

BLACK BULL RESOURCES INC.
FINANCIAL STATEMENTS
SEPTEMBER 30, 2003

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AUDITORS' REPORT

The Shareholders,
Black Bull Resources Inc.

We have audited the balance sheets of Black Bull Resources Inc. as at September 30, 2003 and 2002 and the statements of operations and deficit and cash flows for the years then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, these financial statements present fairly, in all material respects, the financial position of the company as at September 30, 2003 and 2002 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
Langley, British Columbia

October 21, 2003

BLACK BULL RESOURCES INC.

BALANCE SHEETS SEPTEMBER 30

	2003	2002
ASSETS		
Current		
Cash and term deposits	\$ 1,511,283	\$ 76,204
Marketable securities (Note 2)	-	24,103
Accounts receivable	31,492	50,874
Prepaid expenses	14,684	11,948
	<u>1,557,459</u>	<u>163,129</u>
Capital assets (Note 3)	5,368	7,603
Mineral claims (Note 4)	703,477	703,477
Deferred exploration costs (Note 4)	1,895,389	1,744,217
	<u>\$ 4,161,693</u>	<u>\$ 2,618,426</u>
LIABILITIES		
Current		
Accounts payable	\$ 141,711	\$ 156,361
SHAREHOLDER EQUITY		
Capital stock (Note 5)	7,311,414	5,130,724
Deficit	(3,291,432)	(2,668,659)
	<u>4,019,982</u>	<u>2,462,065</u>
	<u>\$ 4,161,693</u>	<u>\$ 2,618,426</u>

Approved by the Directors

"David L. Wood"

"Robert E. Condon"

BLACK BULL RESOURCES INC.

STATEMENTS OF OPERATIONS AND DEFICIT YEARS ENDED SEPTEMBER 30

	2003	2002
Revenue		
Investment income	\$ 5,279	\$ 5,347
Operating expenses		
Advertising and promotion	54,901	49,157
Amortization	2,235	15,271
Audit and legal	89,430	23,270
Bank charges	2,972	984
Consulting	178,524	149,734
Entertainment	5,508	7,243
Insurance	11,792	9,196
Investor relations	51,000	-
Listing and transfer agent	37,163	15,466
Office expense	32,361	30,254
Rent	14,640	11,610
Travel	36,319	62,288
Wages and benefits	111,698	115,598
	628,543	490,071
Loss before sale of marketable securities	(623,264)	(484,724)
Gain on sale of marketable securities	491	430
Net loss for the year	(622,773)	(484,294)
Deficit at beginning of the year	(2,668,659)	(2,184,365)
Deficit at end of the year	\$ (3,291,432)	\$ (2,668,659)
Basic loss per share	\$ (0.035)	\$ (0.031)
Weighted average number of shares outstanding	17,974,842	15,839,715

BLACK BULL RESOURCES INC.

STATEMENTS OF CASH FLOWS YEARS ENDED SEPTEMBER 30

	2003	2002
Operating activities		
Net loss for the year	\$ (622,773)	\$ (484,294)
Items not affecting cash		
Amortization	2,235	15,271
Gain on sale of marketable securities	(491)	(430)
	(621,029)	(469,453)
Change in non-cash operating working capital		
Accounts receivable	19,382	(5,945)
Prepaid expenses	(2,736)	(2,362)
Accounts payable	(14,650)	78,887
	1,996	70,580
	(619,033)	(398,873)
Investing activities		
Proceeds on sale of marketable securities	24,594	760
Deferred exploration costs	(151,172)	(685,024)
Purchase of capital assets	-	(506)
	(126,578)	(684,770)
Financing activity		
Capital stock issued, net of share issue costs (Note 5)	2,180,690	818,462
Change in cash during the year	1,435,079	(265,181)
Cash and term deposits at beginning of the year	76,204	341,385
Cash and term deposits at end of the year	\$ 1,511,283	\$ 76,204

BLACK BULL RESOURCES INC.

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2003

1. CONTINUING OPERATIONS

The company is incorporated under the Company Act of Alberta 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 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. Subsequent to year end the company successfully raised additional capital of \$570,000 through private placements (Note 10).

