

Black Bull Resources Inc.

INTERIM REPORT

2008

JUNE 30
2008



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LETTER TO SHAREHOLDERS

August 25, 2008

The third quarter activity at Black Bull Resources Inc. has been all about repositioning the company for future growth and long term success. Our initial target markets in pool plaster, countertops, flooring, and other building product market segments have not met expectations due to the soft housing market in North America. With forecasts suggesting that this market segment will not greatly improve in the coming months, we have been focused on pursuing new, diversified market potentials. Management is well on its way toward developing new business models for the company. These promising new programs are critical if Black Bull Resources Inc. is going to achieve our expectations of becoming cash flow positive within any reasonable timeframe.

We have identified three new markets: ferro silicon, low iron glass sand and kaolin clay. Each of these new opportunities offers the potential of selling significant tons of product to growing markets. We have already met with several target customers who have expressed serious interest in our products in these new applications.



Kaolin Sample Excavation

Each of these diverse programs is currently in various stages of development. There is a renewed excitement and optimism about these projects and the repositioning of this business. We are hopeful that all of these projects will be brought to final decisions by the end of the calendar year. Any one of these programs, if successful, could offer a significant new business model for the company. These are clearly the new priorities of our management team.

In order to give ourselves the time to bring these projects to completion, we must conserve cash. To do this, we have initiated a cost reduction program internally. A few examples of the cost cutting that were implemented include: a) suspension of operations of our dry sand production due to high inventory levels; b) management staff reductions; c) streamlining work procedures; d) reduced travel and; e) improved inventory control. The result of these efforts will reduce our monthly cash burn by one third.

It is worth noting, the recent capital expansion which increased production, has proven successful. The plant set a record performance this past quarter. However, with the building products market, the worst that it has been in fifty years in the U.S., inventory levels rose quickly as sales did not materialize. We suspended operations to conserve cash which will allow the company to explore new business models mentioned above.

Black Bull Resources Inc. customers' sales orders will not be interrupted; we will initiate production as inventory levels decline due to sales. We continue to operate our damp stone quarry and we are working hard to reposition this business. We are currently shipping product to our customers from current inventory.

As always, I want to thank all of our stakeholders for their patience and support as we work to get this business moving forward more briskly toward profitability.

Sincerely,

"Richard J. Shearer"

Richard J. Shearer,
President & CEO

FINANCIAL STATEMENTS

BLACK BULL RESOURCES INC.

BALANCE SHEETS

	June 30 2008	September 30 2007
	<i>"Unaudited"</i>	<i>"Audited"</i>
ASSETS		
Current		
Cash and cash equivalents	\$ 1,161,841	\$ 5,042,378
Receivables (Note 3)	280,169	147,462
Inventory (Note 4)	608,399	589,005
Prepaid expenses	71,652	110,785
	2,122,061	5,889,630
Capital assets (Note 5)	4,133,996	3,629,361
Mineral claims (Note 6)	965,104	876,235
Deferred costs (Note 7)	2,902,232	2,902,232
Other assets (Note 8)	537,207	520,004
	\$ 10,660,600	\$ 13,817,462
LIABILITIES		
Current		
Payables and accruals (Note 9)	\$ 295,238	\$ 741,739
Convertible debentures, net of deferred financing costs (Note 10)	-	326,628
Capital tax payable	-	10,976
	295,238	1,079,343
Asset retirement obligation (Note 11)	352,501	250,588
	647,739	1,329,931
SHAREHOLDERS' EQUITY		
Capital stock (Note 12)	23,538,215	23,538,215
Contributed surplus (Note 12)	1,938,799	1,815,165
Deficit	(15,464,153)	(12,865,849)
	10,012,861	12,487,531
	\$ 10,660,600	\$ 13,817,462
Approved on behalf of the Board		
<i>"James W. Gogan"</i>	Director	
<i>"Richard J. Shearer"</i>	Director	

BLACK BULL RESOURCES INC.

