

UNITED BOLERO DEVELOPMENT CORP.
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS
ENDED
JUNE 30, 2006

(UNAUDITED)

UNITED BOLERO DEVELOPMENT CORP.

Consolidated Balance Sheets (Prepared by Management)

	June 30, 2006 (Unaudited)	December 31, 2005 (Audited)
Assets		
Current assets		
Cash (Note 3)	\$ 824,136	\$ 833,674
Receivables	32,816	32,928
Prepaid expenses	<u>46,179</u>	<u>34,988</u>
	903,131	901,590
Equipment (Note 4)	25,463	28,652
Oil and gas properties	2	2
Mineral properties (Note 5)	3,798,467	1,323,764
Reclamation deposit	<u>133,944</u>	<u>141,360</u>
	<u>\$ 4,861,007</u>	<u>\$ 2,395,368</u>

Liabilities and Shareholders' Equity

Current liabilities		
Accounts payable and accrued liabilities	\$ <u>286,744</u>	\$ <u>166,013</u>
Asset retirement obligation	<u>145,750</u>	<u>283,338</u>
	<u>432,494</u>	<u>449,351</u>
Shareholders' equity		
Capital stock (Note 7)	9,745,113	6,667,349
Contributed surplus (Note 7)	604,818	601,036
Deficit	<u>(5,921,418)</u>	<u>(5,322,368)</u>
	<u>4,428,513</u>	<u>1,946,017</u>
	<u>\$ 4,861,007</u>	<u>\$ 2,395,368</u>

Nature and continuance of operations (Note 1)

On behalf of the Board:

"R. Bruce Duncan", Director

"Robert Gardner", Director

UNITED BOLERO DEVELOPMENT CORP.

Consolidated Statements of Operations and Deficit

(Unaudited - Prepared by Management)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2006	2005	2006	2005
General and administrative expenses				
Amortization	\$ 676	\$ 1,333	\$ 4,528	\$ 1,998
Consulting fees	-	31,043	5,000	53,607
Management and administration fees	66,435	97,937	144,755	162,216
Office, rent and miscellaneous	24,866	25,379	53,513	58,124
Professional fees	90,526	50,473	129,728	113,394
Shareholder communications and promotion	25,803	26,998	161,554	67,296
Stock-based compensation (Note 7)	43,114	38,646	96,362	38,646
Transfer agent and filing fees	11,538	18,020	25,160	19,794
Travel and accommodation	<u>7,499</u>	<u>7,471</u>	<u>24,638</u>	<u>43,380</u>
	<u>270,457</u>	<u>297,300</u>	<u>645,238</u>	<u>558,455</u>
Loss before the following	<u>(270,457)</u>	<u>(297,300)</u>	<u>(645,238)</u>	<u>(558,455)</u>
Other Items				
Foreign exchange	26,466	-	25,956	-
Interest and other income	(6,881)	-	(10,944)	(545)
Tax benefit renounced on flow-through shares (Note 3)	-	-	(61,200)	-
	<u>19,585</u>	<u>-</u>	<u>(46,188)</u>	<u>(545)</u>
Net loss for the period	(290,042)	(297,300)	(599,050)	(557,910)
Deficit, beginning of period	<u>(5,631,376)</u>	<u>(4,212,779)</u>	<u>(5,322,368)</u>	<u>(3,952,169)</u>
Deficit, end of period	\$ <u>(5,921,418)</u>	\$ <u>(4,510,079)</u>	\$ <u>(5,921,418)</u>	\$ <u>(4,510,079)</u>
Loss per share (Note 9)	\$ <u>(0.01)</u>	\$ <u>(0.01)</u>	\$ <u>(0.01)</u>	\$ <u>(0.03)</u>
Weighted average number of common shares outstanding	<u>51,174,196</u>	<u>21,422,421</u>	<u>46,439,522</u>	<u>20,723,616</u>

UNITED BOLERO DEVELOPMENT CORP.