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 SEPTEMBER 30, 2003

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Marketable securities

Marketable securities represent investments in other exploration companies and are recorded at the lower of cost and market value. The market value of these investments at September 30, 2003 was \$nil (2002 - \$34,700).

c) 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.

d) Stock options

On March 14, 2003 the company adopted a formal stock option plan whereby 20% of the issued and outstanding common shares are reserved for issuance under the plan. Options are granted upon approval by the Board of Directors. Amendments which would increase the maximum optioned shares or materially modify the eligibility requirements for participation in the plan shall be effective only upon the approval of the shareholders.

Effective October 1, 2002 the company adopted, on a prospective basis, the new recommendation by the Canadian Institute of Chartered Accountants regarding stock-based compensation. As required under the new recommendations, the company measures stock based compensation using the fair value method for stock options granted to non-employees. The company has elected to use the intrinsic method to value stock options granted to directors and employees whereby no compensation expense is recorded when options are granted. Proceeds received on exercise of employee stock options are recorded as share capital. The new recommendations require that the company provide additional disclosure of the pro forma effect as if accounting for the grant of employee stock options under the fair value method (see Note 5 (d)).

BLACK BULL RESOURCES INC.

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2003

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

e) 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.

f) Income taxes

The company follows the liability method of accounting for income taxes whereby future income tax assets and liabilities are recognized for temporary differences between the tax and accounting bases of assets and liabilities as well as for the benefit of tax loss carryforwards that are likely to be realized. Future income tax assets and liabilities are measured using enacted tax rates that are expected to be effective when recovered or settled. The net change in recorded future income tax assets and liabilities is recognized in income in the period in which the change occurs including any change in applicable future tax rates.

3. CAPITAL ASSETS

	2003			2002
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Office equipment	\$ 4,910	\$ 3,134	\$ 1,776	\$ 2,220
Computer equipment	13,298	9,706	3,592	5,130
Software	25,899	25,899	-	253
	\$ 44,107	\$ 38,739	\$ 5,368	\$ 7,603

BLACK BULL RESOURCES INC.

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2003

4. MINERAL CLAIMS AND DEFERRED EXPLORATION COSTS

a) Mineral claims

	<u>2003</u>	<u>2002</u>
Burn	\$ 6,542	\$ 6,542
Car	13,260	13,260
Horn	26,660	26,660
Yarmouth	<u>670,275</u>	<u>670,275</u>
	<u>716,737</u>	<u>716,737</u>
Less recoveries	<u>(13,260)</u>	<u>(13,260)</u>
Net cost	<u>\$ 703,477</u>	<u>\$ 703,477</u>

During 2002 the company issued 37,500 shares totalling \$18,750 to acquire a certain mineral claim.

BLACK BULL RESOURCES INC.

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2003

4. MINERAL CLAIMS AND DEFERRED EXPLORATION COSTS (continued)

b) Deferred exploration costs

	Burn	Horn	Yarmouth	Cost Recoveries	2003	2002
Balance at beginning of the year	\$ 15,604	\$ 23,411	\$ 1,746,099	\$ (40,897)	\$ 1,744,217	\$ 1,059,193
Drilling	-	-	15,886	-	15,886	173,390
Engineering	-	-	-	-	-	121,500
Geology	-	-	7,480	-	7,480	1,383
Permitting	1,179	1,179	85,848	-	88,206	290,996
Reports	-	-	16,114	-	16,114	3,335
Samples	-	-	16,784	-	16,784	25,639
Research	-	-	-	-	-	63,519
Miscellaneous	-	-	6,701	-	6,701	5,262
Current costs	1,179	1,179	148,814	-	151,172	685,024
Balance at end of the year	\$ 16,783	\$ 24,590	\$ 1,894,913	\$ (40,897)	\$ 1,895,389	\$ 1,744,217

All mineral claims are currently in the exploration and development phase. The company will be required to pay finders fees and royalties on commencement of commercial production.

BLACK BULL RESOURCES INC.

