

**BOLERO RESOURCES CORP.**  
(A Development Stage Company)

**INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2008 AND 2007**

(UNAUDITED – PREPARED BY MANAGEMENT)  
These financial statements have not been reviewed by the Company's auditor

**BOLERO RESOURCES CORP.**  
**(A Development Stage Company)**  
**UNAUDITED INTERIM CONSOLIDATED BALANCE SHEETS**  
**AS AT**

	June 30, 2008	December 31, 2007 (audited)
<b>ASSETS</b>		
<b>Current</b>		
Cash	\$ 212,092	\$ 1,387,043
Receivables	57,875	212,066
Prepaid expenses	<u>73,169</u>	<u>11,892</u>
	343,136	1,611,001
<b>Equipment (Note 5)</b>	20,672	23,776
<b>Oil and gas properties</b>	2	2
<b>Mineral properties (Note 6)</b>	7,652,539	6,858,381
<b>Drilling and Reclamation deposits</b>	<u>151,232</u>	<u>103,050</u>
	<u>\$ 8,167,581</u>	<u>\$ 8,596,210</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	\$ 80,641	\$ 349,824
<b>Asset retirement obligation</b>	<u>173,909</u>	<u>168,811</u>
	<u>254,550</u>	<u>518,635</u>
<b>Shareholders' equity</b>		
Capital stock (Note 8)	14,320,447	14,079,392
Warrants (Note 8)	1,127,099	1,175,654
Contributed surplus (Note 8)	1,729,997	1,385,673
Deficit	<u>(9,264,512)</u>	<u>(8,563,144)</u>
	<u>7,913,031</u>	<u>8,077,575</u>
	<u>\$ 8,167,581</u>	<u>\$ 8,596,210</u>

**Nature and continuance of operations (Note 1)**

**Commitments (Note 13)**

**On behalf of the Board:**

\_\_\_\_\_, Director  
 "R. Bruce Duncan"

\_\_\_\_\_, Director  
 "Roger Steininger"

See accompanying notes to the consolidated financial statements.

**BOLERO RESOURCES CORP.**  
**(A Development Stage Company)**

**UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT**

	Three months ended June 30, 2008	Three months ended June 30, 2007	Six months ended June 30, 2008	Six months ended June 30, 2007
<b>EXPENSES</b>				
Amortization	\$ 1,551	\$ 1,923	\$ 3,104	\$ 3,414
Consulting fees	8,609	-	8,609	903
Management fees	42,000	61,500	114,000	121,500
Office, rent, and miscellaneous	17,570	22,164	25,642	38,610
Professional fees	30,800	44,437	65,978	81,761
Shareholder communications and promotion	37,329	58,834	85,101	94,628
Stock-based compensation (Note 9)	168,311	281,934	344,324	467,096
Transfer agent and filing fees	5,607	15,239	15,315	26,220
Travel and accommodation	<u>2,959</u>	<u>114</u>	<u>2,959</u>	<u>9,239</u>
<b>Loss before other items</b>	<u>314,736</u>	<u>486,145</u>	<u>665,032</u>	<u>843,371</u>
<b>OTHER ITEMS</b>				
Foreign exchange loss	(394)	2,474	6,581	3,738
Interest (income)	(2,067)	(24,828)	(5,331)	(44,291)
Write off of property investigation costs	<u>2,680</u>	<u>-</u>	<u>35,086</u>	<u>-</u>
	<u>219</u>	<u>(22,354)</u>	<u>36,336</u>	<u>(40,553)</u>
<b>Net loss for the period</b>	314,955	463,791	701,368	802,818
<b>Deficit, beginning of year</b>	<u>8,949,557</u>	<u>7,143,300</u>	<u>8,563,144</u>	<u>6,804,273</u>
<b>Deficit, end of period</b>	\$ 9,264,512	\$ 7,607,091	\$ 9,264,512	\$ 7,607,091
<b>Basic and diluted loss per common share</b>				
	\$ 0.00	\$ 0.01	\$ 0.01	\$ 0.01
<b>Weighted average number of common shares outstanding</b>				
	72,310,559	67,342,768	72,083,581	65,040,012

See accompanying notes to the consolidated financial statements.

