

ANNUAL REPORT

2007

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LETTER TO SHAREHOLDERS

November 1, 2007

Given that Black Bull Resources Inc. has reached the end of its 2007 fiscal year, it seems appropriate to review the business progress thus far. Early in our fiscal year, due to a lack of sales orders, the White Rock quarry and the processing plant were closed until April 2007. During that period, the Company began making direct sales calls to customers. These calls confirmed management's belief that Black Bull Resources Inc. had a unique quartz deposit that is "world class" in its size, consistency, and quality. Our target customers in the building products market segments indicated a solid demand for our unique *Scotia White*TM quartz products at a premium price. With the confidence of this initial sales effort, the Company reopened our operations and began making shipments early in the second half of this fiscal year.

Since reopening our operations, the Company has steadily improved. The management team and the plant workforce have worked hard to build sales, improve quality, and reduce costs. Major strides have been made on all fronts as this business continues to improve on a monthly basis.

The critical factor in getting our business to positive cash flow is the increased sales of *Scotia White*TM quartz products. The nature of any industrial minerals business is volume driven. By definition, then, our top priority is sales orders. Since January 2007, when we started selling direct, we have made impressive strides in introducing Black Bull Resources Inc. and our *Scotia White*TM quartz products to our target markets. Those select market segments that provide a premium margin opportunity include pool plaster aggregate, flooring, and countertops, which have been our sales focus thus far. In a very short time, we have built a solid reputation with most of the leading customers in these target markets.

Orders from customers are ramping up each month in spite of this being a "down market" period. The fact the marketplace knew our plant was temporarily shutdown created a slower sales ramp up during that time. Our sales efforts in the second half of the 2007 fiscal year have increased our customer base from 10 to 27 significant customers. While last year we basically sold only two quartz products; in 2007, we produced and sold a broader product line, including three new processed *Scotia White*TM products. Selling a greater percentage of our plant processed material reduced our operating costs and also increased our average selling price by \$30 USD per ton. Our sales efforts have certainly set the table for improved results in the coming months. This being said, our orders did not ramp up fast enough to show acceptable results by the end of the 2007 fiscal year. Recognizing that it takes any new business time to break into new markets, I believe that we are doing a solid sales job, and the results should begin to impact our bottom line.

With an aggressive plan for 2008, we are building on our early efforts in the marketplace from 2007. We are presently signing up a network of pool plaster distributors throughout North America. Since this market is so fragmented, we require more sales representation to reach our goals. This is now being put in place. We have also initiated a relationship with an international distributor who sees major opportunity for *Scotia White*TM in various Asian markets. Again, we need to build volume, and these programs will allow us to make this happen.

Further, to build sales, we have developed new marketing literature and presentations. This material is more focused on specific product items, which will help our customers better sell *Scotia White*TM value and quality to the end user. We are also entering other niche markets which will add tonnage to our order pipeline; namely, filtration products, grouts, and aquarium stone. *Scotia White*TM quartz is superior in any quartz colouring application. Its angularity holds the colourant well, and the unique whiteness brings

a coloured vibrancy that is unmatched. As more customers begin to colour their quartz for various applications, we bring a competitive advantage in this regard. We have identified increased tonnage opportunities in our larger (1/2" to 1/8") damp stone business. Potential exists for selling these damp stone materials, at nice margins, to other mineral processors who have a need for our unique white quartz. Building this aspect of our business offers real promise.

Of course, solid sales are founded on building strong relationships. This September, we were pleased to host the fall meeting of the National Plasterers Council (NPC) which is the leading trade association for the pool plasterers in North America; our primary target market at this time. This NPC conference was held in Halifax and included a tour of our quarry and processing plant. Over twenty important pool plasterers got a firsthand look at our operations. They came away impressed. We are staging several new pool plaster trials as a result of our good showing at this conference. This kind of quality sales effort is building a first class reputation in this market for our company.



**Members of the National Plasterers Council
on Tour at the White Rock Property**

Moving ahead, we are confident that our sales are developing and will continue to grow. Based on this confidence, we are planning a “modified” capital expansion this winter at our White Rock quarry. While we are being careful to be prudent with our funds, we are proceeding with a plant floor space expansion for more working and inventory room, adding bulk silos for storage, reconfiguring our screens to improve our production efficiencies, new packaging capability, and improved material handling equipment. These improvements will cost approximately \$1.5 million and will provide a payback as our volumes improve. As you likely know, these funds are already in place.

Since launching this business, Black Bull Resources Inc. has been committed to a strong sustainable development program. We continue to be a solid and responsible corporate citizen. Recently, we were pleased about two honors in this regard. First, we were listed as one of several prominent companies in the Industrial Minerals Association—North America who have pledged to uphold the high sustainable development standards of this leading association. Second, we were delighted to receive the Shelburne County Export Development Award at a dinner awards ceremony last month. We are proud of the good work we do and the role we play in the local and provincial economies.

The 2007 year was challenging to say the least for Black Bull Resources Inc. We learned a great deal, and we proved that we can manage our way through some difficult challenges. We are a stronger and better company as a result of last year’s experiences. I know the Board and the management team joins me in looking forward to a much improved 2008. Management believes that the right things are being done and the business will grow and improve steadily in the coming year. I thank you for your confidence and support to this promising business.

“Richard J. Shearer”

Richard J. Shearer,
President & CEO



Black Bull

Resources Inc.

September 30, 2007
Annual
Financial Statements

Including:

Independent Auditors' Report,

Financial Statements

&

Notes to the
Financial Statements

INDEPENDENT AUDITORS' REPORT



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Independent Auditors' Report

The Shareholders,
Black Bull Resources Inc.

We have audited the balance sheets of Black Bull Resources Inc. as at September 30, 2007 and 2006 and the statements of operations and deficit and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at September 30, 2007 and 2006 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Chartered Accountants
Halifax, Nova Scotia
November 1, 2007

Member of
Deloitte Touche Tohmatsu

FINANCIAL STATEMENTS

BLACK BULL RESOURCES INC.

