

Black Bull Resources Inc.

INTERIM REPORT

200006

DECEMBER 31
2005



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LETTER TO SHAREHOLDERS

It is a very exciting time for Black Bull Resources Inc. The fabric of the Company has changed dramatically from 12 months ago. Over that time frame, we have put in place a new executive team, two new directors, and have a plant poised for production.

The appointment of Richard Shearer to our Board is very positive for the Company. Mr. Shearer brings significant experience and knowledge of the industrial minerals business and will be relied upon for advice and guidance as Black Bull Resources evolves.

During the first quarter of fiscal 2006, the Company completed the construction of the quartz processing plant and started the commissioning process. Early in January 2006, sand started to flow through the newly-constructed plant. It was a significant accomplishment going from site preparation in August 2005 to an operational plant in less than six months.

We are currently making production samples of *Scotia White*TM quartz for distribution to potential customers. At the same time, we are crushing white quartz from the recent quarry-blasted material to ensure we have the whitest quartz possible for our customers. It is anticipated that the customer sample approval process could take 3 to 12 weeks before contracts start to materialize. While we await these orders, our marketing department will continue to work with U.S. Silica Company to identify additional market opportunities and promote the *Scotia White*TM brand.



Plant Equipment Installation & Commissioning
(Photo by Linda Ross)

Our first priority is to bring the quartz processing operation to a positive cash-flow position as soon as possible. Having said that, we recognize that the kaolin resource offers significant potential value to the Company, and we remain enthusiastic about its prospects. Preliminary drill core testing and market analysis are very encouraging but much more data and information is required. A kaolin resource development plan is due for completion at the end of March 2006. It should be noted, however, that kaolin is our next priority but additional investment in it is subject to the successful development of our quartz operation and subsequent positive cash flows. It is currently our intention to fund the development of the kaolin resource from the cash generated by the quartz operation. A decision on the timing to move forward with kaolin development will be made by the Board of Directors at a future date.

Black Bull Resources will continue to identify risk factors and allocate resources to the development of solutions that will mitigate the impact on the Company.

With a quartz processing plant in operation and a strong balance sheet, we are ready to aggressively pursue market opportunities for **Scotia White™** quartz. Our goal is to start generating cash flow from quartz operations in 2006 which should further enhance shareholder value.



In closing, I would like to thank Don Wright for his contributions during his term as Chairman of the Board, and welcome our new Chairman, Wayne Mailloux, and the newest Board Director, Richard Shearer. I would also like to thank our employees for their commitment and dedication to Black Bull Resources Inc., the Board of Directors for their support, and our shareholders for their trust and confidence. We are optimistic about Black Bull's future.

(signed) "*Barry F. Grundy*"

Barry F. Grundy, MBA
President & CEO

Financial Statements,

Notes to

Financial Statements,

&

Management's Discussion

& Analysis

FINANCIAL STATEMENTS

BLACK BULL RESOURCES INC.

BALANCE SHEETS

	December 31 2005	September 30 2005
	<i>"Unaudited"</i>	<i>"Audited"</i>
ASSETS		
Current		
Cash and cash equivalents	\$ 4,178,199	\$ 6,135,320
Receivables (Note 3)	194,830	145,230
Inventory (Note 4)	430,798	168,608
Prepaid expenses	87,708	75,586
	4,891,535	6,524,744
Capital assets and trademark (Note 5)	3,332,160	1,578,039
Mineral claims (Note 6)	852,277	853,119
Deferred costs (Note 7)	2,913,714	2,908,678
Other assets (Note 8)	401,012	398,772
	\$ 12,390,698	\$ 12,263,352
LIABILITIES		
Current		
Payables and accruals (Note 9)	\$ 1,165,151	\$ 579,493
Income tax payables	0	9,459
	1,165,151	588,952
Asset retirement obligations (Note 10)	196,898	195,898
	1,362,049	784,850
SHAREHOLDERS' EQUITY		
Capital stock (Note 11)	17,268,842	17,268,842
Contributed surplus (Note 11)	1,257,010	1,222,328
Deficit	(7,497,203)	(7,012,668)
	11,028,649	11,478,502
	\$ 12,390,698	\$ 12,263,352

Approved on behalf of the Board

 (signed) "James W. Gogan" Director

 (signed) "David L. Wood" Director

BLACK BULL RESOURCES INC.

