

BOLERO RESOURCES CORP.
(A Development Stage Company)

CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007



McGovern, Hurley, Cunningham, LLP
Chartered Accountants

AUDITORS' REPORT

To the Shareholders of
BOLERO RESOURCES CORP.
(A Development Stage Company)

We have audited the consolidated balance sheets of Bolero Resources Corp. (A Development Stage Company) as at December 31, 2008 and 2007 and the consolidated statements of operations, comprehensive loss and deficit and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2008 and 2007 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

McGOVERN, HURLEY, CUNNINGHAM, LLP

A handwritten signature in black ink that reads 'McGovern, Hurley, Cunningham, LLP'.

**Chartered Accountants
Licensed Public Accountants**

TORONTO, Canada
April 24, 2009

BOLERO RESOURCES CORP.
(A Development Stage Company)
CONSOLIDATED BALANCE SHEETS
AS AT DECEMBER 31

	2008	2007
ASSETS		
Current		
Cash	\$ 29,690	\$ 1,387,043
Receivables	7,330	212,066
Prepaid expenses	5,548	11,892
	42,568	1,611,001
Equipment (Note 5)	17,568	23,776
Oil and gas properties	2	2
Mineral properties (Note 6)	8,050,844	6,858,381
Drilling and reclamation deposits (Note 7)	148,988	103,050
	\$ 8,259,970	\$ 8,596,210
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities (Note 9)	\$ 298,624	\$ 349,824
Asset retirement obligations (Note 8)	220,321	168,811
	518,945	518,635
Shareholders' equity		
Shares to be issued (Note 6)	60,000	-
Capital stock (Note 10)	14,380,447	14,079,392
Warrants (Note 10)	-	1,175,654
Contributed surplus (Note 10)	2,905,186	1,385,673
(Deficit)	(9,604,608)	(8,563,144)
	7,741,025	8,077,575
	\$ 8,259,970	\$ 8,596,210

Nature and continuance of operations (Note 1)
Commitments and contingencies (Notes 6 and 15)
Subsequent events (Note 16)
On behalf of the Board:

“R. B. Duncan”, Director

“Roger Steininger”, Director

See accompanying notes to the consolidated financial statements.

BOLERO RESOURCES CORP.**(A Development Stage Company)****CONSOLIDATED STATEMENTS OF OPERATIONS, COMPREHENSIVE LOSS AND DEFICIT
FOR THE YEARS ENDED DECEMBER 31**

	2008	2007
EXPENSES		
Amortization	\$ 6,208	\$ 7,257
Consulting fees (Note 9(b))	38,534	3,221
Management fees (Note 9(a))	186,000	244,500
Office, rent, and miscellaneous	54,702	95,668
Professional fees (Notes 9(c) and 9(d))	125,676	184,263
Shareholder communications and promotion	121,847	174,769
Stock-based compensation (Note 10)	392,414	714,171
Transfer agent and filing fees	22,542	31,990
Travel and accommodation	8,019	19,268
Loss before other items	955,942	1,475,107
OTHER ITEMS		
Foreign exchange loss (gain)	37,417	(5,174)
Interest expense (income)	13,019	(78,805)
Write off of property investigation costs	35,086	401,878
(Gain) on sale of marketable securities	-	(34,135)
	85,522	283,764
Loss from operations	1,041,464	1,758,871
Income tax (recovery) (Note 12(a))	-	-
Net loss and comprehensive loss for the year	1,041,464	1,758,871
Deficit, beginning of year	8,563,144	6,804,273
Deficit, end of year	\$ 9,604,608	\$ 8,563,144
Basic and diluted loss per common share	\$ 0.01	\$ 0.03
Weighted average number of common shares outstanding	72,354,908	67,602,841

See accompanying notes to the consolidated financial statements.