BALANCE SHEETS AS AT SEPTEMBER 30

	2007	2006
ASSETS		
Current		
Cash and cash equivalents	\$ 5,042,378	\$ 1,081,541
Receivables (Note 3)	147,462	121,485
Capital tax receivable	-	13,443
Inventory (Note 4)	589,005	453,722
Prepaid expenses	110,785	62,455
	5,889,630	1,732,646
Capital assets (Note 5)	3,629,361	3,287,123
Mineral claims (Note 6)	876,235	879,855
Deferred costs (Note 7)	2,902,232	2,913,714
Other assets (Note 8)	520,004	499,480
	\$ 13,817,462	\$ 9,312,818
LIABILITIES		
Current		
Payables and accruals (Note 9)	\$ 741,739	\$ 425,481
Convertible debentures, net of deferred financing costs (Note 10)	326,628	-
Capital tax payable	10,976	-
	1,079,343	425,481
Asset retirement obligation (Note 11)	250,588	234,195
	1,329,931	659,676
SHAREHOLDERS' EQUITY		
Capital stock (Note 12)	23,538,215	17,268,842
Contributed surplus (Note 12)	1,815,165	1,398,722
Deficit	(12,865,849)	(10,014,422)
	12,487,531	8,653,142
	\$ 13,817,462	\$ 9,312,818
Approved on behalf of the Board		
<i>"James W. Gogan"</i>	Director	
<i>"Richard J. Shearer"</i>	Director	

BLACK BULL RESOURCES INC.

STATEMENTS OF OPERATIONS, COMPREHENSIVE LOSS, AND DEFICIT YEARS ENDED SEPTEMBER 30

	2007	2006
MINERAL REVENUE	\$ 169,874	\$ 130,558
COSTS AND EXPENSES		
Operations and overhead	959,627	1,212,200
Depletion	15,102	3,597
Amortization	380,183	480,078
Sales and marketing	431,618	231,302
General and administration	1,010,807	1,301,055
	2,797,337	3,228,233
LOSS BEFORE OTHER ITEMS	(2,627,463)	(3,097,676)
OTHER ITEMS		
Interest expense	(101,704)	-
Interest income	106,189	116,955
Writedown of inventory	(196,583)	-
LOSS BEFORE TAXES	(2,819,561)	(2,980,720)
Provision for capital tax (Note 14)	(31,866)	(21,034)
NET LOSS AND COMPREHENSIVE LOSS FOR THE YEAR	(2,851,427)	(3,001,754)
DEFICIT AT BEGINNING OF YEAR	(10,014,422)	(7,012,668)
DEFICIT AT END OF YEAR	\$ (12,865,849)	\$ (10,014,422)
Basic and diluted loss per share	\$ (0.045)	\$ (0.068)
Weighted average number of shares	64,008,339	44,186,605

BLACK BULL RESOURCES INC.

STATEMENTS OF CASH FLOWS YEARS ENDED SEPTEMBER 30

	2007	2006
OPERATING ACTIVITIES		
Net loss for the year	\$ (2,851,427)	\$ (3,001,754)
Non-cash items included in net loss		
Amortization	380,183	480,079
Depletion	15,102	3,598
Accretion on asset retirement obligation	16,393	10,719
Accretion on convertible debentures	57,405	-
Stock-based compensation	141,423	176,394
	(2,240,921)	(2,330,964)
Change in non-cash working capital accounts		
Receivables	(25,977)	23,745
Inventory	(135,283)	(285,114)
Prepaid expenses	(48,330)	13,131
Payables and accruals	58,418	(207,323)
Capital tax	24,419	(22,902)
	(2,367,674)	(2,809,427)
FINANCING ACTIVITIES		
Proceeds from sale of convertible debentures	787,835	-
Proceeds from sale of capital stock	6,025,781	-
	6,813,616	-
INVESTING ACTIVITIES		
Trademark	-	(4,402)
Acquisition of capital assets	(464,581)	(2,131,450)
Deferred costs	-	(7,792)
Reclamation deposits	(20,524)	(100,708)
	(485,105)	(2,244,352)
Change in cash and cash equivalents during the year	3,960,837	(5,053,779)
Cash and cash equivalents at beginning of the year	\$ 1,081,541	\$ 6,135,320
Cash and cash equivalents at end of year	\$ 5,042,378	\$ 1,081,541

NOTES TO THE FINANCIAL STATEMENTS

1. NATURE OF OPERATIONS AND BASIS PRESENTATION

The Company was incorporated under the Business Corporations Act (Alberta) on July 18, 1997, and is principally involved in mining effective April 1, 2004.

The Company is in the business of mining, processing, and marketing quartz from its White Rock claim in Nova Scotia, Canada. The recoverability of the amounts shown for mineral claims and related, deferred exploration costs is dependent upon the existence of economically recoverable reserves and upon future profitable production.

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The significant accounting policies are as follows:

a) Cash and cash equivalents

Cash and cash equivalents include highly-liquid investments with maturities of less than three months.

b) Inventory

Product inventory is valued at the lower of production cost, consisting mainly of mining, crushing costs, drying, screening, packaging, and freight, and net realizable value.

c) Capital assets

Capital assets are recorded at cost and amortization is recorded on either a declining-balance (DB) or straight-line (SL) basis using the following rates:

Equipment	20% DB
Office furniture and equipment	20% DB
Computer equipment	30% DB
Software	100% DB
Buildings	10% DB
Trademarks	10% SL
Leasehold improvements	50% SL
Site improvements	10% SL

Amortization of buildings and equipment commence when they are commercially utilized; other capital assets are amortized 50% of the given rate in the first year.

d) Mineral claims

Mineral claim expenses are capitalized and carried at cost until the claim to which they relate is placed in production or sold, or management has determined there to be a permanent impairment of value. If placed in production, the costs are depleted and amortized using the units-of-production method over the estimated life of the measured and indicated resource. If the mineral claims are sold or abandoned, the related deferred amounts will be expensed.

e) Deferred costs

Exploration and mine development expenses are capitalized and carried at cost until the claim or project to which they relate is placed in production or sold, or management has determined there to be a permanent impairment of value. If placed in production, the costs are depleted and amortized using the units-of-production method over the estimated life of the measured and indicated resource. If the claim or project is sold or abandoned, the related deferred amounts will be expensed.

f) Revenue recognition

Revenue from mining operations is recognized upon shipment of the product, when title has passed to the customer, and collection is reasonably assured.

g) Asset retirement obligation

Legal obligations associated with the retirement of tangible long-lived assets are recorded as estimated liabilities. The liabilities are calculated using the net present value of the cash flows required to settle the obligation using a discount rate of 7% over a 10-year term.

A corresponding amount is capitalized to the related asset. Asset retirement costs are charged to earnings in a manner consistent with the depletion and amortization of the underlying asset. The liabilities are subject to accretion over time for changes in the fair value of the liability through charges to accretion which are included in cost of sales and operating expenses.

It is possible that the Company's estimates of its asset retirement obligations could change as a result of changes in regulations, the extent of environmental remediation required, the means of reclamation, or cost estimates. Changes in estimates are accounted for prospectively from the period the estimate is revised.