**INTERIM STATEMENTS OF OPERATIONS,
COMPREHENSIVE LOSS, AND DEFICIT
PERIODS ENDED JUNE 30
(unaudited)**

	2008		2007	
	3 months	9 months	3 months	9 months
MINERAL REVENUE	\$ 122,220	\$ 235,950	\$ 79,806	\$ 107,884
COSTS AND EXPENSES				
Operations and overhead	384,884	883,299	288,624	722,338
Amortization	161,078	468,838	104,052	209,781
Sales and marketing	73,264	248,269	96,331	357,548
General and administration	286,189	807,459	319,526	730,595
Arbitration (Note 16)	-	477,204	-	-
	905,415	2,885,069	808,533	2,020,262
LOSS BEFORE OTHER ITEMS	(783,195)	(2,649,119)	(728,727)	(1,912,378)
OTHER ITEMS				
Interest expense	-	(41,591)	(51,151)	(76,726)
Interest income	23,489	116,348	22,920	45,583
LOSS BEFORE TAXES	(759,706)	(2,574,362)	(756,958)	(1,943,521)
Provision for capital tax (Note 14)	(7,967)	(23,942)	(5,214)	(15,679)
NET LOSS AND COMPREHENSIVE LOSS FOR THE PERIOD	(767,673)	(2,598,304)	(762,172)	(1,959,200)
DEFICIT AT BEGINNING OF PERIOD	(14,696,480)	(12,865,849)	(11,211,450)	(10,014,422)
DEFICIT AT END OF PERIOD	\$ (15,464,153)	\$ (15,464,153)	\$ (11,973,622)	\$ (11,973,622)
Basic and diluted loss per share	(\$0.008)	(\$0.029)	(\$0.016)	(\$0.041)
Weighted average number of shares	90,853,271	90,853,271	48,281,843	48,281,843

BLACK BULL RESOURCES INC.

INTERIM STATEMENTS OF CASH FLOWS PERIODS ENDED JUNE 30 (unaudited)

	2008		2007	
	3 months	9 months	3 months	9 months
OPERATING ACTIVITIES				
Net loss for the period	\$ (767,673)	\$ (2,598,304)	\$ (762,172)	\$ (1,959,200)
Non-cash items included in net loss				
Amortization	161,078	468,838	104,052	209,781
Accretion on asset retirement obligation	4,422	13,044	4,133	12,190
Accretion on convertible debentures	-	23,372	17,352	42,927
Stock-based compensation	45,329	123,634	48,248	108,741
	(556,844)	(1,969,416)	(588,387)	(1,585,561)
Change in non-cash working capital accounts				
Receivables	27,569	(132,707)	(157,788)	(72,261)
Inventory	(15,485)	(19,394)	(19,454)	43,100
Prepaid expenses	(27,479)	39,133	66,684	(4,377)
Payables and accruals	(359,260)	(461,957)	53,189	(155,287)
Capital tax	-	(10,976)	-	13,443
	(931,499)	(2,555,317)	(645,756)	(1,760,943)
FINANCING ACTIVITIES				
(Repayment of) net proceeds from convertible debentures	-	(350,000)	6,018,474	6,808,798
INVESTING ACTIVITIES				
Acquisition of capital assets	(194,524)	(958,017)	(264,141)	(269,419)
Reclamation deposits	(5,400)	(17,203)	(3,900)	(11,700)
	(199,924)	(975,220)	(268,041)	(281,119)
Change in cash and cash equivalents during the period	(1,131,423)	(3,880,537)	5,104,677	4,766,736
Cash and cash equivalents at beginning of the period	\$ 2,293,264	\$ 5,042,378	\$ 743,600	\$ 1,081,541
Cash and cash equivalents at end of period	\$ 1,161,841	\$ 1,161,841	\$ 5,848,277	\$ 5,848,277

NOTES TO THE FINANCIAL STATEMENTS

1. NATURE OF OPERATIONS AND CONTINUATION OF THE BUSINESS

The Company was incorporated under the Business Corporations Act (Alberta) on July 18, 1997, and began commercial production of quartz effective April 1, 2004. On June 12, 2008 the Company continued under the Canada Business Corporations Act.

