Black Bull Resources

Interim Report

June 30, 2011

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LETTER TO SHAREHOLDERS

August 25, 2011

During the third fiscal quarter of 2011 (April 1 through June 30) Black Bull Resources Inc. incurred an operating loss of $72,515 during the quarter which compares to a loss of $309,367 during the same period a year earlier.

Conserving cash by reducing expenses continues to be the focus while pursuing long-term strategic options for the company's resources. Despite our best efforts we have been unsuccessful in identifying a viable option for the Company to date, but our efforts continue.

While the company's future is uncertain by carefully monitoring the cash burn this gives the company time to seek/implement opportunities.

At the May 16, 2011 Annual General Meeting of Shareholders the Board was asked to consider as part of its strategic options the consolidation of the shares of the Company at 20:1 subject to shareholder and regulatory approval.

Sincerely,

Joseph MacDonald
President and CEO
Black Bull Resources Inc.

FINANCIAL STATEMENTS

Notice of No Auditor Review of Interim Financial Statements

The accompanying unaudited interim financial statements of the Company for the period ending June 30, 2011 have been prepared by and are the responsibility of the Company's management.

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

BLACK BULL RESOURCES INC.

BALANCE SHEETS

	June 30 2011		September 30 2010	
	"Unaudited"		*"Audited"*	
ASSETS				
Current				
Cash and cash equivalents	$	219,980	$	103,720
Receivables (Note 3)		21,089		108,206
Inventory (Note 4)		-		131,538
Prepaid expenses		72,505		53,982
Capital tax receivable		11,220		11,220
Assets Held for sale (Note 4)				242,519
		324,794		651,184
Capital assets (Note 5)		95,997		139,547
Intangible Assets		5,433		6,391
Mineral claims (Note 6)		1		1
Deferred costs (Note 7)		1		1
Other assets (Note 8)		561,038		556,861
	$	987,264	$	1,353,986
LIABILITIES				
Current				
Payables and accruals (Note 9)	$	76,127	$	148,350
Asset retirement obligation (Note 10)		425,952		412,121
		502,079		560,471
SHAREHOLDERS' EQUITY				
Capital stock (Note 11)		23,538,215		23,538,215
Contributed surplus (Note 11)		2,064,943		2,063,905
Deficit		(25,117,972)		(24,808,604)
		485,185		793,515
	$	987,264	$	1,353,986

Approved on behalf of the Board

"James W. Gogan" Director

"Richard J. Shearer" Director

BLACK BULL RESOURCES INC.

INTERIM STATEMENTS OF OPERATIONS, COMPREHENSIVE LOSS, AND DEFICIT PERIODS ENDED JUNE 30 (unaudited)

	2011		2010	
			3 months	9 months
MINERAL REVENUE	$ -	$ 34,065	$ 100,069	$ 143,277
COSTS AND EXPENSES				
Operations and overhead	9,979	108,629	93,593	175,786
Amortization	15,004	45,012	112,644	339,922
Loss on Disposal	-	-		
Sales and marketing	2,322	4,791	2,482	10,337
General and administration	46,349	185,363	107,664	359,504
	73,655	343,796	316,383	885,549
LOSS BEFORE OTHER ITEMS	(73,655)	(309,731)	(216,314)	(742,271)
OTHER ITEMS				
Loss on s]foreign exchange		(3,454)	-	-
Interest income	1,407	4,223	2,865	8,882
Loss on sale of capital assets			-	3,842
LOSS BEFORE TAXES	(72,248)	(308,962)	(213,448)	(729,548)
Provision for capital tax (Note 13)	(267)	(405)	6,841	1,231
NET LOSS AND COMPREHENSIVE LOSS FOR THE PERIOD	(72,515)	(309,367)	(206,608)	(728,317)
DEFICIT AT BEGINNING OF PERIOD	(25,045,457)	(24,808,605)	(19,753,484)	(19,231,775)
DEFICIT AT END OF PERIOD	$ (25,117,972)	(25,117,972)	$ (19,960,092)	(19,960,092)
Basic and diluted loss per share	($0.00)	($0.00)	($0.00)	($0.01)
Weighted average number of shares	90,853,271	90,853,271	90,853,271	90,853,271

BLACK BULL RESOURCES INC.