The Company currently has \$520,004 in Reclamation Funds on deposit with the Province of Nova Scotia.

h) Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Significant areas where management's judgment is applied are asset valuations, amortization and depletion, income taxes, stock-based compensation, and asset-retirement obligations. Actual results could differ from those estimates.

i) Stock-based compensation

The Company has a stock-based compensation plan as described in Note 12. The Company accounts for stock options using the fair-value method, whereby compensation expense for stock options is measured at the fair value at the grant date and is recognized over the vesting period of the options granted. The Company uses the Black-Scholes model to estimate fair value.

j) Income taxes

The Company follows the liability method of accounting for income taxes whereby future income tax assets and liabilities are recognized for temporary differences between the tax and accounting bases of assets and liabilities as well as for the benefit of tax loss carry forwards that are likely to be realized. Future income tax assets and liabilities are measured using substantively enacted tax rates that are expected to be effective when recovered or settled.

The net change in recorded future income tax assets and liabilities is recognized in income during the period in which the change occurs including any change in applicable future tax rates.

k) Loss per share

Loss per share is calculated using the weighted-average number of common shares outstanding. The weighted average is calculated on number of days outstanding for the twelve-month period ended September 30, 2007.

Diluted loss per share is determined as net loss divided by the weighted average number of diluted common shares outstanding for the period. Diluted common shares reflect the potential dilutive effect of exercising the stock options based on the treasury-stock method. The "if-converted" method is used to determine the dilutive effect of convertible debentures.

Options to purchase 4,318,207 and warrants to purchase 2,400,000 common shares were outstanding at September 30, 2007, but neither the options, warrants, nor convertible debenture were included in the computation of diluted loss per share because they were anti-dilutive.

l) Impairment of long-lived assets

Long-lived assets are tested for recoverability whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. An impairment loss is recognized when their carrying value exceeds the total undiscounted cash flows expected from their use and eventual disposition. The amount of the impairment loss is determined as the excess of the carrying value of the asset over its fair value.

m) Comprehensive income

Effective October 1, 2006, the Company adopted CICA Handbook Section 1530, *Comprehensive Income*. Section 1530 establishes standards for reporting and presenting comprehensive income, which is defined as the change in equity from transactions and other events and circumstances from non-owner sources. Other comprehensive income refers to items recognized in comprehensive income that are excluded from net income in accordance with generally accepted accounting principles. The Company has no other comprehensive income components and, accordingly, the Company's net income equals comprehensive income.

n) Financial instruments

Effective October 1, 2006, the Company adopted CICA Handbook Section 3855, *Financial Instruments - Recognition and Measurement*, CICA Handbook Section 3861, *Financial Instruments - Disclosure and Presentation*, and CICA Handbook Section 3865, *Hedges*.

Section 3855 prescribes when a financial instrument is to be recognized on the balance sheet and at what amount. Under Section 3855, financial instruments must be classified into one of five categories: held-for-trading, held-to-maturity, loans and receivables, available-for-sale financial assets, or other financial liabilities. All financial instruments, including derivatives, are measured in the balance sheet at fair value except for loans and receivables, held-to-maturity investments, and other financial liabilities which are measured at amortized cost.

Asset/Liability	Classification	Measurement
Cash and cash equivalents	Held for trading	Fair value
Accounts receivable	Loans and receivables	Amortized cost
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost
Convertible debentures	Other financial liabilities	Amortized cost

The Company has adopted the policy of amortizing transaction costs to net income using the effective interest method.

Section 3861 establishes standards for presentation of financial instruments and identifies the information that should be disclosed about them.

Section 3865 describes how and when hedge accounting can be used and the required disclosures.

The initial adoption of these standards had no impact on the financial statements of the Company. During the three-month period ended March 31, 2007, the Company issued convertible debentures (Note 10). The convertible debentures are classified as other financial liabilities, which are measured at cost using the effective interest-rate method.

o) Comparative figures

Certain comparative figures have been reclassified to conform to the current financial statement presentation.

3. RECEIVABLES

	September 30		September 30
	2007		2006
Trade	\$ 90,091	\$	80,033
Government (HST)	60,415		41,452
	150,506		121,485
Doubtful Account	(3,044)		-
	\$ 147,462	\$	121,485

4. INVENTORY

	September 30 2007	September 30 2006
Semi-processed	\$ 384,089	\$ 390,506
Processed goods	148,132	3,457
Consumables	56,784	59,759
	\$ 589,005	\$ 453,722

During fiscal 2007, older raw material valuation has been adjusted by \$196,583 to reflect changes in net realizable value. During fiscal 2006, some of the existing inventory was used for site infrastructure and also resized for use in the processing plant.

5. CAPITAL ASSETS

	September 30 2007		
	Cost	Accumulated Amortization	Net Book Value
Office furniture & equipment	\$ 37,065	\$ 14,492	\$ 22,573
Computer equipment	38,426	22,096	16,333
Software	32,089	32,089	-
Vehicle	47,968	21,590	26,378
Equipment	2,655,603	542,004	2,113,599
Buildings	1,477,145	197,129	1,280,016
Leasehold improvements	17,115	17,115	-
Site improvements	211,710	54,474	160,236
Trademark	12,783	2,557	10,226
	\$ 4,529,904	\$ 900,543	\$ 3,629,361

	September 30 2006		
	Cost	Accumulated Amortization	Net Book Value
Office furniture & equipment	\$ 37,065	\$ 8,849	\$ 28,216
Computer equipment	38,426	15,093	23,333
Software	32,089	19,222	12,867
Vehicle	47,968	10,286	37,682
Equipment	1,959,528	304,712	1,654,816
Buildings	1,475,708	117,925	1,357,783
Leasehold improvements	17,115	14,976	2,139
Site improvements	186,802	28,020	158,782
Trademark	12,783	1,278	11,505
	\$ 3,807,484	\$ 520,361	\$ 3,287,123

6. MINERAL CLAIMS

	September 30 2007		September 30 2006
Cost, beginning of year	\$ 883,314	\$	855,736
Asset retirement obligation	-		27,578
Cost, end of year	883,314		883,314
Accumulated depletion	7,079		3,459
Net book value	\$ 876,235	\$	879,855

7. DEFERRED COSTS

Deferred Exploration and Development Costs	September 30 2007		September 30 2006
Cost, beginning of year	\$ 2,925,631	\$	2,917,839
Research/development	-		7,792
Cost, end of year	2,925,631		2,925,631
Accumulated depletion	23,399		11,917
Net book value	\$ 2,902,232	\$	2,913,714

8. OTHER ASSETS

Other assets consist of funds held for future reclamation costs by the Province of Nova Scotia. The Natural Resources Reclamation Fund contains \$427,268 (\$409,969 at September 30, 2006) and the Environmental Reclamation Fund contains \$92,736 (\$89,511 at September 30, 2006). The funds bear interest at the provincially designated rate of 2.5% to 4.9%.