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2003

5. CAPITAL STOCK

a) Authorized

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

b) Issued, common shares

	2003		2002	
	#	\$	#	\$
Balance at beginning of the year	16,592,451	\$ 5,130,724	15,091,319	\$ 4,293,512
Shares issued for cash	4,763,154	2,306,046	1,463,632	820,245
Shares issued to maintain mining properties	-	-	37,500	18,750
	21,355,605	7,436,770	16,592,451	5,132,507
Less: share issue costs	-	(125,356)	-	(1,783)
Balance at end of the year	21,355,605	\$ 7,311,414	16,592,451	\$ 5,130,724

c) Stock options and warrants

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

	Number	Weighted average price	Number	Weighted average price
Outstanding as at September 30, 2001	2,255,350	\$ 0.84	1,311,899	\$ 1.24
Granted/issued	995,000	0.60	2,063,300	0.92
Exercised	(13,332)	0.66	-	-
Cancelled/expired	(520,000)	0.81	(1,311,899)	1.24
Outstanding as at September 30, 2002	2,717,018	0.76	2,063,300	0.92
Granted/issued	60,000	0.60	3,746,860	0.73
Exercised	(388,354)	0.26	-	-
Cancelled/expired	(155,465)	0.95	(923,000)	1.25
Outstanding as at September 30, 2003	2,233,199	\$ 0.83	4,887,160	\$ 0.71

BLACK BULL RESOURCES INC.

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2003

5. CAPITAL STOCK (continued)

c) Stock options and warrants (continued)

The following tables summarize information about stock options and warrants outstanding at September 30, 2003:

Range of exercise prices	Number of Options	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price
\$0.42	523,334	4.0 years	\$ 0.42
\$0.66 - \$0.96	1,276,400	1.9 years	\$ 0.86
\$1.00 - \$1.44	433,465	1.8 years	\$ 1.24
	2,233,199	2.5 years	\$ 0.83

Range of exercise prices	Number of Warrants	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price
\$0.50 - \$0.70	4,172,160	1.7 years	\$ 0.68
\$0.80 - \$1.00	715,000	0.1 years	\$ 0.93
	4,887,160	1.5 years	\$ 0.71

d) Pro forma stock-based compensation

Under new accounting recommendations (see Note 2 (d)), the company is required to disclose the pro forma effect as if the fair value method of accounting had been used for stock options granted to directors and employees. During the year the company issued 60,000 stock options at a weighted average fair value of \$0.88 per option. The fair value of these options has been calculated as \$16,767 using the Black Scholes model; stock price volatility of 56%, no dividend yield, and a 5% risk free rate for the expected option life of 5 years.

	2003
Net loss, as reported	\$ (622,773)
Net loss, proforma	\$ (639,540)
Loss per share, as reported	\$ (0.035)
Loss per share, proforma	\$ (0.036)

BLACK BULL RESOURCES INC.

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2003

6. RELATED PARTY TRANSACTIONS

During the year, the company entered into the following transactions with certain directors of Black Bull Resources Inc. and companies under their control or control of their spouses:

	<u>2003</u>	<u>2002</u>
Accounting fees		
R.E. Condon Accounting Services Ltd.	<u>\$ 5,675</u>	<u>\$ 2,268</u>
Consulting fees		
Zenith Appraisal & Land Consulting Ltd.	\$ 59,945	\$ 75,205
Don Hilton	90,000	15,000
Double Check Consulting Ltd.	25,179	-
Gregory M. Thomas	-	42,000
	<u>\$ 175,124</u>	<u>\$ 132,205</u>
Share placement fees		
1582877 Ontario Inc.	<u>\$ 74,625</u>	<u>\$ -</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.

Accounts payable includes \$74,625 (2002 - \$nil) due to 1582877 Ontario Inc.

BLACK BULL RESOURCES INC.