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.

While the financial statements have been prepared on the basis of accounting principles applicable to a going concern, several adverse conditions, and events cast substantial doubt upon the validity of this assumption.

At June 30, 2008, the Company had not yet achieved profitable operations and continues to incur significant operating losses including \$2,598,304 in the current fiscal year to date. If the trend continues, the current working capital is not sufficient to sustain the Company for the next 12 months. Management's opinion is that the Company must obtain cash flow from operations, conserve cash resources, or obtain additional financing to maintain sufficient working capital to reach profitable operations from the *Scotia White*TM quartz operations and other potential mineral developments.

If the going-concern assumption was not appropriate for these financial statements, then adjustments would be necessary in the carrying values of assets and liabilities, the reported net losses, and the balance sheet classifications used.

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
Vehicles	30% 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 \$554,607 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 three and nine month periods ended June 30, 2008.

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 5,980,667 and warrants to purchase 2,400,000 common shares were outstanding at June 30, 2008, 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) Financial instruments

Classification

Financial assets and financial liabilities are initially recognized at fair value and their subsequent measurement is dependent on their classification. The Company has classified payables and accruals and convertible debentures as other financial liabilities and receivables as loans and receivables. The Company has classified cash and cash equivalents as held for trading, the carrying value of which approximates fair value. Loans and receivables and other financial liabilities are recorded at amortized cost using the effective interest method.

Transaction costs

Transaction costs related to loans and receivables and other financial liabilities are netted against the carrying value and are then recognized over the expected life using the effective interest method.

n) Change in accounting policies

Effective October 1, 2007, the Company adopted CICA Handbook Section 1535, *Capital Disclosures*, Section 3862, *Financial Instruments – Disclosures*, and Section 3863, *Financial Instruments – Presentation*. Section 3862 and 3863 replaced Section 3861, *Financial Instruments – Disclosure and Presentation*.

Section 1535, establishes standards for disclosing information about an entity's capital and how it is managed. It describes the disclosure requirements of the entity's objectives, policies, and processes for managing capital, the quantitative data relating to what the entity regards as capital, whether the entity has complied with capital requirements, and if it has not complied, the consequences of such non-compliance.

Section 3862, describes the required disclosure for the assessment of the significance of financial instruments for an entity's financial position and performance and of the nature and extent of risks arising from financial instruments to which the entity is exposed and how the entity manages those risks. Section 3863, establishes standards for presentation of financial instruments and non-financial derivatives.

The additional disclosures, required as a result of the adoption of these standards, have been included in Note 15, Financial Instruments.

o) Future accounting changes

Inventories: In June 2007, the Canadian Institute of Chartered Accountants ("CICA") issued Section 3031, *Inventories*, replacing Section 3030, *Inventories*. The new Section will be applicable to financial statements relating to fiscal years beginning on or after January 1, 2008. Accordingly, the Company will adopt the new standards for its fiscal year beginning

October 1, 2008. It provides more guidance on the measurement and disclosure requirements for inventories. The Company is currently evaluating the impact of the adoption of this new section on its financial statements.

3. RECEIVABLES

	June 30 2008	September 30 2007
Trade	\$ 252,882	\$ 90,091
Government (HST)	27,287	60,415
	280,169	150,506
Doubtful Account	-	(3,044)
	280,169	\$ 147,462

4. INVENTORY

	June 30 2008	September 30 2007
Semi-processed	\$ 342,444	\$ 384,089
Processed goods	209,940	148,132
Consumables	56,015	56,784
	\$ 608,399	\$ 589,005

During fiscal 2007, older semi-processed material valuation was adjusted by \$196,583 to reflect changes in net realizable value.

