

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

**INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2009 AND 2008**

(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, 2009	December 31, 2008 (Audited)
<b>ASSETS</b>		
<b>Current</b>		
Cash	\$ 33,166	\$ 29,690
Receivables	6,141	7,330
Prepaid expenses	2,349	5,548
	41,656	42,568
<b>Equipment</b> (Note 5)	15,305	17,568
<b>Oil and gas properties</b>	2	2
<b>Mineral properties</b> (Note 6)	8,179,550	8,050,844
<b>Drilling and reclamation deposits</b> (Note 7)	140,849	148,988
	\$ 8,377,362	\$ 8,259,970
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current</b>		
Accounts payable and accrued liabilities (Note 9)	\$ 351,911	\$ 298,624
<b>Asset retirement obligations</b> (Note 8)	211,952	220,321
	563,863	518,945
<b>Shareholders' equity</b>		
Shares to be issued (Note 6)	-	60,000
Capital stock (Note 10)	14,623,494	14,380,447
Warrants (Note 10)	27,611	-
Contributed surplus (Note 10)	3,054,254	2,905,186
Deficit	(9,891,860)	(9,604,608)
	7,813,499	7,741,025
	\$ 8,377,362	\$ 8,259,970

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

**Commitments and contingencies** (Notes 6 and 14)

**Subsequent events** (Note 15)

**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)**

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

	Three months ended June 30, 2009	Three months ended June 30, 2008	Six months ended June 30, 2009	Six months ended June 30, 2008
<b>EXPENSES</b>				
Amortization	\$ 1,132	\$ 1,551	\$ 2,264	\$ 3,104
Consulting fees	-	8,609	4,332	8,609
Management fees	30,000	42,000	60,000	114,000
Office, rent, and miscellaneous	1,057	17,570	6,993	25,642
Professional fees	24,335	30,800	40,381	65,978
Shareholder communications and promotion	4,835	37,329	9,335	85,101
Stock-based compensation (Note 9)	69,214	168,311	149,068	344,324
Transfer agent and filing fees	7,180	5,607	15,684	15,315
Travel and accommodation	5,736	2,959	5,736	2,959
<b>Loss before other items</b>	<u>143,489</u>	<u>314,736</u>	<u>293,793</u>	<u>665,032</u>
<b>OTHER ITEMS</b>				
Foreign exchange loss (gain)	(11,079)	(394)	(6,541)	6,581
Interest (income)	-	(2,067)	-	(5,331)
Write off of property investigation costs	-	2,680	-	35,086
	<u>(11,079)</u>	<u>219</u>	<u>(6,541)</u>	<u>36,336</u>
<b>Net loss and comprehensive loss for the period</b>	132,410	314,955	287,252	701,368
<b>Deficit, beginning of period</b>	<u>9,759,450</u>	<u>8,949,557</u>	<u>9,604,608</u>	<u>8,563,144</u>
<b>Deficit, end of period</b>	<u>\$ 9,891,860</u>	<u>\$ 9,264,512</u>	<u>\$ 9,891,860</u>	<u>\$ 9,264,512</u>
<b>Basic and diluted loss per common share</b>	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.01
<b>Weighted average number of common shares outstanding</b>	84,813,690	72,310,559	82,023,086	72,083,581

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, 2009	Three months ended June 30, 2008	Six months ended June 30, 2009	Six Months ended June 30, 2008
	\$	\$	\$	\$
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>				
Loss for the period	(132,410)	(314,955)	(287,252)	(701,368)
Items not affecting cash:				
Amortization	1,132	1,551	2,264	3,104
Write off of property investigation costs	-	2,680	-	35,086
Stock-based compensation	69,214	168,311	149,068	344,324
	(62,064)	(142,413)	(135,920)	(318,854)
Change in non-cash working capital items:				
(Increase)/Decrease in receivables	2,403	(43,838)	1,189	154,191
(Increase)/Decrease in prepaids	-	(41,771)	3,199	(61,277)
Increase/(Decrease) in accounts payable and accrued liabilities	26,010	(41,004)	69,092	(163,132)
Net cash flows from operating activities	(33,651)	(269,026)	(62,440)	(389,072)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Exercise of options and warrants	-	-	-	162,500
Proceeds from issuance of private placement units net of issue costs	36,658	-	90,658	-
Net cash flows from financing activities	36,658	-	90,658	162,500
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Mineral property expenditures	(22,204)	(398,098)	(24,512)	(815,492)
Asset retirement obligation	(12,979)	(2,081)	(8,369)	5,098
Property investigation costs	-	(11,781)	-	(89,803)
Drilling and reclamation deposits	11,405	(43,859)	8,139	(48,182)
Net cash flows from investing activities	(23,778)	(455,819)	(24,742)	(948,379)
<b>Increase/(Decrease) in cash during the period</b>	(20,771)	(724,845)	3,476	(1,174,951)
<b>Cash, beginning of period</b>	53,937	936,937	29,690	1,387,043
<b>Cash, end of period</b>	33,166	212,092	33,166	212,092

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 INTERIM UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2009 AND 2008

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**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 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 period ended June 30, 2009 are not necessarily indicative of the results that may be expected for the full year ended December 31, 2009. For further information, see the financial statements including the notes thereto for the year ended December 31, 2008.

