

INTERIM REPORT

2010

JUNE 30
2010



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LETTER TO SHAREHOLDERS

August 19, 2010

In the 3rd quarter of fiscal year 2010 Black Bull Resources Inc. did not receive profitability and continues to incur operating losses as outlined in the notes to the financial statement.

Sales for the quarter totaled 1,733 tons of quartz of which 1,533 tons were damp or unprocessed material. This represents an increase of 300 tons when compared to the same period in 2009. The increase in sales was due to more local demand for our quartz.

Our focus continues to be on improving our monthly sales, increase profit margins, collecting receivables on time, reducing our cash burn, and selling redundant assets.

Overall costs are being further reduced on a monthly basis with salary adjustments and spending controls in place.

Selling redundant assets is extremely important in order to improve our cash position which will be necessary to sustain the company over the next twelve months. It is expected that approximately half a million dollars can be generated from asset sales over time.

Uncertainly remains regarding the continuing viability of Black Bull Resources Inc,
Sincerely,

Joseph MacDonald
President and CEO
Black Bull Resources Inc.

FINANCIAL STATEMENTS

Notice of No Auditor Review of Interim Financial Statements

The accompanying unaudited interim financial statements of the Company for the period ending March 31, 2010, have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these financial statements.

FINANCIAL STATEMENTS

BLACK BULL RESOURCES INC.

BALANCE SHEETS

	June 30 2010	September 30 2009
ASSETS	<i>"Unaudited"</i>	<i>"Audited"</i>
Current		
Cash and cash equivalents	\$ 111,904	\$ 439,174
Receivables (Note 3)	200,928	145,388
Inventory (Note 4)	178,088	217,718
Prepaid expenses	107,763	59,150
	598,683	861,430
Capital assets (Note 5)	1,190,801	1,585,892
Mineral claims (Note 6)	959,890	959,890
Deferred costs (Note 7)	2,955,429	2,945,048
Other assets (Note 8)	554,132	545,945
	\$ 6,258,936	\$ 6,898,205
LIABILITIES		
Current		
Payables and accruals (Note 9)	\$ 212,973	\$ 156,948
Asset retirement obligation (Note 10)	405,264	385,375
	618,237	542,463
SHAREHOLDERS' EQUITY		
Capital stock (Note 11)	23,538,215	23,538,215
Contributed surplus (Note 11)	2,062,577	2,049,302
Deficit	(19,960,092)	(19,231,775)
	5,640,699	6,355,742
	\$ 6,258,936	\$ 6,898,205
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)**

	2010		2009	
	3 months	9 months	3 months	9 months
MINERAL REVENUE	\$ 100,069	\$ 143,277	\$ 118,276	\$ 238,898
COSTS AND EXPENSES				
Operations and overhead	93,593	175,786	125,399	417,171
Amortization	112,644	339,922	140,133	467,979
Loss on Disposal				10,840
Sales and marketing	2,482	10,337	11,983	45,703
General and administration	107,664	359,504	132,301	484,607
	316,383	885,549	409,816	1,426,301
LOSS BEFORE OTHER ITEMS	(216,314)	(742,271)	(291,540)	(1,187,402)
OTHER ITEMS				
Interest income	2,865	8,882	7,240	28,686
Write down of inventory			(25,911)	(25,911)
Loss on sale of capital assets	-	3,842		(6,000)
Write down of capital assets				(1,250,000)
LOSS BEFORE TAXES	(213,448)	(729,548)	(316,341)	(2,440,627)
Provision for capital tax (Note 13)	6,841	1,231	(2,064)	(18,000)
NET LOSS AND COMPREHENSIVE LOSS FOR THE PERIOD	(206,608)	(728,317)	(318,405)	(2,458,627)
DEFICIT AT BEGINNING OF PERIOD	(19,753,484)	(19,231,775)	(18,488,030)	(16,347,808)
DEFICIT AT END OF PERIOD	\$ (19,960,092)	(19,960,092)	\$ (18,806,435)	\$ (18,806,435)
Basic and diluted loss per share	(\$0.002)	(0.0080)	(\$0.004)	(0.0271)
Weighted average number of shares	90,853,271	90,853,271	90,853,271	90,853,271

BLACK BULL RESOURCES INC.