INTERIM STATEMENTS OF OPERATIONS AND DEFICIT PERIODS ENDED DECEMBER 31

	2005	2004
	3 Months "Unaudited"	3 Months "Unaudited"
MINERAL REVENUE	\$ 3,298	\$ 16,157
COSTS and EXPENSES		
Operations	126,834	72,288
Depletion	3,597	0
Amortization	16,283	2,620
Sales and marketing	57,258	47,037
General and administration	315,383	248,145
	519,355	391,000
LOSS BEFORE OTHER ITEMS	(516,057)	(353,933)
OTHER ITEMS		
Interest income	40,277	55,273
LOSS BEFORE TAXES	(475,780)	(298,660)
Provision for Nova Scotia capital tax (Note 13)	(8,755)	0
NET LOSS FOR THE PERIOD	(484,535)	(298,660)
DEFICIT AT BEGINNING OF PERIOD	(7,012,668)	(5,609,670)
DEFICIT AT END OF PERIOD	\$ (7,497,203)	\$ (5,908,330)
Basic and diluted loss per share		
	(\$0.011)	(\$0.007)
Weighted average number of shares		
	44,186,605	44,186,605

BLACK BULL RESOURCES INC.

INTERIM STATEMENTS OF CASH FLOWS PERIODS ENDED DECEMBER 31

	2005	2004
	3 Months	3 Months
	<i>"Unaudited"</i>	<i>"Unaudited"</i>
OPERATING ACTIVITIES		
Net Loss for the Period	\$ (484,535)	\$ (298,660)
Non-cash items included in net loss		
Amortization	16,283	2,620
Depletion	3,597	0
Asset retirement accretion	1,000	2,000
Stock-based compensation	34,682	45,000
	(428,973)	(249,040)
Change In non-cash working capital accounts		
Receivables	(49,600)	109,314
Inventory	(262,189)	8,554
Prepaid expenses	(12,122)	9,951
Payables and accruals	585,658	(53,360)
Income tax payable	(9,459)	35,943
	(176,685)	(138,638)
FINANCING ACTIVITIES		
Proceeds from sale of capital stock	0	0
INVESTING ACTIVITIES		
Trademark	(1,982)	352
Acquisition of capital assets	(1,768,423)	(111,327)
Deferred costs	(7,791)	(225,238)
Reclamation deposits	(2,240)	(2,200)
	(1,780,436)	(339,117)
Change in cash and cash equivalents during the period	(1,957,121)	(477,755)
Cash and cash equivalents at beginning of the period	6,135,320	\$ 8,906,265
Cash and cash equivalents at end of period	\$ 4,178,199	\$ 8,428,510

NOTES TO THE FINANCIAL STATEMENTS

1. NATURE OF OPERATIONS AND BASIS OF PRESENTATION

The Company was incorporated under the Business Corporations Act (Alberta) on July 18, 1997, and is principally involved in mining effective April 1, 2004.

The Company is now in the business of mining, processing, and marketing quartz from its White Rock claim in Nova Scotia, Canada. The recoverability of the amounts shown for mineral claims and related deferred exploration costs is dependent upon the existence of economically recoverable reserves and upon future profitable production.

The interim financial statements follow the same accounting policies and methods of application as the most recent annual financial statements. These interim financial statements conform in all respects to the requirements of Canadian generally-accepted accounting principles for annual financial statements with exception of certain note disclosures. As the result, these interim financial statements and notes should be read in conjunction with the Company's most recent annual financial statements for the year ended September 30, 2005.

