

# ANNUAL REPORT

2009

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## LETTER TO SHAREHOLDERS

November 25, 2009

As we end our 2009 fiscal year at Black Bull Resources Inc., reflection on the past year shows that we continue to deal with difficult issues. While the Company's future is uncertain, during 2009, management focused on conserving cash, defining our markets and researching kaolin clay.

**Conserved Cash** – Given the recession our sales revenues in 2009 did not meet expectations. As with many businesses, the economy has had a devastating impact on our performance. The company was forced to alter its business strategy to adapt to this difficult economic environment. We needed to significantly reduce monthly expenditures in order to conserve cash. This has been successfully carried out as the company's monthly cash burn was reduced 67%. Among other things, we have been weathering this economic storm by selling surplus assets, reducing management salaries, minimizing travel, selling inventoried product, and “doing more with less”.

**Markets Better Defined** --This year we better define our market opportunities. We have confirmed that our unique quartz is suitable for use in pool plaster aggregates, low Fe glass sand, Ferro-silicon, countertops, flooring, architectural precast, grouts, golf sands and landscape stone. In this marketing process we have also learned where our quartz will *not* work. Black Bull Resources Inc. now has a better focus on the markets that offers the best promise for sales.

**Toll Conversion Partnerships** – Our strategy to shut down our processing plant and discontinue the dried processed/packaging was the right decision; however we continue to market these products. To accomplish this we have established toll conversion relationships that have allowed us to meet this objective. In May 2009, we announced an affiliation with Turley International Resources Inc., which has been an avenue for Black Bull Resources Inc. to potentially grow our pool aggregate market. We plan to pursue toll conversion partnerships for other markets.

**Kaolin Clay Work Continues** – Our research thus far with our paper grade calcined kaolin clay indicates that potential for commercialization is uncertain. More work needs to be done to determine if we can meet the higher clay quality requirements of the paper industry while reducing our processing costs. This could be a difficult task.

A more promising opportunity exists with our meta-kaolin clay product for high strength concrete applications. Initial test results look “cautiously optimistic”. Further testing is on-going.

With these accomplishments noted, however, the company continues to struggle. The recession has adversely affected Black Bull but we also face other challenges beyond our control such as the strong Canadian dollar and high freight costs which prevent us from being cost competitive in several markets.

Our team continues to focus on short term sales opportunities due to our limited cash and our urgency to increase revenues. Our current plan is to continue to conserve cash by reducing costs further while we push to develop additional sales as quickly as possible. By doing what is necessary to survive during these rough times, we hope to be able to see the company through to a point in 2010 when the economy improves and our sales revenues increase.

Our management team and our Board of Directors remain committed to this business as we work hard to meet the many challenges presently facing Black Bull Resources Inc. As a stakeholder, we certainly appreciate your patience and continued interest and support.

Sincerely,

Richard J. Shearer  
President/CEO  
Black Bull Resources Inc.

# AUDITOR'S REPORT

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## Auditors' Report

To the Shareholders of  
Blackbull Resources Inc.

We have audited the balance sheets of Blackbull Resources Inc. at September 30, 2009 and 2008 and the statements of operations, comprehensive loss 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 consolidated financial statements present fairly, in all material respects, the financial position of the Company as at September 30, 2009 and 2008 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 25, 2009

# FINANCIAL STATEMENTS

## BLACK BULL RESOURCES INC.

### BALANCE SHEETS AS AT SEPTEMBER 30

	2009	2008
<b>ASSETS</b>		
<b>Current</b>		
Cash and cash equivalents	\$ 439,174	\$ 796,856
Receivables (Note 3)	145,388	50,590
Inventory (Note 4)	217,718	437,842
Prepaid expenses	59,149	51,772
Capital tax receivable	-	12,129
	861,429	1,349,189
Capital assets (Note 5)	1,585,892	3,963,487
Mineral claims (Note 6)	959,890	961,484
Deferred costs (Note 7)	2,945,048	2,903,901
Other assets (Note 8)	545,945	538,657
	\$ 6,898,203	\$ 9,716,718
<b>LIABILITIES</b>		
<b>Current</b>		
Payables and accruals (Note 9)	\$ 156,948	\$ 184,095
Asset retirement obligation (Note 11)	385,375	359,982
	542,323	544,077
<b>SHAREHOLDERS' EQUITY</b>		
Capital stock (Note 12)	23,538,215	23,538,215
Contributed surplus (Note 12)	2,049,302	1,982,235
Deficit	(19,231,637)	(16,347,809)
	6,355,880	9,172,641
	\$ 6,898,203	\$ 9,716,718
<b>Approved on behalf of the Board</b>		
<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