5. CAPITAL ASSETS

	June 30 2008		
	Cost	Accumulated Amortization	Net Book Value
Office furniture & equipment	\$ 37,065	\$ 17,878	\$ 19,187
Computer equipment	42,627	26,241	16,386
Software	32,089	32,089	-
Vehicle	68,468	29,832	38,636
Equipment	3,222,636	859,945	2,362,691
Buildings	1,854,386	298,861	1,555,525
Leasehold improvements	17,115	17,115	-
Site improvements	216,210	83,906	132,304
Trademark	12,783	3,515	9,267
	\$ 5,503,378	\$ 1,369,382	\$ 4,133,996

	September 30 2007		
	Cost	Accumulated Amortization	Net Book Value
Office furniture & equipment	\$ 37,065	\$ 14,492	\$ 22,573
Computer equipment	38,426	22,093	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	51,474	160,236
Trademark	12,783	2,557	10,226
	\$ 4,529,904	\$ 900,543	\$ 3,629,361

6. MINERAL CLAIMS

	June 30 2008	September 30 2007
Cost, beginning of period	\$ 883,314	\$ 883,314
Asset retirement obligation	88,869	-
Cost, end of period	972,183	883,314
Accumulated depletion	7,079	7,079
Net book value	\$ 965,104	\$ 876,235

7. DEFERRED COSTS

Deferred Exploration and Development Costs	June 30 2008	September 30 2007
Cost, beginning of period	\$ 2,925,631	\$ 2,925,631
Research/development	-	-
Cost, end of period	2,925,631	2,925,631
Accumulated depletion	23,399	23,399
Net book value	\$ 2,902,232	\$ 2,902,232

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 \$442,093 (\$427,268 at September 30, 2007). In addition, an Irrevocable Standby Letter of Credit of \$17,400 has been issued to the Province of Nova Scotia. The Environmental Reclamation Fund contains \$95,113 (\$92,736 at September 30, 2007). The funds bear interest at the provincially designated rate of 2.5% to 4.9%.

9. PAYABLES AND ACCRUED LIABILITIES

	June 30 2008	September 30 2007
Trade—operational	\$ 269,087	\$ 449,028
Trade—capital equipment	15,456	271,258
Government (payroll & WCB)	10,736	21,453
	\$ 295,279	\$ 741,739

10. CONVERTIBLE DEBENTURES

	June 30 2008	September 30 2007
Balance, beginning of period	\$ 326,628	\$ -
Total gross proceeds	-	850,000
Converted to common shares	-	(469,856)
Equity component	-	(51,245)
Deferred financing costs	-	(59,676)
Repayment of debentures	(350,000)	-
	(23,372)	269,223
Accretion	23,372	57,405
Balance, end of period	\$ -	\$ 326,628

On February 15, 2007, the Company issued 12% secured convertible debentures for total gross proceeds of \$850,000. The convertible debentures matured on February 15, 2008, and interest was paid quarterly on June 30, 2007, September 30, 2007, December 31, 2007, and February 15, 2008. The debentures were convertible at the debenture holder's option into common shares at a conversion rate of \$0.15 per share. The debentures held an automatic conversion option if the market value of the shares exceeded \$0.25 per share for 20 consecutive days. The Company had pledged all assets to secure the debentures; although the Company had 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 could 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.

On February 15, 2008, the remaining \$350,000 of debentures were repaid.

11. ASSET RETIREMENT OBLIGATION

		June 30 2008		September 30 2007
Balance, beginning of period	\$	250,588	\$	234,195
NPV of cash flows		88,869		-
Accretion		13,044		16,393
Balance, end of period	\$	352,501	\$	250,588

The gross undiscounted amount of future reclamation plans is \$535,895 (\$402,390 at September 30, 2007). During the period ending June 30, 2008, there was an increase in NPV of \$88,869 for new obligations.