9. PAYABLES AND ACCRUED LIABILITIES

	September 30 2007		September 30 2006
Trade—operational	\$ 449,028	\$	349,123
Trade—capital equipment	271,258		53,311
Government (payroll & WCB)	21,453		23,047
	\$ 741,739	\$	425,481

10. CONVERTIBLE DEBENTURES

	September 30 2007	September 30 2006
Balance, beginning of year	\$ -	\$ -
Total gross proceeds	850,000	-
Converted to common shares	(469,856)	-
Equity component	(51,245)	-
Deferred financing costs	(59,676)	-
	269,223	-
Accretion	57,405	-
Balance, end of year	\$ 326,628	\$ -

On February 15, 2007, the Company issued 12% secured convertible debentures for total gross proceeds of \$850,000. The convertible debentures mature on February 15, 2008, and interest is paid quarterly on June 30, 2007, September 30, 2007, December 31, 2007, and February 15, 2008. The debentures are convertible at the debenture holder's option into common shares at a conversion rate of \$0.15 per share. The debentures hold an automatic conversion option if the market value of the shares exceeds \$0.25 per share for 20 consecutive days. The Company has pledged all assets to secure the debentures; although the Company has the right to provide security over its accounts receivables and inventory to secure qualifying bank debt up to a maximum of \$1.0 million.

As the holder can convert the debentures into a fixed number of common shares, the debenture obligations were classified partially as a liability and partially as shareholders' equity. The liability component was calculated as the present value of the required contractual payments of principal and interest discounted at an interest rate approximating that which would have been applicable to non-convertible subordinated debt at the time the debentures were issued. The difference between the original principal amount of the debentures and the amount recorded as a liability, representing the value of the conversion option, \$51,245 was recorded as capital stock. On June 6 and June 11, 2007, a total of \$500,000 of debentures was converted to 3,333,333 common shares resulting in a reduction of the conversion option value of \$30,144.

11. ASSET RETIREMENT OBLIGATION

	September 30 2007	September 30 2006
Balance, beginning of year	\$ 234,195	\$ 195,898
NPV of cash flows	-	27,578
Accretion	16,393	10,719
Balance, end of year	\$ 250,588	\$ 234,195

The gross undiscounted amount of future reclamation plans is \$402,390 (\$402,390 at September 30, 2006). During fiscal 2007, there was no increase in NPV for new obligations.

12. SHAREHOLDERS' EQUITY

a) Authorized

Unlimited common shares without par value
 Unlimited preferred shares without par value

b) Issued, common shares

	September 30 2007		September 30 2006	
	#	\$	#	\$
Issued	44,186,605	\$ 17,268,842	44,186,605	\$ 17,268,842
Shares issued for cash	43,333,333	5,750,761	-	-
Shares issued for debentures	3,333,333	497,511	-	-
Common share conversion option (Note 10)	-	21,101	-	-
Total issued common shares and conversion option	90,853,271	\$ 23,538,215	44,186,605	\$ 17,268,842

On June 6, 2007, the Company completed a private placement for gross proceeds of \$6,500,000. As part of this transaction, a total of 43,333,333 shares were issued at \$0.15 per share.

c) Contributed surplus

	Stock Options		Warrants	
	#	Fair Value	#	Fair Value
Balance, beginning of year	4,109,764	\$ 840,406	2,208,000	\$ 558,316
Stock compensation expense	2,404,200	141,423	2,400,000	275,020
Balance, end of year	6,513,964	\$ 981,829	4,608,000	\$ 833,336

The contributed surplus of \$1,815,165 (\$1,398,722 at September 30, 2006) consists of the fair value attributed to options and warrants granted since October 1, 2003. The fair value of options is recognized over the length of the vesting period. Warrants were granted for consulting and stock issue fees; options were granted to directors, officers, and consultants. As part of the private placement on June 6, 2007, 2,400,000 broker warrants were issued. Each warrant is exercisable for one common share at an exercise price of \$0.15 per share at any time within the two-year term.

The fair value of the options and warrants were estimated at the date of grant using a Black-Scholes model with the following weighted average assumptions: risk-free interest rate of 4.1%;

dividend yield of 0%; volatility factor of the expected market price of the Company's common stock of 51% to 69%; and a weighted average, expected life of 5 years for options and 2 years for warrants.

The Black-Scholes model was developed for use in estimating the fair value of traded options which have no vesting restrictions and are fully transferable. In addition, valuation models require the input of highly subjective assumptions including the expected stock price volatility. Because the Company's employee stock options have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimate, in management's opinion, the models do not necessarily provide a reliable single measure of the fair value of its employee stock options.

d) Stock options and warrants

The following table summarizes the status and changes in stock options and warrants:

	Stock Options		Warrants	
	Number	Weighted average price	Number	Weighted average price
Outstanding as at September 30, 2005	4,341,035	0.68	2,208,000	0.70
Granted/issued	1,396,463	0.30	-	-
Cancelled/expired	(2,812,491)	0.67	(2,208,000)	0.70
Outstanding as at September 30, 2006	2,925,007	\$ 0.45	-	\$ -
Granted/issued	2,404,200	0.11	2,400,000	0.15
Cancelled/expired	(1,011,000)	0.39	-	-
Outstanding as at September 30, 2007	4,318,207	\$ 0.28	2,400,000	\$ 0.15

The following table summarizes information about stock options and warrants outstanding at September 30, 2007:

Range of exercise prices	Number of Options	Weighted average remaining contractual life	Weighted average exercise price
\$0.10 - 0.42	3,681,807	3.9 years	\$ 0.20
\$0.53 - 0.95	636,400	1.3 years	\$ 0.74
	4,318,207	3.5 years	\$ 0.28

Range of exercise prices	Number of Warrants	Weighted average remaining contractual life	Weighted average exercise price
\$0.15	2,400,000	2.0 years	\$ 0.15

On March 14, 2003, the Company adopted a formal Stock Option Plan whereby up to 20% of the issued and outstanding common shares are reserved for issuance under the Plan. The Plan provides for the granting of options which qualify for treatment as incentive stock options or non-statutory stock options and entitles directors, employees, and consultants to purchase common shares of the Company. Options granted are subject to approval by the Board of Directors. The exercise price of each option equals the average market price of the Company's stock on the date of grant and the maximum term of an option is 5 years. Options and warrants are exercisable to shares at a ratio of 1 to 1.

The options generally vest over a period of 18 months from the date of grant and immediately become exercisable once vested. The options generally have a term of 5 years.

13. RELATED PARTY TRANSACTIONS

During the year, the Company entered into the following transactions with certain directors and officers and companies under their control or control of their spouses. These transactions are in the normal course of operations and are measured at the exchange amount which is the amount of consideration established and agreed to by the related parties.