Consolidated Statements of Cash Flows

(Unaudited - Prepared by Management)

	Three Months ended June 30,		Six Months Ended June 30,	
	2006	2005	2006	2005
CASH FLOWS FROM OPERATING ACTIVITIES				
Net loss for the period	\$ (290,042)	\$ (297,300)	\$ (599,050)	\$ (557,910)
Items not affecting cash				
Amortization	676	1,333	4,528	1,998
Stock-based compensation (Note 7)	43,114	38,646	96,362	38,646
Tax benefit renounced on flow-through shares (Note 3)	-	-	(61,200)	-
Foreign exchange adjustment on reclamation deposit	7,416	-	7,416	-
Changes in non-cash working capital items				
(Increase) decrease in receivables	3,208	(2,188)	112	(2,645)
(Increase) decrease in prepaid expenses	150,766	(2,006)	(11,191)	(2,006)
Increase in accounts payable and accrued liabilities	<u>3,746</u>	<u>71,410</u>	<u>120,732</u>	<u>69,582</u>
Cash flows used in operating activities	<u>(81,116)</u>	<u>(190,105)</u>	<u>(442,291)</u>	<u>(452,335)</u>
CASH FLOWS FROM FINANCING ACTIVITIES				
Issue of common shares for cash, net of issue costs	424,183	27,000	2,866,468	515,396
Shares to be issued	<u>(3,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Cash flows provided by financing activities	<u>421,183</u>	<u>27,000</u>	<u>2,866,468</u>	<u>515,396</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of equipment	-	(1,304)	(1,340)	(2,689)
Mineral property expenditures	<u>(1,142,603)</u>	<u>(18,392)</u>	<u>(2,432,375)</u>	<u>(98,391)</u>
Cash flows used in investing activities	<u>(1,142,603)</u>	<u>(19,696)</u>	<u>(2,433,715)</u>	<u>(101,080)</u>
Change in cash during the period	(802,536)	(182,801)	(9,538)	(38,019)
Cash, beginning of period	<u>1,626,672</u>	<u>259,116</u>	<u>833,674</u>	<u>114,334</u>
Cash, end of period	<u>\$ 824,136</u>	<u>\$ 76,315</u>	<u>\$ 824,136</u>	<u>\$ 76,315</u>

UNITED BOLERO DEVELOPMENT CORP.

Notes to Consolidated Financial Statements

Three and Six Months Ended June 30, 2006

(Unaudited - Prepared by Management)

1. NATURE AND CONTINUANCE OF OPERATIONS

United Bolero Development Corp. (the "Company" or "Bolero") was incorporated in British Columbia on August 13, 1985 and is listed on the TSX Venture Exchange ("TSX-V"). The Company's principal business is the acquisition and exploration of resource property interests. To date, the Company has not generated significant revenues from its operations and is considered to be in the exploration stage.

The Company is in the process of exploring its resource properties and has not yet determined whether the properties contain reserves that are economically recoverable. The recoverability of the amounts shown for mineral properties and related deferred exploration costs are dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development of those reserves and upon future profitable production.

The Company's ability to continue to meet its obligations and carry out its planned exploration activities is dependent upon its ability to obtain third party financing and to commence profitable operations in the future. These consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assume that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. If the going concern assumption was not appropriate for these consolidated financial statements, then adjustments would be necessary to the carrying values of assets and liabilities, the reported expenses and the balance sheet classifications used.

Auditors' involvement

The auditors of the Company have not performed a review of the unaudited consolidated financial statements for the three and six months ended June 30, 2006 and June 30, 2005.

2. ACCOUNTING POLICIES

The unaudited consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles for interim financial information. Accordingly, they do not include all of the information and notes to the consolidated financial statements required by Canadian generally accepted accounting principles for annual consolidated financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three and six month periods ended June 30, 2006 may not necessarily be indicative of the results that may be expected for the year ending December 31, 2006.

The consolidated balance sheet at December 31, 2005 has been derived from the audited consolidated financial statements at that date but does not include all of the information and footnotes required by Canadian generally accepted accounting principles for complete consolidated financial statements. The interim consolidated financial statements have been prepared by management in accordance with the accounting policies described in the Company's annual consolidated financial statements for the year ended December 31, 2005. For further information, refer to the consolidated financial statements and notes thereto included in the Company's annual consolidated financial statements for the year ended December 31, 2005.

UNITED BOLERO DEVELOPMENT CORP.

Notes to Consolidated Financial Statements

Three and Six Months Ended June 30, 2006

(Unaudited - Prepared by Management)

2. ACCOUNTING POLICIES (Continued)

New accounting pronouncement

In January 2005, the Canadian Institute of Chartered Accountants issued four new accounting standards: Handbook Section 1530, Comprehensive Income, Handbook Section 3251, Equity, Handbook Section 3855, Financial Instruments – Recognition and Measurement and Handbook Section 3865, Hedges. These standards are effective for interim and annual financial statements for Bolero's fiscal years beginning January 1, 2007.