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2003

7. INCOME TAXES

The income tax recovery and change in valuation allowance differs from the amounts computed by applying Canadian statutory rates to loss before income taxes as follows:

	2003	2002
Income tax recovery at statutory rate of 35.6% (2002 - 39.6%)	\$ (222,000)	\$ (192,000)
Mineral claims	38,000	80,000
Amortization and other	9,000	8,000
Share issue costs	(15,000)	(10,000)
Increase in valuation allowance	266,000	114,000
	\$ -	\$ -

The approximate tax effect of temporary differences and tax loss carry forwards that give rise to the company's future income tax assets are as follows:

	2003	2002
Future income tax assets (liabilities)		
Marketable securities	\$ -	\$ 33,000
Capital assets	12,000	12,000
Mineral claims	(74,000)	(40,000)
	(62,000)	5,000
Share issue costs	39,000	10,000
Net future income tax (liability) asset	(23,000)	15,000
Tax loss carryforwards	893,000	740,000
Future income tax asset	870,000	755,000
Valuation allowance	(870,000)	(755,000)
Future income tax asset	\$ -	\$ -

BLACK BULL RESOURCES INC.

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2003

7. INCOME TAXES (continued)

The company has losses carry forward available for tax purposes as follows:

<u>Expiry date</u>	<u>Amount</u>
2004	\$ 13,000
2005	71,000
2006	212,000
2007	368,000
2008	713,000
2009	491,000
2010	640,000
	<u>\$ 2,508,000</u>

8. FINANCIAL INSTRUMENTS

The carrying values of cash and term deposits, marketable securities, accounts receivable, and accounts payable approximates their fair values based on their liquidity and short-term nature.

9. COMMITMENTS

On August 1, 2003, the company entered into an agreement with U.S. Silica Company (USS) and appointed USS as its exclusive agent for the sale of silica product produced from the Yarmouth property for a five year term until July 31, 2008. Under the agreement, the company has agreed to pay USS commissions. Production has not commenced on the Yarmouth property.

10. SUBSEQUENT EVENTS

Subsequent to the year end the company issued 1,140,000 units for gross proceeds of \$570,000 by way of a private placement. 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 one common share for a period of 2 years from the date of issuance.

BLACK BULL RESOURCES INC.
 Suite #303-100 West Pender Street
 Vancouver, BC, V6B 1R8
 Contact Name: John Keating
 For the Quarter ended September 30, 2003

BCSC FORM 51-901F
 Tel: 604-688-9500
 Fax: 604-688-9550
 Email: blackbullresources@telus.net
 Date of Report: December 29, 2003

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: December 29, 2003

"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 4 in the notes to the Financial Statements attached.

2. **Related Party Transactions**

Related party transactions for the year ending September 30, 2003 included \$5,675 paid to R.E. Condon Accounting Services Ltd., a company owned by Robert Condon, an officer and director of the Company, for accounting services. A total of \$59,945 was paid to Zenith Appraisal & Land Consulting Ltd. ("Zenith"), a company owned by David Wood, a director of the Company, for supplying office management staff (\$14,735) and financial consulting services (\$45,210). \$25,179 was paid to Double Check Consulting Inc. ("Double Check"), a private company owned by Mr. David Wood, a Director of the Company, and an associate of Mr. Wood, for supplying office management staff.

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

(a) Summary of securities issued year to date:

Date	Security	Issuance	Number	Price	Proceeds	Consideration	Commission
Nov 1/02	Common Shares	Private Placement	236,000	\$0.50	\$118,000	Cash	\$0.00
Nov 1/02	Purchase Warrants	Private Placement	118,000	\$1.00	N/A	N/A	N/A
Dec 20/02	Common Shares	Exercise of Options	13,332	\$0.66	\$8,800	Cash	N/A
Dec 20/02	Common Shares	Exercise of Options	42,000	\$0.20	\$8,400	Cash	N/A
Dec 20/02	Common Shares	Private Placement	700,800	\$0.50	\$350,400	Cash	\$19,560
Dec 20/02	Purchase Warrants	Private Placement	268,700	\$1.00	N/A	N/A	N/A
Dec 20/02	Purchase Warrants	Private Placement	19,560	\$0.50	N/A	N/A	N/A
Jan 28/03	Common Shares	Exercise of Options	97,500	\$0.20	\$19,500	Cash	N/A
Feb 17/03	Common Shares	Exercise of Options	30,000	\$0.20	\$6,000	Cash	N/A
Mar 13/03	Common Shares	Exercise of Options	30,680	\$0.20	\$6,136	Cash	N/A
Apr 3/03	Common Shares	Exercise of Options	30,000	\$0.20	\$6,000	Cash	N/A
Apr 3/03	Common Shares	Exercise of Options	16,666	\$0.42	\$7,000	Cash	N/A
Apr 11/03	Common Shares	Private Placement	80,000	\$0.60	\$48,000	Cash	\$3,840
Apr 11/03	Purchase Warrants	Private Placement	30,000	\$1.00	N/A	N/A	N/A
Apr 11/03	Purchase Warrants	Private Placement	3,200	\$0.60	N/A	N/A	N/A
May 1/03	Common Shares	Private Placement	88,000	\$0.60	\$52,800	Cash	\$5,280
May 1/03	Purchase Warrants	Private Placement	33,000	\$1.00	N/A	N/A	N/A
May 1/03	Purchase Warrants	Private Placement	4,400	\$0.60	N/A	N/A	N/A
May 1/03	Common Shares	Exercise of Options	35,000	\$0.20	\$7,000	Cash	N/A
Jun 2/03	Common Shares	Exercise of Options	27,500	\$0.20	\$5,500	Cash	N/A
Jun 30/03	Common Shares	Exercise of Options	28,740	\$0.20	\$5,748	Cash	N/A
Jun 30/03	Common Shares	Exercise of Options	3,600	\$0.60	\$2,160	Cash	N/A
Jun 30/03	Common Shares	Exercise of Options	23,336	\$0.66	\$15,402	Cash	N/A
Aug 5/03	Common Shares	Exercise of Options	10,000	\$0.42	\$4,200	Cash	N/A
Aug 5/03	Common Shares	Private Placement	750,300	\$0.50	\$375,150	Cash	\$4,950 finder's fee for total issuance of 2,290,000 shares on Aug 5 and 8, 2003
Aug 5/03	Purchase Warrants	Private Placement	750,300	\$0.70	\$525,210	Cash	N/A
Aug 8/03	Common Shares	Private Placement	1,539,700	\$0.50	\$769,850	Cash	N/A
Aug 8/03	Purchase Warrants	Private Placement	1,539,700	\$0.70	\$1,077,790	Cash	N/A
Sep 30/03	Common Shares	Private Placement	980,000	\$0.50	\$490,000	Cash	\$78,375 finder's fee for total issuance of 2,120,000 shares on Sep 30 and Oct 1, 2003 (see "Subsequent Events")
Sep 30/03	Purchase Warrants	Private Placement	980,000	\$0.70	\$686,000	Cash	N/A

(b) Summary of options granted during the period:

Date	Number	Name of Optionee	Exercise Price	Expiry Date
Nov 4/02	60,000	Joseph MacDonald	\$0.60	Nov 4/07

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: 21,355,605 at a recorded value of \$7,311,414.
- (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	120,465	\$1.00	June 22, 2005
Options	238,000	\$1.44	October 6, 2005
Options	385,000	\$0.85	January 16, 2005
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	265,300	\$0.80	November 30, 2003
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

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
 George Cooper, Director
 Dennis Crawford, Director
 Joseph MacDonald, Director
 James McDonald, 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 a large 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 year ended September 30, 2003 the Company raised net proceeds of \$2,204,200 through the issuance of 4,374,800 common shares pursuant to private placements and \$101,846 through the issuance of 388,354 common shares pursuant to exercise of options. A total of 3,746,860 share purchase warrants were issued in connection with the Company's private placements for the year ending September 30, 2003.

Of this amount, \$106,900 was raised in flow through funds. The Company intends to use the flow through proceeds for work on the White Rock property such as overburden removal, test pits, and sample preparation. During the year the Company spent \$43,880 of the flow through funds. The remaining working capital of \$1,415,748 will be used primarily for permitting, marketing, pre-production development and general/administrative expenses.

General and administrative costs increased from \$490,071 during the year ended September 30, 2002 to \$628,543 during the year ended September 30, 2003. The Company incurred a loss of \$622,773 for the year ended September 30, 2003 compared to a loss of \$484,294 ending September 30, 2002. This increased loss was largely as a result of an increase in audit and legal, consulting, directors and officer's liability insurance, investor relations and listing and transfer fees.