12. SHAREHOLDERS' EQUITY

a) Authorized

Unlimited common shares without par value

Unlimited preferred shares without par value

b) Issued, common shares

		June 30 2008		September 30 2007	
	#	\$	#	\$	
Issued	90,853,271	\$ 23,538,215	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	90,853,271	\$ 23,538,215	

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 period	6,513,964	\$ 981,829	4,608,000	\$ 833,336
Stock compensation expense	2,199,106	123,634	-	-
Balance, end of period	8,713,070	\$ 1,105,463	4,608,000	\$ 833,336

The contributed surplus of \$1,938,799 (\$1,815,165 at September 30, 2007) 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, 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
Granted/issued	2,199,106	0.10	-	-
Cancelled/expired	(750,557)	0.41	-	-
Outstanding as at				
June 30, 2008	5,786,756	\$ 0.22	2,400,000	\$ 0.15

The following table summarizes information about stock options and warrants outstanding at June 30, 2008:

Range of exercise prices	Number of Options	Weighted average Remaining contractual life	Weighted average exercise price
\$0.10 - 0.42	5,206,756	3.8 years	\$ 0.16
\$0.53 - 0.95	580,000	0.6 years	\$ 0.75
	5,786,756	3.4 years	\$ 0.22

Range of exercise prices	Number of Warrants	Weighted average Remaining contractual life	Weighted average exercise price
\$0.15	2,400,000	.92 years	\$ 0.15

On May 22, 2008, the Company amended the Stock Option Plan whereby up to 9,000,000 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 period, the Company did not enter into any transactions with any directors or officers and companies under their control or control of their spouses.

For the three and nine months ended June 30, 2007, the Company incurred fees for marketing consulting and performing President & CEO duties with Joseph MacDonald (J&E Consultants), Director, totaling nil and \$85,800.

For the three and nine months ended June 30, 2007, the Company incurred fees for marketing consulting with Richard Shearer, Director, totaling nil and \$56,871, respectively. Mr. Shearer was appointed President & CEO effective March 1, 2007.

14. 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 for the period ending June 30, 2008, is \$23,941 (\$15,679 for the nine months ended June 30, 2007).

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.

Interest rate risk: The Company holds cash and cash equivalents which include highly liquid investments with maturities of less than three months. Interest rate exposure is limited due to the short-term nature of the instruments.

Credit risk: The Company is exposed to credit risk from receivables, which is the risk that they will not be paid in full when due. Allowances are provided for potential losses that have been incurred at the balance sheet date; however, these allowances are not significant.

Capital risk management: The Company manages its capital to ensure that there are adequate capital resources to safeguard the Company's ability to continue as a going concern through the optimization of the debt and equity balance. The capital structure of the Company consists of cash and cash equivalents, and shareholders' equity comprising of capital stock and deficit. The basis for the Company's capital structure is dependent on the Company's expected business growth and changes in the business environment.

16. COMMITMENTS

On January 29, 2007, Black Bull terminated the U.S. Silica sales agreement in accordance with its rights. The Company had instructed its attorneys to proceed with the damages claim against U.S. Silica, and U.S. Silica has counter claimed.

On March 18, 2008, Black Bull Resources Inc. resolved its dispute with U.S. Silica Company. Accordingly, the arbitration proceedings, which began on February 25, 2008, have been terminated on terms whereby each party has granted the other a full release of all matters in dispute and each bears its own expenses.

17. SUBSEQUENT EVENTS

On July 24, 2008, the Company announced that it had implemented a suspension of dried sand production due to high inventory levels. The Company continues to produce damp stone, and explore new business models, such as Ferro silicon and low iron glass. Black Bull is also testing a new technology for processing kaolin, which does not require water of which further news will be forthcoming as these tests results become available.