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 June 30, 2009, the Company had a working capital deficit of \$310,255 and an accumulated deficit of \$9,891,860 compared to working capital deficit of \$256,056 and an accumulated deficit of \$9,604,608 as at December 31, 2008. 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 15)

Continued...

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

NOTES TO THE INTERIM UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2009 AND 2008

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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.

**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.

Continued...

**BOLERO RESOURCES CORP.**

**(A Development Stage Company)**

NOTES TO THE INTERIM UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2009 AND 2008

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**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.

Continued...

**BOLERO RESOURCES CORP.**

**(A Development Stage Company)**

NOTES TO THE INTERIM UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2009 AND 2008

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**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 June 30, 2009 and 2008, other comprehensive loss was equal to net loss.

**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.

Continued...

**BOLERO RESOURCES CORP.**

**(A Development Stage Company)**

NOTES TO THE INTERIM UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2009 AND 2008

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

**(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.

Continued...

**BOLERO RESOURCES CORP.**

**(A Development Stage Company)**

NOTES TO THE INTERIM UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2009 AND 2008

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**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 three months ended June 30, 2009. 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, 2009, the Company had a cash balance of \$33,166 to settle current liabilities of \$351,911. All of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms. 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 and commodity prices to rise. (See Note 15)

Continued...

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

NOTES TO THE INTERIM UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2009 AND 2008

**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 June 30, 2009, the Company had drilling and reclamation deposits of US\$121,842, a bank balance of US\$2,797, payables of US\$83,111 and asset retirement obligations of US\$180,000. A 1% change in foreign exchange rates between the Canadian and US dollar at June 30, 2009 would result in a \$1,601 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**

	2009			2008		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Office equipment	\$ 5,329	\$ 3,079	\$ 2,250	\$ 5,329	\$ 2,829	\$ 2,500
Machinery and other equipment	9,887	5,491	4,396	9,887	5,006	4,881
Vehicles	3,125	2,233	892	3,125	2,075	1,050
Computer equipment	31,151	23,384	7,767	31,151	22,014	9,137
	\$ 49,492	\$ 34,187	\$ 15,305	\$ 49,492	\$ 31,924	\$ 17,568

Continued...

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

NOTES TO THE INTERIM UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS  
 JUNE 30, 2009 AND 2008

**6. MINERAL PROPERTIES**

At June 30, 2009, 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, 2009	Twelve Months Ended December 31, 2008
Acquisition costs:						
Balance, beginning of year	\$ 480,939	\$ 947,378	\$ -	\$ 49,500	\$ 1,477,817	\$ 1,178,337
Claim staking	-	-	-	-	-	-
Additions during the period	-	120,000	-	-	120,000	299,480
Balance, end of period	480,939	1,067,378	-	49,500	1,597,817	1,477,817
Deferred exploration costs:						
Balance, beginning of year	581,286	5,230,542	8,600	752,599	6,573,027	5,680,044
Assays	-	-	-	-	-	65,808
Metallurgical & water sampling	-	-	-	-	-	19,408
Excavation, drilling and transportation	1,407	7,272	-	-	8,679	691,875
Field supplies	-	-	-	-	-	28,125
Geologists and other labour	-	-	-	-	-	351,390
Licences, permits and maintenance fees	-	27	-	-	27	40,872
Reports, drafting, maps	-	-	-	-	-	50,767
Travel, meals & accommodation	-	-	-	-	-	90,774
Field admin and other expenses	-	-	-	-	-	55,316
Reclassification of advances	-	-	-	-	-	(501,352)
Balance, end of period	582,693	5,237,841	8,600	752,599	6,581,733	6,573,027
Total	\$ 1,063,632	\$ 6,305,219	\$ 8,600	\$ 802,099	\$ 8,179,550	\$ 8,050,844

Continued...

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

NOTES TO THE INTERIM UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS  
 JUNE 30, 2009 AND 2008

**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.

**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...

**BOLERO RESOURCES CORP.**

**(A Development Stage Company)**

NOTES TO THE INTERIM UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2009 AND 2008

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**6. MINERAL PROPERTIES (Continued)**

**Bald Butte Project, Montana, USA (Continued)**

The Company has acquired additional contiguous claims through staking.

In December 2008, the Company and the Bald Butte optionors reached an agreement that the 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 in February 2009 for a value of \$120,000.

**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. No expenditures have been incurred to date in 2009.

**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 a minimum \$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.

**7. DRILLING AND RECLAMATION DEPOSITS**

The Company has issued bonds in the amount of \$140,849 (US\$121,842) 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).

**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 \$211,952 (US\$180,000). 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.

Continued...