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

	2009		2008	
	3 months	9 months	3 months	9 months
OPERATING ACTIVITIES				
Net loss for the period	\$ (206,608)	(728,317)	\$ (318,405)	(2,458,627)
Non-cash items included in net loss				-
Amortization	112,644	339,922	140,133	467,979
Write down of capital assets				1,250,000
Allowance for Doubtful Account	(6,499)	1,709		
Loss (Gain) on Disposal		(3,842)		10,840
Accretion on asset retirement obligation	6,742	19,889	6,301	18,984
Stock-based compensation	4,755	13,275	18,053	59,363
	(88,966)	(357,364)	(153,918)	(651,461)
Change in non-cash working capital accounts				
Receivables	(59,154)	(57,249)	(88,616)	(162,361)
Inventory	36,374	39,631	90,706	195,555
Prepaid expenses	(44,374)	(48,613)	(26,984)	(8,361)
Payables and accruals	82,880	55,885	75,488	28,090
Capital tax				-
	(73,240)	(367,711)	(103,325)	(598,539)
INVESTING ACTIVITIES				
Proceeds from sale of redundant assets		59,010	433,976	453,701
Acquisition of capital assets	(2,077)	(10,382)	(1,964)	(38,482)
Reclamation deposits	(2,729)	(8,187)	(5,400)	(16,200)
	(4,806)	40,441	426,612	399,019
Change in cash and cash equivalents during the period	(78,045)	(327,270)	323,287	(199,520)
Cash and cash equivalents at beginning of the period	\$ 189,949	439,174	\$ 274,049	796,856
Cash and cash equivalents at end of period	\$ 111,904	\$ 111,904	\$ 597,336	\$ 597,336

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 \$728,457 for the period ended June 30, 2010. 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.

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 \$554,132 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 June 30, 2010.

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 8,147,406 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 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) Mining Exploration Costs EIC-174

In March 2008, the Emerging Issues Committee of the CICA issued EIC-174, Mining Exploration Costs. This abstract provides guidance on the accounting and impairment review of capitalized exploration costs. The application of this EIC does not have an impact on the financial statements of this Company as it was already in compliance.

q) 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

	June 30 2010	September 30 2009
Trade	\$ 200,043	\$ 139,942
Allowance for Doubtful Accounts	(1,709)	-
Government (HST)	2,594	5,446
	\$ 200,928	\$ 145,388

Total accounts receivable includes a reserve of \$1,709 for one potential uncollectable account. A second account totaling \$6,374 that was previously reserved was written off in June 2010, as the Company filed for Chapter 7 Liquidation under the US Bankruptcy Code.

4. INVENTORY

	June 30 2010	September 30 2009
Semi-processed	\$ 128,990	\$ 166,311
Processed goods	24,415	28,172
Consumables	24,682	23,245
	\$ 178,087	\$ 217,718

In May 2009 an adjustment of \$25,911 was made to reflect a reduction of realizable value of material stored in Staley South Carolina.

5. CAPITAL ASSETS

	June 30, 2010				
	Cost	Accumulated Amortization	Disposal of Redundant Assets	Provision for Reduced Asset Value	Net Book Value
Office furniture & equipment	37,065	24,785			12,280
Computer equipment	42,627	34,487			8,927
Software	32,089	32,089			0
Vehicle	20,500	9,407			11,093
Equipment	2,048,532	911,005	810	750,000	453,631
Buildings	1,854,385	522,005	112,340	500,000	720,040
Leasehold improvements	17,115	17,115			0
Site improvements	216,210	170,390			56,631
Trademark	12,783	6,072			7,031
	\$ 4,281,306	\$ 1,727,355	\$ 113,150	\$ 1,250,000	\$ 1,190,801