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

	2011		2010	
	3 months	9 months	3 months	9 months
OPERATING ACTIVITIES				
Net loss for the period	$ (72,516)	(309,368)	$ (206,608)	(728,317)
Non-cash items included in net loss	-	-		
Amortization	15,004	45,012	112,644	339,922
Write down of capital assets	-	-		
Allowance for Doubtful Account	-	13,831	(6,499)	1,709
Loss (Gain) on Disposal	-	-		(3,842)
Accretion on asset retirement obligation	-	-	6,742	19,889
Stock-based compensation	1,038	1,038	4,755	13,275
	(56,473)	(249,487)	(88,966)	(357,364)
Change in non-cash working capital accounts				
Receivables	4,091	87,117	(59,154)	(57,249)
Inventory	-	155,571	36,374	39,631
Prepaid expenses	(40,887)	(18,523)	(44,374)	(48,613)
Payables and accruals	9,287	(72,223)	82,880	55,885
Capital tax	-	-		
	(83,983)	(97,545)	(73,240)	(367,711)
INVESTING ACTIVITIES				
Proceeds from sale of redundant assets	-	217,982		59,010
Acquisition of capital assets	-	-	(2,077)	(10,382)
Reclamation deposits	(1,392)	(4,176)	(2,729)	(8,187)
	(1,392)	213,806	(4,806)	40,441
Change in cash and cash equivalents during the period	(85,375)	116,260	(78,045)	(327,270)
Cash and cash equivalents at beginning of the period	$ 305,355	103,720	$ 189,949	439,174
Cash and cash equivalents at end of period	$ 219,980	$ 219,980	$ 111,904	$ 111,904

NOTES TO THE FINANCIAL STATEMENTS

1. NATURE OF OPERATIONS AND CONTINUATION OF BUSINESS

The Company was incorporated under the Business Corporations Act (Alberta) on July 18, 1997, and began commercial production of quartz effective April 1, 2004. On June 12, 2008 the Company continued under the Canada Business Corporations Act.

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

While the financial statements have been prepared on the basis of accounting principles applicable to a going concern, several adverse conditions and events cast substantial doubt upon the validity of this assumption.

The Company had not yet achieved profitable operations and continues to incur operating losses including $72,515 for the period ending June 30, 2011. If the trend continues the current working capital is not sufficient to sustain the Company for the next 12 months. Management's opinion is that the Company must conserve cash resources and seek strategic options.

The Company's continued existence is dependent upon maintaining control of its mineral resources until such time as the market improves. However, there can be no assurances that the steps management is taking will be successful.

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 amounts held on deposit and cashable guaranteed investment certificates with financial institutions.

b) Inventory

Product inventory is valued at the lower of production cost, consisting mainly of mining, crushing costs, drying, screening, packaging, and freight, and net realizable value. Cost is determined on a weighted average basis.

c) Property, plant and equipment

Property, plant and equipment are recorded at cost and amortization is recorded on either a declining-balance (DB) or straight-line (SL) basis using the following rates:

Buildings	10% DB
Equipment	20% DB
Office furniture and equipment	20% DB
Computer equipment	30% DB
Leasehold improvements	50% SL
Site improvements	10% SL

Amortization of buildings and equipment commence when they are commercially utilized; other property, plant and equipment are amortized 50% of the given rate in the first year.

d) Intangible assets

Intangible assets are accounted for at cost. Amortization is based on the asset's estimated useful life using either the declining-balance (DB) or straight-line (SL) method using the following rates:

Software	100% DB
Patents	10% SL

e) Mineral claims

Mineral claim costs 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 an 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.

f) Deferred costs

Exploration and mine development costs 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 an 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.

g) Revenue recognition

Revenue from mining operations is recognized upon existence of persuasive evidence of an arrangement, shipment of the product, when title has passed to the customer, the price is fixed or determinable, and collection is reasonably assured.

h) Asset retirement obligation

Legal obligations associated with the retirement of tangible long-lived assets are recorded as estimated liabilities. The liabilities are calculated using the net present value of the cash flows required to settle the obligation using a discount rate of 7% over a 10-year term.

A corresponding amount is capitalized to the related asset. Asset retirement costs are charged to earnings in a manner consistent with the depletion and amortization of the underlying asset. The liabilities are subject to accretion over time for changes in the fair value of the liability through charges to accretion which are included in operations and overhead 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 $561,038 in Reclamation Funds on deposit with the Province of Nova Scotia.

i) Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Significant areas where management's judgment is applied are asset valuations, amortization and depletion, income taxes, stock-based compensation, and asset retirement obligations. Actual results could differ from those estimates.

j) Stock-based compensation

The Company has a stock-based compensation plan as described in Note 12. The Company accounts for stock options using the fair-value method, whereby compensation expense for stock options is measured at the fair value at the grant date

and is recognized over the vesting period of the options granted. The Company uses the Black-Scholes model to estimate fair value.

k) 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 more likely than not to be realized. Future income tax assets and liabilities are measured using substantively enacted tax rates that are expected to be effective when recovered or settled. Future income tax assets are recognized to the extent that it is more likely than not they will be realized

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

l) Loss per share

Loss per share is calculated using the weighted-average number of common shares outstanding. The weighted average is calculated on number of days outstanding for the period ended June 30, 2011.