	2009	2008
MINERAL REVENUE	\$ 261,983	\$ 257,125
<b>COSTS AND EXPENSES</b>		
Operations and overhead	479,920	1,124,620
Depletion	6,186	15,102
Amortization	608,308	642,203
Sales and marketing	56,697	264,700
General and administration	625,880	1,124,424
Arbitration	0	423,987
	1,776,991	3,595,036
<b>LOSS BEFORE OTHER ITEMS</b>	<b>(1,515,008)</b>	<b>(3,337,911)</b>
<b>OTHER ITEMS</b>		
Interest expense	-	(41,592)
Interest income	20,057	131,890
Loss on foreign exchange	(18,618)	
Loss on sale of capital assets	(76,348)	-
Writedown of inventory	(25,911)	(214,573)
Writedown of capital assets	(1,250,000)	
<b>LOSS BEFORE TAXES</b>	<b>(2,865,828)</b>	<b>(3,462,186)</b>
Provision for capital tax (Note 14)	(18,000)	(19,774)
<b>NET LOSS AND COMPREHENSIVE LOSS FOR THE YEAR</b>	<b>(2,883,828)</b>	<b>(3,481,960)</b>
<b>DEFICIT AT BEGINNING OF YEAR</b>	<b>(16,347,809)</b>	<b>(12,865,849)</b>
<b>DEFICIT AT END OF YEAR</b>	<b>\$ (19,231,637)</b>	<b>\$ (16,347,809)</b>
<b>Basic and diluted loss per share</b>	<b>\$ (0.032)</b>	<b>\$ (0.038)</b>
<b>Weighted average number of shares</b>	<b>90,853,271</b>	<b>90,853,271</b>

## BLACK BULL RESOURCES INC.

### STATEMENTS OF CASH FLOWS YEARS ENDED SEPTEMBER 30

	2009	2008
<b>OPERATING ACTIVITIES</b>		
Net loss for the year	\$ (2,883,828)	\$ (3,481,960)
Non-cash items included in net loss		
Amortization	608,308	642,203
Depletion	6,186	15,102
Accretion on asset retirement obligation	25,393	20,525
Loss on sale of capital assets	76,348	-
Write down of inventory	25,911	214,573
Write down of fixed Assets	1,250,000	
Accretion on convertible debentures		23,372
Stock-based compensation	67,067	167,070
	(824,615)	(2,399,115)
Change in non-cash working capital accounts		
Receivables	(94,798)	96,872
Inventory	194,213	(63,410)
Prepaid expenses	(7,377)	59,013
Payables and accruals	(27,146)	(286,386)
Capital tax payable	12,129	(23,105)
	(747,594)	(2,616,131)
<b>FINANCING ACTIVITIES</b>		
(Repayment of) proceeds from sale of convertible debentures	-	(350,000)
	-	(350,000)
<b>INVESTING ACTIVITIES</b>		
Acquisition of capital assets	(10,473)	(1,247,587)
Disposition/Acquisition of capital assets	453,412	
Development costs	(45,739)	(13,151)
Reclamation deposits	(7,288)	(18,653)
	389,912	(1,279,391)
Change in cash and cash equivalents during the year	(357,682)	(4,245,522)
Cash and cash equivalents at beginning of the year	\$ 796,856	\$ 5,042,378
Cash and cash equivalents at end of year	\$ 439,174	\$ 796,856

# NOTES TO THE FINANCIAL STATEMENTS

## 1. NATURE OF OPERATIONS AND CONTINUATION OF 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 Company is also investigating the commercialization of its kaolin resource. 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.

The Company has not yet achieved profitable operations and continues to incur significant operating losses including \$2,883,828, for the year ended September 30, 2009. 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*<sup>TM</sup> quartz operations and other potential mineral developments.

The Company's continued existence is dependent upon maintaining control of its mineral resources through the sale of surplus assets and inventory until such time as the market improves or a purchase order for its mineral resource is received. However, there can be no assurances that the steps management is taking will be successful

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 original 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 annual rates:

Buildings	10% DB
Equipment	20% DB
Office furniture and equipment	20% DB
Computer equipment	30% DB
Vehicles	30% DB
Software	100% 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 existence of persuasive evidence of arrangement, shipment of the product, when title has passed to the customer, the price is fixed or determinable, 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 \$545,945 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 basis of assets and liabilities as well as for the benefit of tax loss carry forwards that are more likely than not 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. Future income tax assets are recognized to the extent that it is more likely than not they will be realized

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 the number of days outstanding for the twelve month period ended September 30, 2009.

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. Options to purchase totaling 8,267,406 were included in the computation of diluted loss per share because they were anti-dilutive. Warrants to purchase 2,400,000 common shares expired on June 15, 2009.

**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 projected 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**

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 or accumulated other comprehensive income component and, accordingly, the Company's net income equals comprehensive income.

**n) 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.

**o) Changes in accounting policies**

*Inventories*

Effective October 1, 2008, the Company adopted the recommendations of the CICA Handbook Section 3031, *Inventories*, which provides guidance on the measurement, presentation and disclosure of inventories. Section 3031 states that inventories be measured at the lower of cost and net realizable value and provides additional guidance on the determination of the cost of inventories. The adoption of the new standard did not have any impact on the Company's financial statements.

*Goodwill and Intangible Assets*

Effective October 1, 2008, the Company adopted the recommendations of the CICA Handbook Section 3064, *Goodwill and intangible assets*, which provides guidance on the recognition, measurement and disclosure of goodwill and intangible assets. The adoption of the new standard did not have any impact on the Company's financial statements.

*General Standards of Financial Statement Presentation*

Effective October 1, 2008, the Company adopted the recommendations of the CICA Handbook Section 1400, *General standards of financial statement presentation*, which provides guidance on the requirement to assess an entity's ability to continue as a going concern and disclose any material uncertainties that cast doubt on its ability to continue as a going concern. The adoption of the new standard did not have any impact on the Company's financial statements, other than the disclosure in Note 1 above.