	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	137,959			78,251
Trademark	12,783	5,113			7,670
	\$ 5,506,233	\$ 1,473,914	\$ 1,196,427	\$ 1,250,000	\$ 1,585,892

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

		June 30 2010		September 30 2009
Cost, beginning of period	\$	959,890	\$	972,183
Asset retirement obligation		-		-
Cost, end of period		959,890		972,183
Accumulated depletion				12,293
Net book value	\$	959,890	\$	959,890

7. DEFERRED COSTS

Deferred Exploration and Development Costs		June 30 2010		September 30 2009
Cost, beginning of period	\$	2,984,521	\$	2,938,782
Development		10,381		45,739
Cost, end of period		2,994,902		2,984,521
Accumulated depletion		39,473		39,473
Net book value	\$	2,955,429	\$	2,945,048

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 \$456,610 (\$449,863 at September 30, 2009), plus, an Irrevocable Standby Letter of Credit \$17,400 has been issued to the Province of Nova Scotia, for a total of \$474,010 (b) The Environmental Reclamation Fund contains \$97,523 (\$96,083 at September 30, 2009).

9. PAYABLES AND ACCRUED LIABILITIES

		June 30 2010		September 30 2009
Trade	\$	210,124	\$	155,192
Government (payroll & WCB)		2,849		1,756
	\$	212,973	\$	156,948

10. ASSET RETIREMENT OBLIGATION

		June 30 2010		September 30 2009
Balance, beginning of period	\$	385,375	\$	359,982
NPV of cash flows		-		-
Accretion		19,889		25,393
Balance, end of period	\$	405,264	\$	385,375

The gross undiscounted amount of future reclamation plans is \$535,895 (\$535,895 as at September 30, 2009).

11. SHAREHOLDERS' EQUITY

a) Authorized

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

b) Issued, common shares

		June 30 2010		September 30 2009
	#	\$	#	\$
Issued	90,853,271	\$ 23,538,215	90,853,271	\$ 23,538,215

c) Contributed surplus

	Stock Options		Warrants	
	#	Fair Value	#	Fair Value
Balance, beginning of period	12,739,920	\$ 1,215,966	4,608,000	\$ 833,336
Stock compensation Expense	-	13,275	-	-
Balance, end of period	12,739,920	\$ 1,229,241	4,608,000	\$ 833,336

The contributed surplus of \$2,062,577 (\$2,049,302 at September 30, 2009) 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:

	Stock Options		Warrants	
	Number	Weighted Average price	Number	Weighted average price
Outstanding as at September 30 2008	5,736,756	\$ 0.22	2,400,000	\$ 0.15
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	8,607,406	\$ 0.13	-	-
Granted/issued	-			
Cancelled/expired	460,000			
Outstanding as at June 30, 2010	8,147,406	\$ 0.12	-	-

The following table summarizes information about stock options and warrants outstanding at June 30, 2010:

Range of Exercise Prices	Number of Options	Weighted average Remaining contractual life	Weighted average exercise price
\$0.10 - 0.52	8,147,406	2.6 years	\$ 0.12
\$0.53 - 0.95		0 years	\$ n/a
	8,147,406	2.9 years	\$ 0.13

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.

12. 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 June 30, 2010 is \$5,610 less a refund of \$6,841 (\$18,000 – September 2009).

13. 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.

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, and the unaudited interim financials statements for the six month period ending June 30, 2010, 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 August 20, 2010.

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 continues to be to maintain its cash reserves, collect accounts receivable, sell inventory, sell redundant assets as well as closely monitor and reduce costs where possible. This is in keeping with the Reduced Operations Business Plan ("ROBP"), approved by the Board of the Company in January 2009.