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.

Stock options totaling 8,043,991 were excluded in the computation of diluted loss per share because they were anti-dilutive. Warrants to purchase 2,400,000 common shares expired on June 15, 2009.

m) 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.

n) Comprehensive income

The Company has no other comprehensive income components and, accordingly, the Company's net loss equals comprehensive loss.

o) Financial instruments

Classification
Financial assets and financial liabilities are initially recognized at fair value and their subsequent measurement is dependent on their classification. The Company has classified payables and accrued liabilities as other financial liabilities and receivables as loans and receivables. Loans and receivables and other financial liabilities are recorded at amortized cost using the effective interest method. The Company has classified cash and cash equivalents as held for trading and are recorded at fair value.

Transaction costs
Transaction costs related to loans and receivables and other financial liabilities are netted against the carrying value and are then recognized over the expected life using the effective interest method.

p) Foreign currency translation

Monetary assets and liabilities are translated at the exchange rates in effect at the balance sheet date. Non-monetary assets and liabilities are translated at historical rates. Revenues and expenses are translated at average rates for the year except for amortization, which is translated at historical rates. Translation gains or losses are included in net loss.

q) Change in accounting policies

EIC-173, Credit Risk and the Fair Value of Financial Assets and Financial Liabilities

In January 2009, the Emerging Issues Committee of the CICA issued EIC-173, Credit Risk and the Fair Value of Financial Assets and Financial Liabilities. This abstract required that credit risk be taken into account in determining the fair value of financial instruments and financial liabilities, including derivative instruments. The adoption of this abstract did not have a significant impact on the Company's financial statements.

EIC-174 Mining Exploration Costs

In March 2009, the Emerging Issues Committee of the CICA issued EIC-174, Mining Exploration Costs. This abstract provides guidance on the accounting and the impairment review of capitalized exploration costs. The application of this EIC does not have an impact on the Company's financial statements.

r) Future accounting changes

International financial reporting standards (IFRS)

In 2006, the Canadian Standards Board (AcSB) published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB's strategic plan outlines the convergence of Canadian GAAP with IFRS over a five year transitional period. In February 2008, the AcSB announced that 2011 is the changeover date for publicly-listed companies to adopt IFRS replacing the current Canadian GAAP. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011.

Accordingly, the Company will be required to adopt IFRS on October 1, 2011. The transition will require the restatement for comparative purposes of amounts reported by the Company for the year ending September 30, 2011 and the balance sheet as at October 1, 2010.

s) Comparative figures

Certain comparative figures have been reclassified to conform to the current years' presentation.

3. RECEIVABLES

		June 30 2011		September 30 2010
Trade	**$**	**19,874**	$	**131,790**
Government (HST)		**1,215**		**6,715**
		21,089		**138,505**
Less: Allowance for doubtful accounts				**30,299**
	$	**21,089**	$	**108,206**

On March 31, remaining uncollectable accounts receivable previously set up as doubtful accounts were written off against the reserve. An additional balance of $584 was expensed as the reserve was not sufficient. On September 31, 2010 total accounts receivable includes a reserve of $30,299 for four potentially uncollectable accounts. An additional account totaling $6,375 was written off in June 2010, as the customer filed for Chapter 7 Liquidation under the US Bankruptcy Code.

4. INVENTORY

		June 30 2011		September 30 2010
Semi-processed	**$**		$	**125,207**
Processed goods				**6,729**
Consumables				**26,134**
Less: Write-down				**(26,532)**
	$	**-**	$	**131,538**

In September 2010, an allowance of $26,532 was made to inventory to reflect the realizable value of the inventory sold in December 2010.

5. PROPERTY, PLANT AND EQUIPMENT

						June 30 2011
		Cost		**Accumulated Amortization**		**Net Book Value**
Computer equipment	**$**	**43,132**		**36,987**	**$**	**6,145**
Equipment - Water Treatment		**107,872**		**78,153**		**29,719**
Building - Water Treatment		**105,822**		**48,268**		**57,554**
Leasehold improvements		**17,115**		**17,115**		**-**
Site improvements		**216,210**		**213,631**		**2,579**
	$	**490,151**	**$**	**394,154**	**$**	**95,997**

						September 30 2010
		Cost		Accumulated Amortization		Net Book Value
Computer equipment		$42,627	$	**35,275**	$	7,352
Equipment – Water Treatment		107,872		**72,908**		34,964
Building – Water Treatment		105,822		**43,601**		62,221
Leasehold improvements		17,115		**17,115**		0
Site improvements		216,210		**181,200**		35,010
	$	489,646	$	350,099	$	139,547