Exploration Expenditures

To date the Company has expended \$1,895,389 on deferred exploration costs and \$703,477 on property acquisition, including the deemed value of shares issued for such purposes. Exploration expenditures for the year ending September 30, 2003 were \$151,172 compared to \$685,024 for the year ended September 30, 2002.

Drilling, trenching and line cutting costs for the year ending September 30, 2003 were \$15,886 compared to \$173,390 for the year ending September 30, 2002. This decrease of \$157,504 was as a result of the majority of exploration work being completed in fiscal 2002.

Geology costs for the year ending September 30, 2003 of \$7,480 increased from \$1,383 for the year ending September 30, 2002. This increase is a result of prospecting and geological mapping work carried out on the White Rock property.

Permitting costs of \$88,206 during fiscal year 2003 were reduced substantially compared to \$290,996 spent in fiscal 2002. The decrease in expenditures resulted from the completion of the Environmental Assessment approval. (See "Permitting").

Costs in the amount of \$16,114 incurred for reports as at September 30, 2003 increased from \$3,335 as at September 30, 2002 primarily due to costs incurred for the completion of a technical report required by regulatory authorities in compliance with National Instrument 43-101 "Standards of Disclosure for Mineral Projects".

The company spent \$16,784 in sampling costs for the year ending September 30, 2003 compared to \$25,639 as at September 30, 2002. This decrease was due to fewer samples being sent out upon completion of the Phase I marketing study.

During the 2003 fiscal year no mineral property or deferred exploration costs were written off on the abandonment of properties.

Disposition of Capital Assets

The Company realized a gain of \$491 for the year as the result of the disposition of marketable securities. The Company currently holds no other marketable securities.

During 2003 the Company dissolved its US subsidiary, Black Bull Resources Corp. The US corporation has no assets and has ceased transacting business.

Investor Relations

The Company entered into an investor relations contract on December 11, 2002 with Coal Harbor Communications and paid them \$51,000 for the year ending September 30, 2003 compared to nil for the year ending September 30, 2002. (See "Material Contracts")

Advertising and Promotion

Advertising and promotion fees for the year ending September 30, 2003 were \$54,901 compared to \$49,157 for the year ending September 30, 2002. \$44,566 was paid for a marketing study prepared by Alsobrook and Company Inc. for the year ending September 30, 2003 compared to \$36,440 paid for the year ending September 30, 2002. The marketing study was commissioned to assess specialty markets for quartz products that could be produced from the White Rock Property. The remaining funds of \$10,335 were spent on general advertising and promotion costs.

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 \$178,524 in consulting fees for the year ended September 30, 2003 compared to \$149,734 from 2002. Of this amount \$90,000 was paid to Mr. Don Hilton for financial services consulting fees, a total of \$59,945 was paid to Zenith Appraisal & Land Consulting Ltd. for supplying office management staff (\$14,735) and financial consulting services (\$45,210). \$25,179 was paid to Double Check Consulting Inc. for office management. \$3,400 was paid in connection with government liaison services. The difference in consulting fees is primarily due to an increase in fees paid to Mr. Don Hilton for financial services.

The Company paid \$90,799 in related party transactions for the year ended September 30, 2003 compared to \$119,473 from 2002. Related party transactions included \$5,675 paid to R.E. Condon Accounting Services Ltd., a company owned by Robert Condon, an officer and director of the Company and a total of \$59,945 was paid to Zenith Appraisal & Land Consulting Ltd. for supplying office management staff (\$14,735) and financial consulting services (\$45,210). \$25,179 was paid to Double Check Consulting Inc. for office management.

Travel and Vehicle Expenses

Travel expenses for 2003 totalled \$36,319 compared to \$62,288 for 2002. This decrease of 58% was due to decreased travel to the White Rock Property, however management believes there will be a substantial increase in travel and vehicle expenses for 2004 due to marketing and other related development costs associated with the White Rock Property.