BOLERO RESOURCES CORP.
(A Development Stage Company)
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31

	2008	2007
CASH FLOW FROM OPERATING ACTIVITIES		
(Loss) for the year	\$ (1,041,464)	\$ (1,758,871)
Items not affecting cash:		
Amortization	6,208	7,257
Stock-based compensation	392,414	714,171
Write off of property investigation costs	35,086	401,878
(Gain) on sale of marketable securities	-	(34,135)
	(607,756)	(669,700)
Change in non-cash working capital items:		
Decrease / (increase) in receivables	204,736	(170,336)
Decrease in prepaid expenses	6,344	22,498
(Decrease) / increase in accounts payable and accrued liabilities	(106,926)	154,593
Net cash flows from operating activities	(503,602)	(662,945)
CASH FLOWS FROM FINANCING ACTIVITIES		
Exercise of options and warrants	162,500	2,315,601
Subscription receivable	-	29,033
Net cash flows from financing activities	162,500	2,344,634
CASH FLOWS FROM INVESTING ACTIVITIES		
Mineral property expenditures	(880,510)	(3,117,698)
Purchase of equipment	-	(11,184)
Proceeds on sale of marketable securities	-	39,386
Property investigation costs	(89,803)	(347,161)
Drilling and reclamation deposits	(45,938)	41,348
Net cash flows from investing activities	(1,016,251)	(3,395,309)
(Decrease) in cash during the year	(1,357,353)	(1,713,620)
Cash, beginning of year	1,387,043	3,100,663
Cash, end of year	\$ 29,690	\$ 1,387,043
Cash paid for interest during the year	-	449
Cash paid for income taxes during the year	-	-

Supplemental disclosure with respect to cash flows (Note 11)

See accompanying notes to the consolidated financial statements.

BOLERO RESOURCES CORP.

(A Development Stage Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2008 AND 2007

1. NATURE AND CONTINUANCE OF OPERATIONS

Bolero Resources Corp. (“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 mineral properties. 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 Company is in the process of exploring its mineral 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, 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 in accordance with Canadian generally accepted accounting principles with the assumption 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. As at December 31, 2008, the Company had a working capital deficit of \$256,056 and an accumulated deficit of \$9,604,608 compared to working capital of \$1,261,177 and an accumulated deficit of \$8,563,144 as at December 31, 2007. 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. Management believes it will be successful in raising the necessary funding to continue operations in the normal course of operations, however, there is no assurance that these funds will be available on terms acceptable to the Company or at all. (See Note 16(d))

Continued...

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. 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 based on the estimated useful lives of the equipment:

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.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Mineral properties (Continued)

The Company reviews capitalized costs on its mineral properties on a periodic basis and when events or changes in circumstances indicate that its carrying amount may not be recoverable. The Company 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.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 mineral property interests, valuation of asset retirement obligations, stock-based compensation, warrants and future tax assets and liabilities. Actual results could differ from those estimates.

Joint ventures

The Company accounts for its operating joint venture operations using the proportionate consolidation method whereby the Company's share of assets, liabilities, revenues and expenses of the joint venture is included with those of the Company. The Company currently has an interest in a joint venture, whereby the Company's proportionate share of its exploration interests are carried at cost.

Financial instruments

Financial assets, comprised of cash and drilling and reclamation deposits, classified as held-for-trading, are measured at fair value with changes in those fair values recognized in net income. Receivables, which are classified as loans and receivables, and accounts payable and accrued liabilities, which are classified as other financial liabilities are measured at amortized cost using the effective interest method of amortization. The Company has not classified any of its financial instruments as available for sale, and accordingly, as at December 31, 2008 and 2007. Other comprehensive loss was equal to net 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 were 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*

Sections 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.

(iii) General standards of financial statement presentation

In June 2007, the CICA amended Handbook Section 1400, General Standards for Financial Statement Presentation include requirements to assess and disclose the Company's ability to continue as a going concern. The Company has reviewed the new requirements and believes that presentation on a going concern basis is appropriate for the Company.

Continued...

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(iv) Mining exploration costs

On March 27, 2009 the Emerging Issues Committee issued EIC-174. In this EIC the Committee reached a consensus that an enterprise that has initially capitalized exploration costs has an obligation in the current and subsequent accounting periods to test such costs for recoverability whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. The EIC should be applied to financial statements issued after March 27, 2009 and the Company has adopted EIC-174.

Future accounting changes

(i) 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 will 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.

