currently available to it, they may prove to be incorrect.

Undue reliance should not be placed on forward-looking statements. There can be no assurance that the plans, intentions or expectations upon which forward-looking statements are based will be realized. Actual results will differ, and the differences may be material and adverse to the Company and its shareholders.

By their very nature, forward-looking statements involve inherent risks and uncertainties (both general and specific) and risks that the goals or figures contained in forward-looking statements will not be achieved. 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, volatility of commodity inputs, substantial capital requirements, customary conditions including receipt of necessary regulatory and stock exchange approvals on the issuance of common shares, 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, financial loss associated with risk management contracts, potential cost overruns, variations in foreign exchange rates, variations in interest rates, diluent and water supply shortages, competition for capital, equipment, new leases, pipeline capacity and skilled personnel, uncertainties inherent in the SAGD bitumen and ASP recovery process, credit risks associated with counterparties, the failure of the Company or the holder of licences, leases and permits to meet requirements of such licences, 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 may be found under "Risk Factors" in the Annual Information Form.

Readers are cautioned that these factors and risks are difficult to predict and that the assumptions used in the preparation of such information, although considered reasonably accurate at the time of preparation, may prove to be incorrect. Readers are also cautioned that the foregoing list of factors is not exhaustive. Consequently, there is no representation by the Corporation 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.

Other Supplementary Information

1. **List of directors and officers at May 7, 2014**
   a. **Directors:**
      John Craig
      John Festival
      Brian Edgar
      Keith Hill
      Vic Luhowy

   b. **Officers:**
      John Craig, Chairman
      John Festival, President and Chief Executive Officer
      Don Cook, Chief Financial Officer
      Chris Hogue, Vice President Operations
      Ed Sobel, Vice President Exploration
      Diane Phillips, Corporate Secretary

2. **Financial Information**
3. The report for the quarter ending June 30, 2014 is expected to be published on or before August 15, 2014.

4. **Other Information**
   Address (Corporate head office):
   BlackPearl Resources Inc.
   700, 444 – 7 Avenue S.W.
   Calgary, Alberta T2P 0X8
   Canada
   Telephone: +1.403.215.8313
   Fax: +1.403.265.8324
   Website: www.blackpearlresources.ca

   The Canadian federal corporation number for the Company is 454611-3.

   For further information, please contact:
   John Festival - President and Chief Executive Officer, +1.403.215.8313
   Don Cook – Chief Financial Officer, +1.403.215.8313

BLACKPEARL RESOURCES INC.

Consolidated Statements of Cash Flows

(unaudited) (Cdn$ in thousands)	Note	**Three months ended March 31, 2014**	Three months ended March 31, 2013
Operating activities			
Net and comprehensive loss for the period		**$ (1,126)**	$ (5,644)
Items not involving cash:			
Depletion and depreciation	7	**17,886**	16,044
Accretion of decommissioning liabilities	14	**371**	206
Stock-based compensation	11	**741**	964
Foreign exchange loss		**45**	22
Deferred income recovery		**(181)**	(1,553)
Unrealized loss on risk management contracts	13	**5,301**	-
Decommissioning costs incurred	10	**(204)**	(329)
Changes in non-cash working capital	14	**(4,316)**	(6,466)
Cash flow from operating activities		**18,517**	3,244
Financing activities			
Proceeds on issue of long-term debt		**-**	11,915
Proceeds on issue of common shares, net of costs	11	**68,129**	497
Cash flow from financing activities		**68,129**	12,412
Investing activities			
Capital expenditures - exploration and evaluation assets	6	**(2,544)**	(11,089)
Capital expenditures - property, plant and equipment	7	**(46,755)**	(7,846)
Changes in non-cash working capital	14	**23,328**	(12,808)
Cash flow from investing activities		**(25,971)**	(31,743)
Effect of exchange rate changes on cash and cash equivalents held in foreign currency		**(54)**	(18)
Increase (decrease) in cash and cash equivalents		**60,621**	(16,105)
Cash and cash equivalents, beginning of period		**8,402**	16,977
Cash and cash equivalents, end of period		**$ 69,023**	$ 872