**p) Future accounting changes**

*International Financial Reporting Standards*

In January 2006, the Accounting Standards Board (AcSB) adopted a strategic plan for the direction of accounting standards in Canada. As part of the plan, Canadian public companies will be required to adopt International Financial Reporting Standards ("IFRS") for annual and interim financial statements for years beginning on or after January 1, 2011. The Company will adopt IFRS effective October 1, 2011 and will be required to restate, for comparative purposes, amounts reported by the Company for its year ended September 30, 2011. The Company is continuing to assess the impact on the Company's financial statements and is developing an implementation plan.

### 3. RECEIVABLES

	September 30 2009		September 30 2008
Trade	\$ 139,942	\$	40,758
Government (HST)	5,446		9,832
	<b>\$ 145,388</b>	<b>\$</b>	<b>50,590</b>

### 4. INVENTORY

	September 30 2009		September 30 2008
Semi-processed	\$ 166,311	\$	208,578
Processed goods	28,172		179,787
Consumables	23,245		49,477
	<b>\$ 217,718</b>	<b>\$</b>	<b>437,842</b>

During fiscal 2008, older raw material valuation has been adjusted down by \$214,573 to reflect changes in net realizable value. In May 2009 an additional adjustment of \$25,911 was made to reflect a reduction of realizable value of material stored in Staley South Carolina.

### 5. CAPITAL ASSETS

September 30, 2009

	Cost	Accumulated Amortization	Disposal of Redundant Assets	Provision for Reduced Asset Value	Net Book Value
Office furniture & equipment	37,065	22,618			14,447
Computer equipment	42,627	32,124			10,503
Software	32,089	32,089			0
Vehicle	68,468	28,493	19,468		20,507
Equipment	3,225,491	710,264	1,176,959	750,000	588,268
Buildings	1,854,385	488,139		500,000	866,246
Leasehold improvements	17,115	17,115			0
Site improvements	216,210	137,958			78,252
Trademark	12,783	5,113			7,670
	<b>\$ 5,506,233</b>	<b>\$ 1,473,914</b>	<b>\$ 1,196,427</b>	<b>\$ 1,250,000</b>	<b>\$ 1,585,892</b>

September 30 2008

	Cost	Accumulated Amortization	Disposal of Redundant Assets	Provision for Reduced Asset Value	Net Book Value
Office furniture & equipment	\$ 37,065	\$ 19,006	\$ -	\$ -	\$ 18,059
Computer equipment	42,627	27,623	-	-	15,004
Software	32,089	32,089	-	-	-
Vehicle	68,468	32,579	-	-	35,889
Equipment	3,225,491	980,010	-	-	2,245,481
Buildings	1,854,385	335,773	-	-	1,518,612
Leasehold improvements	17,115	17,115	-	-	-
Site improvements	216,210	94,716	-	-	121,494
Trademark	12,783	3,835	-	-	8,948
	<b>\$ 5,506,233</b>	<b>\$ 1,542,746</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 3,963,487</b>

During Q2 2009, management categorized assets and prepared a catalogue of assets that were to be sold as part of the company's previously announced Reduced Operating Business Plan. An estimated sale price of the redundant assets which are being considered for sale results in a provision of \$500,000 for buildings and \$750,000 for equipment, for a total of \$1,250,000.

## 6. MINERAL CLAIMS

	September 30 2009	September 30 2008
Cost, beginning of period	\$ 972,183	\$ 883,314
Asset retirement obligation	-	88,869
Cost, end of period	972,183	972,183
Accumulated depletion	12,293	10,699
Net book value	\$ 959,890	\$ 961,484

## 7. DEFERRED COSTS

Deferred Exploration and Development Costs	September 30 2009	September 30 2008
Cost, beginning of period	\$ 2,938,782	\$ 2,925,631
Development	45,739	13,151
Cost, end of period	2,984,521	2,938,782
Accumulated depletion	39,473	34,881
Net book value	\$ 2,945,048	\$ 2,903,901

## 8. OTHER ASSETS

Other assets consist of two funds held for future reclamation costs by the Province of Nova Scotia. (a) The Natural Resources Reclamation Fund contains \$449,863 (\$443,144 at September 30, 2008), plus, an Irrevocable Standby Letter of Credit \$17,400 has been issued to the Province of Nova Scotia, for a total of \$467,263. (b) The Environmental Reclamation Fund contains \$96,083 (\$95,513 at September 30, 2008).

## 9. PAYABLES AND ACCRUED LIABILITIES

	<b>September 30 2009</b>	September 30 2008
Trade	\$ 155,193	\$ 179,893
Government (payroll & WCB)	1,756	4,202
	<b>\$ 156,949</b>	<b>\$ 184,095</b>

## 10. CONVERTIBLE DEBENTURES

	<b>September 30 2009</b>	September 30 2008
Balance, beginning of period	\$ -	\$ 326,628
Total gross proceeds	-	-
Converted to common shares	-	-
Equity component	-	-
Deferred financing costs	-	-
Repayment of debentures	-	(350,000)
	-	(23,372)
Accretion	-	23,372
Balance, end of period	<b>\$ -</b>	<b>\$ -</b>

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 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.