The Company incurred fees for marketing consulting and performing President & CEO duties with Joseph MacDonald (J&E Consultants), Director, for the fiscal year ended September 30, 2007, totaling \$85,800 (\$72,000 in fiscal 2006).

The Company incurred fees for marketing consulting with Richard Shearer, Director, for the fiscal year ended September 30, 2007, totaling \$56,871 (nil in fiscal 2006). Mr. Shearer was appointed President & CEO effective March 1, 2007.

14. CAPITAL TAX

a) Capital Tax

The Province of Nova Scotia currently taxes corporations on the portion of their long-term financial capital used in the Province. The tax threshold is \$5,000,000 of capital. The Company has exceeded the threshold. The provision balance for fiscal 2007 is \$20,890 (\$21,034 in 2006).

b) Income Tax

The income tax recovery and change in valuation allowance differs from the amounts computed by applying Canadian statutory rates of 38.12% (2006 - 38.12%) to the loss before income taxes as follows:

	2007	2006
Income tax recovery at statutory rate	\$ (1,061,000)	\$ (1,121,000)
Amortization and other	(168,000)	(71,000)
Employee stock options	54,000	67,000
Share issue costs	(173,000)	(132,000)
Increase in valuation allowance	1,348,000	1,257,000
Income tax recovery	\$ -	-

The approximate tax effect of temporary differences and tax loss carry forwards that give rise to the Company's future income tax assets computed by applying Canadian statutory rates of 38.12% (2006 - 38.12%) are as follows:

	2007	2006
Future income tax assets (liabilities)		
Capital assets	\$ (325,000)	\$ (90,000)
Mineral claims	(43,000)	(55,000)
	(368,000)	(145,000)
Share issue costs	296,000	264,000
Net future income tax asset (liability)	(72,000)	119,000
Tax loss carry forwards	4,794,000	3,601,000
Future income tax asset	4,722,000	3,720,000
Valuation allowance	(4,722,000)	(3,720,000)
Future income tax asset	\$ -	\$ -

The Company has the following losses carried forward available for tax purposes:

<u>Expiry date</u>	<u>Amount</u>
2008	713,000
2009	491,000
2010	639,000
2011	2,378,000
2012	1,559,000
2013	3,299,000
2014	3,496,000
	<u>\$12,575,000</u>

15. FINANCIAL INSTRUMENTS

Fair value: The carrying values of cash and cash equivalents, receivables, payables and accruals, and convertible debentures approximate their fair values based on their liquidity and short-term nature. The fair value of the asset retirement obligation is determined using the present value of cash-flows method.

16. CONTINGENCIES

On January 29, 2007, Black Bull terminated the U.S. Silica sales agreement in accordance with its rights. The Company has instructed its attorneys to proceed with the damages claim against U.S. Silica, and U.S. Silica has counter claimed. Both sides have agreed to the arbitrator and are currently finalizing written statements of claims. Neither the possible outcome nor the amount of any possible settlement can be foreseen for the initial claim or the counterclaim. Therefore, no provision has been made in the financial statements.



Black Bull

Resources Inc.

September 30, 2007

Annual

Management's Discussion

& Analysis

MANAGEMENT'S DISCUSSION & ANALYSIS

OF FINANCIAL AND OPERATING RESULTS (in Canadian dollars)

The following discussion and analysis is the responsibility of management. The Board of Directors carries out its responsibility for review of the disclosure principally through its Audit Committee, comprised exclusively of independent directors. The Audit Committee reviews this disclosure and recommends its approval by the Board of Directors. The management's discussion and analysis (MD&A) dated November 1, 2007, is prepared to conform to National Instrument 51-102F1 and has been approved by the Board of Directors. This MD&A should be read in conjunction with Black Bull Resources Inc.'s audited financial statements for the years ended September 30, 2007 and 2006, together with the accompanying notes. Such financial statements have been prepared in accordance with Canadian generally accepted accounting principles.

Overall Performance

During 2007, Black Bull Resources Inc. made progress with its new strategic plan. The Company regained control of its marketing and sales, improved its processing operations at the White Rock Property (WRP), and stabilized its cash position.

Early in the fiscal year, the Board of Directors decided to temporarily cease operations and restructure management. These actions were taken to conserve cash resources and focus expenditures on developing a new sales strategy, securing financing, and adding new equipment to improve plant and feedstock utilization. Two directors led a taskforce to confirm the market viability for *Scotia White*TM quartz products. Their report resulted in the decision to resume operations during the third fiscal quarter. In January, the exclusive sales and distribution agreement with U.S. Silica Company (USS) was terminated due to sales target levels not being achieved. President & CEO, Richard Shearer; Vice President Sales & Marketing, Joseph MacDonald; and Vice President Operations, Scott Hoeg, joined the existing management team.

The marketing team continued the sales program initiated by the taskforce to introduce *Scotia White*TM quartz products, with the North American in-ground pool industry as its main focus. During this time many successful full-scale trials were performed leading to initial orders mainly in California and Florida. Due to the large geographic area of this market, the Company realized it required representation closer to the end customer and decided to utilize existing local independent sales support representatives.

Based on the interest and letters of intent provided to the taskforce, the Company forecasted a short ramp-up period for the introduction of its premium product line. However, the ramp-up period has lasted longer than anticipated, due to the decline in the USA housing market and the impact of transportation costs to many US locations. In 2007, many pool suppliers experienced significant market declines and forecast a better year for 2008. If so, significant quartz sales levels should occur in the spring of 2008.

Black Bull's efforts have established repeat customers in the pool industry. New markets are required to reach sales levels that will produce positive cash flow and fully utilize the production facilities. The Company continues to develop new contacts with potential customers and send out product samples. The reception of *Scotia White*TM to the many diverse companies continues to be positive.

The Company reviewed operations during the temporary closure and developed a plan to immediately improve the efficiency of material throughput and reduce the production cost per ton. The Company purchased a Barmac VSI crushing system as the cornerstone of the overall program. A maintenance program was also undertaken to replace worn metal material and protect all wear components. As a result of these improvements, the processing plant has increased throughput, reduced processing costs per ton, and utilized a larger percentage of plant in-feed for saleable products. The efficiency improvements and maintenance program has allowed Black Bull to maintain high quality standards; an important selling point for its products.



Scotia White™ Quality Control

Marketing efforts have also developed interest in the larger sizes of damp quartz stone from a number of manufacturers. In 2006, Black Bull had exhausted its supply of unprocessed raw material needed for this market, requiring a 30,000 tonne blast and crush of new material during the fourth quarter. The Company implemented new controls resulting in higher quality quartz, reducing the level of non-quartz contamination. The remaining 7,000 tons of previously processed sand and stone was revalued to reflect changes in the net realizable value.

