

BLACK BULL RESOURCES INC.

**FINANCIAL STATEMENTS
PERIOD ENDED DECEMBER 31, 2003
UNAUDITED**

Black Bull Resources Inc.

BALANCE SHEET

Unaudited

Canadian Funds

ASSETS

	<u>Dec 31, 2003</u>	<u>Sept 30, 2003</u>
<u>Current:</u>		
Cash & Term Deposits	\$ 1,711,074	\$ 1,486,083
Accounts Receivable	36,556	56,690
Prepaid Expenses	11,931	14,684
	<u>\$ 1,759,561</u>	<u>\$ 1,557,457</u>
<u>Fixed Assets: (Net)</u>		
Computer & Software	3,323	3,592
Furniture	1,687	1,776
	<u>5,010</u>	<u>5,368</u>
Mineral Claims	703,477	703,477
Deferred Exploration Costs	2,032,349	1,895,390
	<u>\$ 4,500,397</u>	<u>\$ 4,161,692</u>

LIABILITIES

<u>Current:</u>		
Accounts Payable	\$ <u>68,422</u>	\$ <u>141,711</u>

SHAREHOLDERS'S EQUITY

Share Capital	\$ 7,881,414	\$ 7,311,414
Contributed Surplus	<u>192,259</u>	<u>0</u>
Deficit at beginning of the Period	(3,291,433)	(2,668,660)
Net (loss) for the Period	<u>(350,265)</u>	<u>(622,773)</u>
Deficit at the end of the Period	<u>(3,641,698)</u>	<u>(3,291,433)</u>
	<u>\$ 4,500,397</u>	<u>\$ 4,161,692</u>

Black Bull Resources Inc.

Interim Statement of Cash Flows

December 31, 2003

(unaudited)

	2003		2002	
	<u>Quarter to</u>	<u>Year to</u>	<u>Quarter to</u>	<u>Year to</u>
	<u>Date</u>	<u>Date</u>	<u>Date</u>	<u>Date</u>
Cash flows from operating activities				
Net Loss for the Period	\$ (350,265)	\$ (350,265)	\$ (176,116)	\$ (176,116)
Items not affecting Cash				
Depreciation	358	358	749	749
Options Expensed	192,259	192,259	0	0
	<u>(157,648)</u>	<u>(157,648)</u>	<u>(175,367)</u>	<u>(175,367)</u>
Change In non-cash working capital accounts				
Accounts receivable	(5,064)	(5,064)	19,047	19,047
Accounts payable	(73,290)	(73,290)	(30,919)	(30,919)
Prepaid Expenses	2,753	2,753	0	0
	<u>(233,249)</u>	<u>(233,249)</u>	<u>(187,239)</u>	<u>(187,239)</u>
Cash flows from financing activities				
Proceeds from sale of capital stock	<u>570,000</u>	<u>570,000</u>	<u>457,089</u>	<u>457,089</u>
	<u>570,000</u>	<u>570,000</u>	<u>457,089</u>	<u>457,089</u>
Cash flows from investing activities				
Acquisition of capital assets	0	0	0	0
Sale of marketable securities	0	0	(24,102)	(24,102)
Acquisition of mineral claims	0	0	0	0
Exploration costs deferred	136,960	136,960	54,561	54,561
	<u>136,960</u>	<u>136,960</u>	<u>30,459</u>	<u>30,459</u>
Change in cash during the Period	199,791	199,791	239,391	239,391
Cash at beginning of the Period	<u>1,511,283</u>	<u>1,511,283</u>	<u>76,204</u>	<u>76,204</u>
Cash at the End of Period	<u>\$ <u>1,711,074</u></u>	<u>\$ <u>1,711,074</u></u>	<u>\$ <u>315,595</u></u>	<u>\$ <u>315,595</u></u>

BLACK BULL RESOURCES INC.