See accompanying notes to consolidated financial statements

BLACKPEARL RESOURCES INC.
Notes to the Consolidated Financial Statements
(tabular amounts in thousands of Cdn$, except as noted)
(unaudited)

1. GENERAL INFORMATION

BlackPearl Resources Inc. (collectively with its subsidiaries, the "Company" or "BlackPearl") is engaged in the business of oil and gas exploration, development and production in North America. The Company's primary focus is on heavy oil and oil sands projects in Western Canada. The Company is listed and traded on the TSX Exchange under the trading symbol "PXX". The Company's Swedish Depository Receipts trade on the NASDAQ OMX Stockholm market under the symbol "PXXS". BlackPearl is incorporated and located in Canada. The address of its registered office is 700, 444 – 7th Avenue SW, Calgary, Alberta, T2P 0X8.

2. BASIS OF PREPARATION

These condensed unaudited interim consolidated financial statements for the three months ended March 31, 2014 have been prepared in accordance with IAS 34, Interim Financial Reporting under International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and have been prepared following the same accounting policies and method of computation as the annual consolidated financial statements for the year ended December 31, 2013 except for standards applicable for the first time and new standards and amendments effective for the first time from January 1, 2014 as disclosed in note 3 and the calculation of income taxes. Income taxes on earnings or loss in the interim periods are accrued using the income tax rate that would be applicable to the expected total annual earnings or loss.

The policies applied in these condensed interim consolidated financial statements are based on IFRS issued, outstanding and effective as of May 7, 2014, the date they were approved and authorized for issuance by the Company's Board of Directors ("the Board"). Any subsequent changes to IFRS that are given effect in the Company's annual consolidated financial statements for the year ended December 31, 2014 could result in restatement of these interim consolidated financial statements.

The disclosures provided below are incremental to those included with the annual consolidated financial statements. Certain information and disclosures normally included in the notes to the annual consolidated financial statements have been condensed or have been disclosed on an annual basis only. Accordingly, these interim consolidated financial statements should be read in conjunction with the annual consolidated financial statements for the year ended December 31, 2013 which have been prepared in accordance with IFRS as issued by the IASB.

3. SIGNIFICANT ACCOUNTING POLICIES

New standards and amendments effective for the first time from January 1, 2014
Certain pronouncements were issued that are mandatory for accounting periods beginning before or on January 1, 2014. The following new standards and amendments have been adopted in these interim financial statements.

IAS 32: Financial Instruments: Presentation – amendments to IAS 32 clarified the meaning of "currently has a legal enforceable right to set-off" and the application of the IAS 32 offsetting criteria to settlement systems which apply gross settlement mechanisms that are not simultaneous. IAS 32 amendments required minimal disclosure changes in the Company's financial statements as of January 1, 2014.

IAS 36: Impairment of Assets –amendments to IAS 36 requires entities to disclose the recoverable amount of impaired Cash Generating Units ("CGU"). IAS 36 amendments required minimal disclosure changes in the Company's financial statements as of January 1, 2014.

Accounting standards issued but not yet applied
There were no new or amended standards issued during the three months ended March 31, 2014 that are applicable to the Company in future periods. A description of standards and interpretations that will be adopted by the Company in future periods can be found in the notes to the annual consolidated financial statements for the year ended December 31, 2013.

4. CASH AND CASH EQUIVALENTS

		March 31, 2014		December 31, 2013
Cash at banks	**$**	**3,996**	$	8,402
Short-term deposits		**65,027**		-
	$	**69,023**	$	8,402

Cash at banks earn interest at floating rates based on daily bank deposit rates. As of March 31, 2014, US $1.3 million (2013 – US $1.1 million) is included in cash at banks. The Company only deposits cash with major banks of high quality credit ratings.

