

BLUE PEARL MINING LTD.
(Formerly Patent Enforcement and Royalties Ltd.)

Interim Report

Q1

March 31, 2005

**Blue Pearl Mining Ltd. (formerly Patent Enforcement and Royalties Ltd.)
Management's Discussion and Analysis
For the three months ended March 31, 2005**

The following discussion and analysis should be read in conjunction with the Company's unaudited consolidated interim financial statements and related notes thereto for the three months ended March 31, 2005 and 2004 which have been prepared in accordance with Canadian generally accepted accounting principles. The reader should also refer to the audited financial statements for the six months ended December 31, 2004 and the year ended June 30, 2004, and Management's Discussion and Analysis for those periods. All dollar amounts are Canadian dollars unless otherwise indicated.

Auditor Involvement

The auditor of Blue Pearl Mining Ltd. has not performed a review of the unaudited financial statements for the three months ended March 31, 2005 and 2004.

Overview

On April 14, 2005, the shareholders of Patent Enforcement and Royalties Ltd. ("PEARL") approved the change of business of PEARL from patent enforcement to mining and the change of name from PEARL to Blue Pearl Mining Ltd. ("Blue Pearl" or "the Company"). Blue Pearl will wind down the patent enforcement business as cases are determined.

Blue Pearl is now a mining company that holds the Davidson Property, formerly known as the Yorke-Hardy Property. The Davidson Property is a molybdenum deposit located near Smithers, B.C. The Company intends to advance this project initially to a feasibility stage and then into production. In order to complete the feasibility study, the following steps will be required:

- Input geology from drill logs and build a geologic model to help constrain grades in the resource estimate
- Complete a scoping study. Take the block model results from this estimate and have a mining engineer design a mine plan. Within the mineral resource, determine the quantity of blocks classed as inferred and determine if any infill drilling is required and if so where
- Rehabilitate the underground access and prepare the underground drill stations
- For infill holes design a sampling protocol to ensure the coarse grained mineralization is sampled
- Start a baseline environmental study
- Complete a community relations study

The estimated budget for this work is \$1,200,000.

Results of Operations

Expenses increased in the first quarter of 2005 by \$149,053 from the comparable 2004 quarter. The increase was due to certain one-time costs related to the change in the Company's business from patent enforcement to mining. These costs were mainly professional fees, general and administrative expenses and investor relations expenses.

Liquidity and Capital Resources

At March 31, 2005 the Company had cash and cash equivalents of \$509,639 and working capital of \$399,297.

In March 2005, the Company closed a private placement of 13,833,667 non-flow-through purchase receipts at a price of \$0.60 and 3,076,715 flow-through purchase receipts at \$0.65 for gross proceeds of \$10,300,065. The purchase receipts issued on this financing are subject to a four month hold period expiring on July 23, 2005. The proceeds of this financing were being held by an escrow agent pending satisfaction of the escrow conditions. The conditions were satisfied on April 15, 2005 and the net proceeds after commissions and costs were released from escrow. These funds are expected to be adequate to complete the Davidson Property feasibility study and fund the Company's working capital requirements. Further financings will be required to construct the operating facilities to be determined by the feasibility study.

Summary of Quarterly Results

(Canadian\$ in thousands, except per share amounts)

	Jun 30 2003	Sep 30 2003	Dec 31 2003	Mar 31 2004	Jun 30 2004	Sep 30 2004	Dec 31 2004	Mar 31 2005
Revenue	99	1	-	1	-	-	651	-
Net earnings (loss)	(60)	(121)	(116)	(143)	(77)	(73)	393	(292)
Earnings (loss) per share								
- basic and diluted	(0.00)	(0.01)	(0.01)	(0.01)	(0.00)	(0.00)	0.02	(0.01)
Total assets	428	306	396	442	329	281	941	10,868

Outstanding Share Data

Common shares and convertible securities outstanding at May 26, 2005 were:

Security	Expiry Date	Exercise Price	Securities Outstanding	Common Shares on Exercise
Common shares	n/a		23,659,000	23,659,000
Warrants	Mar. 22, 2007	\$0.70	1,691,038	1,691,038
Purchase receipts	Jul. 23, 2005	n/a	16,910,382	
- Common shares	n/a	n/a		16,910,382
- Warrants	Mar. 22, 2007	\$0.70		6,916,834
Share options	Oct. 29, 2006 to May 2, 2010	\$0.15 - \$0.70	1,830,000	<u>1,830,000</u>
				<u><u>51,007,254</u></u>

Additional information on the Company is available on SEDAR at www.sedar.com.