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

In 2010, redundant assets totaling $33,408 were sold. In December 2010 all the remaining redundant assets and inventory were sold for $367,750. Therefore, the inventory and assets were written down to reflect the net realizable value. The following assets were reclassified to assets held for sale at September 30, 2010:

										September 30 2010
		Cost		**Accumulated Amortization**		**Disposal of Redundant assets**		**Provision for Reduced Asset Value**		**Net Book Value**
Office furniture and equipment	**$**	**37,065**	**$**	**25,507**	**$**	**3,645**	**$**	**7,913**	**$**	**-**
Vehicle		**49,000**		**9,407**		**28,500**		**11,093**		**-**
Equipment		**1,940,659**		**905,009**		**-**		**1,035,650**		**-**
Buildings		**1,748,564**		**511,492**		**113,603**		**880,950**		**242,519**
	$	**3,775,288**	**$**	**1,415,415**	**$**	**145,748**	**$**	**1,935,605**	**$**	**242,519**

										September 30, 2009
		Cost		Accumulated Amortization		Disposal of Redundant Assets		Provision for Reduced Asset Value		Net Book Value
Office furniture and equipment	$	37,065	$	22,618	$	-	$	-	$	14,447
Vehicle		68,468		28,493		19,468		-		20,507
Equipment		3,117,619		646,097		1,176,959		750,000		544,563
Buildings		1,748,562		451,452		-		500,000		797,110
	$	4,971,714	$	1,148,660	$	1,196,427	$	1,250,000	$	1,376,627

6. INTANGIBLE ASSETS

						June 30, 2011
		Cost		**Accumulated Amortization**		**Net Book Value**
Software	**$**	**32,089**	**$**	**32,089**	**$**	**-**
Trademark		**12,782**		**7,350**		**5,432**
	$	**44,871**	**$**	**39,439**	**$**	

						September 30, 2010
		Cost		Accumulated Amortization		Net Book Value
Software	$	32,089	$	32,089	$	-
Trademark		12,782		6,391		6,391
	$	44,871	$	38,480	$	

7. MINERAL CLAIMS

		June 30, 2011		September 30, 2010
Cost, beginning of period	**$**	**972,183**	**$**	972,183
Cost, end of period		**972,183**		972,183
Accumulated depletion		**14,381**		14,381
Write-down		**957,801**		957,801
Net book value	**$**	**1**	**$**	1

On September 30, 2010 the Company wrote down the Mineral claims to reflect the absence of objective evidence of valuation in accordance with generally accepted accounting principles ("GAAP").

8. DEFERRED COSTS

Deferred Exploration and Development Costs		**June 30, 2011**		September 30 2010
Cost, beginning of period	**$**	**2,994,903**	$	**2,984,521**
Development		**-**		**10,382**
Cost, end of period		**2,994,903**		**2,994,903**
Accumulated depletion		**48,659**		**48,659**
Write-down		**2946,243**		**2,946,243**
Net book value	**$**	**1**	$	**1**

On September 30, 2010 the Company wrote down the deferred costs to reflect the absence of objective evidence of valuation in accordance with Canadian GAAP.

9. OTHER ASSETS

Other assets consist of funds held for future reclamation costs by the Province of Nova Scotia. The Natural Resources Reclamation Fund contains $462,300 ($458,859 at September 30, 2010). In addition, an Irrevocable Standby Letter of Credit $17,400 has been issued to the Province of Nova Scotia, for a total of $479,700. The Environmental Reclamation Fund contains $98,738 ($98,002 at September 30, 2010).

10. PAYABLES AND ACCRUED LIABILITIES

		June 30, 2011		September 30, 2010
Trade	**$**	**83,207**	$	**146,017**
Government (payroll & WCB)		**(7,080)**		**2,333**
	$	**76,127**	$	**148,350**

11. ASSET RETIREMENT OBLIGATION

		June 30, 2011		September 30, 2010
Balance, beginning of period	**$**	**385,375**	$	385,375
NPV of cash flows		**-**		-
Accretion		**40,577**		26,746
Balance, end of period	**$**	**425,952**	$	412,121

The gross undiscounted amount of future reclamation plans is $525,388 ($525,388 as at September 30, 2010).