The Company has announced a plan to double existing production capacity by implementing efficiency upgrades in the next two quarters. The plan includes equipment reconfiguration and an expansion to the existing production facility to improve packaging and warehousing capabilities. The Company forecasts these improvements to cost \$1.5 million. Black Bull will also complete \$300,000 of efficiency upgrades previously approved in 2007.

Black Bull addressed its working capital and plant expansion cash requirements with two private placements during the year. The Company completed an offering of \$850,000 secured convertible debentures, maturing February 15, 2008, with a 12% annual interest rate and a conversion rate of \$0.15/share. In June, the Company completed a Brokered Private Placement offering of 43,333,333 shares for \$6,500,000 less expenses. Concurrently, the Company's directors converted \$500,000 of debentures for 3,333,333 common shares, reducing Black Bull's debt.

Black Bull continues to proceed with the damages claim against U.S. Silica Company for lack of best commercial efforts relating to the terminated exclusive sales agency agreement. Both sides have agreed to the arbitrator and are currently finalizing written statements of claims. In the opinion of Management, Black Bull has a valid claim. During the course of this action, U.S. Silica has responded with a counterclaim for wrongful termination. At this time, neither the possible outcome nor the amount of any possible settlement can be foreseen.

The Company has maintained a positive working relationship with the Nova Scotia Department of Environment and Labour and the Community Liaison Committee. During the year, all parties agreed to frequency changes in monitoring, aligning the gathered information with the level of operations at the White Rock Property. Since the inception of operations in 2004, Black Bull has strived to be a leading corporate citizen in the community. The Company has met all its environmental requirements with no major discrepancies identified.

The focus of Black Bull for the coming year will be to become cash flow positive. This will be achieved by increasing *Scotia White*TM quartz sales and reducing production costs. The Company's efforts will be to continue to supply customers with a premium quality product at a reasonable price including cost-effective transportation. The Company has made progress in the international marketplace and will continue to pursue this potential growth opportunity.

Financial Results Overview and Results of Operations

	2007	2006	2005	2004	2003
Net Mineral Sales	169,874	130,558	38,714	2,363	0
Net Loss and Comprehensive Loss	(2,851,427)	(3,001,754)	(1,402,998)	(2,318,238)	(622,773)
Net Loss per Share (Basic and Diluted)	(0.045)	(0.068)	(0.032)	(0.075)	(0.035)
Total Assets	13,817,462	9,312,818	12,263,352	13,328,840	4,161,693
Total Long-Term Financial Liabilities	0	0	0	0	0

During 2007, the Company introduced its pool plaster aggregate, *Scotia White*TM PoolQuartz, and new sizes of damp stone to its product line. These new products created new customers, increasing the 2006 customer base. Although Black Bull sold a similar tonnage of products throughout the year, revenue increased due to the product mix with the introduction of bagged products vs. mainly bulk last year. The Company was able to maintain a premium price for *Scotia White*TM products; however, the anticipated benefit was not realized due to the strengthening of the Canadian dollar. Because many potential uses of quartz relate to the building trades industries, the decline in the US housing market in 2007 also adversely affected sales results.

For the Company to be profitable, it must continue to receive pricing at or above levels achieved to date and to grow a diversified customer base increasing product volumes. The Company must also continue to identify cost-effective means for transporting *Scotia White*TM quartz to customers.



NPC View *Scotia White*TM PoolQuartz

During 2007, operating costs decreased by \$252,600 from 2006 levels due to the plant processing efficiencies introduced during the temporary closure. Processing related wages at the White Rock Property, including direct labour, supervision, and quality control, were \$252,400 in 2007 versus \$336,200 in 2006 resulting in an \$83,800 decline. The Company paid \$141,600 for propane and diesel fuel to dry the material and generate power for the plant during 2007 versus \$183,800 in 2006. Environmental monitoring and reporting decreased \$94,600 to \$130,300 compared to \$224,900 last year.

The remaining expenses relate to land lease costs, cost of inventory, along with direct and indirect costs of the operations. The change in product mix from mostly bulk to bagged sales resulted in increased packaging costs of \$31,500. The Company must continue to maximize the utilization of its production capacity.

The \$200,300 sales and marketing expense increase in 2007 relates to the marketing program initiated by the taskforce and continued by the marketing department. The Company spent an additional \$154,900 for wages and consulting fees and \$59,400 in travel related costs. The Company reduced advertising costs by \$36,100 by using face-to-face marketing techniques. These reduced advertising costs were offset by the higher volume of samples resulting in an increased cost of \$22,000, mainly for freight.

General & Administrative Costs	2007	2006	2005
Accounting & Legal Fees	127,067	108,034	77,515
Advertising & Promotion	3,331	12,207	14,567
Consulting Fees	21,159	25,287	69,809
Insurance	62,458	55,256	46,807
Investor Relations	11,960	109,121	90,454
Listing & Transfer Agent Fees	28,497	25,339	21,096
Office, Rent & Telephone	53,029	64,967	45,283
Travel & Entertainment	61,563	123,979	123,376
Wages & Benefits	638,699	770,739	655,384
Other	3,044	6,126	16,360
	1,010,807	1,301,055	1,160,651

General and administration costs decreased in 2007 by \$290,200 mainly due to reduced activity during the temporary shutdown. The Company decreased wages and benefits by \$132,000 and travel and entertainment by \$62,400. Black Bull also decided to move the investor relations function in-house, resulting in a \$97,200 savings. These decreases were offset by increased legal costs of \$36,200 for issues related to the temporary shutdown and the termination of the agreement with U.S. Silica Company.

Amortization decreased by \$99,900 from 2006 because the plant operated for seven months in 2007 versus nine months in 2006. Depletion of deferred costs and mineral claims increased by \$11,500; in 2007 there was 30,000 tonnes of quartz removed from the quarry versus 12,000 tonnes in 2006.

The interest income decreased from 2006 by \$10,800 as a result of reduced cash balances for most of the year. This was partially offset by the increase in interest rates earned during the year. The cash was used to implement the new strategic plan, improve the efficiency of processing at the White Rock Property, and for operating the company. The 2007 interest expense of \$101,700 related to the closing costs and interest payments of the Secured Convertible Debenture; there were nil in 2006.

Black Bull had processed all raw materials prior to the temporary shutdown. After a small percentage of the plant in-feed was removed and shipped to customers, the remaining material was captured and stored for reprocessing. Some of this material was lost during movement and while stored outside during the winter months. Management reviewed this older raw material inventory; as a result, its valuation has been adjusted to reflect changes in net realizable value. Thus, the Company has incurred a \$196,600 write-down.