Statement of Operations

December 31, 2003

(Unaudited)

	2003		2002	
	<u>Quarter to Date</u>	<u>Year to Date</u>	<u>Quarter to Date</u>	<u>Year to Date</u>
<u>Revenue:</u>				
Interest Income	\$ 1,243	\$ 1,243	\$ 368	\$ 368
	<u>1,243</u>	<u>1,243</u>	<u>368</u>	<u>368</u>
<u>Expenses:</u>				
Wages & Benefits	223,558	223,558	28,777	28,777
Listing Fees & Transfer Agent	3,982	3,982	4,534	4,534
Consulting Fees	33,250	33,250	85,649	85,649
Professional Fees	16,799	16,799	6,781	6,781
Office Expenses	12,051	12,051	6,735	6,735
Travel & Vehicles	10,143	10,143	10,287	10,287
Rent & Utilities	4,110	4,110	3,510	3,510
Advertising & Promotion	13,429	13,429	1,262	1,262
Marketing Costs	15,749	15,749	18,172	18,172
Investor Relations	15,000	15,000	8,300	8,300
Insurance	2,754	2,754	0	0
Interest & Bank Charges	325	325	2,219	2,219
Depreciation	358	358	749	749
Total Expenses	<u>351,508</u>	<u>351,508</u>	<u>176,975</u>	<u>176,975</u>
Net (Loss) from operations	(350,265)	(350,265)	(176,607)	(176,607)
Gain on Sale of Securities	<u>0</u>	<u>0</u>	<u>491</u>	<u>491</u>
Net Income (Loss) for the Period	<u>\$ (350,265)</u>	<u>\$ (350,265)</u>	<u>\$ (176,116)</u>	<u>\$ (176,116)</u>
Basic Loss per Share	<u>(\$0.019)</u>	<u>(\$0.019)</u>	<u>(\$0.010)</u>	<u>(\$0.010)</u>
Weighted Average Number of Shares	<u>18,147,725</u>	<u>18,147,725</u>	<u>16,175,729</u>	<u>16,175,729</u>

BLACK BULL RESOURCES INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2003
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1. CONTINUING OPERATIONS

The company was incorporated under the Company Act of Alberta on July 18, 1997 and is principally involved in mineral exploration activities and acquisition of mineral claims.

The company is in the process of exploring its mineral claims and is in the process of determining whether these claims contain any reserves that are economically recoverable. 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.

The financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assumes that the company will continue in operations for the foreseeable future and be able to realize its assets and satisfy its liabilities in the normal course of business.

The company has incurred, over a period of years, cumulative losses of approximately \$3,300,000. The ability of the company to continue as a going concern is primarily dependent upon the company's ability to operate one or more of its claims at a profit or obtaining injections of capital from its shareholders. Management is of the opinion that sufficient working capital will be obtained from future operations or from injections of capital to meet the company's liabilities and commitments as they become due.

The financial statements do not give effect to adjustments that would be necessary should the company not be able to continue as a going concern and therefore be required to realize its assets and liquidate its liabilities in other than normal course of business and at amounts significantly different from those recorded in the financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES

a) Capital assets and amortization

Capital assets are recorded at cost and amortization is recorded on a declining balance basis using the following rates:

Office equipment	20%
Computer equipment	30%
Software	100%

BLACK BULL RESOURCES INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2003
UNAUDITED

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Mineral claims and deferred exploration costs

The company records its interest in mineral claims at cost. Exploration costs are deferred until the claim or project to which they relate is placed in production or abandoned. If placed in production, recoverable deferred costs will be amortized in proportion to the amount of resources mined during the period over the total estimated resources available for the claim or project. If the mineral claims or projects are sold or abandoned the related deferred amounts will be written off.

c) 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. Actual results could differ from those estimates.

3. RESTRICTED CASH

The company has \$0 in restricted cash that cannot be used in the day to day operations of the company. This cash was obtained by issuing flow through shares and which must be used for exploration only.

4. CAPITAL ASSETS

			Dec 31, 2003	Sep 30, 2003
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Office equipment	\$4,910	\$3,223	\$1,687	\$1,776
Computer equipment	13,298	9,975	3,323	3,592
Software	25,899	25,899	0	0
	\$44,107	\$39,097	\$5,010	\$5,368

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2003

UNAUDITED

5. CAPITAL STOCK

Authorized

Unlimited common shares without par value

Unlimited preferred shares without par value

	Dec 31, 2003		Sep 30, 2003	
	#	\$	#	\$
Issued, common shares				
Balance at beginning of the year	21,355,605	7,311,414	16,592,451	\$5,130,724
Shares issued for cash	1,140,000	570,000	4,763,154	\$2,306,046
Flowthrough shares issued for cash	0	0	0	0
Shares issued to maintain mining properties	0	0	0	\$0
	<u>22,495,605</u>	<u>\$7,881,414</u>	<u>21,355,605</u>	<u>\$7,436,770</u>
Less: share issue costs		0		(125,356)
Balance at end of the year	<u>22,495,605</u>	<u>\$7,881,414</u>	<u>21,355,605</u>	<u>\$7,311,414</u>