(ii) Business combinations

CICA Handbook Section 1582 "Business Combinations", replaces Section 1581 - "Business Combinations" and provides the Canadian equivalent to International Financial Reporting Standards ("IFRS") 3 - Business Combinations. This applies to a transaction in which the acquirer obtains control of one or more businesses. Most assets acquired and liabilities assumed, including contingent liabilities that are considered to be improbable, will be measured at fair value. Any interest in the acquiree owned prior to obtaining control will be remeasured at fair value at the acquisition date, eliminating the need for guidance on step acquisitions. Additionally, a bargain purchase will result in recognition of a gain and acquisition costs must be expensed. The Company will adopt this standard on January 1, 2011.

(iii) Consolidations and non-controlling interests

CICA Handbook Sections 1601 "Consolidations" and Section 1602 "Non-Controlling Interests" replace Section 1600 "Consolidated Financial Statements". Section 1602 provides the Canadian equivalent to International Accounting Standard 27 - "Consolidated and Separate Financial Statements", for non-controlling interests. The Company will adopt this standard on January 1, 2011.

(iv) Credit risk and the fair value of financial assets and financial liabilities

In January 2009, the CICA approved EIC 173 Credit Risk and the Fair Value of Financial Assets and Financial Liabilities. This guidance clarified that an entity's own credit risk and the credit risk of the counterparty should be taken into account in determining the fair value of financial assets and financial liabilities including derivative instruments. This guidance is applicable to fiscal periods ending on or after January 12, 2009. The Company is continually evaluating its counterparties and their credit risks.

(v) Goodwill and intangible assets

In February 2008, the CICA issued a new accounting standard: Handbook Section 3064, Goodwill and Intangible Assets. This standard is effective for interim and annual financial statements for fiscal periods beginning on or after October 1, 2008. The Company has evaluated the impact of this Handbook Section on its consolidated financial statements and determined that no adjustments will be required on adoption.

3. CAPITAL MANAGEMENT

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. Management considers the Company's capital structure to primarily consist of the components of shareholder's equity.

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 year ended December 31, 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 December 31, 2008, the Company had a cash balance of \$29,690 (2007 - \$1,387,043) to settle current liabilities of \$298,624 (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. Included in accounts payable and accrued liabilities is \$80,443 owing to related parties (See Note 9). The Company is currently attempting to raise equity financing; however, given the current market conditions, the financing will take longer and will be at lower prices as investors wait for markets to stabilize. (See Note 16(d))

BOLERO RESOURCES CORP.
(A Development Stage Company)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007

4. FINANCIAL RISK FACTORS (Continued)

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 majority of the Company's administrative expenditures are transacted in Canadian dollars. The Company's cash flows relating to exploration activities in the United States are exposed to foreign exchange risks as the majority of exploration expenditures are incurred in US 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 does not hedge its foreign exchange risk. As at December 31, 2008, the Company had drilling and reclamation deposits of US\$121,842, a bank balance of US\$5,890, payables of US\$95,822 and asset retirement obligations of US\$180,000. A 1% change in foreign exchange rates between the Canadian and US dollar at December 31, 2008 would result in a \$1,801 foreign exchange impact.

(c) Price risk

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.

(d) Title risk

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.

Sensitivity analysis

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

5. EQUIPMENT

	2008			2007		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Office equipment	\$ 5,329	\$ 2,829	\$ 2,500	\$ 5,329	\$ 2,138	\$ 3,191
Machinery and other equipment	9,887	5,006	4,881	9,887	3,856	6,031
Vehicles	3,125	2,075	1,050	3,125	1,625	1,500
Computer equipment	31,151	22,014	9,137	31,151	18,097	13,054
	\$ 49,492	\$ 31,924	\$ 17,568	\$ 49,492	\$ 25,716	\$ 23,776

Continued...