12. SHAREHOLDERS' EQUITY

a) Authorized

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

b) Issued, common shares

	June 30, 2011			September 30, 2010		
	#		$	#		$
Issued	**90,853,271**	**$**	**23,538,215**	90,853,271	$	23,538,215

c) Contributed surplus

	Stock Options Fair Value	Warrants Fair Value
Balance, beginning of period	**$ 1,230,569**	**$ 833,336**
Stock compensation expense	**1,038**	**-**
Balance, end of period	**$ 1,231,607**	**$ 833,336**

The contributed surplus of $2,064,964 ($2,063,943 at September 30, 2010) consists of the fair value attributed to options and warrants granted since October 1, 2003 and recognized to date. The fair value of options is recognized over the length of the vesting period (18 months).

d) Stock options and warrants

On May 22, 2008, the Company amended the Stock Option Plan whereby up to 9,000,000 common shares are reserved for issuance under the Plan. The Plan provides for the granting of options which qualify for treatment as incentive stock options or non-statutory stock options and entitles directors, employees, and consultants to purchase common shares of the Company. Options granted are subject to approval by the Board of Directors. The exercise price of each option equals the average market price of the Company's stock on the date of grant and the maximum term of an option is 5 years. Options and warrants are exercisable to shares at a ratio of 1 to 1.

The options generally vest over a period of 18 months from the date of grant and immediately become exercisable once vested. The options generally have a term of 5 years.

The fair value of the options and warrants were estimated at the date of grant using a Black-Scholes model with the following weighted average assumptions: risk-free interest rate of 4.1%; dividend yield of 0%; volatility factor of the expected market price of the Company's common stock of 51% to 69%; and a weighted average, expected life of 5 years for options and 2 years for warrants.

The Black-Scholes model was developed for use in estimating the fair value of traded options which have no vesting restrictions and are fully transferable. In addition, valuation models require the input of highly subjective assumptions including the expected stock price volatility. Because the Company's employee stock options have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimate, in management's opinion, the

models do not necessarily provide a reliable single measure of the fair value of its employee stock options.

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

	Stock Options			Warrants		
	Number		**Weighted Average price**	**Number**		**Weighted average price**
Outstanding as at September 30, 2008	5,736,756	$	0.22	2,400,000	$	0.15
Granted/issued	4,006,850		0.10			
Cancelled/expired	(1,136,200)		0.43	(2,400,000)		0.15
Outstanding as at September 30, 2009	8,607,406	$	0.14	-	$	-
Cancelled/expired	(460,000)		0.40	-		-
Outstanding as at September 30, 2010	8,147,406	$	0.12	-	$	-
Granted/issued	1,419,985		0.10			
Cancelled/expired	(1,523,400)		0.19	-		-
Outstanding as at June 30, 2010	8,043,991	$	0.10	-	$	-

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

Range of Exercise Prices	**Number of Options Outstanding and Exercisable**	**Weighted Average Remaining Contractual Life**		**Weighted Average Exercise Price**
$0.10 - 0.11	8,043,991	2.5 years	$	0.10
	8,043,991	**2.5 years**	**$**	**0.10**

13. INCOME TAX

The income tax recovery and change in valuation allowance differs from the amounts computed by applying Canadian statutory rates of 36.16% (2009 – 35.13%) to the loss before income taxes as follows:

	September 30, 2010	September 30, 2009
Income tax recovery at statutory rate	**$ (1,909,000)**	**$ (1,007,000)**
Amortization and other	**83,000**	218,000
Employee stock options	**5,000**	24,000
Impact of income tax rate change	**167,000**	65,000
Increase in valuation allowance	**(1,654,000)**	(700,000)
Income tax recovery	**$ -**	$ -

The approximate tax effect of temporary differences and tax loss carry forwards that give rise to the Company's future income tax assets computed by applying Canadian statutory rates of 31% (2009 - 31%) are as follows:

	September 30, 2010	September 30, 2009
Future income tax assets (liabilities)		
Property, plant and equipment	**$ 887,000**	$ 532,000
Mineral claims	**1,158,000**	(59,000)
	2,045,000	473,000
Share issue costs	**202,000**	103,000
Net future income tax asset	**2,247,000**	576,000
Tax loss carry forwards	**4,748,000**	4,765,000
Future income tax asset	**6,995,000**	5,341,000
Valuation allowance	**(6,995,000)**	(5,341,000)
Future income tax asset	**$ -**	$ -

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

Expiry date	Amount
2014	$ 2,378,000
2015	1,559,000
2026	3,299,000
2027	3,496,000
2028	3,057,000
2029	950,000
2030	578,000
	$15,317,000

14. FINANCIAL INSTRUMENTS AND CAPITAL MANAGEMENT

Fair value: The carrying values of cash and cash equivalents, receivables and payables and accrued liabilities approximate their fair values based on their liquidity and short-term

nature. The fair value of the asset retirement obligation is determined using the present value of cash-flows method.

Interest rate risk: The Company has cash balances invested in guaranteed investment certificates that are issued by a Canadian Chartered bank. The Company has no debt. The Company believes its interest rate risk is not significant.