Stock Options and Warrants

As at December 31, 2003 the company had a total of 3,053,199 stock options and 5,761,860 warrants outstanding as follows:

Expiry Date	Number of Options	Exercise Price
May 4, 2004	25,000	\$0.68
August 3, 2004	50,000	\$1.00
October 18, 2004	25,000	\$1.00
January 16, 2005	385,000	\$0.85
June 22, 2005	120,465	\$1.00
October 6, 2005	238,000	\$1.44
November 5, 2005	820,000	\$0.53
December 21, 2005	575,000	\$0.85
March 7, 2006	235,000	\$0.96
September 10, 2007	523,334	\$0.42
November 4, 2007	56,400	\$0.60
TOTAL	3,053,199	

Expiry Date	Number of Warrants	Exercise Price
June 3, 2004	374,000	\$0.60
June 12, 2004	298,000	\$0.60
July 9, 2004	203,000	\$0.60
November 1, 2004	118,000	\$1.00
December 20, 2004	268,700	\$1.00
December 20, 2004	19,560	\$0.50
April 11, 2005	30,000	\$1.00
April 11, 2005	3,200	\$0.60
May 1, 2005	33,000	\$1.00
May 1, 2005	4,400	\$0.60
August 5, 2005	750,300	\$0.70
August 8, 2005	1,539,700	\$0.70
September 30, 2005	980,000	\$0.70
October 1, 2005	1,100,000	\$0.70
October 6, 2005	40,000	\$0.70
TOTAL	5,761,860	

During the quarter no options or warrants were exercised, however 265,300 warrants expired on November 30, 2003

**BLACK BULL RESOURCES INC.
NOTES TO FINANCIAL STATEMENTS**

UNAUDITED

6. SCHEDULE OF DEFERRED EXPLORATION COSTS

	Burn	Horn	Yarmouth	Other	Dec 31 2003	Sept 30 2003
Balance, beginning of year	\$16,783	\$24,590	\$1,894,913	(\$40,897)	\$1,895,389	\$1,744,217
Drilling/trenching/line cutting			2,355		2,355	15,886
Engineering			0		0	0
Geological consulting			47,936		47,936	7,480
Miscellaneous			0		0	6,702
Permitting			76,370		76,370	88,206
Report preparation			738		738	16,114
Sample processing			9,561		9,561	16,784
Research					0	0
Expenses for the period	0	0	136,960	0	136,960	151,172
Costs written-off						
Less: Recoveries						
Balance, end of Period	\$16,783	\$24,590	\$2,031,873	(\$40,897)	\$2,032,349	\$1,895,389

MINERAL CLAIMS

	Dec 2003	Sept 2003
Burn	\$6,542	\$6,542
Car	13,260	13,260
Horn	26,660	26,660
Yarmouth	670,275	670,275
	<u>716,737</u>	<u>716,737</u>
Less Recoveries	(13,260)	(13,260)
Net Cost	<u>\$703,477</u>	<u>\$703,477</u>

BLACK BULL RESOURCES INC.
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2003

UNAUDITED

7. RELATED PARTY TRANSACTIONS

During the period the company entered into the following transactions with companies controlled by certain directors of Black Bull Resources Inc.:

Expenses	<u>2003</u>	<u>2002</u>
R.E. Condon Accounting Services Ltd. Accounting	<u>\$1,895</u>	<u>\$1,350</u>
Double Check Consulting Ltd	<u>\$6,666</u>	<u>\$0</u>
Zenith Appraisal & Land Consulting Ltd. Consulting	<u>\$0</u>	<u>\$34,649</u>
Joe MacDonald	<u>\$5,080</u>	<u>\$0</u>

These transactions are in the normal course of operations and are measured at the exchange amount which is the amount of consideration established and agreed to by the related parties.

8. CONSULTING FEES

During the quarter the company paid out \$15,000 in consulting fees to 1582877 Ontario Inc.