3. COMMITMENT

The Company is committed to spending \$170,000 on exploration costs during calendar 2006 as part of the flow-through funding agreements that were completed during calendar 2005. The Company renounced this amount in February 2006 and as a result, \$61,200 was charged to share capital and a future income tax recovery was recorded in the same amount during the period.

The Company is also obligated to spend \$500,000 on exploration costs by December 31, 2007 as part of a flow-through funding agreement that was completed in the Company's first quarter of fiscal 2006 (Note 7(ii)).

4. EQUIPMENT

	Cost	Accumulated Amortization	Net Book Value	
			June 30, 2006	December 31, 2005
Office equipment	\$ 4,023	\$ 1,273	\$ 2,750	\$ 1,642
Machinery and other equipment	7,186	1,292	5,894	6,870
Vehicles	7,021	2,766	4,255	5,951
Computer equipment	23,974	11,410	12,564	14,189
	<u>\$ 42,204</u>	<u>\$ 16,741</u>	<u>\$ 25,463</u>	<u>\$ 28,652</u>

UNITED BOLERO DEVELOPMENT CORP.

Notes to Consolidated Financial Statements

Three and Six Months Ended June 30, 2006

(Unaudited - Prepared by Management)

5. MINERAL PROPERTIES

Refer to Note 6 of the December 31, 2005 audited consolidated financial statements for more details relating to the Company's mineral properties.

	Cannivan Gulch Project, Montana	South Baird Project, Ontario	Bald Butte Project, Montana	Chong Project, Ontario	Six Months Ended June 30, 2006	Twelve Months Ended December 31, 2005
Acquisition costs:						
Opening balance	\$ 125,125	\$ 29,000	\$ 426,190	\$ 5,000	\$ 585,315	\$ 93,500
Additions	<u>99,667</u>	<u>100,000</u>	<u>7,262</u>	<u>18,250</u>	<u>225,179</u>	<u>491,815</u>
Closing balance	<u>224,792</u>	<u>129,000</u>	<u>433,452</u>	<u>23,250</u>	<u>810,494</u>	<u>585,315</u>
Deferred exploration costs:						
Opening balance	65,485	44,801	593,750	34,413	738,449	36,804
Assays	-	-	41,269	1,169	42,438	24,898
Claim staking	-	-	2,424	-	2,424	9,161
Excavation, drilling and transportation	-	152,764	989,525	-	1,142,289	337,760
Field supplies	-	-	175,840	-	175,840	19,265
Geologists and other labour	-	-	794,327	-	794,327	252,068
Insurance	-	-	63,256	-	63,256	8,429
Licences and permits	-	-	1,891	-	1,891	16,664
Maintenance fees	-	-	7,895	-	7,895	-
Reports, drafting, maps	-	-	21,583	300	21,883	16,208
Surveys	-	-	-	-	-	7,997
Travel and accommodation	-	-	181	-	181	9,195
	<u>65,485</u>	<u>197,565</u>	<u>2,691,941</u>	<u>35,882</u>	<u>2,990,873</u>	<u>738,449</u>
Recovery of costs	<u>-</u>	<u>(2,900)</u>	<u>-</u>	<u>-</u>	<u>(2,900)</u>	<u>-</u>
Closing balance	<u>65,485</u>	<u>194,665</u>	<u>2,691,941</u>	<u>35,882</u>	<u>2,987,973</u>	<u>738,449</u>
Total	<u>\$ 290,277</u>	<u>\$ 323,665</u>	<u>\$ 3,125,393</u>	<u>\$ 59,132</u>	<u>\$ 3,798,467</u>	<u>\$ 1,323,764</u>

UNITED BOLERO DEVELOPMENT CORP.

Notes to Consolidated Financial Statements

Three and Six Months Ended June 30, 2006

(Unaudited - Prepared by Management)

6. DUE TO RELATED PARTIES

The Company entered into the following transactions with related parties:

- Paid or accrued management fees of \$143,282 (2005 - \$156,623) to current and former directors of the Company and to a company controlled by an officer of the Company.
- Paid or accrued professional fees of \$37,750 (2005 - \$nil) to a company controlled by an officer of the Company.
- Paid or accrued consulting fees of \$5,000 (2005 - \$12,132) to former directors and officers of the Company.
- Paid or accrued salary included in geologists and other labour in deferred development costs of \$56,926 (2005 - \$nil) to a former director and officer of the Company.