May 26, 2005

BLUE PEARL MINING LTD.
CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT
Three months ended March 31, 2005 and 2004
(Canadian Dollars - unaudited)

	<u>2005</u>	<u>2004</u>
Revenue		
Interest income	\$ -	\$ 698
Expenses		
Professional fees	145,451	723
General and administrative	80,825	13,867
Investor relations	32,514	1,120
Wages and benefits	32,282	47,656
Interest on debentures	-	5,000
Transfer agent fees	1,629	2,341
Depreciation	181	258
Intellectual property lawsuits	-	72,864
	<u>292,882</u>	<u>143,829</u>
Net loss	(292,882)	(143,131)
Deficit, beginning of period	<u>(4,267,142)</u>	<u>(4,332,439)</u>
Deficit, end of period	\$ <u>(4,560,024)</u>	\$ <u>(4,475,570)</u>
Basic and diluted loss per share	\$ <u>(0.01)</u>	\$ <u>(0.01)</u>
Weighted average number of shares outstanding - basic and diluted	<u>23,259,000</u>	<u>19,087,571</u>

The accompanying notes form an integral part of these consolidated financial statements

BLUE PEARL MINING LTD.
CONSOLIDATED BALANCE SHEETS
(Canadian Dollars - unaudited)

	<u>As at March 31, 2005</u>	<u>As at December 31, 2004</u>
ASSETS		
Current		
Cash and cash equivalents	\$ 509,639	\$ 798,642
Accounts receivable and prepaid expenses	17,681	2,653
Escrowed cash (note 3)	<u>10,231,967</u>	<u>-</u>
	10,759,287	801,295
Investment in Kinbauri Gold Corp.	32,000	32,000
Investment in Davidson Property	75,000	75,000
Capital assets	<u>1,866</u>	<u>2,046</u>
	<u>\$ 10,868,153</u>	<u>\$ 910,341</u>
LIABILITIES		
Current		
Accounts payable and accrued liabilities	\$ 128,023	\$ 109,296
Commission payable (note 3)	<u>721,005</u>	<u>-</u>
	<u>849,028</u>	<u>109,296</u>
SHAREHOLDERS' EQUITY		
Purchase receipts (note 3)	9,211,067	-
Warrants (note 4)	299,895	-
Common shares	5,040,580	5,040,580
Contributed surplus	27,607	27,607
Deficit	<u>(4,560,024)</u>	<u>(4,267,142)</u>
	<u>10,019,125</u>	<u>801,045</u>
	<u>\$ 10,868,153</u>	<u>\$ 910,341</u>

The accompanying notes form an integral part of these consolidated financial statements

BLUE PEARL MINING LTD.
CONSOLIDATED STATEMENTS OF CASH FLOWS
Three months ended March 31, 2005 and 2004
(Canadian Dollars - unaudited)

	2005	2004
OPERATING ACTIVITIES		
Net loss	\$ (292,882)	\$ (143,131)
Items not requiring cash:		
Depreciation	181	258
Change in non-cash working capital	3,698	6,717
Cash used in operating activities	(289,003)	(136,156)
FINANCING ACTIVITIES		
Common shares issued	-	180,000
Change in cash and cash equivalents	(289,003)	43,844
Cash and cash equivalents, beginning of period	798,642	223,227
Cash and cash equivalents, end of period	\$ 509,639	\$ 267,071

The accompanying notes form an integral part of these consolidated financial statements

BLUE PEARL MINING LTD
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2005 AND 2004

1. NATURE OF BUSINESS

The Company was in the business of acquiring interests in patents, copyrights or other intellectual properties which were being infringed for the purpose of litigating and participating in any successful judgments or settlement resulting from litigation and continuing royalties. On April 14, 2005 at its Annual General and Special Meeting of Shareholders, the shareholders of the Company unanimously approved the Change of Business of the Company to that of a resource issuer. In addition, shareholders unanimously approved the change of name of the Company to Blue Pearl Mining Ltd. The Company acquired a 100% interest in the Davidson Property, (formerly the Yorke-Hardy Property), a molybdenum deposit located near Smithers B.C. in April 2005. The Company is preparing a feasibility study on the project and intends to bring the property into production.