**BOLERO RESOURCES CORP.**  
**(A Development Stage Company)**

**UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF OTHER COMPREHENSIVE LOSS**

	Three months ended June 30, 2008	Three months ended June 30, 2007	Six months ended June 30, 2008	Six months ended June 30, 2007
<b>Net loss</b>	\$ 314,955	\$ 463,791	\$ 701,368	\$ 802,818
<b>Other comprehensive income</b>				
Net increase in unrealized gains on available for sale marketable securities	-	(1,051)	-	(5,252)
<b>Total other comprehensive loss</b>	\$ 314,955	\$ 462,740	\$ 701,368	\$ 797,566

See accompanying notes to the consolidated financial statements.

**BOLERO RESOURCES CORP.**  
**(A Development Stage Company)**

**UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS**

	Three months ended June 30, 2008	Three months ended June 30, 2007	Six months ended June 30, 2008	Six Months ended June 30, 2007
	\$	\$	\$	\$
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>				
Loss for the period	(314,955)	(463,791)	(701,368)	(802,818)
Items not affecting cash:				
Amortization	1,551	1,923	3,104	3,414
Write off of property investigation costs	2,680	-	35,086	-
Stock-based compensation	168,311	281,934	344,324	467,096
	(142,413)	(179,934)	(318,854)	(332,308)
Change in non-cash working capital items:				
(Increase)/Decrease in receivables	(43,838)	1,166	154,191	58,224
(Increase)/Decrease in prepaids	(41,771)	(26,396)	(61,277)	(55,058)
Increase/(Decrease) in accounts payable and accrued liabilities	(41,004)	76,340	(163,132)	30,537
Net cash flows from operating activities	(269,026)	(128,824)	(389,072)	(298,605)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Exercise of options and warrants	-	938,163	162,500	1,554,565
Shares to be issued	-	(1,840)	-	-
Net cash flows from financing activities	-	936,323	162,500	1,554,565
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Mineral property expenditures	(398,098)	(254,022)	(815,492)	(550,551)
Purchase of equipment	-	(9,362)	-	(10,061)
Asset retirement obligation	(2,081)	-	5,098	-
Property investigation costs	(11,781)	-	(89,803)	-
Drilling and reclamation deposits	(43,859)	30,930	(48,182)	30,362
Net cash flows from investing activities	(455,819)	(232,454)	(948,379)	(530,250)
<b>Increase/(Decrease) in cash during the period</b>	<b>(724,845)</b>	<b>575,045</b>	<b>(1,174,951)</b>	<b>725,710</b>
<b>Cash, beginning of period</b>	<b>936,937</b>	<b>3,251,328</b>	<b>1,387,043</b>	<b>3,100,663</b>
<b>Cash, end of period</b>	<b>212,092</b>	<b>3,826,373</b>	<b>212,092</b>	<b>3,826,373</b>

Supplemental disclosure with respect to cash flows (Note 10)

See accompanying notes to the consolidated financial statements.

**BOLERO RESOURCES CORP.**  
**(A Development Stage Company)**

NOTES TO THE UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
MARCH 31, 2008 and 2007

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**1. NATURE AND CONTINUANCE OF OPERATIONS**

The Company 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 development stage as defined by the Canadian Institute of Chartered Accountants ("CICA") Accounting Guideline 11 "Enterprises in the Development Stage".

The accompanying unaudited interim financial statements are prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). They do not include all of the information and disclosures required by Canadian GAAP for annual financial statements. The preparation of these interim financial statements is based on accounting principles and practices consistent with those used in the preparation of the annual financial statements. In the opinion of management, all adjustments considered necessary for fair presentation have been included in these financial statements. Operating results for the periods ended June 30, 2008 are not necessarily indicative of the results that may be expected for the full year ended December 31, 2008. For further information, see the financial statements including the notes thereto for the year ended December 31, 2007.

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 resource 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, the achievement of profitable production, or alternatively upon the Company's ability to dispose of its interests on an advantageous basis. Changes in future conditions could require material write-downs of the carrying values.

Although the Company has taken steps to verify title to the properties on which it is conducting exploration and in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements and non-compliance with regulatory requirements.