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

7. SHARE CAPITAL AND CONTRIBUTED SURPLUS

Authorized
Unlimited common shares, without par value

Issued

	Number of Shares	Capital Stock	Contributed Surplus
Balance, December 31, 2005 (audited)	36,176,489	\$ 6,667,349	\$ 601,036
Exercise of warrants	9,613,044	1,576,913	-
Fair value of warrants exercised	-	27,615	(27,615)
Exercise of stock options	1,301,518	180,009	-
Fair value of stock options exercised	-	137,297	(137,297)
Shares issued on private placement (i)	3,450,000	690,000	-
Shares issued on private placement (ii)	1,000,000	500,000	-
Mineral property acquisition costs	486,666	179,916	-
Tax benefit renounced on flow-through shares	-	(61,200)	-
Cost of issue - non-cash items (i)	-	(72,332)	72,332
Cost of issue - cash	-	(80,454)	-
Stock-based compensation	-	-	96,362
Balance, June 30, 2006 (unaudited)	52,027,717	\$ 9,745,113	\$ 604,818

UNITED BOLERO DEVELOPMENT CORP.

Notes to Consolidated Financial Statements

Three and Six Months Ended June 30, 2006

(Unaudited - Prepared by Management)

7. SHARE CAPITAL AND CONTRIBUTED SURPLUS (Continued)

(i) During the period, the Company issued 3,450,000 units at \$0.20 per unit for proceeds of \$690,000 pursuant to a private placement. Each unit consisted of one common share and one common share purchase warrant entitling the holder to acquire one common share at \$0.25 for two years. A finders' fee of \$50,325 cash was paid and 185,000 warrants were issued valued at \$72,332, as determined by the Black-Scholes model.

(ii) Issued 1,000,000 flow-through shares of the Company at \$0.50 per unit for proceeds of \$500,000 pursuant to a private placement.

Stock options

The following table reflects the continuity of stock options for the six months ended June 30, 2006:

	Number of stock options	Weighted average Exercise Price \$
Balance, December 31, 2005 (audited)	3,840,968	0.16
Granted	300,000	0.32
Exercised	(1,301,518)	0.14
Cancelled	(1,217,250)	0.19
Balance, June 30, 2006 (unaudited)	1,622,200	0.18

As at June 30, 2006, the following stock options were outstanding:

Number of Stock Options	Exercise Price (\$)	Expiry Date
645,533	0.10	June 24, 2007
100,000	0.15	September 30, 2007
35,000	0.25	October 17, 2007
100,000	0.15	August 15, 2008
50,000	0.20	February 27, 2009
100,000	0.24	March 16, 2009
91,667	0.32	March 24, 2009
200,000	0.17	December 21, 2010
300,000	0.32	February 17, 2011
1,622,200		

UNITED BOLERO DEVELOPMENT CORP.

Notes to Consolidated Financial Statements

Three and Six Months Ended June 30, 2006

(Unaudited - Prepared by Management)

7. SHARE CAPITAL AND CONTRIBUTED SURPLUS (Continued)

Stock-based compensation

During the six month period ended June 30, 2006, the Company granted 300,000 stock options to certain directors, officers and consultants of the Company at an exercise price of \$0.32 expiring February 17, 2011. The estimated fair value of these options is \$105,884. This amount will be expensed as stock-based compensation in the statement of operations with a corresponding amount recorded as contributed surplus in shareholders' equity as they vest. As of June 30, 2006, \$24,265 was charged to the the statement of operations and contributed surplus.

The following weighted average assumptions were used for the Black-Scholes valuation of stock options granted during the period:

Risk-free interest rate	4.03%
Expected life of options	5 years
Annualised volatility	106%
Dividend rate	0.00%

The Company also expensed \$72,097 from previously issued stock options from prior years.

Warrants

The following table reflects the continuity of warrants for the six months ended June 30, 2006:

	Number of warrants	Weighted Average Exercise Price \$
Balance, December 31, 2005 (audited)	17,002,212	0.19
Granted	3,635,000	0.25
Expired	(178,951)	0.38
Exercised	(9,613,044)	0.16
Balance, June 30, 2006 (unaudited)	10,845,217	0.24

UNITED BOLERO DEVELOPMENT CORP.