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

NOTES TO THE INTERIM UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS  
 JUNE 30, 2009 AND 2008

**9. RELATED PARTY TRANSACTIONS**

During the six months ended June 30, 2009, the Company entered into the following transactions with related parties:

- a) Paid or accrued management fees of \$60,000 (2008 - \$90,000) 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. \$105,000 is payable as at June 30, 2009 related to 2008 and 2009 fees.
- b) Paid or accrued professional fees of \$30,000 (2008 - \$30,500) to a current officer of the Company. \$52,500 was payable as at June 30, 2009 related to 2008 and 2009 fees.
- c) Paid or accrued legal fees of \$5,736 (2008 - \$28,664) to a current officer of the Company. \$5,197 was payable as at June 30, 2009.

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.

**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, 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
Issued pursuant to private placement	3,207,000	70,585	25,625	-
Acquisition of mineral properties (Note 6)	5,500,000	180,000	-	-
Stock-based compensation	-	-	-	149,068
Issue costs cash	-	(4,053)	(1,499)	-
Issue costs-non cash	-	(3,485)	3,485	149,068
Balance as at June 30, 2009	85,025,141	\$ 14,623,494	\$ 27,611	\$ 3,054,254

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)

Continued...

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

NOTES TO THE INTERIM UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS  
 JUNE 30, 2009 AND 2008

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

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.

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 of which \$25,625 was allocated to warrants. 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 valued at \$3,485 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.

**Share purchase warrants**

At June 30, 2009, warrants were outstanding enabling holders to acquire shares as follows:

Number of Shares	Exercise Price	Expiry Date
100,000	0.03	April 6, 2011
1,653,500	0.05	April 6, 2010
<u>1,753,500</u>	0.10	April 6, 2011

	Number of Warrants	Weighted Average Exercise Price
As at December 31, 2008	-	-
Warrants issued pursuant to private placement	1,603,500	0.05
Warrants issued to brokers pursuant to private placement	<u>150,000</u>	0.04
As at June 30, 2009	1,753,500	\$ 0.05

The following weighted average assumptions were used for the Black-Scholes valuation of warrants issued during the period:

	2009
Risk-free interest rate	1.09%
Expected dividend yield	0.00%
Expected stock volatility	160%
Expected option life in years	2.0 years

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

NOTES TO THE INTERIM UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2009 AND 2008

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

**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, 2009, the following incentive stock options were outstanding:

Number of Options Granted	Exercise Price	Expiry Date
200,000	0.17	December 21, 2010
250,000	0.32	February 17, 2011
2,099,998	0.25	September 19, 2011
300,000	0.35	January 24, 2012
700,000	0.50	March 29, 2012
1,950,000	0.30	March 7, 2013
100,000	0.20	May 9, 2013
<u>5,599,998</u>		

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

	Number Of Options	Weighted Average Exercise Price
Balance, December 31, 2008	6,604,331	\$ 0.30
Options granted	-	-
Options expired/cancelled	<u>(1,004,333)</u>	<u>0.27</u>
Balance June 30, 2009	5,599,998	\$ 0.30

There were no options granted during the six months ended June 30, 2009.

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

NOTES TO THE INTERIM UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2009 AND 2008

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

Significant non-cash transactions for the six months ended June 30, 2009 consisted of:

- a) The issuance of 1,500,000 common shares of the Company valued at \$60,000 pursuant to the Cannivan Gulch amended 2008 mineral property option payment.
- b) The issuance of 4,000,000 common shares of the Company valued at \$120,000 pursuant to the Bald Butte amended 2009 mineral property option payment.
- c) The net decrease in accrued mineral property expenditures of \$15,805
- d) The decrease in asset retirement obligations of \$8,369

**12. 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:

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As at June 30, 2009	Total Assets	Mineral Properties	Oil and Gas Properties	Other Assets
Assets				
Canada	\$ 855,582	\$ 802,099	\$ -	\$ 53,483
United States	7,521,780	7,377,451	2	144,327
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	\$ 8,377,362	\$ 8,179,550	\$ 2	\$ 197,810

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As at December 31, 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
	<hr/>	<hr/>	<hr/>	<hr/>
	\$ 8,259,970	\$ 8,050,844	\$ 2	\$ 209,124

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

**BOLERO RESOURCES CORP.**

**(A Development Stage Company)**

NOTES TO THE INTERIM UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2009 AND 2008

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**13. COMPARATIVE FIGURES**

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

**14. 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.

**15. SUBSEQUENT EVENTS**

In July 2009, the Company announced that the share consolidation (the "Consolidation") at a ratio of 10:1 (i.e. ten old common shares for each one new common share) was approved by the Company's shareholders at its July 14, 2009 Annual and Special Meeting. The Consolidation was also approved by the TSX Venture Exchange. The number and price of the Company's outstanding options and warrants were also effected by Consolidation. The Consolidation became effective with the opening of markets on July 27, 2009. Bolero's trading symbol remains the same.

On July 30, 2009, the Company granted 347,000 options to certain directors and officers of the Company. The options are exercisable at \$0.25 per share for a period of five years.

In August the Company announced a non-brokered private placement, of up to 1,500,000 units at a price of \$0.30 per unit to raise \$450,000. Each unit will consist of one common share and one common share purchase warrant. Each warrant will entitle the holder to purchase one additional common share of the Company at a price of \$0.50 per share for the first year and \$1.00 per share for the second year from the date of closing. Finder's fees may be payable.