Credit risk: The Company is exposed to credit risk from receivables, which is the risk that they will not be paid in full when due. Allowances are provided for potential losses that have been incurred at the balance sheet date; however, these allowances are not significant. The carrying amount of receivables on the balance sheet represents the Company's maximum credit exposure at the balance sheet date.

The carrying amount of receivables on the balance sheet is net of allowance for doubtful accounts, estimated by the management of the Company based on previous experience and its assessment of the current economic environment.
As at the end of the period the aging of receivables was:

	June 30, 2011	**September 30 2010**
	$	**$**
Current	**-**	**81,251**
Aged between 46 - 59 days	**-**	**20,604**
Aged greater than 60 days	**19,874**	**29,935**
Total trade	**19,874**	**131,790**
Government (HST)	**1,218**	**6,715**
	21,089	**138,505**
Allowance for doubtful accounts		**(30,299)**
	21,089	**108,206**

Reconciliation of allowance for doubtful accounts:

	June 30, 2011	September 30, 2009
	$	$
Balance, beginning of year	**30,299**	13,338
Increase during the year	**-**	23,460
Bad debts recovery during the period		
Less: bad debts written off during the period	**30,299**	6,499
Balance end of period June 30, 2011		-

Currency risk: The Company realizes approximately 95% of its sales principally in US dollars and is thus exposed to foreign exchange fluctuations. The Company does not actively manage this risk.

The balance sheet includes the following amounts expressed in Canadian dollars with respect to financial assets and liabilities for which cash flows are denominated in US dollars:

	June 30, 2011	**September 30 2010**
	$	**$**
Cash and cash equivalents	**80,699**	**58,952**
Accounts receivable	**19,644**	**115,311**
Payables and accrued liabilities	**-**	**16,650**

Capital management: The Company manages its capital to ensure that there are adequate capital resources to safeguard the Company's ability to continue as a going concern through the optimization of the debt and equity balance. The capital structure of the Company consists of cash and cash equivalents and shareholders' equity comprising of capital stock, contributed surplus and deficit. The basis for the Company's capital structure is dependent on the Company's expected business growth and changes in the business environment. The Company's capital management objectives are unchanged from the prior year.

Total managed capital was as follows at June 301:

	June 30, 2011	September 30, 2009
Capital stock	**$ 23,538,215**	$ 23,538,215
Contributed surplus	**2,064,943**	2,063,905
Deficit	**(25,117,972)**	(24,808,604)
Cash and cash equivalents	**(219,980)**	(103,720)
	$ 265,206	$ 689,796

MANAGEMENT'S DISCUSSION & ANALYSIS

OF FINANCIAL AND OPERATING RESULTS
(In Canadian dollars)

The following discussion and analysis is the responsibility of management. The Board of Directors carries out its responsibility for review of the disclosure principally through its Audit Committee, comprised exclusively of independent directors. The Audit Committee reviews this disclosure and recommends its approval by the Board of Directors. The management's discussion and analysis (MD&A) is prepared to conform to National Instrument 51-102F1 and has been approved by the Board of Directors. This MD&A should be read in conjunction with Black Bull Resources Inc.'s ("Black Bull" or the "Company") audited financial statements for the years ended September 30, 2010 and 2009, and the unaudited interim statements for the period ending June 30, 2011, together with the accompanying notes. Such financial statements have been prepared in accordance with Canadian generally accepted accounting principles.

This MD&A is prepared as of August 25, 2011.

Forward Looking Statements

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

Overall Performance

The focus of Black Bull for quarter ending June 30 2011 continues to be to reduce cash burn, collect remaining accounts receivable. The Company continues to seek strategic options.

The long term future is dependent upon maintaining control of its mineral resources until such time as the mineral markets improve. However, there can be no assurances that the steps management is taking will be successful.

Summary of Quarterly Results and Results of Operations

Quarterly Results	2011			2010				2009
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
				$	$	$	$	$
Income:								
Mineral revenue		-	34,065	9,920	100,069	28,550	14,658	23,085
Interest income	1,407	1,406	1,411	2,743	2,865	2,983	3,034	(8,630)
Total	**1,407**	**1,406**	**35,476**	**12,663**	**102,934**	**31,533**	**17,692**	**14,455**
Costs:								
Operations	9,979	19,900	78,750	28,051	93,593	29,617	52,576	62,533
Sales & Marketing	2,322	711	1,758	2,545	2,482	5,213	2,643	10,994
General & admin.	46,349	51,134	92,447	94,711	104,350	110,730	133,137	139,680
Amort./depletion	15,004	15,004	15,004	123,916	112,644	111,929	115,349	146,515
Foreign Exchange (gain)/loss	-	2,352	(1,102)	4,289	3,313	5,921	3,954	20,210
Other	267	-	4,428	4,605,897	(6,841)	1,768	-	59,508
	73,921	**89,102**	**184,633**	**4,859,409**	**309,541**	**265,178**	**307,659**	**439,440**
Net loss	(72,514)	**(87,696)**	**(149,156)**	**(4,846,746)**	**(206,607)**	**(233,645)**	**(289,967)**	**(424,985)**
Net loss per share (basic & diluted)	0.00	0.00	0.00	-0.05	0.00	0.00	0.00	0.00