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

## 11. ASSET RETIREMENT OBLIGATION

	<b>September 30 2009</b>		September 30 2008	
Balance, beginning of period	\$	<b>359,982</b>	\$	250,588
NPV of cash flows		-		88,869
Accretion		<b>25,393</b>		20,525
Balance, end of period	\$	<b>385,375</b>	\$	359,982

The gross undiscounted amount of future reclamation plans is \$535,895 (\$535,895 as at September 30, 2008). During fiscal 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

	<b>September 30 2009</b>		September 30 2008	
	#	\$	#	\$
Issued	<b>90,853,271</b>	<b>\$ 23,538,215</b>	90,853,271	\$ 23,538,215

c) **Contributed surplus**

	<b>Stock Options</b>		<b>Warrants</b>	
	<b>#</b>	<b>Fair Value</b>	<b>#</b>	<b>Fair Value</b>
Balance, beginning of period	<b>8,733,070</b>	<b>\$ 1,148,899</b>	<b>4,608,000</b>	<b>\$ 833,336</b>
Stock compensation Expense	<b>4,006,850</b>	<b>67,067</b>	-	-
Balance, end of period	<b>12,739,920</b>	<b>\$ 1,215,966</b>	<b>4,608,000</b>	<b>\$ 833,336</b>

The contributed surplus of \$2,049,302 (\$1,982,235 at September 30, 2008) 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. On June 6, 2009, these warrants expired.

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:

	<b>Stock Options</b>		<b>Warrants</b>	
	<b>Number</b>	<b>Weighted Average price</b>	<b>Number</b>	<b>Weighted average price</b>
Outstanding as at September 30, 2007	4,318,207	\$ 0.28	2,400,000	0.15
Granted/issued	2,219,106	0.10	-	-
Cancelled/expired	(800,557)	0.17	-	-
Outstanding as at September 30 2008	<b>5,736,756</b>	<b>\$ 0.22</b>	<b>2,400,000</b>	<b>\$ 0.15</b>
Granted/issued	4,006,850	0.10		
Cancelled/expired	(1,136,200)	0.43	(2,400,000)	0.15
Outstanding as at September 30, 2009	<b>8,607,406</b>	<b>\$ 0.14</b>	-	<b>\$ -</b>

The following table summarizes information about stock options and warrants outstanding at September 30, 2009:

<b>Range of Exercise Prices</b>	<b>Number of Options</b>	<b>Weighted average Remaining contractual life</b>	<b>Weighted average exercise price</b>	
\$0.10 - 0.52	8,607,406	3.2 years	\$	0.13
\$0.53 - 0.95		0 years	\$	n/a
	<b>8,607,406</b>	<b>3.2 years</b>	<b>\$</b>	<b>0.13</b>
<b>Range of Exercise Prices</b>	<b>Number of Warrants</b>	<b>Weighted average Remaining contractual life</b>	<b>Weighted average exercise price</b>	
n/a	0	n/a		n/a

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. 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 for the twelve-month period ending September 30, 2009 is \$18,000 (\$19,774 – September 2008).

#### b) Income Tax

The income tax recovery and change in valuation allowance differs from the amounts computed by applying Canadian statutory rates of 35.13% (2008 – 36.16%) to the loss before income taxes as follows:

	<b>2009</b>	2008
Income tax recovery at statutory rate	\$ (1,007,000)	\$ (1,252,000)
Amortization and other	<b>218,000</b>	257,000
Employee stock options	<b>24,000</b>	60,000
Share issue costs	-	-
Impact of income tax rate change	<b>65,000</b>	1,049,000
Increase in valuation allowance	<b>(700,000)</b>	(114,000)
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 31% (2008 - 31%) are as follows:

	<b>2009</b>	2008
Future income tax assets (liabilities)		
Capital assets	\$ (532,000)	\$ (320,000)
Mineral claims	<b>(59,000)</b>	(57,000)
	<b>(473,000)</b>	(377,000)
Share issue costs	<b>103,000</b>	140,000
Net future income tax asset (liability)	<b>576,000</b>	(237,000)
Tax loss carry forwards	<b>4,765,000</b>	4,878,000
Future income tax asset	<b>5,341,000</b>	4,641,000
Valuation allowance	<b>(5,341,000)</b>	(4,641,000)
Future income tax asset	\$ -	\$ -

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

<u>Expiry date</u>	<u>Amount</u>
2010	639,000
2014	2,378,000
2015	1,559,000
2026	3,299,000
2027	3,496,000
2028	3,057,000
2029	959,000
	<u>\$15,387,000</u>

## 15. FINANCIAL INSTRUMENTS

*Fair value:* The carrying values of cash and cash equivalents, receivables and payables and accruals 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 original 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. CONTINGENCY

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

# 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) 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 ("Black Bull" or the "Company") audited financial statements for the years ended September 30, 2009 and 2008, together with the accompanying notes. Such financial statements have been prepared in accordance with Canadian generally accepted accounting principles.

This MD&A is prepared as of November 25, 2009.

### **Forward Looking Statements**

Certain statements contained in the report constitute forward-looking statements. When used in this document the words "anticipate", "believe", "estimate", "expect", "plan", "future", "intend", "may", "will", "should", "predicts", "potential", "continue", and similar expressions, as they relate to Black Bull or its management, are intended to identify forward-looking statements. Such statements reflect current views of Black Bull with respect to future events and are subject to certain known and unknown risks, uncertainties and assumptions. There can be no assurance that such statements will prove to be accurate and actual results and future events could differ materially from those anticipated in such statements. Factors that could cause actual results or events to differ materially from current expectations include, among other things, changes in mineral prices, fluctuations in currency exchange rates, uncertainties relating to the availability and costs of financing needed in the future, the capital and operating costs varying significantly from estimates, delays in the development of projects, as well as those risk factors discussed or referred to herein, including those set forth under the heading "Risks and Uncertainties". Should one or more of these risks or uncertainties materialize, or should assumptions underlying the forward looking statements prove incorrect, actual results may vary materially from those described herein as anticipated, believed, estimated or expected. Unless required by law, the Company undertakes no obligation to update forward-looking statements if circumstances or management's estimates or opinions should change. Accordingly, readers are cautioned not to place undue reliance on forward-looking statements.