BOLERO RESOURCES CORP.
(A Development Stage Company)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007

6. MINERAL PROPERTIES

At December 31, 2008, expenditures incurred on mineral properties were as follows:

	Cannivan Gulch Project, Montana	Bald Butte Project, Montana	Copper Star, Montana	Arcadia Bay, Nunavut	Total
Acquisition costs:					
Balance, beginning of year	\$ 410,939	\$ 717,898	\$ -	\$ 49,500	\$ 1,178,337
Claim staking	-	-	-	-	-
Additions during the year	<u>70,000</u>	<u>229,480</u>	<u>-</u>	<u>-</u>	<u>299,480</u>
Balance, end of year	<u>480,939</u>	<u>947,378</u>	<u>-</u>	<u>49,500</u>	<u>1,477,817</u>
Deferred exploration costs:					
Balance, beginning of year	256,318	4,915,934	7,792	500,000	5,680,044
Assays	12,884	48,052	-	4,872	65,808
Metallurgical & water sampling	3,274	16,134	-	-	19,408
Excavation, drilling and transportation	110,603	15,876	-	565,396	691,875
Field supplies	1,992	7,638	-	18,495	28,125
Geologists and other labour	119,667	170,836	-	60,887	351,390
Licences, permits and maintenance fees	30,978	6,356	808	2,730	40,872
Reports, drafting, maps	25,862	17,762	-	7,143	50,767
Travel, meals & accommodation	11,032	21,704	-	58,038	90,774
Field admin and other expenses	8,676	11,602	-	35,038	55,316
Reclassification of advances	-	(1,352)	-	(500,000)	(501,352)
Balance, end of year	<u>581,286</u>	<u>5,230,542</u>	<u>8,600</u>	<u>752,599</u>	<u>6,573,027</u>
Total, December 31, 2008	\$ 1,062,225	\$ 6,177,920	\$ 8,600	\$ 802,099	\$ 8,050,844

At December 31, 2007, expenditures incurred on mineral properties were as follows:

	Cannivan Gulch Project, Montana	Bald Butte Project, Montana	Copper Star, Montana	Arcadia Bay, Nunavut	Total
Acquisition costs:					
Balance, beginning of year	\$ 311,292	\$ 440,353	-	-	\$ 751,645
Claim staking	-	4,645	-	-	4,645
Additions during the year	<u>99,647</u>	<u>272,900</u>	<u>-</u>	<u>49,500</u>	<u>422,047</u>
Balance, end of year	<u>410,939</u>	<u>717,898</u>	<u>-</u>	<u>49,500</u>	<u>1,178,337</u>
Deferred exploration costs:					
Balance, beginning of year	68,045	2,964,374	-	-	3,032,419
Assays	-	20,404	-	-	20,404
Excavation, drilling and transportation	55,228	1,610,116	-	-	1,665,344
Field supplies	1,836	15,398	-	-	17,234
Geologists and other labour	87,053	239,255	-	-	326,308
Licences, permits and maintenance fees	9,119	13,320	7,792	-	30,231
Reports, drafting, maps	26,844	1,086	-	-	27,930
Travel and accommodation	8,116	40,805	-	-	48,921
Field admin and other expenses	77	9,824	-	-	9,901
Advances	-	1,352	-	500,000	501,352
Balance, end of year	<u>256,318</u>	<u>4,915,934</u>	<u>7,792</u>	<u>500,000</u>	<u>5,680,044</u>
Total, December 31, 2007	\$ 667,257	\$ 5,633,832	\$ 7,792	\$ 549,500	\$ 6,858,381

Continued...

BOLERO RESOURCES CORP.
(A Development Stage Company)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007

6. MINERAL PROPERTIES (Continued)

Cannivan Gulch Project, Montana, USA

During the year ended December 31, 2004 the Company entered into an option agreement to acquire a 100% interest in the Cannivan Gulch deposit, which is located in northern Beaverhead County, Montana. The optionors will retain a 2% net smelter returns royalty ("NSR"). The Company may purchase 1% of the NSR on the third anniversary of the agreement for US\$600,000. The Company issued 333,332 common shares valued at \$58,916 as finders' fees during the years ended December 31, 2005 and 2006.