Operating Cash	2011			2010				2009
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
				$	$	$	$	$
Net loss	**(72,514)**	**(87,696)**	**(149,156)**	**(4,846,746)**	**(206,608)**	**(233,645)**	**(289,967)**	**(424,985)**
Non-cash								
operating items	16,042	21,979	21,861	4,720,544	117,642	118,271	163,135	220,135
Net cash loss								
from operations	**(56,472)**	**(65,718)**	**(127,296)**	**(126,202)**	**(73,240)**	**(118,975)**	**(126,832)**	**(204,850)**

During Q3 2011, there was no mineral revenue as all remaining inventory was sold. Interest income of $1,407 was similar to the previous quarters as interest income. This income is income earned on the reclamation bonds held in trust with the Province of Nova Scotia ($561,038).

Operation costs were $9,979, which was less than the previous quarter (19,900). The decrease was primarily related to less activity. The operational cost was primarily made up of property taxes and leases, $7,269, and $2,465 related to environmental monitoring costs. Marketing costs related to limited travel during the quarter.

General & Administrative Costs	Q3 2011	Q2 2011	Q3 2010
	$	$	$
Accounting & Legal Fees	2,400	7,554	7,354
Consulting Fees	18,392	19,100	-
Insurance	14,074	9,842	15,410
Investor Costs	5,861	9,105	10,914
Office, Rent & Telephone	2,465	5,338	4,673
Bad Debts			-
Travel	2,118	196	4,169
Wages & Benefits	1,038	-	61,830
	46,348	51,134	104,350

In Q3 2011, general and administration costs continued to decline to $46,348, a reduction over Q2 2011 of $4,786. Compared to Q2 2011, there was a decrease of accounting and legal fees of $5,154. Wages and benefits were moved to consultant fees as all remaining staff were moved to consultant contracts. The benefit cost was associated with the stock option plan. Insurance costs were higher as a result of a refund during Q2 2011. Investor costs were less than Q2 2011 due to costs in Q2 2011 associated with the Annual meeting and more press releases.

Amortization costs of 15,004, was the same as the previous quarter.

During the first quarter, the Company reported a net loss of $72,515 compared to $$87,696 in Q2 2011 or $0.00 per share versus $0.00 in Q2 2011. The Company recorded $16,042 ($21,797 in Q2 2011) in non-cash operating items in the fourth quarter, resulting in a net cash loss from operations of $ 56,472 ($65,718 in Q2 2011)

Liquidity

At June 30, 2011, Black Bull had $248,667 in working capital (current assets less current liabilities). This is a decrease over September 30, 2010 ($502,835) as the Company continues in a declining cash position.

The Company continues to incur significant operating losses. In response the Company implemented a plan to significantly reduce the Company's cash burn. For the balance of 2011, the Company intends to move to "care and maintenance", which would allow the Company to operate into 2011 with minimal operational obligations.

Capital Resources

During 2011, the Company continues to reduce its cash burn through the implementation of a reduced operation which will be implemented as part of the approved Reduced Operations Business Plan. The Company has sold all remaining inventory and assets held for sale, and no further cash will be generated from these sources.

Transactions with Related Parties

The Company entered into transactions with certain directors or officers and companies under their control during the period ending June 30, 2011.

During fiscal 2011 the Company contracted with Joe MacDonald (J&E Consultants) to perform CEO duties. During fiscal 2011 the Company contracted with Martin MacKinnon to perform CFO duties.

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.

Critical Accounting Estimates

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

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

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

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

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

Management's estimates of mineral prices, mineral resources, and operating, capital and reclamation costs are subject to certain risks and uncertainties that may affect the recoverability of deferred mineral property costs. Although management has made its best estimate of these factors, it is possible that material changes could occur which may adversely affect management's estimate of the net cash flows expected to be generated from its properties.

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

Property, Plant and Equipment

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

Other estimates

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

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

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

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

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

Changes in Accounting Policies

EIC-173, Credit Risk and the Fair Value of Financial Assets and Financial Liabilities
In January 2009, the Emerging Issues Committee of the CICA issued EIC-173, Credit Risk and the Fair Value of Financial Assets and Financial Liabilities. This abstract required that credit risk be taken into account in determining the fair value of financial instruments and financial liabilities, including derivative instruments. The adoption of this abstract did not have a significant impact on the Company's financial statements.