### **Overall Performance**

The focus of Black Bull for fiscal 2009 was reducing its cash burn. In January 2009, the board approved a Reduced Operations Business Plan ("ROBP"), whereby the Company moved to reduce operations and finance operations through the sale of inventory and redundant assets.

In 2009, the Company sold 3,552 tons of sand consisting of 2,187 tons of processed sand and 1,365 tons of damp unprocessed sand. Inventory of processed sand was 414 tons valued at \$28,175 on September 30,

2009. The remaining processed sand inventory was transferred to East Kemptville and one location in the United States, eliminating monthly warehousing costs.

In 2009, Black Bull identified redundant assets that were held for sale. The net sale of these redundant assets generated cash totaling \$453,413. The Company also recorded a non-cash charge of \$1,250,000 to reflect the difference between the estimated net realizable value of redundant assets and their net book value. This charge includes \$750,000 for equipment and \$500,000 for building. The management team continues efforts to sell the redundant assets.

The number of employees has been reduced to four, and during the year each of those remaining employees agreed to salary reductions to help reduce the cash burn. Further reductions to make some positions part time for the next few months are under consideration. The Company also identified a number of costs that were able to be reduced or eliminated. These include reducing communication costs and travel costs. Further cost reductions are being implemented.

The Company signed a marketing/supply partnership agreement, effective May 1, 2009 with Turley International Resources LLC (“TIR”). Black Bull will withdraw from the direct sales and marketing of all dried, processed products into the pool market. Black Bull will now supply its consistent white quartz unprocessed (“damp”) stone to TIR who will process, package and distribute the finished products directly to the pool marketplace. This is consistent with the Company’s plans to move into the damp stone sales.

Black Bull continues to seek buyers for its unprocessed quartz beyond that of the pool market, including low iron glass producers and Ferro-silicon, although the Company has not yet received any purchase orders. The Company continues to test its kaolin clay resource to determine its comparability to other kaolin sources in the UK and Brazil. Our research thus far with our paper grade calcined kaolin clay indicates that potential for commercialization is uncertain. More work needs to be done to determine if we can meet the higher clay quality requirements of the paper industry while reducing our processing costs. This could be a difficult task.

An opportunity also exists with our meta-kaolin clay product for high strength concrete applications. Initial test results look “cautiously optimistic”. Further testing is on-going.

The long term future is dependent upon maintaining control of its mineral resources through the sale of surplus assets and inventory until such time as the mineral markets improve or significant purchase orders are received. However, there can be no assurances that the steps management is taking will be successful.

## Selected Annual Information and Results of Operations

	Year ended September 30, 2009	Year ended September 30, 2008	Year ended September 30, 2007	Year ended September 30, 2006	Year ended September 30, 2005
	\$	\$	\$	\$	\$
Net Mineral Sales	261,983	257,125	169,874	130,558	38,714
Net Loss and Comprehensive Loss	(2,883,828)	(3,481,960)	(2,851,427)	(3,001,754)	(1,402,998)
Net Loss per Share (Basic and Diluted)	(0.032)	(0.038)	(0.045)	(0.068)	(0.032)
Total Assets	6,898,203	9,716,718	13,817,462	9,312,818	12,263,352

In 2009, net mineral sales were \$261,983, similar to 2008 (\$257,125). The sales in 2009 were partially enhanced by profits from freight \$52,960 versus a loss in 2008 of \$23,691. During fiscal 2009, total operating expenses of \$1,796,991 decreased by 50% or \$1,792,134 over fiscal 2008. This decrease was primarily due to reduced operations as well as the implementation of the previously announced Reduced Operations Business Plan ("ROBP). Operation costs were \$479,920 a decrease of \$618,789 from 2008, as the Company was no longer producing dried sand. Amortization declined due to the sale of redundant assets.

In 2009, sales and marketing costs were \$56,697 down from \$264,700 in 2008. This was due to the Company focusing away from small volume dried sand sales to a large number of customers, to that of a large volume damp unprocessed stone sales to fewer customers.

General & Administrative Costs	Year ended September 30, 2009	Year ended September 30, 2008	Year ended September 30, 2007	Year ended September 30, 2006	Year ended September 30, 2005
	\$	\$	\$	\$	\$
Accounting & Legal Fees	80,921	89,903	105,147	108,034	77,515
Advertising & Promotion	0	990	3,331	12,207	14,567
Consulting Fees	113,354	44,953	21,159	25,287	69,809
Insurance	62,465	61,010	62,458	55,256	46,807
Investor Relations	27,601	36,705	40,457	134,460	111,550
Office, Rent & Telephone	36,825	49,227	53,029	64,967	45,283
Travel	18,941	84,392	61,563	123,979	123,376
Wages & Benefits	285,773	757,618	638,699	770,739	655,384
Other	0	-374	3,044	6,126	16,360
	\$625,880	\$1,124,424	\$988,887	\$1,301,055	\$1,160,651

In 2009, general and administration costs decreased by 44% or \$498,544 versus 2008. This is mainly due to decreased wage cost of \$471,845, resulting from reduced employees as well as moving CEO expense to management consulting expense in March 2009. Consulting fees increased over 2009 by \$68,401 as the former CEO was categorized as a consulting expense starting in March 2009. Travel decreased by \$65,451 due to reduced activity in 2009.