In Q3 2010, the Company focused on selling inventory as many customers had allowed their inventory levels to decline. During the quarter the Company sold 1,733 tons of sand, of which 1,533 tons were

damp or unprocessed material. This is higher than Q3 2009 when there were sales of 1,429 tons. Inventory levels of damp stone are now at a point where management will be considering another blast and crush to increase inventory levels to service sales. Inventory levels of processed sand continue to decline as the Company no longer processes dried sand. It is now 86 tons

In addition the Company has focused on collecting its accounts receivable. Accounts Receivable balances are primarily affected by collections and sales. During Q3 2010 collections were \$187,655 which reduced total accounts receivables, while the total accounts receivable increased through sales by \$258,582. The Accounts receivable balance as at June 30, 2010 reflects these changes These sales included mineral revenue of \$100,069 as well as freight costs that are paid by the Company which in turn is invoiced to the customer.

In Q3 2010, the Company continued to market redundant assets that are held for sale, however no sales were achieved. The Company will continue to try and sell its redundant assets

Black Bull continues to seek buyers for its unprocessed quartz beyond that of the pool market, particularly in brick manufacturing where some initial sales have already been obtained.

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.

On April 4, 2010, the Company announced that Richard J. Shearer CEO and President was stepping down but was remaining as Chairman of the Board, effective April 30, 2010. On May 5, 2010, the Company announced that Joseph MacDonald had been appointed President and CEO.

On May 5th, 2010 the Company held its AGM At that time Richard J Shearer, James Gogan, Joseph MacDonald and David Wood were elected to the Board. The Board would like to thank George Cooper Wayne Mailloux, and Donald Wright, who retired from the Board.

Summary of Quarterly Results and Results of Operations

Quarterly Results	2010			2009				2008
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Income:	\$	\$	\$	\$	\$	\$	\$	\$
Mineral revenue	100,069	28,550	14,658	23,085	118,276	78,023	25,970	21,176
Int income & For. Ech.	2,865	(2,939)	(921)	(28,840)	1,110	10,040	19,129	15,542
Total	102,934	25,611	13,737	(5,755)	119,386	88,063	45,099	36,718
Costs:								
Operations	93,733	29,617	52,576	62,533	125,615	91,858	183,102	239,095
Sales & Marketing	2,482	5,213	2,643	10,994	11,983	17,371	16,350	40,321
General & admin.	104,350	110,730	133,137	139,680	132,301	176,303	177,596	239,858
Arbitration	-	-	-	-	-	-	-	-
Amort./depletion	112,644	111,929	115,349	146,515	140,133	172,471	166,216	188,467
Interest expense	-	-	-	-	-	-	-	-
Other	3,313	(3,842)	-	59,508	27,975	1,263,968	7,968	210,407
	316,522	253,647	303,704	419,229	438,006	1,721,971	551,232	918,148
Net loss	(213,588)	(228,036)	(289,967)	(424,985)	(318,620)	(1,633,908)	(506,133)	(881,430)
Net loss per share (basic & diluted)	(0.0030)	(0.0025)	(0.0032)	(0.0047)	(0.0030)	(0.0180)	(0.0060)	(0.0080)
Operating Cash	Q3	Q2	2,010 Q1	Q4	Q3	Q2	2,009 Q1	2,008 Q4
Net loss	(213,588)	(228,036)	(289,967)	(424,985)	(318,620)	(1,633,908)	(506,316)	(881,430)
Non-cash operating items	117,642	(115,374)	163,135	220,135	164,487	1,456,445	192,235	227,257
Net cash loss								
From operations	(95,946)	(112,662)	(126,832)	(204,850)	(154,133)	(177,463)	(314,081)	(654,174)

During Q3 2010, mineral revenue was \$100,069, the highest revenue since Q3 2009 an increase of \$71,519 from the previous quarter and a decrease of \$18,207 compared to Q3 2009. Mineral sales during the quarter were 1,733 tons primarily consisting of damp stone (unprocessed sand) sales of 1,591 tons plus 142 tons of some of the remaining processed sand inventory. Interest income of \$2,865 was made up, 2,729 in interest earned on the reclamation funds held with the Province of Nova Scotia, and \$136 as interest earned on other funds.