The Company's exploration activities are subject to various federal, provincial and state laws and regulations governing the protection of the environment. These laws and regulations are continually changing and generally becoming more restrictive. The Company conducts its operations so as to protect public health and the environment and believes its operations are materially in compliance with all applicable laws and regulations. The Company has made, and expects to make in the future, expenditures to comply with such laws and regulations.

These consolidated financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. As at June 30, 2008, the Company had working capital of \$262,495 and an accumulated deficit of \$9,264,512 compared to working capital of \$1,261,177 and an accumulated deficit of \$8,563,144 as of December 31, 2007. Management believes it will have sufficient funds to carry out planned exploration programs and operating activities for the next fiscal year; however, the continuing operations of the Company are dependent upon its ability to continue to raise adequate financing and to commence profitable operations in the future. The consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue in existence.

Continued...

**BOLERO RESOURCES CORP.**  
**(A Development Stage Company)**

NOTES TO THE UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
MARCH 31, 2008 and 2007

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**2. SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the Company are in accordance with Canadian generally accepted accounting principles, and their basis of application is consistent with that of the previous year, except as disclosed below. Outlined below are those policies considered particularly significant.

**Principles of consolidation**

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, Montana Molybdenum Corporation ("MT Moly"), a company incorporated under the laws of Montana, U.S.A. Significant inter-company balances and transactions have been eliminated upon consolidation. All references to the Company should be treated as references to Bolero Resources Corp. and its subsidiary.

**Cash and equivalents**

Cash and equivalents include balances with banks and short-term investments with original maturities of 90 days or less.

**Marketable securities**

The Company held equity securities in public companies as marketable securities. As at December 31, 2006, the market value of the securities was \$7,877. The marketable securities were sold during the year ended December 31, 2007.

**Equipment**

Equipment is recorded at cost less accumulated amortization. Amortization is being provided for annually using the declining balance method of amortization at the following rates:

Office equipment	20%
Machinery and other equipment	20%
Vehicles	30%
Computer equipment	30%

**Foreign currency translation**

The Canadian dollar is the functional currency of the Company, all of whose operations are classified as integrated for foreign currency translation purposes. Under this method, all monetary assets and liabilities are translated at the rate of exchange at the balance sheet date, and non-monetary assets and liabilities are translated at historical exchange rates, unless such items are carried at market, in which case they are translated at the exchange rates in effect on the balance sheet date. Income and expenses are translated at the rates approximating those at the transaction dates. Gains and losses arising from translation of foreign currency monetary assets and liabilities are recognized in the statement of operations.

**Mineral properties**

The Company records its interests in mineral properties and areas of geological interest at cost. All direct and indirect costs relating to the acquisition and exploration of these interests are capitalized on the basis of specific claim blocks or areas of geological interest until the properties to which they relate are placed into production, sold or management has determined there to be an impairment. These costs will be amortized on the basis of units produced in relation to the proven reserves available on the related property following commencement of production.

The cost of mineral property interests includes any cash consideration paid and the fair market value of shares issued, if any, on the acquisition of property interests. Acquisition costs of properties acquired under option agreements, whereby payments are made at the sole discretion of the Company, are recorded in the accounts when the payments are made. The recorded amounts of property claim acquisition costs and their related deferred exploration costs represent actual expenditures incurred and are not intended to reflect present or future values.

Continued...

**BOLERO RESOURCES CORP.**  
**(A Development Stage Company)**

NOTES TO THE UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
MARCH 31, 2008 and 2007

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**2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The Company reviews capitalized costs on its mineral property interests on a periodic basis and will recognize an impairment in value based upon current exploration results and upon management's assessment of the future probability of revenues from the property or from the sale of the property.

**Asset retirement obligations**

The Company follows the recommendations of CICA Handbook Section 3110, Asset Retirement Obligations. Under this standard, the fair values of asset retirement obligations are recorded as liabilities on a discounted basis when they are incurred. Amounts recorded for the related assets are increased by the amount of these obligations. Over time the liabilities will be accreted for the change in their present value and the initial capitalized costs will be depleted and amortized over the useful lives of the related assets.

**Flow-through shares**

The Company has financed a portion of its exploration activities through the issue of flow-through shares, which transfers the tax deductibility of exploration expenditures to the investor. Proceeds received on the issue of such shares have been credited to capital stock and the related exploration costs have been charged to mineral properties.