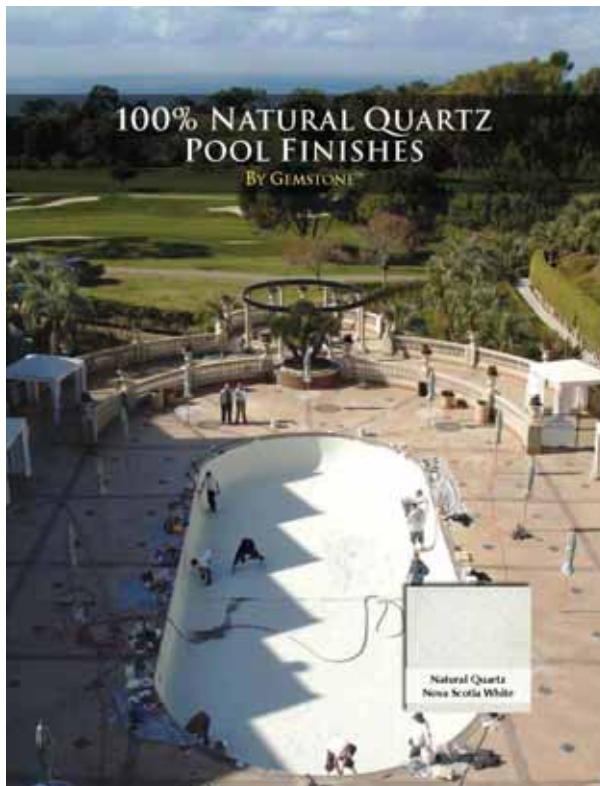
MANAGEMENT'S DISCUSSION & ANALYSIS

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 August 25 2008, 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 year ended September 30, 2007 and unaudited interim financial statements for the nine-month period ending June 30, 2008, together with the accompanying notes. Such financial statements have been prepared in accordance with Canadian generally accepted accounting principles.

Overall Performance

During the third quarter of fiscal 2008 there were several developments, as the company continued to expand into the building industry market for *Scotia White*[™], as well as implement its new business models. In late April the company restarted dried sand production, but due to high inventory levels, in late July, the company implemented a suspension of that production line. This suspension was due to a continued downturn in the American housing market. This decision also allowed the company to preserve cash in order to implement its new business models. However sales orders to customers will not be interrupted, and as inventory levels decline due to sales, we will initiate production to meet demand.



In Q3 2008, the company had sold 1,093 tons of dried sand, (2,193 tons in total) the largest portion of which was for pool plastering including commercial pools as can be seen in the Gemstone[™] brochure.

In order to find new markets, the company also hosted visitors from Spain and China during the quarter, representing large multinational companies that are seeking new suppliers of quartz. Cosentino S.A. of Spain is a worldwide leader in the production of quartz surfaces with subsidiaries in Europe, United States and South America. Follow up discussions with Black Bull are continuing.

In early July the company hosted executives of the Linuo Group, a large company specializing in solar products, glass products, pharmacy and automotive coatings. The company is a leading solar producer forming the only complete solar industrial chain in China. Linuo Group has expressed an interest in acquiring our low iron silica sand for its solar panels, and discussions will continue into the fall.

As previously mentioned in April, Black Bull shipped 1,000 Tons of quartz to the USA to trial *Scotia White*[™] material for the production of Ferro Silicon. We are awaiting approval of our product, which would open the door for the company moving into a completely new product line.

The company is also sending kaolin samples to the United States for testing with an “air separation system”. If the test proves successful this processed technology would allow Black Bull to access the company’s kaolin resource in a more environmentally sound and economically more attractive than other traditional kaolin clay processes. The results of this testing is expected in the coming weeks.

During Q3, the Company received funding from Atlantic Canada Opportunities Agency (“ACOA”) to further explore marketing opportunities and complete a marketing plan that will be used in the upcoming months. Black Bull may also be eligible for further ACOA funding in the future. Funding was also received from Nova Scotia Business Inc. to offset the travel costs for Grace Chum who recently represented the company in China.

With regard to operations the company has not experienced a time lost injury. We are proud of this accomplishment as we continue to put the health and safety of all our employees first and foremost.



**Measuring Surface Water Depth & Flow
as Part of the Monthly Environmental Monitoring Requirements**

Another important activity of Black Bull is our commitment to the environment. The company spends considerable resources to ensure that we are acting responsibly with respect to the environment. This is accomplished via our Overall Monitoring Program (“OMP”). This includes monthly testing of the surface water and ground water for flow, quantity as well as chemical testing.

With the OMP the company also tests the air quality through dust fall monitoring as well as contracting with Acadia University as part of a research project entitled, “Long-term monitoring of *Listera australis*”.