Professional Fees

Audit and legal fees were \$89,430 for 2003 compared to \$23,270 for 2002. The increase was as a result of a regulatory review of the company in January 2003 and new company operating procedures that require a more comprehensive professional review of public documentation prior to being released. (See "Regulatory Matters")

Rent and Utilities Expenses

Rent and utilities expenses for the year ending September 30, 2003 were \$14,640, an increase from September 30, 2002 of \$3,030 as a result of opening an office in Shelburne, Nova Scotia.

Insurance and Membership Fees

Insurance and membership fees were \$11,792 for 2003 compared to \$9,196 for 2002. This is a direct result of an increase in premiums charged for directors and officers liability insurance.

Material Contracts

On September 1, 2003 the Company entered into a consulting agreement with 1582877 Ontario Inc., 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 January 28, 2003 the Company announced it had entered into an agency agreement with TD Securities Inc. in connection with a proposed \$6 million private placement of convertible secured debentures. On July 25, 2003 the Company decided not to proceed with the brokered convertible debenture financing, however the Company did proceed with non-brokered equity private placement offerings in August and September, 2003.

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. 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.

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

Regulatory Matters

On January 30, 2003, the Company was advised by the British Columbia Securities Commission (the “BCSC”) of a number of deficiencies with respect to the Company’s continuous disclosure record. In particular, the BCSC advised that the marketing and resources report relating to the White Rock Property, and the related disclosure in the Company’s Annual Information Form (“AIF”) and other continuous disclosure documents, were not compliant with National Instrument 43-101 “Standards of Disclosure for Mineral Projects”.

On February 21, 2003 the Company announced that it had filed an amended and restated Form 51-901F (the “Form”) for the quarters ended December 31, 2001 and March 31, June 30 and September 30, 2002.

On March 12, 2003 the Company announced the completion of a Technical Report in support of a first time disclosure of a Mineral Resource for the Company’s White Rock Property and Annual Information Form (AIF). Previously released Mineral Resource estimates were prepared in-house by the Company and were not prepared by an independent person in accordance with the requirements of NI 43-101 “Standards of Disclosure for Mineral Projects”. The previously released estimated Inferred Mineral Resource has been replaced and upgraded.

All issues identified in the B.C. Securities Commission’s continuous disclosure review have been resolved to the satisfaction of both the B.C. Securities Commission and the TSX Venture Exchange. The Company has filed its revised Annual Information Form and technical report bringing the Company into full compliance with BCSC regulatory policies.

Management Changes

On October 31, 2002 Mr. Joseph MacDonald of Judique, Nova Scotia was appointed to the Board of Directors.

Subsequent Events

Date	Comments
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.

Date	Comments
November 7, 2003	Grant of 820,000 stock options to Officers, Directors, employees and/or consultants of the company at an exercise price of \$0.53 for 2 years. The proposed granting of stock options are subject to regulatory approval. The company also made application to the TSX Venture Exchange to amend the exercise price of 175,000 incentive stock options granted to Mr. John Keating, President and CEO, granted on March 7, 2001 from \$0.96/share to \$0.53/share. The re-pricing of the stock options was in the context of the current market and are subject to shareholder and regulatory approval.
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.
November 28, 2003	Filing on SEDAR of the company's notice to regulators of its anticipated Annual and Special Meeting on February 16, 2004.
November 30, 2003	Expiry of 265,300 warrants at an exercise price of \$0.80.

Financings, Principal Purposes and Milestones

Financing

During the year ended September 30, 2003 the Company raised net proceeds of \$2,204,200 through the issuance of 4,374,800 common shares pursuant to private placements. Of this amount, \$106,900 was raised in flow through funds. A breakdown of the respective private placements follows.