Summary of Quarterly Results and Results of Operations

Quarterly Results	2007				2006			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Income:								
Mineral revenue	61,990	79,806	-	28,078	103,085	24,175	-	3,298
Interest income	60,606	22,920	8,687	13,976	22,412	25,035	29,231	40,277
	122,596	102,726	8,687	42,054	125,497	49,210	29,231	43,575
Costs:								
Operations	237,289	288,624	235,434	198,280	533,852	334,004	217,509	126,834
Sales & marketing	74,070	96,331	142,665	118,552	51,122	66,447	56,475	57,258
General & admin	280,212	319,526	196,452	214,617	280,856	360,304	344,512	315,383
Amort./depletion	185,504	104,052	9,918	95,811	156,149	163,981	143,667	19,880
Interest expense	24,978	51,151	25,575	-	-	-	-	-
Other	212,770	5,214	6,465	4,000	(4,869)	8,574	8,574	8,755
	1,014,823	864,898	616,509	631,260	1,017,110	933,310	770,737	528,110
Net loss	(892,227)	(762,172)	(607,822)	(589,206)	(891,613)	(884,100)	(741,506)	(484,535)
Net loss per share (basic and diluted)	(0.014)	(0.016)	(0.014)	(0.013)	(0.020)	(0.020)	(0.017)	(0.011)

Operating Cash	2007				2006			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Net loss	(892,227)	(762,172)	(607,822)	(589,206)	(891,613)	(884,100)	(741,506)	(484,535)
Non-cash operating items	236,866	173,785	70,776	129,079	193,902	226,123	195,201	55,562
Net cash loss from operations	(655,361)	(588,387)	(537,046)	(460,127)	(697,711)	(657,977)	(546,305)	(428,973)

During the quarter, \$122,596 revenue was earned. The \$17,800 decrease of mineral revenue from Q3 2007 is due to the slower than expected ramp up period. The volume of sales has been lower than forecasted due to economic conditions in the USA. The Q4 2007 revenue decreased \$41,100 from Q4 2006 due to a reduction in the requirements of a major customer in the pool industry. This year they required 200 Tons versus 1000 Tons in 2006. Sales levels are projected to increase during the spring of 2008. The Company continues to receive a premium price for the *Scotia White*TM products. The recent significant strength of the Canadian currency has reduced revenue in the quarter because more than 90% of the sales were in US dollars. The impact of the US exchange rate will continue to be monitored as it relates to profit margins and freight costs. The Q4 2007 interest income increased from both Q3 2007 and Q4 2006, as a result of cash received from the equity financing and increased interest rates.

The overall \$52,300 decrease in operating expenses from the third quarter was mainly attributable to creating saleable inventory versus resuming operations and ramping-up production. The Q4 2007 costs decreased \$296,500 from Q4 2006 because of a reduction in required production levels and new efficiencies introduced to processing. The Q4 2007 operating costs include \$43,800 for propane and diesel fuel versus \$47,800 in Q3 2007, and \$81,700 in Q4 2006. Prior to the Barmac VSI crusher installation, the Company worked with very damp material which increased the propane consumption. This has decreased due to the lower moisture content of the newly crushed feedstock material. The Company paid \$69,200 for production wages in Q4 2007; \$74,400 in Q3 2007; and \$139,600 in Q4 2006.

The decrease from Q3 related to less employees required for production. During Q4 2006, the Company operated with two production crews for most of the quarter. Environmental costs of \$35,300 in Q4 2007 remained consistent with \$34,800 in Q3 due to the continued seasonal plant and animal monitoring, along with water monitoring. The Q4 2007 environmental costs were lower than the \$41,900 in Q4 2006 because of the reduction in frequency of water collection. The remaining expenses relate to packaging, land lease costs, along with direct and indirect costs of the operations.

The Company continued its intense market development program. The Q4 2007 sales and marketing costs of \$74,100 decreased from \$96,300 during Q3 2007 and increased from \$51,100 in Q4 2006. The Q4 2007 consulting fees were reduced by \$12,200 due to the utilization of independent sales representatives. The Q4 2007 wages increase of \$13,300 over Q4 2006 was attributable to the higher salary level of the new Vice President of Sales and Marketing. There was \$39,300 spent for samples, tradeshow, and travel in Q4 2007, down \$13,800 from the \$53,100 in Q3 2007, due to the use of independent sales reps. The increase from \$33,400 in Q4 2006 represents added costs due to Black Bull hosting the fall National Plasterers Council conference in Nova Scotia. Marketing costs are expected to remain at this level to introduce *Scotia White*TM products to diversify markets.

General & Administrative Costs	Q4 2007	Q3 2007	Q4 2006
Accounting & Legal Fees	32,156	30,256	32,265
Advertising & Promotion	753	1,185	2,045
Consulting Fees	4,850	434	4,237
Insurance	15,372	15,637	16,435
Investor Relations	-	479	21,065
Listing & Transfer Agent Fees	7,331	8,610	4,418
Office, Rent & Telephone	14,280	16,119	17,884
Travel & Entertainment	22,022	19,245	55,518
Wages & Benefits	183,448	224,517	126,709
Other	-	3,044	280
	280,212	319,526	280,856

The Company's Q4 2007 general and administration (G&A) costs decreased by \$39,300 from the Q3 2007 costs. Wages and benefits decreased by \$41,100 partially due to employee bonuses paid during Q3 upon the resumption of operations as well as reduced valuation of employee options and reduction in group benefit premiums.

The Q4 2007 G&A expenses are consistent with Q4 2006 costs. In Q4 2007 investor relation fees decreased by \$21,100 from Q4 2006 due to the termination of external consultants. Office expenses decreased by \$3,600; due to the closure of the Halifax office at the end October 2006. The travel costs decreased \$33,500 because Q4 2006 included added expenses for an interim CEO. These decreases were offset by an increase in wages and benefits of \$56,700 due to the higher salary level of the new President & CEO and the reversal of executive bonuses accrued during 2006.

The Company utilized the processing plant for three months production during the quarter resulting in an increase of \$66,300 from Q3 when the plant was used for two months production. The addition of the Barmac VSI crushing system during the year resulted in a \$14,300 increase in amortization in Q4 2007 from Q4 2006. The blast and crush during Q4 2007 resulted in a depletion of \$15,100 versus nil in Q3 2007 and Q4 2006.

Liquidity

At year end, Black Bull had \$4,810,287 in working capital; however, an additional \$350,000 is currently available because the debentures are not repayable until February 2008. During the year, the Company completed two private placements. In February 2007, non-brokered secured convertible debentures of \$850,000 were purchased by insiders and independent investors. The Company's directors converted \$500,000 of debentures for 3,333,333 common shares in June 2007. Also in June, the Company closed a brokered \$6,500,000 million equity financing. The Company has used a portion of these funds to resume operations.

The Company's current assessment is that these levels are sufficient to continue operations for the 2008 fiscal year and to finance a planned capital expansion during the first two quarters. The expansion is to increase production levels to meet the expected increased sales required to achieve positive cash flow.