EIC-174, Mining Exploration Costs
In March 2009, the Emerging Issues Committee of the CICA issued EIC-174, Mining Exploration Costs. This abstract provides guidance on the accounting and the impairment review of capitalized exploration costs. The application of this EIC does not have an impact on the Company's financial statements.

Disclosure Controls and Procedures and Internal Controls over Financial Reporting

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

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

The Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") of the Company will file a Venture Issuer Basic Certificate with respect to the financial information contained in the audited annual consolidated financial statements and respective accompanying Management's Discussion and Analysis.

In contrast to the certificate under MI 52-109, the Venture Issuer Basic Certification includes a 'Note to Reader' stating that the CEO and CFO do not make any representations relating to the establishment and maintenance of DC&P and ICFR.

International Financial Reporting Standards ("IFRS")

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

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

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

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

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

Other MD&A Disclosures

During the period, no options were granted and no options expired.

Outstanding Securities	Period Ending June 30, 2011
Common Shares	90,853,271
Options	
(Exercisable to one Common Share)	8,043,991
Total Outstanding Securities	98,897,662

Risks and Uncertainties

Mineral exploration and development involves a high degree of risk since few properties are developed into producing mines. There are no assurances that the Company's mineral exploration activities will result in further resources that would be economical for commercial production. The commercial viability of mineral deposits is dependent upon a number of factors beyond the Company's control. Some of these factors are attributable to commodity or product pricing and demand, competitive products, currency fluctuations, government policy and regulation, transportation, and environmental protection.

Resource estimates involve degrees of uncertainty in calculation of reserves and the corresponding grades. Resource estimates are dependent partially on statistical inferences drawn from drilling, sampling, and other data. The indicated and inferred resource figures set forth by the Company are estimates, and there is no certainty that the level of resources will be realized or the chemical composition or concentration of the resources will be maintained throughout the property. In addition, a decline in the market price of industrial minerals, or a substantial increase in production or shipping costs, may adversely affect the economics of a reserve and may require the Company to reduce its estimates.

Transportation is a critical part of the Company's success. It is imperative that Black Bull provide cost-effective transportation solutions to customers.

Like many Canadian companies doing business in the USA, Black Bull is affected by fluctuations in currency exchange rates. Most of the Company's sales including freight charges will be denominated in US dollars. The Company has some natural hedges with US dollar-based expenses; however, there will be instances when there is exposure to exchange risks. These risks are considered when management sets product pricing and makes hedging decisions.

Maintaining sufficient cash resources to finance a start-up operation is difficult. Debt financing is usually based on positive cash flows and a significant customer base. Many junior resource companies experience difficulties obtaining debt financing and must rely on other sources such as market equity, mezzanine financing, and/or government programs.

Liability insurance is an issue in the industrial minerals industry. There is growing concern over the number of silicosis-related claims that have been filed against silica processors in the USA. Black Bull has obtained international liability insurance with a silica dust exclusion endorsement. Company research indicates that Black Bull employees and employees of customers are covered for medical conditions by workers compensation. The Company has implemented procedures to ensure users of the materials are aware of available product information.

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

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

Additional Information

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

NOTES

CORPORATE INFORMATION

BLACK BULL RESOURCES INC.
PO Box 698
157 Water Street
Shelburne, NS B0T 1W0
Canada
Tel: 902-875-1510
Fax: 902-875-1617
www.blackbullresources.com

CONTACT
Martin MacKinnon
Chief Financial Officer
cfo@blackbullresources.com

GENERAL INFORMATION

Trading Symbol: BBS
(TSXV Exchange)

Registered Office:
McInnes Cooper
Purdy's Wharf Tower II
1300-1969 Upper Water Street
PO Box 730
Halifax, NS B3J 2V1
Canada

Transfer Agent:
CIBC Mellon Trust Company
Suite 600
333 — 7th Avenue SW
Calgary, AB T2P 2Z1

Auditors:
Deloitte & Touche
Suite 1500
1969 Upper Water Street
Halifax, NS B3J 3R7

Investor Relations:
Joseph MacDonald
President & CEO

DIRECTORS:
James W. Gogan
Director
New Glasgow, NS

Joseph MacDonald
Director
Judique, NS

Richard J. Shearer
Director
Dallas TX.
USA

David L. Wood
Director
Surrey, BC

OFFICERS:
Joseph MacDonald
President & CEO
Judique, NS

Martin C. MacKinnon
Chief Financial Officer
Halifax, NS

Black Bull Resources