Summary of Quarterly Results and Results of Operations

Quarterly Results	2008			2007				2006
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Income:								
Mineral revenue	122,220	83,462	30,268	61,990	79,806	-	28,078	103,085
Interest income	23,489	37,335	55,146	60,606	22,920	8,687	13,976	22,412
	145,709	120,797	85,414	122,596	102,726	8,687	42,054	125,497
Costs:								
Operations	384,884	273,509	224,907	237,289	288,624	235,434	198,280	533,852
Sales & marketing	73,264	93,914	81,091	74,070	96,331	142,665	118,552	51,122
General & admin	286,189	275,527	520,892	280,212	319,526	196,452	214,617	280,856
Arbitration (one-time expense)	-	343,019	477,204	-	-	-	-	-
Amort./depletion	161,078	154,843	152,918	185,504	104,052	9,918	95,811	156,149
Interest expense	0	13,857	27,734	24,978	51,151	25,575	-	-
Other	7,967	7,968	8,005	212,770	5,214	6,465	4,000	(4,869)
	913,382	1,162,637	874,205	1,014,823	864,898	616,509	631,260	1,017,110
Net loss	(767,673)	(1,041,840)	(788,791)	(892,227)	(762,172)	(607,822)	(589,206)	(891,613)
Net loss per share (basic & diluted)	(0.008)	(0.011)	(0.009)	(0.014)	(0.016)	(0.014)	(0.013)	(0.020)

Operating Cash	2008			2007				2006
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Net loss	(767,673)	(1,041,840)	(788,791)	(892,227)	(762,172)	(607,822)	(589,206)	(891,613)
Non-cash operating items	210,829	210,899	207,162	236,866	173,785	70,776	129,079	193,902
Net cash loss from operations	(556,845)	(830,941)	(581,629)	(655,361)	(588,387)	(537,046)	(460,127)	(697,711)

During the quarter, revenue was \$145,709, the highest quarter reported by Black Bull but not sufficient to meet positive cash flow. Mineral Revenue of \$122,220 was an increase of \$38,758 from Q2 2008 and includes a sale of 1,000 Tons to a Ferro-silicon company as part of a trial. The Q3 2007 sales were \$79,806 when the plant restarted operations.

The poor housing market in the United States continues to affect the sales of processed *Scotia White*TM, and as a result, the Company continues to implement its new business models. Nevertheless, the stabilizing of the Canadian currency to the U.S. dollar has helped to improve revenue in the quarter, as more than 90% of the sales were in U.S. dollars. The Q3 2008 interest income (\$23,489) continues to decline (Q2 2008 \$37,335) due to continued cash burn. In Q3 2007 interest income was \$22,920 as the Company acquired new equity financing in June 2007.

The \$111,374 increase in operating expenses in Q3 2008 (\$384,884) compared to Q2 2008 (\$273,509) was attributable to higher production of 1332 tons of processed sand as opposed to only 190 tons in Q2 2008. The \$111,374 increase in production costs are related to production wages \$26,257; fuel costs \$25,265; packaging costs \$22,627; repairs and maintenance \$16,159; seasonal environmental costs \$12,114; and an inventory adjustment of \$8,521. In Q3 2007, operating expenses were \$288,624 mainly attributable to the Company completing maintenance and a refurbishing program as the plant was closed.

The Q3 2008 sales and marketing costs were \$73,914, a decrease from \$93,914 during Q2 2008 due to reduced travel costs (\$16,836) and fewer tradeshow during this period (\$4,279). In Q3 2007 sales and marketing expenditures of \$96,331 included expenses for the Sales Taskforce, a team led by two directors, to develop a new sales strategy.

General and administration (“G&A”) costs are detailed below.