Pursuant to the agreement, the Company is required to make cash payments and issue common shares as follows:

Date	Cash payments	Common share issuances
On execution of option agreement	US\$50,000 (paid - Cdn\$64,500)	100,000 (issued, valued at \$18,375)
On or before December 31, 2005	US\$50,000 (paid - Cdn\$58,000)	100,000 (issued, valued at \$25,000)
On or before December 31, 2006	US\$50,000 (paid - Cdn\$58,500)	100,000 (issued, valued at \$28,000)
On or before each anniversary date from December 31, 2007 to December 31, 2008	US\$75,000 (paid - Cdn\$73,647) for 2007	100,000 (issued, valued at \$26,000) for 2007
On or before December 31, 2009	US\$75,000	-
On or before each anniversary date from December 31, 2010 to December 31, 2109	US\$100,000	-

In December 2008, the Company and the Cannivan Gulch optionors reached an agreement that the 2008 property cash and common share payments would be settled with the issuance of 1,500,000 common shares of the Company. The shares were issued in January 2009 for a value of \$60,000 (Note 16(a)). An asset retirement obligation of \$10,000 (2007 – \$2,000) related to the property has been recorded as an acquisition cost on the property.

Bald Butte Project, Montana, USA

The Company entered into an option agreement dated February 18, 2005, whereby the Company can acquire a 100% interest in certain claims referred to as the Bald Butte property in Montana, subject to a 3% net smelter returns royalty. The Company can reduce the royalty to 2% by paying US\$500,000 in the third year of the agreement. The Company issued 121,959 common shares valued at \$22,410 as a finder's fee during the year ended December 31, 2005.

To complete the option, the Company is required to make cash payments and issue common shares as follows:

Date	Cash payments	Common share issuances
On execution of option agreement	US\$ 80,000 (paid - Cdn\$98,392)	120,000 (issued, valued at \$22,050)
On or before February 18, 2006	US\$100,000 (paid - Cdn\$114,850)	120,000 (issued, valued at \$30,000)
On or before each anniversary date from February 18, 2007 to February, 2010	US\$200,000 (paid - Cdn\$232,900) for 2007 US\$200,000 (paid – Cdn\$199,480) for 2008	120,000 (issued, valued at \$34,800) for 2007 120,000 (issued 20,000 in 2007 valued at \$5,200 and 100,000 issued in 2008 valued at \$30,000) for 2008
On or before each anniversary date from February 18, 2011 to February 18, 2031	US\$200,000	-

Continued...

6. MINERAL PROPERTIES (Continued)

Bald Butte Project, Montana, USA (Continued)

The Company has acquired additional contiguous claims through staking. An asset retirement obligation of \$168,811 (2007 – 168,811) related to the property has been recorded as an acquisition cost on the property.

In December 2008, the Company and the Bald Butte optionors reached an agreement that the February 2009 cash and common share payments would be settled with the issuance of 4,000,000 common shares of the Company. The shares were issued subsequent to year end for a value of \$120,000. (See Note 16(b))

Copper Star, Montana, USA

During 2006, the Company staked six claims in the Silver Star mining district in Madison County, Montana. The Company's claims are adjacent to, and on strike with, a property with reported significant copper assay results currently being developed by another mining company. During 2008, the Company incurred expenditures to maintain its claims.

Arcadia Bay, Nunavut, Canada

In August 2007, the Company entered into an option and joint venture agreement to acquire a 50% interest in the Arcadia Property, an area of Inuit-owned land located in Canada's Nunavut territory from Alix Resources Corp. ("Alix"). Alix and the Company had an officer in common at the time of signing the agreement. The property represents an Archean lode-gold deposit. Under the terms of the option and joint venture agreement, the Company paid \$15,000, issued 75,000 common shares of the Company valued at \$34,500, and completed \$600,000 worth of exploration work.

On May 26, 2008, the Company met all of its obligations under the option and joint agreement and a joint venture was established. The Company's proportionate share of the assets, liabilities and cash flows of its joint ventures are as follows:

	2008	2007
	\$	\$
Current assets	-	-
Interest in mineral properties	802,099	549,500
Current liabilities	-	-
Revenues	-	-
Expenses	-	-
Cash flows from operating activities	-	-
Cash flows from financing activities	-	-
Cash flows from investing activities	(152,599)	-

7. DRILLING AND RECLAMATION DEPOSITS

The Company has issued bonds in the amount of \$148,988 (US\$121,842) (2007 - \$168,811; US\$172,000) to the Department of Environmental Quality (DEQ) to ensure the protection of the environment as a result of the exploration and drilling programs of the Bald Butte and Cannivan Gulch properties and reclamation of Bald Butte (See Note 8).