Interest income of \$20,057 was significantly less than 2008 (\$131,890), due to less cash in 2008 as well as lower interest rates. In the spring of 2009 the Company sold redundant assets totaling \$453,413. The sale of these assets was \$76,348 less than their Net Book Value.

Since the Company was no longer processing dried sand it recorded a write down of its fixed assets of \$1,250,000. The Company reported a net loss for the year of \$2,883,828 (\$3,481,960 in 2008) or \$0.032 per share (\$0.038 in 2008).

## Summary of Quarterly Results and Results of Operations

Quarterly Results	2009				2008			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
	\$	\$	\$	\$	\$	\$	\$	\$
Income:								
Mineral revenue	23,085	118,276	78,023	42,599	21,176	122,220	83,462	30,268
Int income & For. Ech.	(28,840)	1,110	10,040	19,129	15,542	23,866	37,335	55,146
<b>Total</b>	<b>(5,755)</b>	<b>119,386</b>	<b>88,063</b>	<b>61,728</b>	<b>36,718</b>	<b>146,086</b>	<b>120,797</b>	<b>85,414</b>
Costs:								
Operations	62,533	125,615	91,858	199,914	239,095	384,884	275,735	224,907
Sales & Marketing	10,994	11,983	17,371	16,350	40,321	73,264	70,024	81,091
General & admin.	139,680	132,301	176,303	177,596	239,858	282,803	299,417	302,348
Arbitration	-	-	-	-	-	3,765	343,019	77,202
Amort./depletion	146,515	140,133	172,471	166,216	188,467	161,078	154,843	152,918
Interest expense	-	-	-	-	-	-	13,857	27,734
Other	59,508	27,975	1,263,968	7,968	210,407	7,967	7,968	8,005
	<b>419,229</b>	<b>438,006</b>	<b>1,721,971</b>	<b>568,044</b>	<b>918,148</b>	<b>913,760</b>	<b>1,164,863</b>	<b>874,205</b>
Net loss	<b>(424,985)</b>	<b>(318,620)</b>	<b>(1,633,908)</b>	<b>(506,316)</b>	<b>(881,430)</b>	<b>(767,674)</b>	<b>(1,044,066)</b>	<b>(788,791)</b>
Net loss per share (basic & diluted)	(0.0047)	(0.0030)	(0.0180)	(0.0060)	(0.0080)	(0.0080)	(0.0110)	(0.0090)

Operating Cash	2009				2008			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Net loss	<b>(424,985)</b>	<b>(318,620)</b>	<b>(1,633,908)</b>	<b>(506,316)</b>	<b>(881,430)</b>	<b>(767,674)</b>	<b>(1,044,066)</b>	<b>(788,791)</b>
Non-cash operating items	220,135	164,487	1,456,445	192,235	227,257	210,829	210,899	207,162
Net cash loss								
From operations	<b>(204,850)</b>	<b>(154,133)</b>	<b>(177,463)</b>	<b>(314,081)</b>	<b>(654,174)</b>	<b>(556,845)</b>	<b>(833,167)</b>	<b>(581,629)</b>

During Q4 2009, mineral revenue was \$23,085, a decrease of \$95,191 from the previous quarter (\$118,276), but a slight increase (\$1,909) compared to Q4 2008 (\$21,176). Interest and foreign exchange income of \$-28,840 was due to changing foreign exchange rates on accounts receivable between the time the invoice is posted and the exchange rate as at September 30 2009. The interest income on the reclamation funds held with the Province of Nova Scotia was reconciled to the Company's estimate quarters.

Operation costs were \$62,533, which was reduction of \$62,082 over Q3 2009 due to reduced costs associated with sales such as inventory adjustment of \$52,380 as well a product securing loading costs

\$4,323. Compared to Q4 2008 (\$239,095) operations were considerable less as the company was operating the processing plant for a portion of Q4 2008.

Marketing costs were \$10,994 which was similar to Q3 2009. These costs are primarily related to sending product samples \$4,331 as well as travel related to marketing \$5,944. Compared to Q4 2008 (\$40,321) the Company has reduced its marketing costs due to the elimination of a marketing position (\$19,000 and reduced marketing travel of \$9,000).

<b>General &amp; Administrative Costs</b>	<b>Q4 2009</b>	<b>Q3 2009</b>	<b>Q4 2008</b>
	\$	\$	\$
Accounting & Legal Fees	15,000	15,000	19,431
Consulting Fees	-	-	7,258
Insurance	15,393	15,919	15,355
Investor Costs	5,064	5,533	7,304
Office, Rent & Telephone	9,880	7,232	10,170
Travel	4,709	3,173	20,934
Wages & Benefits	89,634	85,444	159,406
	139,680	132,301	239,858

In Q4 2009, general and administration costs of \$139,680 were similar to Q3 2009 (an increase of \$7,379) and \$100,178 less than Q4 2008. This was primarily due to reduced wages and benefits. Other cost savings compared to Q4 2008 were related to less travel. Amortization for the quarter includes a depletion cost of \$6,186. Other expense of \$59,508 includes the loss on the sale of capital assets. In Q3 2009 other expense includes a \$25,910 write down of inventory.