Resource expenditure deductions for income tax purposes related to exploration and development activities funded by flow-through share arrangements are renounced to investors in accordance with income tax legislation. When these expenditures are renounced, temporary taxable differences created by the renunciation will reduce share capital.

**Income taxes**

The Company follows the asset and liability method of accounting for income taxes whereby future income taxes are recognized for the future income tax consequences attributable to differences between the financial statement carrying values and their respective income tax bases (temporary differences). Future income tax assets and liabilities are measured using substantively enacted income tax rates expected to apply to taxable income in the years in which temporary differences are expected to be recovered or settled. The effect on future income tax assets and liabilities of a change in tax rates is included in income in the period in which the change occurs. A valuation allowance is provided to the extent that it is more likely than not that future income tax assets will not be realized.

**Stock-based compensation**

Stock options and direct awards of stock granted to employees and non-employees are recorded at fair value on the date of grant and the associated expense is recognized over the vesting period. Consideration paid for the shares on the exercise of stock options is credited to capital stock.

**Loss per share**

The Company uses the treasury stock method to calculate diluted loss per share. The treasury stock method assumes that any proceeds from the exercise of dilutive stock options and warrants would be used to repurchase common shares at the average market price during the period, with the incremental number of shares being included in the denominator of the diluted loss per share calculation. The diluted loss per share calculation excludes any potential conversion of options and warrants that would increase earnings per share or decrease loss per share. Basic loss per share is calculated using the weighted average number of common shares outstanding during the year.

**Use of estimates**

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of the assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amount of revenues and expenses during the year. Significant estimates made by the Company include factors affecting the recoverability of resource property interests, valuation of asset retirement obligations, stock-based compensation, warrants and future tax assets and liabilities. Actual results could differ from those estimates.

**2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Continued...

**BOLERO RESOURCES CORP.**  
**(A Development Stage Company)**

NOTES TO THE UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
MARCH 31, 2008 and 2007

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**Financial instruments**

Financial assets and liabilities held-for-trading are measured at fair value with changes in those fair values recognized in net income. Financial assets and financial liabilities considered held-to-maturity, loans and receivables, and other financial liabilities are measured at amortized cost using the effective interest method of amortization. Effective January 1, 2007, the Company's investments in marketable securities had been classified as available for sale and were recorded at their fair values on the consolidated balance sheet with unrealized gains and losses recognized in other comprehensive income. Fair values are determined directly by reference to published price quotations in an active market. The fair value of the Company's marketable securities at December 31, 2006 was \$7,877 and accordingly, the Company recorded an increase in accumulated other comprehensive income of \$2,626 on January 1, 2007 representing the fair value adjustment of the marketable securities. The marketable securities were sold during the year ended December 31, 2007 and the realized gain was reflected in the consolidated statement of operations and the Company recorded a decrease in accumulated other comprehensive income of \$2,626. As at December 31, 2007, the Company had a balance in accumulated other comprehensive income of \$Nil.

**Comprehensive income (loss)**

The Company recognizes unrealized gains and losses from changes in the fair value of its financial instruments available for sale in other comprehensive income or (loss).

**New accounting pronouncements**

On December 1, 2006, the CICA issued the following new accounting standards: Handbook Section 1535, Capital Disclosures, Handbook Section 3862, Financial Instruments – Disclosures, and Handbook Section 3863, Financial Instruments – Presentation. These standards are effective for interim and annual financial statements for the Company's reporting periods beginning on January 1, 2008.

**(i) Capital disclosures**

CICA Handbook Section 1535 – *Capital Disclosures*

This section establishes standards for disclosing information about an entity's capital and how it is managed. It describes the disclosure requirements of the entity's objectives, policies and processes for managing capital, the quantitative data relating to what the entity regards as capital, whether the entity has complied with capital requirements, and, if it has not complied, then consequences of such non-compliance. The Company has included disclosures recommended by the new Handbook section in note 3 to these consolidated financial statements.