Continued...

8. ASSET RETIREMENT OBLIGATIONS

The Company estimates its asset retirement obligations at the Bald Butte and Cannivan Gulch properties, based on its understanding of its requirements to reclaim the currently disturbed areas as \$220,321 (US\$180,000) (2007- \$168,811; US\$172,000). The Company has assigned certain certificates of deposit to the DEQ for the restoration in these areas (see Note 7). Management is not able to estimate the timing of payments related to the asset retirement obligations and accordingly, the value of the asset retirement obligation has not been discounted.

The following is an analysis of the asset retirement obligation:

Balance, December 31, 2006	\$ 145,663
Additions	46,154
Foreign exchange	<u>(23,006)</u>
Balance, December 31, 2007	168,811
Additions	10,000
Foreign exchange	<u>41,510</u>
Balance, December 31, 2008	<u>\$ 220,321</u>

9. RELATED PARTY TRANSACTIONS

During the years ended December 31, 2008 and 2007, the Company entered into the following transactions with related parties:

- a) Paid or accrued management fees of \$150,000 (2007 - \$210,000) 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. See also Note 15. \$42,000 was payable as at December 31, 2008 (2007 - \$nil).
- b) Paid or accrued consulting fees of \$9,166 (2007 - \$Nil) to a director of the Company. \$9,166 of consulting fees and \$4,465 of expenditure reimbursements was payable as at December 31, 2008 (2007 - \$nil).
- c) Paid or accrued professional fees of \$60,500 (2007 - \$40,000) to a current officer of the Company. See also Note 15. \$21,000 was payable as at December 31, 2008 (2007 - \$nil).
- d) Paid or accrued legal fees of \$31,653 (2007 - \$nil) to a current officer of the Company. \$3,812 was payable as at December 31, 2008 (2007 - \$nil).

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. The repayment terms are the same as those for arms length transactions.

BOLERO RESOURCES CORP.
(A Development Stage Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 DECEMBER 31, 2008 AND 2007

10. CAPITAL STOCK, STOCK OPTIONS AND WARRANTS

	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	-	-
Value of warrants exercised	-	324,571	(263,341)	(61,230)
Exercise of stock options	812,659	160,038	-	-
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 (Note 12(b))	-	(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	-	-
Value of warrants exercised	-	48,555	(48,555)	-
Expiry of warrants	-	-	(1,127,099)	1,127,099
Acquisition of mineral properties (Note 6)	100,000	30,000	-	-
Shares issued for debt repayment	4,000,000	60,000	-	-
Stock-based compensation	-	-	-	392,414
Balance as at December 31, 2008	76,318,141	\$ 14,380,447	\$ -	\$ 2,905,186

In December 2008, the Company issued 4,000,000 common shares valued at \$60,000 for the settlement of debt and accrued interest of \$355,034 (US\$288,341) to an arm's length vendor.

During the year ended December 31, 2008, the Company issued Nil common shares of the Company (2007 - 812,659) for \$Nil (2007 - \$160,038) pursuant to the exercise of stock options and 650,000 common shares (2007 - 7,865,240) for \$162,500 (2007 - \$2,155,563) pursuant to the exercise of warrants.

Continued...

BOLERO RESOURCES CORP.
(A Development Stage Company)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007

10. CAPITAL STOCK, STOCK OPTIONS AND WARRANTS (Continued)

Share purchase warrants

At December 31, 2008, there were no warrants outstanding.