Date	Description
December 24, 2002	Announced the close of non-brokered private placement consisting of 283,200 units at a price of \$0.50 per unit for gross proceeds of \$141,600. Each unit consists of one common share and one-half (1/2) common share purchase warrant. Each whole warrant will entitle the subscriber to purchase an additional common share at \$1.00 for a 2 year period from the date of issuance. Brokered private placement consisting of 163,400 units at a price of \$2.00 per unit for gross proceeds of \$326,800. Each Unit is comprised of one flow through common share, three common shares and one and one half common share purchase warrants. Each whole warrant together with \$1.00 will entitle the holder to purchase a common share for a period of 2 years from the from the date of issuance. Pursuant to the agreement between Black Bull Resources Inc. and Datile Securities Inc. ("DSI"), DSI has been paid a cash commission of \$19,650 from proceeds and granted an option to purchase 19,650 common shares at an exercise price of \$0.50 for a period of two years from closing. All securities issued pursuant to the private placement are subject to a 4 month hold period from the date of issuance.
May 28, 2003	Brokered private placement of 42,000 units at a price of \$2.40/unit for gross proceeds of \$100,800. Each unit is comprised of one flow through common share, three common shares and one and one half common share purchase warrants. Each whole warrant together with \$1.00 entitles the holder to purchase a common share for a period of 2 years from the date of issuance. Pursuant to the agreement between Black Bull and Datile Securities Inc. ("DSI"), DSI received commissions of \$9,120 from the gross proceeds for the sale of the units. Black Bull also issued to DSI 7,600 options to purchase common shares at an exercise price of \$0.60 for a period of two years from closing. All securities issued pursuant to the private placement are subject to a 4 month hold period from the date of issuance.
August 13, 2003	Non-brokered private placement totalling 2,290,000 Units at a price of \$0.50/Unit for gross proceeds of \$1,145,000. Each Unit consists of one common share and one common share purchase warrant. Each warrant together with \$0.70 entitles the holder to purchase a common share for a period of 2 years from date of issuance. Finder's fees of \$4,950 were paid under the Offering 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.
September 30, 2003	Issuance of 980,000 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.

Extension of Warrants

The Company received approval from the TSX Venture Exchange to extend warrants by one year as follows:

265,300 warrants at the original exercise price of \$0.80. The new expiry date is November 30, 2003.

875,000 warrants at the original exercise price of \$0.60. The new expiry dates are June 3, 2004, June 12, 2004 and July 9, 2004.

Expiry of Warrants

125,000 and 100,000 warrants at an exercise price of \$1.25 expired on November 21, 2002 and December 15, 2002, respectively. 265,300 warrants at an exercise price of \$0.80 expired on November 30, 2003 (see "Subsequent Events").

Material Variances

On July 25, 2003 the Company announced a non-brokered private placement offering which resulted in its decision not to proceed with the brokered convertible debenture financing with TD Securities previously announced January 28, 2003.

Permitting

On September 6, 2002 the Company received the Environmental Approval from the Nova Scotia Government for its quartz project. The company is working with Nova Scotia government officials on the remaining permits. The Company and its consultants have prepared information for the White Rock project including the mine plan and environmental monitoring plans. Specific activities undertaken during the year ended September 30, 2003 in connection with permitting for industrial approval, mineral lease, surface lease and mining permit were:

- Environmental monitoring program.
- Preparation of materials for inclusion in the environmental registration document.
- Completion of a quarterly environmental monitoring program(s) including groundwater and surface water.
- Follow-up of biological assessment work and reporting.
- Liaison with Nova Scotia Department of Natural Resources ("NSDNR") and Nova Scotia Department of Environment & Labour ("NSDEL") regarding permitting matters.
- Completion of environmental monitoring (surface water and groundwater) and associated data compilation.
- Installation of staff gauges at the surface water monitoring locations and marking all monitoring locations for winter conditions.
- Initial development work on Overall Environmental Effects Monitoring Plan as a response to NSDEL requests.
- Data collection and compilation. Receive and provide initial comments on Tobeatic Wilderness Area Environmental Effects Monitoring Plan.
- Development of a Research Program for plant species at risk as part of the overall Environmental Evaluation Monitoring and Tobeatic Wilderness Area aspects.
- Terrestrial and aquatic assessment work on rare plants and invertebrates.

Liquidity and Solvency

Total cash and short-term investments at September 30, 2003 were \$1,511,283 compared to \$76,204 as at September 30, 2002. Working capital at September 30, 2003 was \$1,415,748 compared to \$6,768 as at September 30, 2002. A total of \$151,172 in deferred exploration costs were expended in cash and shares and initially capitalized during the year ended September 30, 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 the remaining work is estimated at under \$1,000,000. The Company intends to fund this program through 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.