During the fourth quarter, the Company reported a net loss of \$419,985 compared to \$918,148 in Q4 2008 or \$0.0047 per share versus \$0.0080 in Q42008. The Company recorded \$220,135 (\$164,487 in Q3 2009) in non-cash operating items in the fourth quarter, resulting in a net cash loss from operations of \$204,850 (\$154,133 in Q3 2008)

### **Liquidity**

At September 30, 2009, Black Bull had \$319,015 in working capital (current assets less current liabilities). This is a decrease over Q2 2009 (\$805,112) as the company declining cash position. The Company continues to incur significant operating losses. In response the Company implemented a plan to significantly reduced the Company's cash burn

For the balance of 2010, the Company intends to continue to generate the necessary cash resources to finance these minimal operations, by selling inventory, collecting accounts receivable, and through the sale of surplus assets. Beyond 2010, the Company would move to "care and maintenance", which would allow the company to operate into 2011 with minimal operational obligations.

## **Capital Resources**

During 2010, the Company continues to reduce its cash burn through the implementation of a reduced operation which will be implemented as part of the approved Reduced Operations Business Plan. This includes the sale of surplus assets, until one of the new programs comes to fruition.

## **Transactions with Related Parties**

The Company did not enter into any transactions with any directors or officers and companies under their control or the control of their spouses during the year ending September 30, 2009.

## **Critical Accounting Estimates**

The preparation of the Company's financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and the disclosure of contingent assets and liabilities. These estimates are based upon management's historical experience and various other assumptions that are believed by management to be reasonable under the circumstances. Such assumptions and estimates are evaluated on an ongoing basis and form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results could differ from these estimates.

Management believes the following critical accounting policies affect its more significant estimates and assumptions used in the preparation of its financial statements.

### *Inventory*

Raw materials are valued at the lower of cost and net realizable value, with cost determined on a weighted average basis. The Company's policy for the valuation of raw materials and processed inventory includes a determination of obsolete inventory. If management believes that demand no longer allows the Company to sell inventories above cost or at all, it provides a reserve against this inventory for all or a portion of the carrying value of the inventory, based on specific knowledge related to specific inventory items.

### *Mineral properties and deferred costs*

The Company records its interest in mineral properties at cost. Resource exploration and development costs are capitalized on an individual area of interest basis until such time as an economic resource body is defined or the prospect is abandoned. Costs for a producing prospect are amortized on a unit-of-production method based on the estimated life of the reserves, while costs for the prospects abandoned are written off.

Management of the Company reviews and evaluates the carrying value of each mineral property for impairment when events or changes in circumstances indicate that the carrying amounts of the related asset may not be recoverable. When it is determined that a mineral property is impaired, it is written down to its estimated fair value.

Management's estimates of mineral prices, mineral resources, and operating, capital and reclamation costs are subject to certain risks and uncertainties that may affect the recoverability of deferred mineral property costs. Although management has made its best estimate of these factors, it is possible that

material changes could occur which may adversely affect management's estimate of the net cash flows expected to be generated from its properties.

The recoverability of amounts shown for mineral properties and related deferred costs is dependent upon the discovery of economically recoverable reserves, securing and maintaining title and beneficial interest in the properties, the ability of the Company to obtain necessary financing to continue operations and to complete the development and upon future profitable production or proceeds from the disposition thereof.

#### *Property Plant and Equipment*

Plant and equipment represent significant assets of the Company. Depreciation and amortization are recorded on either a declining-balance (DB) or straight-line (SL) basis. Management of the Company reviews and evaluates the carrying value of major assets for impairment when events or changes in circumstances indicate that the carrying amounts of the related asset may no longer represent their economic value.

#### *Other estimates*

The Company also makes estimates for doubtful accounts, income taxes, stock-based compensation and asset retirement obligations.

Management estimates the collectability of the Company's receivables based on historical experience, age of the receivables, the specific customers' indebted to the Company and general market conditions. Based on these factors, management determines an appropriate amount to be provided as an allowance for doubtful accounts.

In the calculation of income taxes, management will recognize a future income tax asset for all deductible temporary differences, unused tax losses and income tax reductions, and then review the asset to estimate whether a portion or all of it will be realized. The future income tax valuation allowance is estimated so as to be sufficient to reduce the asset to the amount that is more likely than not to be realized.

The Company records compensation expense for stock options using the fair value method. The fair value of each option grant is estimated on the date of grant using the Black-Scholes option-pricing model. To apply this application assumptions are made regarding the following factors; risk free interest rate, stock volatility, expected life and expected dividend yield. Management determines these factors based on current market conditions and other information available on the date of the grant.

The Company also uses estimates in recognizing the liability associated with an asset retirement obligation ("ARO") in the financial statements at the time the liability is incurred. The estimated fair value of the ARO is recorded as a long-term liability, with a corresponding increase in the carrying amount of the related asset. The capitalized amount is depleted on a straight-line basis over the estimated life of the asset. The liability amount is increased each reporting period due to the passage of time and the amount of accretion is charged to earnings in the period. The ARO can also increase or decrease due to changes in the estimates of timing of cash flows or changes in the original estimated undiscounted cost. Actual costs incurred upon settlement of the ARO are charged against the ARO to the extent of the liability recorded.