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with Canadian generally-accepted accounting principles. The significant accounting policies are as follows:

a) Cash and cash equivalents

Cash and cash equivalents include highly liquid investments with maturities of less than three months.

b) Inventory

Product inventory is valued at the lower of production cost, consisting mainly of mining and crushing costs, and net realizable value.

c) Capital assets and amortization

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

Equipment	20%
Office furniture and equipment	20%
Computer equipment	30%
Software	100%
Buildings	5%

Trademark represents costs incurred in the application process and upon approval will be amortized over the trademark period using the straight-line basis. Leasehold improvements are amortized over 2 years using the straight-line basis. Site improvements will be amortized over 10 years using the straight-line basis. Amortization of buildings and equipment commence when they are commercially utilized; other capital assets are amortized 50% in the first year.

d) Mineral claims

Mineral claim expenses are capitalized and carried at cost until the claim to which they relate is placed in production or sold, or management has determined there to be a permanent impairment of value. If placed in production, the costs are depleted and amortized using the units-of-production method over the estimated life of the measured and indicated resource. If the mineral claims are sold or abandoned, the related deferred amounts will be expensed.

e) Deferred costs

Exploration and mine development expenses are capitalized and carried at cost until the claim or project to which they relate is placed in production or sold, or management has determined there to be a permanent impairment of value. If placed in production, the costs are depleted and amortized using the units-of-production method over the estimated life of the measured and indicated resource. If the claim or project is sold or abandoned, the related deferred amounts will be expensed.

f) Revenue recognition

Revenue from mining operations is recognized upon shipment of the product, when title has passed to the customer and collection is reasonably assured.

g) Asset retirement obligations

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 depreciation, 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 \$401,012 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 judgement 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 11. The Company accounts for stock options using the fair value method, whereby compensation expense for stock options is measured at the fair value at the grant date and is recognized over the vesting period of the options granted. The Company uses the Black-Scholes model to estimate fair value.

j) Income taxes

The Company follows the liability method of accounting for income taxes whereby future income tax assets and liabilities are recognized for temporary differences between the tax and accounting bases of assets and liabilities as well as for the benefit of tax loss carry forwards that are likely to be realized. Future income tax assets and liabilities are measured using substantively enacted tax rates that are expected to be effective when recovered or settled.

The net change in recorded future income tax assets and liabilities is recognized in income during the period in which the change occurs including any change in applicable future tax rates.

k) Loss per share

Loss per share is calculated using the weighted-average number of common shares outstanding.

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 3,824,498 common shares and warrants to purchase 1,068,000 common shares were outstanding during the interim period but were not included in the computation of diluted loss per share because they were anti-dilutive.

l) Impairment of long-lived assets

Long-lived assets are tested for recoverability whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. An impairment loss is recognized when their carrying value exceeds the total undiscounted cash flows expected from their use and eventual disposition. The amount of the impairment loss is determined as the excess of the carrying value of the asset over its fair value.

m) Comparative figures

Certain comparative figures have been reclassified to conform to the current financial statement presentation.

3. RECEIVABLES

	December 31 2005		September 30 2005	
Trade	\$	1,824	\$	20,048
Government (HST)		193,006		125,182
	\$	194,830	\$	145,230

4. INVENTORY

Inventory value was adjusted to the lower of cost or net realizable value at the end of fiscal 2004 to recognize estimated additional process and related costs which will be incurred to make the product marketable. No further adjustment was required in fiscal 2005. During Q1, the existing inventory was reprocessed for use in the processing plant and new material was blasted.

5. CAPITAL ASSETS AND TRADEMARK

	December 31 2005			September 30 2005	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value	
Office furniture & equipment	\$ 37,065	\$ 5,179	\$ 31,886	\$	15,815
Computer equipment	32,233	8,739	23,494		22,923
Software	8,464	6,173	2,291		595
Vehicle	19,468	1,685	17,783		19,225
Equipment	1,813,113	17,915	1,795,198		776,623
Buildings	1,264,104	8,318	1,255,786		614,835
Leasehold Improvements	17,115	8,557	8,558		10,697
Site Improvements	186,802	-	186,802		108,945
Trademark	10,362	-	10,362		8,381
	\$ 3,388,726	\$ 56,566	\$ 3,332,160	\$	1,578,039

The following items are under development and therefore are not being amortized: Buildings (\$1,156,700), Equipment (\$1,705,241), and Site Improvements (\$186,802).