5. TRADE AND OTHER RECEIVABLES

		March 31, 2014		December 31, 2013
Trade accounts receivable	**$**	**20,058**	$	16,845
Receivables from joint venturers		**293**		305
Allowance for doubtful accounts		**(285)**		(285)
Net accounts receivable		**20,066**		16,865
Royalty reimbursement from enhanced oil recovery incentive programs		**3,406**		4,072
Other receivables		**731**		687
Total trade and other receivables		**24,203**		21,624
Less non-current portion of royalty reimbursement from enhanced oil recovery incentive programs		**(372)**		(1,038)
Current portion of trade and other receivables	**$**	**23,831**	$	20,586

Aging of trade accounts receivables are as follows:

		March 31, 2014		December 31, 2013
Current	**$**	**19,763**	$	16,443
31 to 60 days		**286**		322
61 to 90 days		**6**		46
Over 90 days		**3**		34
	$	**20,058**	$	16,845

6. EXPLORATION AND EVALUATION ASSETS

At January 1, 2013	$ 134,721
Expenditures	24,181
Acquisition	2,094
Capitalized stock-based compensation	148
Change in decommissioning provision	264
At December 31, 2013	161,408
Expenditures	2,544
Change in decommissioning provision	(109)
At March 31, 2014	$ 163,843

Exploration and evaluation assets consist of the Company's evaluation projects which are pending determination of technical feasibility and commercial viability. The Company's exploration and evaluation assets consist predominately of costs pertaining to the Blackrod SAGD project in northern Alberta. These assets are not subject to depletion or depreciation but they are reviewed for possible impairment. During the first three months of 2014, no assets were considered to be impaired.

The net operating revenues of the Blackrod SAGD pilot are being capitalized until the decision to transfer exploration and evaluation assets to property, plant and equipment is determined. During the three months ended March 31, 2014, the Company capitalized net operating revenues totalling a loss of $1.3 million (2013 - $2.0 million).

7. PROPERTY, PLANT AND EQUIPMENT

	Petroleum and natural gas properties	Corporate	Total
Cost			
At January 1, 2013	$ 848,108	$ 3,352	$ 851,460
Expenditures	63,755	90	63,845
Acquisitions	2,963	-	2,963
Capitalized stock-based compensation	260	-	260
Change in decommissioning provision	22,279	-	22,279
Disposals	(2,302)	-	(2,302)
At December 31, 2013	935,063	3,442	938,505
Expenditures	46,752	3	46,755
Capitalized stock-based compensation	31	-	31
Change in decommissioning provision	(99)	-	(99)
At March 31, 2014	981,747	3,445	985,192
Accumulated depletion and depreciation			
At January 1, 2013	$ 402,256	$ 1,905	$ 404,161
Depletion and depreciation	71,870	213	72,083
Impairment	3,000	-	3,000
Disposals	(150)	-	(150)
At December 31, 2013	476,976	2,118	479,094
Depletion and depreciation	17,835	51	17,886
At March 31, 2014	494,811	2,169	496,980
Net book value			
December 31, 2013	$ 458,087	$ 1,324	$ 459,411
March 31, 2014	$ 486,936	$ 1,276	$ 488,212

The Company did not capitalize any costs classified as general and administrative in respects to development activities during the three months ended March 31, 2014 (2013 - $Nil).

Property, plant and equipment at March 31, 2014 includes $45.2 million (December 31, 2013 - $16.0 million) of assets under construction pertaining to the Onion Lake Enhanced Oil Recovery (EOR) project that are not subject to depletion and depreciation. Included in the $45.2 million of property, plant and equipment at March 31, 2014 that is not subject to depletion and depreciation is $2.6 million (December 31, 2013 - $2.3 million) in costs related to contractors who worked exclusively on the Onion Lake EOR project. Stock-based compensation associated with these contractors was capitalized for the three months ended March 31, 2014 totalling $31,000 (2013 - $Nil).