	Number of Warrants	Weighted Average Exercise Price
As at December 31, 2006	18,636,022	\$ 0.34
Warrants expired	(25,000)	0.25
Warrants exercised	<u>(7,865,240)</u>	0.27
As at December 31, 2007	10,745,782	0.39
Warrants expired	(10,095,782)	0.40
Warrants exercised	<u>(650,000)</u>	0.25
As at December 31, 2008	-	\$ -

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 December 31, 2008, the following incentive stock options were outstanding:

Number of Options Granted	Number of Options Exercisable	Exercise Price	Expiry Date
50,000	50,000	0.20	February 27, 2009 (Note 16(c))
100,000	100,000	0.24	March 16, 2009 (Note 16(c))
200,000	200,000	0.17	December 21, 2010
250,000	250,000	0.32	February 17, 2011
2,099,998	2,099,998	0.25	September 19, 2011
300,000	250,000	0.35	January 24, 2012
700,000	583,333	0.50	March 29, 2012
2,604,333	1,493,282	0.30	March 7, 2013
300,000	128,497	0.20	May 9, 2013
<u>6,604,331</u>	<u>5,155,110</u>		

Continued...

BOLERO RESOURCES CORP.
(A Development Stage Company)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007

10. CAPITAL STOCK, 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, 2006	5,088,337	\$ 0.24
Options granted	1,300,000	0.47
Options expired	(425,680)	0.25
Options exercised	<u>(812,659)</u>	0.20
Balance, December 31, 2007	5,149,998	\$ 0.24
Options granted	3,050,000	0.29
Options expired	<u>(1,595,667)</u>	0.30
Balance, December 31, 2008	6,604,331	\$ 0.30
Number of options currently exercisable	5,155,110	\$ 0.30

The weighted average grant date fair value of options granted during fiscal 2008 was \$0.22 (2007 - \$0.36).

Stock-based compensation

During year ended December 31, 2008, the Company granted 3,050,000 (2007 - 1,300,000) stock options to directors, consultants and employees, resulting in a value of \$657,994 (2007 - \$468,200). Compensation costs expensed in the year totalled \$392,414 (2007 - \$714,171) with a corresponding amount recorded as contributed surplus in shareholders' equity.

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

	2008	2007
Risk-free interest rate	3.0%	4.02%
Expected dividend yield	0.00%	0.00%
Expected stock volatility	110%	118%
Expected option life in years	5.0 years	5.0 years

Continued...

BOLERO RESOURCES CORP.
(A Development Stage Company)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007

11. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

Significant non-cash transactions for the year ended December 31, 2008 consisted of:

- a) The issuance of 100,000 common shares of the Company valued at \$30,000 pursuant to the Bald Butte mineral property option agreement.
- b) The issuance of 4,000,000 common shares of the Company valued at \$60,000 for the settlement of debt and accrued interest of \$355,034 (US\$288,341).
- c) The net increase in accrued mineral property expenditures of \$110,443.
- d) The net decrease in accrued property investigation costs of \$54,717.
- e) The increase in asset retirement obligations of \$51,510

Significant non-cash transactions for the year ended December 31, 2007 consisted of:

- a) The issuance of 315,000 common shares of the Company valued at \$100,500 pursuant to mineral property option agreements.
- b) The decrease in accrued mineral property expenditures of \$167,031.
- c) The increase in the asset retirement obligation on the Bald Butte Project by \$23,148 during the year ended December 31, 2007.
- d) The increase in accrued property investigation costs of \$54,717.
- e) The decrease in subscriptions receivable of \$29,033.

12. INCOME TAXES

a) A reconciliation of income taxes at the statutory rate of 33.5% (2007 – 36.1%) is as follows:

	2008	2007
(Loss) for the year before tax	\$ (1,041,464)	\$ (1,758,871)
Expected income tax (recovery)	\$ (348,900)	\$ (633,200)
Other	(3,600)	(10,200)
Change in foreign exchange rate	(6,100)	4,700
Change in expected tax rate	27,500	183,300
Expenses not deductible for income tax purposes	146,100	264,800
Non-capital loss expiry	2,000	-
Change in valuation allowance	183,000	190,600
Total future income tax (recovery)	\$ -	\$ -

Continued...