6. MINERAL CLAIMS

Mineral Claims	December 31 2005	September 30 2005
Cost, beginning of period	\$ 855,736	\$ 784,655
Asset retirement obligation	0	71,081
Expenses for the period	0	0
Costs expensed	0	0
Cost, end of period	855,736	855,736
Accumulated depletion	3,459	2,617
Net book value	\$ 852,277	\$ 853,119

7. DEFERRED COSTS

Deferred Exploration and Development Costs	December 31 2005	September 30 2005
Cost, beginning of period	\$ 2,917,839	\$ 2,622,060
Drilling/trenching	0	138,561
Geological consulting	0	0
Miscellaneous	0	0
Permitting	0	10,681
Report preparation	0	0
Sample processing	0	0
Research/Development	7,792	116,257
Mining Costs	0	30,280
Expenses for the period	0	0
Costs expensed	0	0
Cost, end of period	2,925,631	2,917,839
Accumulated Depletion	11,917	9,161
Net Book Value	\$ 2,913,714	\$ 2,908,678

8. OTHER ASSETS

Other assets consist of funds held for future reclamation costs by the Province of Nova Scotia. The Natural Resources Reclamation Fund contains \$313,644 (\$311,769 in 2005) and the Environmental Reclamation Fund contains \$87,368 (\$87,033 in 2005). The funds bear interest at the provincially designated rate of 1.5% to 2.76%.

9. PAYABLES AND ACCRUED LIABILITIES

	December 31 2005	September 30 2005
Trade—Operational	\$ 441,014	\$ 275,917
Trade—Capital	674,414	285,364
Government (Payroll & WCB)	49,723	18,212
	\$ 1,165,151	\$ 579,493

10. ASSET RETIREMENT OBLIGATION

	December 31 2005	September 30 2005
Balance at beginning of period	\$ 195,898	\$ 114,380
NPV of cash flows	-	71,081
Accretion	1,000	10,437
Balance at end of period	\$ 196,898	\$ 195,898

The \$71,081 increase in NPV of cash flows during fiscal 2005, relates to \$34,808 adjustment in estimates regarding 2004 and \$36,273 for new obligations in 2005. The gross undiscounted amount of future reclamation plans is \$340,960. During Q1 2006, there were no adjustments to estimates or new obligations.

11. SHAREHOLDERS' EQUITY

a) Authorized

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

b) Issued, common shares

	December 31 2005		September 30 2005	
	#	\$	#	\$
Balance at beginning of the period/year	44,186,605	\$ 17,268,842	44,186,605	\$ 17,268,842
Shares issued for cash	-	-	-	-
	44,186,605	17,268,842	44,186,605	17,268,842
Less: share issue costs	-	-	-	-
Balance at end of the period/year	44,186,605	\$ 17,268,842	44,186,605	\$ 17,268,842

c) **Contributed surplus**

	Stock Options		Warrants	
	#	Fair Value	#	Fair Value
Balance at beginning of the period/year	2,713,301	\$ 664,012	2,208,000	\$ 558,316
Issued	726,423	34,682	-	-
Balance at end of the period	3,439,724	\$ 698,694	2,208,000	\$ 558,316

The contributed surplus of \$1,257,010 consists of the fair value attributed to options and warrants issued since October 1, 2003. The fair value of options is recognized over the length of the vesting period. Warrants were issued for consulting and stock issue fees; options were issued to directors, officers, and consultants.

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 3.5%; dividend yield of 0%; volatility factor of the expected market price of the Company's common stock of 51%; and a weighted average expected life of the option of 5 years.