The Company performed impairment review tests at March 31, 2014 for any indication of impairment, no assets were considered to be impaired and no impairment was recorded during the three months ended March 31, 2014 (2013 - $Nil).

At March 31, 2014, the recoverable amounts of the Company's previously impaired CGUs based on the fair value less costs of disposal are $0.1 million at Salt Lake in Saskatchewan and $Nil at Long Coulee in Alberta respectively.

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

		March 31, 2014		December 31, 2013
Trade payables and accrued liabilities	**$**	**58,442**	$	37,159
Payables to joint venturers		**625**		359
Other payables		**467**		377
	$	**59,534**	$	37,895

Trade payables are non-interest bearing and are normally settled on a 30 to 60 day term.

9. LONG-TERM DEBT

At March 31, 2014 the Company's credit facilities consist of a $105 million syndicated revolving line of credit (2013 - $105 million) and a non-syndicated operating line of credit of $10 million (2013 - $10 million). The facilities are secured by a floating and fixed charge debenture on the assets of the Company. The amount available under these facilities ("Borrowing Base") is re-determined at least twice a year and is primarily based on the Company's oil and gas reserves, forecast commodity prices, the current economic environment and other factors as determined by the syndicate of lending institutions. The next scheduled Borrowing Base redetermination is to occur by May 31, 2014. The facilities are also subject to annual reviews by the lenders and the next scheduled review is to be completed by May 31, 2014. In the event the lenders elected not to renew the credit facilities during this borrowing base review, any amounts outstanding on the facilities would be due and payable in full by May 30, 2015. See Subsequent Event note 15 for update on the Borrowing Base.

The credit facilities provides that advances may be made, at the Company's option, as direct advances, LIBOR advances, banker's acceptances or standby letters of credit/guarantees. These advances bear interest depending on the type of advancement at the lender's prime rate, banker's acceptance rate or LIBOR rates, plus applicable margins. The applicable margin charged by the lender is dependent upon the Company's debt to EBITDA ratio calculated at the Company's previous fiscal quarter end. The lending agreement defines debt as any advances outstanding on the credit facilities plus any outstanding letters of credit/guarantee as per the Company's consolidated balance sheet. The lending agreement defines EBITDA as comprehensive income before income tax, financing charges, non-cash items deducted in determining comprehensive income and any income/losses attributable to assets acquired or disposed of when determining net comprehensive income for the period as per the Company's consolidated statement of comprehensive income. The Company also incurs a standby fee for undrawn amounts.

At March 31, 2014, no amounts were drawn under these facilities; however, the Company has issued a $20,000 letter of credit; leaving $115 million available to be drawn under the credit facilities. Pursuant to the terms of the credit agreement, the Company is required to maintain a working capital ratio of 1:1 at the end of each fiscal quarter. Working capital as defined in the lending agreement is current assets, as indicated on the Company's consolidated balance sheet, plus any undrawn amount on the credit facilities as compared to current liabilities from the Company's consolidated balance sheet. The Company had a working capital ratio of 3.5:1 at March 31, 2014 (2013 – 4.6:1) and is in compliance with this covenant at March 31, 2014.

10. DECOMMISSIONING LIABILITIES

The Company's decommissioning liability is an estimate of the reclamation and abandonment costs arising from the Company's ownership interest in oil and gas assets, including well sites, gathering systems, batteries and processing facilities. The total undiscounted amount of the estimated cash flows required to settle the liability is approximately $64.3 million (December 31, 2013 - $63.9 million). The estimated net present value of the decommissioning liability was calculated using an inflation factor of 2% (December 31, 2013 - 2%) and discounted using a risk-free rate of 2.73% (December 31, 2013 - 2.55%). Settlement of the liability, which may extend up to 40 years in the future, is expected to be funded from general corporate funds at the time of retirement.