**(ii) Financial instruments – disclosures and presentation**

CICA Handbook Section 3862 – *Financial Instruments – Disclosures* and Section 3863 - *Financial Instruments - Presentation*

Section 3862 and 3863 describe the required disclosure of the assessment of the significance of financial instruments for an entity's financial position and performance and of the nature and extent of risks arising from financial instruments to which the entity is exposed and how the entity manages those risks. The Company has included disclosures recommended by the new Handbook section in note 4 to these consolidated financial statements.

**Future Accounting Changes**

**International financial reporting standards ("IFRS")**

In January 2006, the CICA Accounting Standards Board ("AcSB") adopted a strategic plan for the direction of accounting standards in Canada. As part of that plan, accounting standards in Canada for public companies are expected to converge with International Financial Reporting Standards ("IFRS") by the end of 2011. The Company continues to monitor and assess the impact of convergence of Canadian GAAP and IFRS.

**3. CAPITAL MANAGEMENT**

Continued...

**BOLERO RESOURCES CORP.**  
**(A Development Stage Company)**

NOTES TO THE UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
MARCH 31, 2008 and 2007

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The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition, exploration and development of mineral properties. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

The properties in which the Company currently has an interest are in the exploration stage; as such the Company is dependent on external financing to fund its activities. In order to carry out the planned exploration and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

There were no changes in the Company's approach to capital management during the six months ended June 30, 2008. Neither the Company nor its subsidiary is subject to externally imposed capital requirements.

**4. FINANCIAL RISK FACTORS**

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

Credit risk

The Company's credit risk is primarily attributable to receivables. The receivables include goods and services tax due from the Federal Government of Canada. The Company has no significant concentration of credit risk arising from operations. Management believes that the credit risk concentration with respect to its receivables is remote.

Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at June 30, 2008, the Company had a cash balance of \$212,092 (December 31, 2007 - \$1,387,043) to settle current liabilities of \$80,641 (December 31, 2007 - \$349,824). All of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms.

Market risk

(a) Interest rate risk

The Company has cash balances and no interest-bearing debt therefore, interest rate risk is minimal.

(b) Foreign currency risk

The Company's functional currency is the Canadian dollar and major purchases are transacted in Canadian dollars. The Company funds certain operations, exploration and administrative expenses in the United States on a cash call basis using US dollar currency converted from its Canadian dollar bank accounts held in Canada. Management believes the foreign exchange risk derived from currency conversions is negligible and therefore does not hedge its foreign exchange risk.

**4. FINANCIAL RISK FACTORS (Continued)**

(c) Price risk

Continued...

**BOLERO RESOURCES CORP.**  
**(A Development Stage Company)**

NOTES TO THE UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
MARCH 31, 2008 and 2007

The Company is exposed to price risk with respect to commodity prices. The Company closely monitors commodity prices to determine the appropriate course of action to be taken by the Company.

Sensitivity analysis

Based on management's knowledge and experience of the financial markets, the Company does not expect any material movements in the underlying market risk variables over a three-month period.

**5. EQUIPMENT**

	2008			2007		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Office equipment	\$ 5,329	\$ 2,510	\$ 2,819	\$ 5,329	\$ 2,138	\$ 3,191
Machinery and other equipment	9,887	4,404	5,483	9,887	3,856	6,031
Vehicles	3,125	1,850	1,275	3,125	1,625	1,500
Computer equipment	<u>31,151</u>	<u>20,056</u>	<u>11,095</u>	<u>31,151</u>	<u>18,097</u>	<u>13,054</u>
	\$ 49,492	\$ 28,820	\$ 20,672	\$ 49,492	\$ 25,716	\$ 23,776

**6. MINERAL PROPERTIES**

At June 30, 2008, expenditures incurred on mineral properties were as follows:

	Cannivan Gulch Project, Montana	Bald Butte Project, Montana	Copper Star, Montana	Arcadia Bay, Nunavut	Six Months Ended June 30, 2008	Twelve Months Ended December 31, 2007
Acquisition costs:						
Balance, beginning of year	\$ 410,939	\$ 717,898	\$ -	\$ 49,500	\$ 1,178,337	\$ 751,645
Claim staking	-	-	-	-	-	4,645
Additions during the period	<u>-</u>	<u>229,480</u>	<u>-</u>	<u>-</u>	<u>229,480</u>	<u>422,047</u>
Balance, end of period	<u>410,939</u>	<u>947,378</u>	<u>-</u>	<u>49,500</u>	<u>1,407,817</u>	<u>1,178,337</u>
Deferred exploration costs:						
Balance, beginning of year	256,318	4,915,934	7,792	500,000	5,680,044	3,032,419
Assays	106	44,590	-	-	44,696	20,404
Excavation, drilling and transportation	1,016	15,853	-	472,367	489,236	1,665,344
Field supplies	1,198	7,704	-	14,640	23,542	17,234
Geologists and other labour	62,524	157,864	-	56,759	277,147	326,308
Licences, permits and maintenance fees	-	(227)	-	2,535	2,308	30,231
Reports, drafting, maps	25,862	17,762	-	-	43,624	27,930
Travel and accommodation	2,566	17,940	-	47,504	68,010	48,921
Admin and Other expenses	7,528	9,994	-	29,363	46,885	9,901
Advances	<u>-</u>	<u>(1,352)</u>	<u>-</u>	<u>(429,418)</u>	<u>(430,770)</u>	<u>501,352</u>
Balance, end of period	<u>357,118</u>	<u>5,186,062</u>	<u>7,792</u>	<u>693,750</u>	<u>6,244,722</u>	<u>5,680,044</u>
Total, June 30, 2008	\$ 768,057	\$ 6,133,440	\$ 7,792	\$ 743,250	\$ 7,652,539	\$ 6,858,381

**6. MINERAL PROPERTIES (Continued)**

In February 2008, the Company paid \$199,480 (US\$200,000) and issued 100,000 shares valued at \$30,000 pursuant to the Bald Butte agreement.

Continued...

**BOLERO RESOURCES CORP.**  
**(A Development Stage Company)**

NOTES TO THE UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
MARCH 31, 2008 and 2007

**7. RELATED PARTY TRANSACTIONS**

For the six months ended June 30, 2008, the Company entered into the following transactions with related parties:

- a) Paid or accrued management fees of \$90,000 (2007 - \$105,000) to a former director who was also an officer of the Company and a corporation controlled by a director who is also an officer of the Company.
- b) Paid or accrued professional fees of \$30,500 (2007 - \$19,000) to a current officer of the Company.

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

**8. CAPITAL STOCK**

	Number of Shares	Capital Stock	Warrants	Contributed Surplus
Authorized				
Unlimited common shares without par value				
Common shares				
Balance as at December 31, 2006	62,575,242	\$ 11,390,672	\$ 1,438,995	\$ 851,380
Exercise of warrants	7,865,240	2,155,563	-	-
Fair value of warrants exercised		324,571	(263,341)	(61,230)
Exercise of stock options	812,659	160,038	-	-
Fair value of stock options exercised	-	118,648	-	(118,648)
Acquisition of mineral properties	315,000	100,500	-	-
Stock-based compensation	-	-	-	714,171
Flow-through share renunciation	-	(170,600)	-	-
Balance as at December 31, 2007	71,568,141	\$ 14,079,392	\$ 1,175,654	\$ 1,385,673
Exercise of warrants	650,000	162,500	-	-
Fair value of warrants exercised	-	48,555	(48,555)	-
Acquisition of mineral properties (Note 6)	100,000	30,000	-	-
Shares to be reregistered	(10,000)	-	-	-
Stock-based compensation (Note 9)	-	-	-	344,324
Balance as at June 30, 2008	72,308,141	\$ 14,320,447	\$ 1,127,099	\$ 1,729,997

Continued...

**BOLERO RESOURCES CORP.**  
**(A Development Stage Company)**

NOTES TO THE UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
MARCH 31, 2008 and 2007

**9. STOCK OPTIONS AND WARRANTS**

**Share purchase warrants**

At June 30, 2008, warrants were outstanding enabling holders to acquire shares as follows:

Number of Shares	Exercise Price	Expiry Date	
7,338,640	0.45	November 23, 2008	
857,142	0.35	November 23, 2008	
<u>8,195,782</u>			

  

	Number of Warrants	Weighted Average Exercise Price
As at December 31, 2007	10,745,782	0.39
Warrants cancelled/expired	(1,900,000)	0.25
Warrants exercised	<u>(650,000)</u>	0.25
As at June 30, 2008	8,195,782	\$ 0.44

**Stock options**

The Company is authorized to grant to directors, employees and consultants up to 20% of the issued and outstanding common stock of the Company. Under the plan, the exercise price of each option equals the market price, less any applicable discounts, of the Company's stock as calculated on the date of grant. Options vest over an eighteen-month period or over a longer period if specified by the directors of the Company. The options can be granted for a maximum term of 5 years.