Operation costs were \$93,733 significantly higher than Q2 2010 by \$64,116, due to inventory adjustment for sales of \$31,440; higher wages due to increased activity \$6,559, rental of a sand washing process \$5,300; higher fuel costs due to increased activity \$4,377; and higher environmental costs of \$4,207 to complete the annual monitoring. Finally the difference from Q2 2010 is also due to adjustment entered in Q2 to reversal of a previously allocated warehouse cost of \$5,279, which was not incurred.

In Q3 2010 processing costs of \$97,733 were less than Q3 2009 by \$31,682, due to higher inventory adjustment \$28,144 and costs associated with packaging and securing 10678 which are not usually incurred with unprocessed sand.

Marketing costs were \$2,482, less than Q2, primarily due to decreased travel. Marketing costs were \$9,501 lower than Q3 2010 also due to less activity.

General & Administrative Costs	Q3 2010	Q2 2010	Q3 2009
	\$	\$	\$
Accounting & Legal Fees	7,354	7,404	15,000
Bad Debts	0	0	-
Insurance	15,410	15,410	15,919
Investor Costs	10,914	6,841	5,533
Office, Rent & Telephone	4,673	4,961	7,232
Travel	4,169	1,534	3,173
Wages & Benefits	61,830	74,580	85,444
	104,350	110,730	132,301

In Q3 2010, general and administration costs of \$104,350 were less than Q2 2010 by \$6,380 and \$27,951 less than Q3 2009. This is due to wages and benefits being less than Q2 2010 by \$12,750 because of reduced hours. Wages were significantly less than Q3 2009 by \$23,614 due to reduced personnel \$9,369 and reduced costs associated with the stock option plan of \$13,298. Legal and accounting costs decreased by \$7,646 compared to Q3 2009 and similar cost to Q2 2010. Investor costs of \$10,914 were higher than Q2 by \$4,073 due to costs associated with the AGM. Compared to Q3 2009 investor costs are also higher by \$5,581 as the AGM in 2009 was held in Q2.

Amortization for the Q3 2010 was similar to Q2 2010 and less than Q3 2009 quarter by \$27,489 as a result of the sale of redundant assets which resulted in lower amortization costs.

During the fourth quarter, the Company reported a net loss of \$213,588 (0.0024 per share) compared to \$228,036 in Q2 2010 or \$0.0025 per share and a loss of \$318,620 (\$0.0032 per share) in Q3 2009. The Company recorded \$117,642 (\$115,374 in Q2 2010) in non-cash operating items in the fourth quarter, resulting in a net cash loss from operations of \$95,946 compared to \$112,662 in Q2 2010 and \$154,133 in Q3 2009. This is an average monthly “cash burn” of \$31,982

Liquidity

At June 30, 2010, Black Bull had \$385,710 in working capital (current assets less current liabilities). This is a decrease over Q4 2009 (\$704,342) as the company cash position declines. 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, until markets improve.

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, which would generate revenue.

Disclosure Relating to Off-Balance Sheet Arrangements

The Company does not have off balance sheet arrangements.

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 period ending March 31, 2010. On April 30, 2010 the Company announced that Richard J Shearer was stepping down as CEO, for which no severance was required. In May 2010 Joseph MacDonald, a director was appointed President and CEO.

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 commercialization 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).

Mining Exploration Costs EIC-174

In March 2008, the Emerging Issues Committee of the CICA issued EIC-174, Mining Exploration Costs. This abstract provides guidance on the accounting and impairment review of capitalized exploration costs. The application of this EIC does not have an impact on the financial statements of this Company as it was already in compliance.

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 the period, no options were granted and 460,000 options expired..

Outstanding Securities	Period Ending June 30, 2010
Common Shares	90,853,271
Options (Exercisable to one Common Share)	8,147,406
Warrants (Exercisable to one Common Share)	-
Total Outstanding Securities	99,000,677

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 and at the Company's website at www.blackbullresources.com.

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