Changes to the decommissioning liability were as follows:

	Three months ended March 31, 2014	Year ended December 31, 2013
Decommissioning liability, beginning of period	**$ 55,384**	$ 33,372
New liabilities recognized	**548**	2,103
Liabilities acquired	**-**	6,589
Reduction in liabilities due to asset dispositions	**(144)**	(789)
Decommissioning costs incurred	**(204)**	(849)
Change in estimated costs of decommissioning	**-**	14,815
Change in discount rate	**(613)**	(951)
Accretion expense	**371**	1,094
Decommissioning liability, end of period	**55,342**	55,384
Less current portion of decommissioning liability	**(847)**	(838)
Non-current portion of decommissioning liability	**$ 54,495**	$ 54,546

11. SHARE CAPITAL

(a) Authorized

The Company is authorized to issue an unlimited number of common shares.

(b) Common Shares Issued

	Number of Shares	Attributed Value
Balance as at January 1, 2013	295,765,808	$ 876,400
Shares issued on exercise of stock options	4,659,000	3,659
Transferred from contributed surplus on exercise of stock options and warrants	-	1,890
Balance as at December 31, 2013	300,424,808	881,949
Shares issued on equity offering	26,500,000	70,225
Share issue costs net of tax benefits of $874	-	(2,597)
Shares issued on exercise of stock options	1,473,500	1,375
Transferred from contributed surplus on exercise of stock options	-	711
Balance as at March 31, 2014	328,398,308	951,663

(c) Stock Options Outstanding

The Company has a stock option plan (the "Plan") available to directors, officers, employees and certain consultants of the Company and its subsidiaries. Under the Plan, the number of common shares to be reserved and authorized for issuance pursuant to options granted under the Plan cannot exceed 10% of the total number of issued and outstanding shares in the Company. The term and the vesting period of any options granted are determined at the discretion of the Board. The maximum term for options granted is ten years; however, all of the options granted by the Company have a term of five years or less and vest at a rate of one third on each of the three anniversaries from the date of the grant. The exercise price of the option cannot be less than the five-day volume weighted average trading price of the common shares immediately preceding the day the option is granted.

The following table summarizes stock options outstanding:

	Number of Options	Weighted Average Exercise Price ($)
Outstanding at January 1, 2013	17,382,999	2.81
Granted	3,545,500	2.39
Exercised	(4,659,000)	0.79
Forfeited	(1,638,000)	3.69
Expired	(25,000)	1.75
Outstanding at December 31, 2013	14,606,499	3.26
Granted	7,806,000	2.65
Exercised	(1,473,500)	0.93
Forfeited	(400,662)	3.49
Outstanding at March 31, 2014	20,538,337	3.19

Options outstanding and exercisable as at March 31, 2014 are summarized below:

	Options Outstanding			**Options Exercisable**		
Range of Exercise Prices ($)	**Number of Options**	**Weighted-Average Exercise Price ($)**	**Weighted-Average Remaining Life (Years)**	**Number of Options**	**Weighted-Average Exercise Price ($)**	**Weighted-Average Remaining Life (Years)**
1.37 – 1.50	200,000	1.37	0.10	200,000	1.37	0.10
1.51 – 3.00	13,736,500	2.50	3.83	3,757,534	2.29	1.40
3.01 – 4.50	2,108,502	3.68	3.19	807,529	3.64	3.10
4.51 – 6.00	4,178,335	5.01	2.12	3,518,520	5.02	2.03
6.01 – 7.66	315,000	6.91	2.19	210,001	6.91	2.19
	20,538,337	3.19	3.36	8,493,584	3.64	1.81

The fair value of common share options granted is estimated on the date of grant using the Black-Scholes option pricing model. During the threes months ended March 31, 2014, 7,806,000 options were granted (2013 - 3,015,500).