BOLERO RESOURCES CORP.
(A Development Stage Company)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007

12. INCOME TAXES (Continued)

b) The significant components of the Company's future income tax assets are as follows:

	2008	2007
Future income tax assets:		
Resource properties	\$ 505,900	\$ 460,500
Non-capital loss carry-forwards	996,500	820,000
Other assets	77,600	116,500
	1,580,000	1,397,000
Valuation allowance	(1,580,000)	(1,397,000)
Net future income tax assets	\$ -	\$ -

During the year ended December 31, 2006, the Company issued 1,000,000 common shares on a flow-through basis for gross proceeds of \$500,000. The flow-through agreements required the Company to renounce certain tax deductions for Canadian exploration expenditures incurred on the Company's mineral properties to the flow-through participants. During the year ended December 31, 2007, the Company renounced exploration expenditures of \$500,000.

The Company has available for deduction against future taxable income, Canadian non-capital losses of approximately \$3,294,000 and U.S. non-capital losses of approximately \$96,000 (US\$78,000). Subject to certain restrictions, the Company also has resource expenditures of approximately \$9,795,210 available to reduce taxable income in Canada in future years.

The non-capital losses if not used, will expire as follows:

<u>Year</u>	<u>Canadian losses Amount</u>	<u>U.S. losses Amount</u>
2009	\$ 58,000	
2010	212,000	US\$ -
2014	253,000	-
2015	666,000	-
2025	-	24,000
2026	849,000	54,000
2027	660,000	-
2028	596,000	-
	<u>\$ 3,294,000</u>	<u>US\$ 78,000</u>

Continued...

BOLERO RESOURCES CORP.
(A Development Stage Company)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007

13. SEGMENTED INFORMATION

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

2008	Total Assets	Mineral Properties	Oil and Gas Properties	Other Assets
Assets				
Canada	\$ 857,861	\$ 802,099	\$ -	\$ 55,762
United States	7,402,109	7,248,745	2	153,362
	\$ 8,259,970	\$ 8,050,844	\$ 2	\$ 209,124

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

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

14. COMPARATIVE FIGURES

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

15. COMMITMENTS AND CONTINGENCIES

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, of which \$16,256 will be incurred for the year ended December 31, 2009 and \$1,355 will be incurred for the year ended December 31, 2010.

The Company entered into two-year contracts commencing on April 1, 2008, for the President and CFO positions for \$10,000 and \$5,000 per month respectively. The Company is committed to a total of \$180,000 with respect to these contracts. The Company is also obligated for additional payments of up to \$360,000 to be made upon the occurrence of certain events including, but not limited to, a change of control, termination of business and liquidation of assets. As the likelihood of these events taking place is not determinable, the contingent payments have not been reflected in these financial statements.

In May 2008, the Company entered into a two-year lease for storage facilities with basic rent of US\$600 per month, of which US\$7,200 will be incurred for the year ended December 31, 2009 and US\$2,400 for the year ended December 31, 2010.

Continued...

BOLERO RESOURCES CORP.

(A Development Stage Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2008 AND 2007

16. SUBSEQUENT EVENTS

- a) In January 2009, the Company issued 1,500,000 common shares valued at \$60,000 pursuant to the amended Cannivan Gulch 2008 property payment. (See Note 6)
- b) In February 2009, the Company issued 4,000,000 common shares valued at \$120,000 pursuant to the amended Bald Butte 2009 cash and common share property payment.
- c) 50,000 options exercisable at \$0.20 per share, 100,000 options exercisable at \$0.24 per share and 273,059 options exercisable at \$0.30 expired. 226,941 options exercisable at \$0.30 were cancelled.
- d) On April 6, 2009, the Company closed a non-brokered private placement. The Company issued 3,207,000 units at a price of \$0.03 per unit for gross proceeds of \$96,210. Each unit consisted of one common share and one half of one common share purchase warrant. Each whole common share purchase warrant entitles the holder to purchase one common share for \$0.05 per share for a period of one year and \$0.10 per share for the second year. Finders' fees of \$2,400 cash and 100,000 broker warrants were issued. Each broker warrant is exercisable into one unit at a price of \$0.03 per unit for a two-year period. Each unit consists of a common share and one half of one common share purchase warrant, with each whole warrant exercisable at \$0.05 in the first year and \$0.10 in the second year. An officer of the Company subscribed for 100,000 units and a director subscribed for 640,000 units.