9. OPTIONS GRANTED

During the quarter the company granted 820,000 options at \$0.53. The fair value of these options have been calculated as \$175,492 using the Black Scholes Model. Stock price volatility of 51%. No dividend yield and a 3½% risk free rate. The company also booked the \$16,767 from the Year end option calculation. Total amount booked for options to date: \$192,259

BLACK BULL RESOURCES INC.
 Suite #303-100 West Pender Street
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 Contact Name: John Keating
 For the Quarter ended December 31, 2003

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 Email: blackbullresources@telus.net
 Date of Report: February 24, 2004

BCSC FORM 51-901F

Certificate: The three schedules required to complete this Report are attached and the disclosure contained therein has been approved by the Board of Directors. A copy of this Report will be provided to any shareholder who requests it.

Dated: February 24, 2004

"Robert E. Condon"
 Robert E. Condon, Chief Financial Officer, Director

"John Keating"
 John Keating, President & CEO

Schedule "A" – Financial Statements: See attached Financial Statements.

Schedule "B" – Supplementary Information:

1. **Analysis of Expenses and Deferred Costs:** See Note 6 in the notes to the Financial Statements attached.

2. **Related Party Transactions**

Related party transactions for the quarter ending December 31, 2003 included \$1,895 paid to R.E. Condon Accounting Services Ltd., a company owned by Robert Condon, an officer and director of the Company, for accounting services. Double Check Consulting Inc. ("Double Check") received \$6,666, a private company owned by Mr. David Wood, a Director of the Company, and an associate of Mr. Wood, for supplying office management staff. Joseph MacDonald, a Director of the Company, received \$5,080 for marketing consulting services.

3. **Summary of Securities Issued and Options Granted during the Period**

(a) Summary of securities issued during the period:

Date	Security	Issuance	Number	Price	Proceeds	Consideration	Commission
Oct 1/03	Common Shares	Private Placement	1,100,000	\$0.50	\$550,000	Cash	\$78,375 finder's fee for total issuance of 2,120,000 shares on Sep 30 (980,000 shares), Oct 1, 2003 (1,100,000) and Oct 6, 2003 (40,000)
Oct 1/03	Purchase Warrants	Private Placement	1,100,000	Nil	N/A	N/A	N/A
Oct 6/03	Common Shares	Private Placement	40,000	\$0.50	\$20,000	Cash	N/A
Oct 6/03	Purchase Warrants	Private Placement	40,000	Nil	N/A	N/A	N/A

(b) Summary of options granted during the period:

Date	Number	Name of Optionee	Exercise Price	Expiry Date
Nov 20/03	200,000	Consultant	\$0.53	Nov 20/05
Nov 20/03	110,000	Robert Condon, Director	\$0.53	Nov 20/05
Nov 20/03	60,000	George Cooper, Director	\$0.53	Nov 20/05
Nov 20/03	110,000	Dennis Crawford, Director	\$0.53	Nov 20/05
Nov 20/03	60,000	Consultant	\$0.53	Nov 20/05
Nov 20/03	110,000	Joseph MacDonald, Director	\$0.53	Nov 20/05
Nov 20/03	60,000	James McDonald, Director	\$0.53	Nov 20/05
Nov 20/03	110,000	David Wood, Director	\$0.53	Nov 20/05

4. **Summary of Securities as at the End of the Reporting Period:**

- (a) Authorized and Issued Share Capital: unlimited common shares without par value.
 (b) Number of Shares Issued and Outstanding: 22,495,605 at a recorded value of \$7,881,414.
 (c) Options, Warrants and Convertible Securities Outstanding:

Security	Number	Price	Expiry Date
Options	25,000	\$0.68	May 4, 2004
Options	50,000	\$1.00	August 3, 2004
Options	25,000	\$1.00	October 18, 2004
Options	385,000	\$0.85	January 16, 2005
Options	120,465	\$1.00	June 22, 2005
Options	238,000	\$1.44	October 6, 2005
Options	820,000	\$0.53	November 20, 2005

Security	Number	Price	Expiry Date
Options	575,000	\$0.85	December 21, 2005
Options	235,000	\$0.96	March 7, 2006
Options	523,334	\$0.42	September 10, 2007
Options	56,400	\$0.60	November 4, 2007