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, 2004	4,118,199	\$ 0.76	5,934,860	\$ 0.72
Granted/issued	753,301	0.38	-	0.00
Cancelled/expired	(530,465)	0.89	(3,726,860)	0.74
Outstanding as at September 30, 2005	4,341,035	0.68	2,208,000	0.70
Granted/issued	726,463	0.27	-	0.00
Cancelled/expired	(1,243,000)	0.85	(1,140,000)	0.70
Outstanding as at December 31, 2005	3,824,498	\$ 0.54	1,068,000	\$ 0.70

The following table summarizes information about stock options and warrants outstanding at December 31, 2005:

Range of exercise prices	Number of Options	Weighted average remaining contractual life	Weighted average exercise price
\$0.27 - 0.50	2,203,098	3.3 years	\$ 0.37
\$0.53 - 0.96	1,621,400	1.6 years	\$ 0.78
	3,824,498	2.5 years	\$ 0.54

Range of exercise prices	Number of Warrants	Weighted average remaining contractual life	Weighted average exercise price
\$0.70	1,068,000	0.4 years	\$ 0.70

On March 14, 2003, the Company adopted a formal Stock Option Plan whereby up to 20% of the issued and outstanding 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. RELATED PARTY TRANSACTIONS

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

13. CAPITAL AND INCOME 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 expects to exceed the threshold. The provision balance for Q1 2006 is \$8,755 (\$0 in 2005).

14. FINANCIAL INSTRUMENTS

Fair value

The carrying values of accounts receivable and accounts payable 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.

15. COMMITMENTS

On August 1, 2003, the Company entered into an agreement with U.S. Silica Company (USS) for the sale of silica product produced from the White Rock Property. The five year agreement ending July 31, 2008, appoints USS as an exclusive agent for the United States and Canada, except for the Atlantic Provinces. Under the agreement, the Company has agreed to pay USS commissions.

MANAGEMENT'S DISCUSSION & ANALYSIS

OF FINANCIAL AND OPERATING RESULTS

(in Canadian dollars)

The following discussion and analysis is the responsibility of management. The Board of Directors carries out its responsibility for review of the disclosure principally through its Audit Committee, comprised exclusively of independent directors. The Audit Committee reviews this disclosure and recommends its approval by the Board of Directors. The management's discussion and analysis (MD&A) dated January 26, 2006, is prepared in conformity with National Instrument 51-102F1 and has been approved by the Board of Directors. This MD&A should be read in conjunction with Black Bull Resources Inc.'s audited financial statements for the year ended September 30, 2005, and financial statements for the three-month period ending December 31, 2005, together with the accompanying notes.

Overall Performance

During the first quarter of fiscal 2006, Black Bull Resources Inc. continued to prepare for the production and sale of *Scotia White*TM quartz. Equipment installation and commissioning continued with sample production starting in January 2006. The property infrastructure was also completed with the addition of a 70 foot truck scale, a storage building, office trailers, and fuel storage. Company management expects the quartz processing plant to be completed on budget.

The Company completed washing the existing quartz aggregate inventory and crushed it for use as feedstock for the processing plant. Black Bull completed a 12,000 tonne blasting program in December and Aberdeen Paving Ltd. will crush the new quartz in January. The Company implemented quality control measures in an effort to ensure sufficient bright white quartz inventory to complete customer samples and process initial orders.



Crushing Pit-Run Material to Feedstock



Office Trailer, Storage Building, & Fuel Storage
(Photo by Linda Ross)

The Company had small sales of the crushed and washed quartz during the quarter. Marketing of *Scotia White*TM quartz, to the five identified target markets, continued during the quarter. Potential customers in all market segments have expressed interest in receiving production samples for testing. Black Bull expects it to take 3 to 12 weeks before customer orders materialize. During the first half of 2006 the Company's marketing department will investigate international markets.

Shipping continues to be studied by the Company. Black Bull is completing a transportation and logistics study identifying the most efficient ways to ship quartz products to customers. The Company continues to address transportation issues such as repairs to Highway 203 dissecting the White Rock Property. To date, the Province of Nova Scotia has extended the spring weight restriction exemption. The exemption runs to the mine site along Highway 203 from Highway 103 at Shelburne.

Black Bull will finalize a kaolin development plan in the second quarter of fiscal 2006. The plan will outline the drilling strategy, potential markets, environmental implications, and capital requirements. The plan will be implemented with the positive cash flow from the quartz operations.

The Company has completed its second year of collecting data detailing the impact of its operations on the environment (including water, plant and animal life). The Annual Monitoring Report for the Nova Scotia Government is being completed and will be filed early in 2006. The Company has continued to comply with all provincial government regulations prior to and during site development and construction.