## **Changes in Accounting Policies**

Effective October 1, 2008 the Company adopted CICA Handbook Section 3031, *Inventories* Section 3130.36 requires disclosure of “the amount of inventories recognized as an expense during the period” Paragraph 3031.38 indicated this requirement is often referred to as cost of sales. Paragraph 3031.39 describes some of the entities present an analysis of expenses using a classification based on the nature of expenses for example costs recognized as an expense for raw material and consumables, labour and other costs together with an amount of the net change in inventories for this period, and provides an alternative format for complying with the requirements of paragraph 3031.36 (d).

## **Disclosure Controls and Procedures and Internal Controls over Financial Reporting**

Disclosure controls and procedures (‘DC&P’) are intended to provide reasonable assurance that information required to be disclosed is recorded, processed, summarized and reported within the time periods specified by securities regulations and that information required to be disclosed is accumulated and communicated to management. Internal controls over financial reporting (‘ICFR’) are intended to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian generally accepted accounting principles.

TSX Venture listed companies are not required to provide representations in the annual filings relating to the establishment and maintenance of DC&P and ICFR under Multinational Instrument (“MI”) 52-109, Certification of Disclosure in Issuer’s Annual and Interim Filings.

The Chief Executive Officer (“CEO”) and Chief Financial Officer (“CFO”) of the Company will file a Venture Issuer Basic Certificate with respect to the financial information contained in the audited annual consolidated financial statements and respective accompanying Management’s Discussion and Analysis. In contrast to the certificate under MI 52-109, the Venture Issuer Basic Certification includes a ‘Note to Reader’ stating that the CEO and CFO do not make any representations relating to the establishment and maintenance of DC&P and ICFR.

## **International Financial Reporting Standards (“IFRS”)**

Canadian GAAP for publicly listed entities will convert to International Financial Reporting Standards (IFRS) in 2011. The Canadian Performance Reporting Board (CPRB) believes the conversion presents an opportunity to enhance financial reporting and stakeholder relationships. The Canadian Securities Administrators (CSA) set their expectations of disclosure about the changeover that applies to all publicly listed entities.

Conversion to IFRS represents a one-time implementation of multiple accounting standards, several of which differ significantly from Canadian GAAP. The extent of the disclosure about the conversion to IFRS will depend on the nature and complexity of the entity and the needs of its investors

Investors need to be able to differentiate reported performance changes caused by the adoption of different accounting standards from those caused by business activities. The inability to do so will cause uncertainty about an entity’s financial performance. Investors respond to uncertainty by increasing the risk premium in valuing an investment. To diminish uncertainty, investors will want to know whether entities have an appropriate plan in place to deal with the conversion and what to expect from the conversion before it takes place.

The Canadian Securities Administrators (CSA) published Staff Notice 52-320 in May 2008. It provides guidance to an issuer on disclosure of expected changes in accounting policies relating to an issuer's conversion to IFRS. At a high level, it addresses the key elements of the changeover plan and disclosures that should be expected in the MD&A in each reporting period up to the date of the conversion.

As a result, management at Black Bull has begun to better understand the issues related to this conversion and how this relates to the Company. Further information in regard to this conversion will be forthcoming.

### Other MD&A Disclosures

During 2009, 4,006,850 options were granted and 1,136,200 options expired. Also 2,400,000 warrants expired.

<b>Outstanding Securities</b>	<b>Period Ending September 30, 2009</b>
Common Shares	90,853,271
Options (Exercisable to one Common Share)	8,607,406
Warrants (Exercisable to one Common Share)	-
<b>Total Outstanding Securities</b>	<b>99,460,677</b>

### 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 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.

Black Bull's ability to continue as a going concern, and the recoverability of its mineral properties, is dependent on improvement in mineral prices, improvement in sales volumes, and its ability to fund future development programs, and to manage and generate positive cash flows from operations in the future. The Company's financial statements do not reflect the adjustments to carrying values of assets and liabilities and the reported expenses and balance sheet classifications that would be necessary should the going concern assumption be inappropriate, and these adjustments could be material.

The Company has assessed whether the amounts recorded for mineral claims and deferred costs have suffered any impairment by considering resource estimates, future processing capacity, anticipated sales, and the longer term price estimates for minerals. Management's estimates of these factors are subject to risk and uncertainties, affecting the recoverability of the recorded amounts for mineral claims and deferred costs. Any changes to these estimates may result in the recognition of an impairment charge with a corresponding reduction in the carrying value of such assets

### **Additional Information**

Additional information about the Company is available on SEDAR at [www.sedar.com](http://www.sedar.com) and at the Company's website at [www.blackbullresources.com](http://www.blackbullresources.com).

# Notes

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## CORPORATE INFORMATION

### **BLACK BULL RESOURCES INC.**

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### **CONTACT**

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### **GENERAL INFORMATION**

**Trading Symbol:** BBS  
(TSXV Exchange)

**Registered Office:**  
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**Investor Relations:**  
Richard J. Shearer

### **DIRECTORS:**

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USA

George T.H. Cooper  
Director  
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James W. Gogan  
Director  
New Glasgow, NS

Joseph MacDonald  
Director  
Judique, NS

Richard J. Shearer  
Director  
Seabrook Island, SC  
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David L. Wood  
Director  
White Rock, BC

Donald A. Wright  
Director  
Toronto, ON

### **OFFICERS:**

Richard J. Shearer  
President & CEO  
Seabrook Island, SC  
USA

Martin C. MacKinnon  
Chief Financial Officer  
Halifax, NS

Joseph MacDonald  
Vice President,  
Sales & Marketing  
Judique, NS

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

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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