Security	Number	Price	Expiry Date
Warrants	374,000	\$0.60	June 3, 2004
Warrants	298,000	\$0.60	June 12, 2004
Warrants	203,000	\$0.60	July 9, 2004
Warrants	118,000	\$1.00	November 1, 2004
Warrants	268,700	\$1.00	December 20, 2004
Warrants	19,560	\$0.50	December 20, 2004
Warrants	30,000	\$1.00	April 11, 2005
Warrants	3,200	\$0.60	April 11, 2005
Warrants	33,000	\$1.00	May 1, 2005
Warrants	4,400	\$0.60	May 1, 2005
Warrants	750,300	\$0.70	August 5, 2005
Warrants	1,539,700	\$0.70	August 8, 2005
Warrants	980,000	\$0.70	September 30, 2005
Warrants	1,100,000	\$0.70	October 1, 2005
Warrants	40,000	\$0.70	October 6, 2005

5. Names of Directors and Officers as at date this report is signed and filed:

John Keating, President and CEO
Robert Condon, Chief Financial Officer and Director
John Wonnacott, Vice-President, Operations
George Cooper, Director
Dennis Crawford, Director
Joseph MacDonald, Director
David Wood, Director

Schedule "C" – Management Discussion

Description of Business

Black Bull Resources Inc. ("Black Bull" or the "Company") commenced operations in 1998 as a junior natural resource company. The Company is currently in a transitional phase from a mineral development company to an industrial mineral producer. Its principal property is an industrial mineral property consisting of quartz, kaolin and mica, located near Shelburne, Nova Scotia (the "White Rock Property"). The White Rock Property consists of 105 mineral claims covering 1,650 hectares of Crown Land. The mineral claims are held 100% by the Company, subject to a 2% net smelter royalty payable to CAG Enterprises Ltd. The Company also has three properties located in British Columbia. The British Columbia properties are not considered to be material properties, but will continue to be held in inventory until a time when base metal prices and exploration/development interest improve.

Discussion of Operations and Financial Condition

During the period ended December 31, 2003 the Company raised net proceeds of \$570,000 through the issuance of 1,140,000 common shares pursuant to private placements. A total of 1,140,000 share purchase warrants were issued in connection with the Company's private placements for the period ending December 31, 2003.

During the period the Company spent \$63,020 of flow through funds on exploration expenses. The remaining working capital of \$1,691,139 will be used primarily for permitting, marketing, pre-production development and general/administrative expenses.

General and administrative costs increased from \$176,975 during the period ended December 31, 2002 to \$351,508 during the period ended December 31, 2003. The Company incurred a loss of \$350,265 for the period ended December 31, 2003 compared to a loss of \$176,116 for the same period ending December 31, 2002. This increased loss was due primarily to new accounting rules by regulatory bodies that require options issued in a quarter to be expensed on the income statement and the balance sheet under contributed surplus, this amounted to an expense of \$192,259 (refer to Note 9 of the financial statements).

Exploration Expenditures

To date the Company has expended \$2,032,349 on deferred exploration costs and \$703,477 on property acquisition, including the deemed value of shares issued for such purposes. Exploration expenditures for the period ending December 31, 2003 were \$136,960 compared to \$151,172 for the period ended December 31, 2002.

Drilling, trenching and line cutting costs for the period ending December 31, 2003 were \$2,355 compared to \$15,886 for the period ending December 31, 2002. This continuing trend of lower exploration expenditures was as a result of the majority of exploration work being completed in fiscal 2002.

Geological consulting costs for the period ending December 31, 2003 of \$47,936 increased from \$7,480 for the period ending December 31, 2002. This increase was attributed to additional geophysical surveys being carried out at the White Rock Property.

Permitting costs of \$76,370 during the first quarter of 2003 were slightly reduced from the \$88,206 spent during the same period of 2002.

The Company spent \$9,561 in sampling costs for the period ending December 31, 2003 compared to \$16,784 for the period ended December 31, 2002. This decreasing trend is expected to reverse significantly in the future as US Silica proceeds with pre-marketing and potential customers request larger product samples.

During the period ended December 31, 2003 no mineral property or deferred exploration costs were written off on the abandonment of properties.

Investor Relations

The Company entered into an investor relations contract on December 11, 2002 with Coal Harbor Communications and paid them \$15,000 for the period ending December 31, 2003 compared to \$8,300 for the period ending December 31, 2002. (See "Material Contracts")

Advertising and Promotion

Increased advertising and promotion during the period ending December 31, 2003 increased to \$13,429 compared to \$1,262 for the period ending December 31, 2002. These costs were related to an increase in advertising in magazines and newspapers and the commissioning of research reports.