Summary of Quarterly Results and Results of Operations

	2006	2005				2004		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Income:								
Mineral Revenue	3,298	14,976	3,700	3,881	16,157	2,363	0	0
Interest income	40,277	48,433	48,814	49,709	55,273	45,324	31,615	18,514
	43,575	63,409	52,514	53,590	71,430	47,687	31,615	18,514
Costs:								
Operations	126,834	89,637	83,572	81,854	72,288	71,588	78,965	0
Sales & marketing	57,258	32,992	12,555	7,828	47,037	72,061	37,566	0
General & admin	315,383	304,597	349,729	256,323	248,145	551,440	496,340	170,521
Other	28,635	30,091	18,426	6,247	2,620	545,920	7,100	34,288
	528,110	457,317	464,282	352,252	370,090	1,241,009	619,971	204,809
Net Loss	484,535	393,908	411,768	298,662	298,660	1,193,322	588,356	186,295
Net Loss per Share (Basic and Diluted)	(0.011)	(0.009)	(0.009)	(0.007)	(0.007)	(0.024)	(0.022)	(0.010)

During the first quarter, the Company's revenue was earned from sales of washed fine sands. The sales were to one customer in Nova Scotia for use in architectural pre-cast concrete. The re-processed product was sold for improved margins. The Company expects to continue to have sales from aggregate product along with the dried processed product, with significant sales starting in the third fiscal quarter. The Q1 interest income decrease relates to the reduction in the cash holdings used for operations and the capital expenditures.

The Q1 2006 operating costs include \$15,000 for diesel fuel and propane and \$10,000 for production wages which have not occurred prior to this period. Environmental costs increased in Q1 2006 over Q4 and Q1 2005 because of \$9,300 more wages paid to collect data and operate the water treatment plant. The Company also expensed an additional \$15,000 in Q1 2006 for the year-end monitoring report versus no expense in Q1 2005. The remaining expenses relate to land lease costs, cost of inventory, and direct costs of the operations. The Q1 2006 sales and marketing increase from Q4 2005 relates to \$17,000 spent to attend two tradeshows and to prepare and introduce the new branding program. The remaining \$6,000 increase is wages and benefits. The \$9,800 increase in Q1 2006 versus Q1 2005 related to the cost of the branding program.

The Company's Q1 2006 general and administration costs increased by \$67,200 over the Q1 2005 costs. To cope with a rapidly growing work load, more staff was hired in Q1. Consequently, wages and benefits increased by \$71,500. However, the Company was able to reduce consulting fees by \$17,000 as a result of the work performed internally. The Company's investor relations costs increased \$12,500 due to the transition of firms and the search cost to find CHF. Black Bull lowered travel costs because all the staff is now located in Nova Scotia.

General & Administrative Costs	Q1 2006	Q1 2005
Accounting & Legal Fees	25,103	19,027
Advertising & Promotion	2,521	6,198
Consulting Fees	5,000	22,067
Insurance	10,500	13,026
Investor Relations	38,286	25,727
Listing & Transfer Agent Fees	9,519	4,750
Office, Rent & Telephone	17,575	10,559
Travel & Entertainment	16,682	27,976
Wages & Benefits	188,597	117,065
Other	1,600	1,750
	315,383	248,145

Black Bull Resources has washed and crushed the existing aggregate inventory at an additional cost of \$224,000. The cost to blast new material and remove it from the pit was \$34,000 in Q1 2006 with more removal and crushing costs expected to occur in Q2 2006. The Company's payables balance has increased due to an increase in operating expenditures and capital project holdbacks.

Liquidity

The Company considers the available cash, obtained from previous financings in 2004, to be sufficient to pay the final bills from the processing plant construction. There will also be sufficient cash to sustain operations until the Company can create cash flow from its quartz operations. The Company currently expects to generate positive cash flow in the last quarter of fiscal 2006.