Notes to Consolidated Financial Statements

Three and Six Months Ended June 30, 2006

(Unaudited - Prepared by Management)

7. SHARE CAPITAL AND CONTRIBUTED SURPLUS (Continued)

As at June 30, 2006, the following warrants were outstanding:

Number of Warrants	Exercise Price (\$)	Expiry Date
350,000	0.25	November 28, 2006
160,166	0.20	December 29, 2006
723,250	0.10	August 22, 2006
	then at 0.15	August 22, 2007
2,670,000	0.25	November 1, 2007
2,900,000	0.25	November 28, 2007
406,801	0.20	November 28, 2007
3,450,000	0.25	February 22, 2008
185,000	0.20	February 22, 2008
<hr/>		
10,845,217		

8. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

Significant non-cash transactions for the six months ended June 30, 2006 consisted of the following:

- (a) Issued 66,666 common shares valued at \$16,666 for a finder's fee related to the acquisition of the Cannivan Gulch Project.
- (b) Issued 120,000 common shares of the Company valued at \$30,000 pursuant to the terms of the Bald Butte mineral property agreement.
- (c) Issued 100,000 common shares of the Company valued at \$25,000 pursuant to the terms of the Cannivan Gulch mineral property agreement.
- (d) Issued 150,000 common shares of the Company valued at \$90,000 pursuant to the terms of the South Baird mineral property agreement.
- (e) Granted 300,000 stock options at an exercise price of \$0.32 per option exercisable over 5 years.
- (f) Issued agents warrants valued at \$72,332 as finders' fees recorded as issue costs.
- (g) Issued 50,000 common shares of the Company valued at \$18,250 pursuant to the terms of the Chong Molybdenum mineral property agreement.

UNITED BOLERO DEVELOPMENT CORP.

Notes to Consolidated Financial Statements

Three and Six Months Ended June 30, 2006

(Unaudited - Prepared by Management)

9. LOSS PER SHARE

The Company uses the treasury stock method to compute the dilutive effect of options, warrants and similar instruments. Under this method, the dilutive effect on loss per share is recognized on the use of the proceeds that could be obtained upon exercise of options, warrants and similar instruments. It assumes that the proceeds would be used to purchase common shares at the average market price during the period.

Basic loss per common share is calculated using the weighted-average number of common shares outstanding during the period and does not include outstanding options and warrants. Dilutive loss per share is not presented separately from loss per share as the conversion of outstanding stock options and warrants into common shares would be anti-dilutive.

10. INCOME TAXES

The estimated taxable income for the period is \$nil. Based upon the level of historical taxable income, it cannot be reasonably estimated at this time if it is more likely than not that the Company will realize the benefits from future income tax assets or the amounts owing from future income tax liabilities.

Consequently, the future recovery or loss arising from differences in tax values and accounting values have been reduced by an equivalent taxable temporary difference valuation allowance. The estimated taxable temporary difference valuation allowance will be adjusted in the period that it is determined that it is more likely than not that some portion or all of the future tax assets or future tax liabilities will be realized. As such, the Company does not expect any income tax recoveries at this time.

For further information on the Company's actual losses for tax purposes, refer to the December 31, 2005 audited consolidated financial statements. The benefit for these losses and the estimated loss for the period ended have not been recognized in these unaudited consolidated financial statements.

11. COMPARATIVES

Certain comparative figures have been reclassified to conform with the current period's presentation.

UNITED BOLERO DEVELOPMENT CORP.

Notes to Consolidated Financial Statements

Three and Six Months Ended June 30, 2006

(Unaudited - Prepared by Management)

12. SEGMENTED INFORMATION

The Company primarily operates in one reportable operating segment, being the acquisition and exploration of resource properties in Canada and the United States. Segmented information on a geographic basis is as follows:

	Total Assets	Mineral Properties	Oil and Gas	Other
June 30, 2006				
Assets				
Canada	\$ 1,194,706	\$ 382,797	\$ -	\$ 811,909
United States	3,666,301	3,415,670	2	250,629
	<hr/>	<hr/>	<hr/>	<hr/>
	\$ 4,861,007	\$ 3,798,467	\$ 2	\$ 1,062,538
<hr/>				
	Total Assets	Mineral Properties	Oil and Gas	Other
June 30, 2005				
Assets				
Canada	\$ 173,240	\$ 65,803	\$ -	\$ 107,437
United States	394,267	162,892	231,375	-
	<hr/>	<hr/>	<hr/>	<hr/>
	\$ 567,507	\$ 228,695	\$ 231,375	\$ 107,437