Capital Resources

During the year, the Company purchased more than \$700,000 of capital equipment consisting mainly of a Barmac VSI crushing system. During 2008, the Company expects to complete production, warehousing, and bagging efficiency upgrades forecasted to cost \$1.8 million.

The Company intends to use the funds from the \$6.5 million equity financing to implement these upgrades. General corporate operations will be financed from the remaining funds until the Company reaches positive cash flow, which is projected during 2008.

Transactions with Related Parties

During the year, the Company entered into the following transactions with certain directors and officers and companies under their control or control of their spouses. These transactions are in the normal course of operations and are measured at the exchange amount which is the amount of consideration established and agreed to by the related parties.

The Company incurred fees for marketing consulting and performing President & CEO duties with Joseph MacDonald (J&E Consultants), Director, for the fiscal year ended September 30, 2007, totaling \$85,800 (\$72,000 in fiscal 2006).

The Company incurred fees for marketing consulting with Richard Shearer, Director, for the fiscal year ended September 30, 2007, totaling \$56,871 (nil in fiscal 2006). Mr. Shearer was appointed President & CEO effective March 1, 2007.

Changes in Accounting Policies

The Company has not changed any accounting policies during the year. However, it has initiated a new policy on financial instruments.

Effective October 1, 2006, the Company adopted CICA Handbook Section 1530, *Comprehensive Income*, CICA Handbook Section 3855, *Financial Instruments - Recognition and Measurement*, CICA Handbook Section 3861, *Financial Instruments - Disclosure and Presentation*, and CICA Handbook Section 3865, *Hedges*. The adoption of these standards had no impact on the financial statements of the Company on initial implementation.

Disclosure Controls

The CEO and the CFO have completed their evaluation of Black Bull's disclosure controls. They have concluded that the disclosure controls and procedures are effective.

Internal Controls over Financial Reporting

No changes in the Company's internal controls and procedures have occurred during the year, which have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting. During the Company's initial evaluation of the design of internal controls, a weakness common among many smaller companies was identified. The Company does not have a sufficient number of personnel to allow for segregation of duties. To compensate for this, all major commitments require two signatures, including either one of the CEO or CFO; and all payments require CEO and CFO approval.

Subsequent Events

On October 17, 2007, Black Bull Resources announced the hiring of Mr. Martin MacKinnon, MBA, to assume the Chief Financial Officer duties on November 11, 2007, when Mr. Robert Cudmore resigns.

Other MD&A Disclosures

During fiscal 2007, Directors and Officers were granted 2,404,200 options and 1,011,000 options were canceled or expired.

Outstanding Securities	Year Ended September 30, 2007	MD&A Dated November 1, 2007
Common Shares	90,853,271	90,853,271
Options (Exercisable to one Common Share)	4,318,207	4,241,711
Warrants (Exercisable to one Common Share)	2,400,000	2,400,000
Debenture (Exercisable to one Common Share)	2,333,333	2,333,333
Total Outstanding Securities	99,904,811	99,828,315

During the year, PowerOne Capital Markets Limited was granted 2,400,000 broker warrants relating to the \$6,500,000 equity financing.

Risks and Uncertainties

Mineral exploration and development involves a high degree of risk since few properties are developed into producing mines. There are no assurances that the Company's mineral exploration activities will result in further resources that would be economical for commercial production. The commercial viability of mineral deposits is dependent upon a number of factors, which are beyond the Company's control. Some of these factors are attributable to commodity or product pricing and demand, competitive products, currency fluctuations, government policy and regulation, transportation, and environmental protection.

Resource estimates involve degrees of uncertainty in calculation of reserves and the corresponding grades. Resource estimates are dependent partially on statistical inferences drawn from drilling, sampling, and other data. The indicated and inferred resource figures set forth by the Company are estimates, and there is no certainty that the level of resources will be realized or the chemical composition or concentration of the resources will be maintained throughout the property. In addition, a decline in the market price of industrial minerals, or a substantial increase in production or shipping costs, may adversely affect the economics of a reserve and may require the Company to reduce its estimates.

Transportation is a critical part of the Company's success. It is imperative that Black Bull provide cost-effective transportation solutions to customers.

Like many Canadian companies doing business in the USA, Black Bull is affected by fluctuations in currency exchange rates. Most of the Company's sales including freight charges will be denominated in US dollars. The Company has some natural hedges with US dollar-based expenses; however, there will be instances when there is exposure to exchange risks. These risks are considered when management sets product pricing and makes hedging decisions.

Maintaining sufficient cash resources to finance a start-up operation is difficult. Debt financing is usually based on positive cash flows and a significant customer base. Many junior resource companies experience difficulties obtaining debt financing and must rely on other sources such as market equity, mezzanine financing, and/or government programs.

Liability insurance is an issue in the industrial minerals industry. There is growing concern over the number of silicosis-related claims that have been filed against silica processors in the USA. Black Bull has obtained international liability insurance with a silica dust exclusion endorsement. Company research indicates that Black Bull employees and employees of customers are covered for medical conditions by workers compensation. The Company has implemented procedures to ensure users of the materials are aware of available product information.

Forward-Looking Statements

Certain statements in this Management's Discussion & Analysis of Financial and Operating Results are forward-looking statements subject to risks and uncertainties. A number of factors could cause actual results to differ materially from those expressed in the forward-looking statements, including but not limited to: transportation availability and fluctuation in cost, success level of the Company's marketing and branding of the *Scotia White*TM quartz products, liquidity, energy costs, currency fluctuations, corporate compliance, limitations in liability insurance coverage, and local political stability.

The Company disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, other than as required by applicable law.

Additional Information

Additional information about the Company is available on SEDAR at www.sedar.com and at the Company's website at www.blackbullresources.com.

CORPORATE INFORMATION

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GENERAL INFORMATION

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Investor Relations:

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President & CEO

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Chairman of the Board
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James W. Gogan
Director
New Glasgow, NS

Joseph MacDonald
Director
Judique, NS

Richard J. Shearer
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Chief Financial Officer
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Joseph MacDonald
Vice President,
Sales & Marketing
Judique, NS

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Vice President,
Operations
Truro, NS

Black Bull Resources Inc. is an integrated miner, processor, and marketer of silica-based industrial minerals under the trademark *Scotia White*[™].

Black Bull's vision is to become North America's leading supplier of bright white quartz to the pool-finish, engineered-stone, and other building products based industries.

This goal will be reached through successful branding and marketing techniques and the development of a world-class organization based on the values of serving customer needs, fulfilling safety, environmental, and social responsibilities, and delivering fair returns to our shareholders.

Black Bull Resources Inc.
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