Capital Resources

The Company has commissioned phase one of the quartz production facility, using \$2.4 million from working capital to date; the remaining capital requirement of \$1.1 million for the quartz production facility will also come from working capital. The Company also intends to use \$0.5 million of working capital to implement phase two of the quartz processing plant in the third quarter of fiscal 2006. The decision to move forward with phase two will be dependent on the rate of sales growth. The Company will use cash flow generated from the quartz operations to implement the kaolin development plan; the cost of this is subject to approval by the Board of Directors.

Transactions with Related Parties

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

Changes in Accounting Policies

The Company has not changed any accounting policies nor initiated any new accounting policies in the three-month period.

Subsequent Events

Prior to the Company's Annual General Meeting, Wayne Mailloux was appointed Chairman of the Board, replacing Donald Wright who will remain a director.

The Company held its Annual General Meeting in Halifax, Nova Scotia, on January 19, 2006. During the meeting the shareholders re-elected the existing six directors. Two new directors, Barry Grundy, Black Bull Resources' President and CEO, and Richard Shearer, retired President and COO of U.S. Silica Company, were also elected during the meeting. The Company intends to grant up to 700,000 options to the directors.

Other MD&A Disclosures

During Q1 2006, 726,463 new options were granted to an Investor Relations firm and Officers of Black Bull; 1,243,000 options expired during this period.

During Q1 2006, no new warrants were granted; however, 1,140,000 warrants expired during this period.

Outstanding Securities	Quarter Ended December 31, 2005
Common Shares	44,186,605
Options (Exercisable to one Common Share)	3,824,498
Warrants (Exercisable to one Common Share)	1,068,000
Total Outstanding Securities	49,079,103

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 the discovery of resources or further resources that would be economical for commercial production. The commercial viability of mineral deposits is dependent upon a number of factors, which are beyond the Company's control. Some of these factors are attributable to commodity or product prices, government policy and regulation, 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.

A number of challenges still exist for the Company. Iron staining and color consistency are issues in many quarry operations. To address this, Black Bull is segregating the quartz resource by color and building stockpiles of white, light, and dark materials. This will enable the Company to limit contamination, and ensure the white quartz resource is managed effectively. The Company is working to develop markets for each of these materials to maximize contribution margins.

Transportation is a critical part of the Company's product mix. It is imperative that Black Bull provide cost-effective transportation solutions to customers. The Company is working on a transportation and logistics plan that is due for completion by the end of January.

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 continues to work with insurance providers to maximize coverage available.

Forward-Looking Statements

Certain statements in this Management's Discussion & Analysis of Financial and Operating Results are forward-looking statements subject to risks and uncertainties. A number of factors could cause actual results to differ materially from those expressed in the forward-looking statements, including but not limited to: transportation availability and fluctuation in cost, success level of the joint Black Bull and U.S. Silica marketing and branding of the *Scotia White*TM quartz products, energy costs, currency fluctuations, corporate compliance, limitations in liability insurance coverage, and local political stability.

The Company disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, other than as required by applicable law.

Additional Information

Additional information about the Company is available on SEDAR at www.sedar.com and at the Company's website at www.blackbullresources.com.

Approved on behalf of the Board

(signed) "J. Wayne Mailloux", Chairman & Director

(signed) "Donald A. Wright", Director

CORPORATE INFORMATION

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GENERAL INFORMATION

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Chairman of the Board
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USA

George T.H. Cooper
Director
Halifax, NS

James W. Gogan
Director
New Glasgow, NS

Barry F. Grundy
Director,
President & CEO
Halifax, NS

Joseph MacDonald
Director
Judique, NS

Richard J. Shearer
Director
Berkeley Springs, WV
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David L. Wood
Director
Vancouver, BC

Donald A. Wright
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OFFICERS:

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Director
Halifax, NS

Robert W. Cudmore
Chief Financial Officer
Yarmouth, NS

Alan W. Davidson
VP Operations
Shelburne, NS

Margaret R. Rhea
VP Marketing
Halifax, NS

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

The Company's vision is to become a world leader in industrial minerals.

This will be accomplished by providing industrial mineral solutions; identifying and pursuing growth opportunities; maximizing shareholder value; creating a learning organization; and operating in an environmentally-responsible manner.

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