2. BASIS OF PRESENTATION

The unaudited interim consolidated financial statements of the Company, which are expressed in Canadian dollars, have been prepared in accordance with Canadian generally accepted accounting principles for interim financial information and follow the same accounting policies and methods of application as the audited consolidated financial statements for the six months ended December 31, 2004. These unaudited interim consolidated financial statements do not include all the information and note disclosures required by generally accepted accounting principles for annual financial statements and notes thereto. In the opinion of management, all adjustments considered necessary for fair and consistent presentation of interim financial statements have been included.

3. PURCHASE RECEIPTS

In March 2005, the Company closed a private placement of 13,833,667 non-flow-through purchase receipts at a price of \$0.60 and 3,076,715 flow-through purchase receipts at \$0.65 for gross proceeds of \$10,300,065. Each non-flow-through purchase receipt is exchangeable into one unit. Each unit will consist of one common share and one-half of one transferable common share purchase warrant. Each whole warrant will have an exercise price of \$0.70 and will have a term of 2 years. The non-flow-through purchase receipts will be automatically exchanged for units on a one for one basis after the four month hold period from the closing date. The flow-through purchase receipts will be exchanged for common shares on a one for one basis after the four month hold period from the closing date. The purchase receipts issued on this financing are subject to a four month hold period expiring on July 23, 2005. The gross proceeds of this financing, net of expenses of \$68,098, were being held by an escrow agent pending satisfaction of the escrow conditions. Warrants with a value of \$299,895 were issued to the Agent in March 2005. The Agent's commission of \$721,005 was paid when the escrow conditions were satisfied in April 2005.

4. WARRANTS

The fair value of the warrants was estimated on the closing date in March 2005 using the Black-Scholes warrant pricing model with the following weighted average assumptions:

Expected life in years: 1.2

Risk free interest rate: 3.05%

Expected volatility: 40%

Dividend yield: 0%

5. SUPPLEMENTAL CASH FLOW INFORMATION

	Three months ended March 31	
	2005	2004
Change in non-cash working capital:		
Accounts receivable and prepaid expenses	(15,028)	(2,130)
Accounts payable and accrued liabilities	18,726	8,847
	<u>\$ 3,698</u>	<u>\$ 6,717</u>

	Three months ended March 31	
	2005	2004
Non-cash financing activities:		
Private placement:		
Escrowed cash	<u>\$ 10,231,967</u>	<u>\$ -</u>
Purchase receipts		
Gross proceeds	<u>\$ 10,300,065</u>	<u>\$ -</u>
Less:		
Agents' commission	721,005	-
Agents' warrants	299,895	-
Other	<u>68,098</u>	<u>-</u>
	<u>1,088,998</u>	<u>-</u>
	<u>\$ 9,211,067</u>	<u>\$ -</u>

6. SUBSEQUENT EVENTS

In April 2005, all conditions of the brokered private placement that closed in March 2005 were satisfied and the net proceeds of \$10,231,967 were released from escrow.

The Company also completed the acquisition of a 100% interest in the Davidson Property (formerly the Yorke-Hardy Property), a molybdenum deposit located near Smithers B.C., with a portion of the funds released from the financing. The total consideration for the 100% interest was \$1,025,000 in cash, advance royalty payments to the property owners, ranging between \$100,000 and \$500,000 per year based on the world price for molybdenum, and a 2.75% net smelter royalty.

BLUE PEARL MINING LTD.

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OFFICERS

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Kenneth W. Collison, Chief Operating Officer

T. Derek Price, Vice-President, Finance and Chief Financial Officer

Peter N. Tredger, Vice-President

Lorna D. MacGillivray, Corporate Secretary and General Counsel

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