General & Administrative Costs	Q3 2008	Q2 2008	Q3 2007
Accounting & Legal Fees	21,858	346,035	30,256
Advertising & Promotion	-	142	1,185
Consulting Fees	13,729	14,236	434
Insurance	15,143	15,110	15,637
Investor Relations	14,716	7,507	9,089
Office, Rent & Telephone	9,602	13,742	16,119
Travel & Entertainment	31,076	16,199	19,245
Wages & Benefits	180,439	205,575	224,517
Other (Doubtful Account)	(374)	-	3,044
Total	286,189	618,546	319,526

The Company’s Q3 2008 general and administration costs of \$286,189 decreased by \$332,357 over Q2 2008 \$618,546. This decrease was primarily due to legal and accounting fees in Q2 2008 associated with the U.S. Silica arbitration, which was \$316,500. Investor Relations were higher (\$7,209) due to the Annual General Meeting (AGM) being held during this period. Office expenses were decreased by \$4,140 as a result of lower costs. Wages decreased by \$25,136, as we combined the Vice President of Operations and Site Superintendent positions during Q3 2008. Travel costs were high (\$14,877) due mainly to travel associated with the AGM.

Interest expense for Q3 2008 decreased to \$0 from \$13,857 in Q2 2008 and \$51,151 in Q3 2007. This is due to the repayment of the secured convertible debentures in February 2008. Other expenses of \$7,967 relate to the provision for capital tax.

The total loss for Q3 2008 was \$767,673 compared to \$1,042,840 in Q2 2008 and \$762,172 in Q3 2007. The loss per share in Q3 2008 was \$0.008 compared to \$0.011 in Q2 2008 and \$0.016 in Q3 2007.

Liquidity

As at the end of Q3 2008, Black Bull had \$1,826,782 in working capital. The Company continues to incur significant operating losses. If the trend continues, the current working capital is not sufficient to sustain the Company for the next 12 months. Management’s opinion is that the Company must obtain cash flow from operations, conserve cash resources, or obtain additional financing to maintain sufficient working capital to reach profitable operations from the *Scotia White*TM quartz operations and other potential mineral developments.

Transactions with Related Parties

During the period, the Company did not enter into any transactions with any directors or officers and companies under their control or control of their spouses.

For the three and nine months ended June 30, 2007, the Company incurred fees for marketing consulting and performing President & CEO duties with Joseph MacDonald (J&E Consultants), Director, totaling nil and \$85,800, respectively.

For the three and nine months ended June 30, 2007, the Company incurred fees for marketing consulting with Richard Shearer, Director, totaling nil and \$56,871, respectively. Mr. Shearer was appointed President & CEO effective March 1, 2007.

Changes in Accounting Policies

Effective October 1, 2007, the Company adopted CICA Handbook Section 1535, *Capital Disclosures*, Section 3862, *Financial Instruments – Disclosures*, and Section 3863, *Financial Instruments – Presentation*. Section 3862 and 3863 replaced Section 3861, *Financial Instruments – Disclosure and Presentation*. These sections did not have any significant impact on the financial results.

Subsequent Events

On July 24, 2008, the Company announced that it had implemented a suspension of dried sand production due to high inventory levels. The Company continues to produce damp stone, and explore new business models, such as ferro silicon and low iron glass. Black Bull is also testing a technology for processing kaolin, which appears to more environmentally sound and economically attractive than traditional kaolin processes. Further news will be forthcoming as these tests results become available.

Other MD&A Disclosures

During Q3 2008, 390,000 options were granted to Directors and 583,911 options were cancelled or expired.

Outstanding Securities	Period Ended June 30, 2008	MD&A Dated August 25, 2008
Common Shares	90,853,271	90,853,271
Options (Exercisable to one Common Share)	5,786,756	5,736,756
Warrants (Exercisable to one Common Share)	2,400,000	2,400,000
Total Outstanding Securities	99,040,027	98,990,027

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.

At the current time, the USA is Black Bull's major customer base. Therefore, the continued downturn in the American housing market has a significant impact on the Company. Like many Canadian companies doing business in the USA, Black Bull is also affected by fluctuations in currency exchange rates. Most of the Company's sales including freight charges will be denominated in U.S. dollars. The Company has some natural hedges with U.S. 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*[™] 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.

NOTES

CORPORATE INFORMATION

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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.

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