The fair value of these options was estimated using the following weighted average assumptions:

Assumptions	**Three months ended March 31, 2014**	Three months ended March 31, 2013
Risk free interest rate (%)	**1.3**	1.1
Expected life (years)	**3.6**	3.5
Expected volatility (%)	**50.7**	49.3
Forfeiture rate (%)	**15.1**	14.2
Weighted average fair value of options	**$ 1.03**	$ 0.91

(d) Stock-based Compensation

		Three months ended March 31, 2014		Three months ended March 31, 2013
Gross stock-based compensation	**$**	**941**	$	1,166
Recoveries from forfeitures		**(169)**		(145)
Net stock-based compensation before capitalization		**772**		1,021
Stock-based compensation capitalized to exploration and evaluation assets		**-**		(57)
Stock-based compensation capitalized to property, plant and equipment		**(31)**		-
Net stock-based compensation	**$**	**741**	$	964

(e) Loss per Share

Basic loss per share amounts are calculated by dividing net and comprehensive loss for the period by the weighted average number of common shares outstanding during the period.

The following table shows the calculation of basic and diluted loss per share for the periods ended:

		Three months ended March 31, 2014		Three months ended March 31, 2013
Net and comprehensive loss	**$**	**(1,126)**	$	(5,644)
Weighted average number of common shares – basic		**304,841**		296,052
Dilutive effect:				
Outstanding options		**1,033**		4,716
Weighted average number of common shares - diluted		**305,874**		300,768
Basic loss per share	**$**	**(0.00)**	$	(0.02)
Diluted loss per share	**$**	**(0.00)**	$	(0.02)

For the three months ended March 31, 2014, the Company used an average market price of $2.54 (2013 - $2.67) per share to calculate the dilutive effect of stock options. For the three months ended March 31, 2014, 12,286,849 options were anti-dilutive (2013 – 8,765,760) and were not included in the calculation of diluted net loss per share.

12. COMMITMENTS AND CONTINGENCIES

	2014	2015	2016	2017	2018	Thereafter
Operating leases (1)	$ 1,446	$ 1,780	$ 1,287	$ -	$ -	$ -
Electrical service agreement (2)	712	1,003	520	119	119	2,225
Capital commitments (3)	97,161	4,835	-	-	-	-
	$ 99,319	$ 7,618	$ 1,807	$ 119	$ 119	$ 2,225

(1) The Company has 30 months remaining on an operating lease for office space as at March 31, 2014. The Company's office lease was executed jointly with another party. Under the terms of the lease, BlackPearl and the other party are joint and severally liable for the obligations pursuant to the lease. Accordingly, if the other party is unable to fulfill their lease obligation, BlackPearl would be required to pay a maximum additional amount of $7.6 million (including an estimate for operating costs) over the next 30 months. At March 31, 2014, no amounts were owed (2013 – no amounts owing).

(2) The Company entered into certain long-term agreements to acquire electricity for one of its processing facilities.

(3) The Company entered into certain agreements pertaining to the construction of the Onion Lake EOR project.

13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company's financial instruments as at March 31, 2014 include cash and cash equivalents, trade and other receivables, deposits within prepaid expenses and deposits, accounts payable and accrued liabilities and risk management liabilities.

(a) Fair value of financial instruments

	March 31, 2014		December 31, 2013	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Financial Assets				
Loans and receivables:				
Cash and cash equivalents	$ 69,023	$ 69,023	$ 8,402	$ 8,402
Trade and other receivables	$ 20,797	$ 20,797	$ 17,552	$ 17,552
Deposits	$ 415	$ 415	$ 413	$ 413
Financial liabilities				
Financial liabilities at amortized cost:				
Accounts payable and accrued liabilities	$ 59,534	$ 59,534	$ 37,895	$ 37,895
Financial liabilities at fair value through profit or loss:				
Risk management liabilities	$ 5,301	$ 5,301	$ -	$ -

The carrying value of these instruments approximates their fair value due to the short-term nature of the instruments except for risk management liabilities which are measured at fair value. The Company manages its risk through its policies and processes and starting in the first quarter of 2014, the Company began to use risk management contracts to manage some of these risks.

The risks associated with these financial instruments including credit risk, liquidity risk, interest rate risk, foreign currency exchange risk and commodity price risk have not changed from December 31, 2013.