Renewal of British Columbia Property Claims

The Company renewed 222 mineral claims in the Fort Steel Mining District of British Columbia to April 3, 2004. The British Columbia properties are held primarily for their potential to host sedimentary exhalative lead/zinc/silver mineralization. The Company will continue to hold the properties in inventory until April 3, 2004 during which time the Company will look for opportunities to either joint venture or sell the properties.

Consulting Fees and Related Party Transactions

The Company paid \$33,250 in consulting fees for the period ended December 31, 2003 compared to \$85,649 from 2002. Of this amount \$15,000 was paid to Mr. Don Hilton for financial services consulting fees, \$6,666 was paid to Double Check Consulting Inc. for office management, and \$6,504 was paid in connection with government liaison services.

The Company paid \$13,641 in related party transactions for the period ended December 31, 2003 compared to \$35,999 for the same period of 2002. Related party transactions included \$1,895 paid to R.E. Condon Accounting Services Ltd., a company owned by Robert Condon, an officer and director of the Company. Double Check Consulting Inc. ("Double Check") received \$6,666, a private company owned by Mr. David Wood, a Director of the Company, and an associate of Mr. Wood, for supplying office management staff. Joseph MacDonald, a Director of the Company, received \$5,080 for marketing consulting services.

Travel and Vehicle Expenses

Travel expenses for the period ended December 31, 2003 of \$10,143 were virtually unchanged from the same period of 2002. Management believes there will be a substantial increase in travel and vehicle expenses for the balance of 2004 due to marketing and other related development costs associated with the White Rock Property.

Professional Fees

Audit and legal fees were \$16,799 for the period ended December 31, 2003 compared to \$6,781 for the same period of 2002. The increased cost related to additional legal and audit requirements for the Annual General Meeting (AGM) and due diligence activities for financing.

Rent and Utilities Expenses

Rent and utilities expenses for the period ending December 31, 2003 were \$4,110, a slight increase from the same period of 2002 as a result of expanding our office in Shelburne, Nova Scotia.

Office Expenses

Preparation and distribution of AGM materials contributed to an increase in office expenses from \$6,735 in 2002 to \$12,051 during the same period in 2003.

Insurance

Insurance costs of \$2,754 for the period ended December, 31 2003 were a result of an increase in premiums charged for directors and officers liability insurance.

Material Contracts

On November 21, 2003 the Company announced that it has entered into a Letter of Engagement with Leede Financial Markets Inc. ("Leede") in connection with a proposed financing of up to \$5,000,000 (the "Financing"). The Financing structure shall be agreed upon by the Company and Leede and may consist of conventional debt financing, leasing arrangement(s), subordinated debt, equity or a combination of the above. The net proceeds of the Financing will be used for development of a quartz mining and processing operation at the White Rock Property, Nova Scotia. As at December 31, 2003 the Company and Leede are continuing their due diligence with respect to the above-noted financing structure.

On September 1, 2003 the Company entered into a consulting agreement with 1582877 Ontario Inc., a private company controlled by Mr. Don Hilton and his associate, to provide financial consulting services to the Company. The remuneration for consulting services is up to \$3,750 per month. Further remuneration by way of finder's fees may also be payable to 1582877 Ontario Inc. for funds directly raised by them. Any finder's fees paid to 1582877 Ontario Inc. are to be mutually agreed upon and are subject to any necessary regulatory approvals.

August 11, 2003, the Company and U.S. Silica Company of Berkeley Springs, West Virginia, USA announced the signing of a Marketing, Sales, and Distribution Agreement for any future quartz products produced from Black Bull's White Rock Property in Nova Scotia, Canada. US Silica will be the exclusive agent to market, sell and distribute these products within the United States, Mexico and Canada, except Nova Scotia, New Brunswick, Prince Edward Island, and Newfoundland & Labrador where the Company will market their products separate from the Agreement.

On December 11, 2002 the Company announced an agreement with Coal Harbor Communications (“Coal Harbor”), for investor relations services. The Company will pay Coal Harbor \$5,000 per month, plus related expenses. The term of the agreement is for a one-year period and can be cancelled on 30 days written notice.