As at June 30, 2008, the following incentive stock options were outstanding:

Number of Shares	Exercise Price	Expiry Date
50,000	0.20	February 27, 2009
100,000	0.24	March 16, 2009
200,000	0.17	December 21, 2010
250,000	0.32	February 17, 2011
3,058,331	0.25	September 19, 2011
300,000	0.35	January 24, 2012
850,000	0.50	March 29, 2012
2,750,000	0.30	March 7, 2013
300,000	0.20	May 9, 2013
<u>7,858,331</u>		

Continued...

**BOLERO RESOURCES CORP.**  
**(A Development Stage Company)**

NOTES TO THE UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
MARCH 31, 2008 and 2007

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**9. STOCK OPTIONS AND WARRANTS (Continued)**

Stock option transactions and the number of share options outstanding are summarized as follows:

	Number Of Options	Weighted Average Exercise Price
Balance, December 31, 2007	5,149,998	\$ 0.24
Options granted	3,050,000	0.29
Options cancelled	(341,667)	0.36
Options exercised	-	-
Balance, June 30, 2008	7,858,331	\$ 0.30

**Stock-based compensation**

During the six months ended June 30, 2008, the Company granted 3,050,000 stock options to directors, consultants and employees, resulting in a value of \$657,994 (2007 - \$468,200). Compensation costs expensed in the period totalled \$344,324 (2007 - \$467,096) for the options that vested which was recorded as contributed surplus on the balance sheet.

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

	2008
Risk-free interest rate	3.0%
Expected dividend yield	0.00%
Expected stock volatility	111%
Expected option life in years	5.0 years

**10. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS**

Significant non-cash transactions for the six months ended June 30, 2008 consisted of:

- The issuance of 100,000 common shares of the Company valued at \$30,000 pursuant to mineral property option agreements.
- The net decrease in accrued mineral property expenditures of \$51,334.
- The net decrease in accrued property investigation costs of \$54,717.

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**BOLERO RESOURCES CORP.**  
**(A Development Stage Company)**

NOTES TO THE UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
MARCH 31, 2008 and 2007

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**11. 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:

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	Total Assets	Mineral Properties	Oil and Gas Properties	Other Assets
2008				
Assets				
Canada	\$ 1,102,204	\$ 743,250	\$ -	\$ 358,954
United States	<u>7,065,377</u>	<u>6,909,289</u>	<u>2</u>	<u>156,086</u>
	\$ 8,167,581	\$ 7,652,539	\$ 2	\$ 515,040

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	Total Assets	Mineral Properties	Oil and Gas Properties	Other Assets
2007				
Assets				
Canada	\$ 2,107,554	\$ 549,500	\$ -	\$ 1,558,054
United States	<u>6,488,656</u>	<u>6,308,881</u>	<u>2</u>	<u>179,773</u>
	\$ 8,596,210	\$ 6,858,381	\$ 2	\$ 1,737,827

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Substantially all of the Company's operating expenses are incurred in Canada.

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**BOLERO RESOURCES CORP.**  
**(A Development Stage Company)**

NOTES TO THE UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
MARCH 31, 2008 and 2007

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**12. COMPARATIVE FIGURES**

Certain comparative figures have been reclassified to conform to presentation adopted for the current year.

**13. COMMITMENTS**

During the year ended December 31, 2007, the Company entered into a 3-year lease for office premises expiring January 31, 2010 with basic rent of \$16,256 per annum.

In May 2008, the Company entered into a 2-year lease for storage facilities with basic rent of US\$600 per month.

In May 2008, the Company entered into a six month contract with CM-Equity whereby CM-Equity would provide consulting services in connection with the analysis of German equity markets for 3,000 Euros per month.