(b) Risk management

The Company enters into certain risk management contracts in order to manage the exposure to market risks from fluctuations in commodity prices. These risk management contracts are not used for trading or speculative purposes. The Company has not designated its risk management contracts as effective accounting hedges, and thus has not applied hedge accounting, even though the Company considers all risk management contracts to be economic hedges. As a result, all risk management contracts are recorded at fair value at each reporting period with the change in fair value being recognized as an unrealized gain or loss on the statement of comprehensive income.

The fair value of swaps is determined by discounting the difference between the contracted prices and published forward price curves as at the consolidated balance sheet date, using the remaining contracted oil volumes and a risk-free interest rate (based on published government rates). These swap contracts are considered level two under the fair value hierarchy.

Risk management amounts recognized during the first quarter of 2014 were as follows:

	Three months ended March 31, 2014	Three months ended March 31, 2013
Realized loss on risk management contracts	**$ 666**	$ -
Unrealized loss on risk management contracts	**5,301**	-
Loss on risk management contracts	**$ 5,967**	$ -

As at March 31, 2014, the Company held the following commodity contracts:

Subject of Contract	Volume	Term	Reference	Strike Price	Option Traded
Oil	2,500 bbls/d	April 1, 2014 to December 31, 2014	CDN$ WCS	CDN$ 82.10/bbl	Swap
Oil	1,000 bbls/d	April 1, 2014 to December 31, 2014	CDN$ WCS	CDN$ 82.00/bbl	Swap

Subsequent to March 31, 2014, the Company entered into the following commodity contracts:

Subject of Contract	Volume	Term	Reference	Strike Price	Option Traded
Oil	500 bbls/d	May 1, 2014 to December 31, 2014	CDN$ WCS	CDN$ 86.05/bbl	Swap

As at March 31, 2014, a 10% decrease in the CDN$ WCS forward benchmark price used to calculate unrealized gains and losses for the risk management contracts above would result in an $8.4 million increase in after tax net income.

14. SUPPLEMENTARY INFORMATION

(a) The following table summarizes the cash interest and taxes paid:

		Three months ended March 31, 2014		Three months ended March 31, 2013
Cash interest paid	**$**	**150**	$	183
Cash taxes paid	**$**	**18**	$	6

(b) The following table summarizes finance costs included on the statement of comprehensive income:

		Three months ended March 31, 2014		Three months ended March 31, 2013
Gross interest and financing charges	**$**	**150**	$	183
Capitalized interest and financing charges		**(89)**		(105)
Net interest and financing charges		**61**		78
Accretion of decommissioning liabilities		**371**		206
Finance costs	**$**	**432**	$	284

(c) The following table reconciles the changes in non-cash working capital as disclosed in the consolidated statements of cash flows:

		Three months ended March 31, 2014		Three months ended March 31, 2013
Changes in non-cash working capital:				
Trade and other receivables	**$**	**(2,579)**	$	(3,859)
Inventory		**(208)**		(474)
Prepaid expenses and deposits		**151**		203
Accounts payable and accrued liabilities		**21,648**		(15,144)
	$	**19,012**	$	(19,274)
Relating to:				
Operating activities	**$**	**(4,316)**	$	(6,466)
Investing activities		**23,328**		(12,808)
Change in non-cash working capital	**$**	**19,012**	$	(19,274)

15. SUBSEQUENT EVENTS

Subsequent to March 31, 2014, the Company completed its previously announced private placement of 3,773,585 common shares at $2.65 per share representing gross proceeds of $10 million. On the closing of this private placement, the Company's lending syndicate increased the Company's existing credit facilities from $115 million to $150 million and the next scheduled Borrowing Base redetermination is to occur by November 30, 2014. In addition, pursuant to the partial exercise of the over-allotment option as part of the bought deal equity offering previously announced, the Company issued 3,100,000 common shares at a price of $2.65 per share representing gross proceeds of $8.2 million.