Informal agreements with related parties are as follows:

Zenith Appraisal & Land Consulting Ltd. (“Zenith”), a private company controlled by David L. Wood, a director of the Company provides consulting services to the Company at a remuneration of \$40/hour.

Double Check Consulting Inc., a private company controlled by David L. Wood, a director of the Company, and an associate of Mr. Wood, provides administrative services to the Company at a remuneration of \$22/hour.

R.E. Condon Accounting Services Ltd., a private company controlled by Robert E. Condon, an officer and director of the Company. Remuneration paid to R.E. Condon Accounting Services is \$40/hour for accounting services to the Company.

Joe MacDonald, a Director of the Company, provides marketing consulting services at a remuneration of \$40/hour.

Other directors providing consulting services to the Company shall be paid at the remuneration of \$40/hour.

Subsequent Events

Date	Comments
January 19, 2004	The Company announced the appointment of Mr. John Wonnacott, P.Eng, of Shelburne Nova Scotia, to the position of Vice President of Operations. Mr. Wonnacott will be responsible for all operational aspects related to the development of the company’s White Rock project in Nova Scotia.
February 16, 2004	At the Annual General Meeting (AGM), shareholders approved an amendment to the Company’s Stock Option Plan to increase the maximum number of common shares issuable pursuant to the Plan from 3,536,417 Common Shares to a maximum of 4,499,121 Common Shares issuable under the Plan representing no more than 20% of the Corporation’s issued and outstanding Common Shares. Shareholders also authorized an amendment to the stock option agreement between John Keating and the Corporation to re-price the exercise price on an aggregate of 175,000 stock options from \$0.96 per share to \$0.53 per share with all other terms and conditions of the stock option agreement remaining the same.
February 16, 2004	Mr. James McDonald did not stand for reelection to the Board at the AGM. The Board was reduced from 6 to 5 Directors. The Board is grateful for Jim’s contribution as a co-founder of the Company in identifying, acquiring and developing the White Rock Project from a grass roots project through to the discovery of a large resource of quartz, kaolin and mica.

Financings, Principal Purposes and Milestones

Financing

During the period ended December 31, 2003 the Company raised net proceeds of \$570,000 through the issuance of 1,140,000 common shares pursuant to private placements. A breakdown of the respective private placements follows.

Date	Description
October 1&6, 2003	Issuance of remaining 1,140,000 common shares of non-brokered private placement of 2,120,000 units at \$0.50/unit. 980,000 common shares were issued at the year ending September 30, 2003 with the remaining 1,140,000 common shares issued October 1 and 6, 2003. Each Unit consists of one common share and one common share purchase warrant. Each warrant together with \$0.70 will entitle the holder to purchase a common share for a period of 2 years from date of issuance. Finder’s fees of \$78,375 have been paid pursuant to the private placement to arm’s length parties. All securities issued pursuant to the private placement are subject to a 4 month hold period from the date of issuance.

Expiry of Warrants

265,300 warrants at an exercise price of \$0.80 expired on November 30, 2003.

Permitting

On September 6, 2002 the Company received the Environmental Approval from the Nova Scotia Government for its White Rock quartz project. The Company and its consultants have prepared and submitted information for the White Rock project and is working with Nova Scotia government officials on the remaining permits.

Liquidity and Solvency

Total cash and short-term investments at December 31, 2003 were \$1,711,074 compared to \$1,486,083 as at September 30, 2003. The increase from the previous reporting period was due to proceeds raised from the issue of 1,140,000 common shares on October 1 and 6, 2003. Working capital at December 31, 2003 was \$1,691,139 compared to \$1,415,746 as at September 31, 2003. A total of \$136,960 in deferred exploration costs were expended in cash and initially capitalized during the period ended December 31, 2003.

In 2004 the Company plans to complete permitting and make a decision with respect to the development of a quartz mine at the White Rock Property. The budget for this work is estimated at under \$1,000,000. The Company has the necessary funds to complete this stage of development. The Company intends to fund the next stage of development of the White Rock Project through a combination of debt and equity financing.

The Company's ability to continue as a going concern is dependent upon the key management personnel and the ability of the Company to raise equity or debt financing and the attainment of profitable operations. The Company's financial statements do not give effect to adjustments that would be necessary to carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern.