

BOLERO RESOURCES CORP.
(A Development Stage Company)

**CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008**



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, 2009 and 2008 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, 2009 and 2008 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 7, 2010, except for
Note 16 which is dated
April 22, 2010

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

	2009	2008
ASSETS		
Current		
Cash	\$ 1,508,272	\$ 29,690
Receivables	7,023	7,330
Prepaid expenses	8,630	5,548
	1,523,925	42,568
Equipment (Note 5)	13,041	17,568
Oil and gas properties	2	2
Mineral properties (Note 6)	2,260,160	8,050,844
Drilling and reclamation deposits (Note 7)	127,861	148,988
Future income tax asset (Note 12)	312,500	-
	\$ 4,237,489	\$ 8,259,970
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities (Note 9)	\$ 31,395	\$ 298,624
Asset retirement obligations (Note 8)	178,497	-
	209,892	298,624
Asset retirement obligations (Note 8)	12,000	220,321
	221,892	518,945
Shareholders' equity		
Shares to be issued (Note 6)	-	60,000
Capital stock (Note 10)	17,107,871	14,380,447
Warrants (Note 10)	728,626	-
Contributed surplus (Note 10)	3,190,488	2,905,186
Deficit	(17,011,388)	(9,604,608)
	4,015,597	7,741,025
	\$ 4,237,489	\$ 8,259,970

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**

	2009	2008
EXPENSES		
Amortization	\$ 4,527	\$ 6,208
Consulting fees (Note 9(b))	13,332	74,534
Management fees (Note 9(a))	120,000	150,000
Office, rent, and miscellaneous	16,256	54,702
Professional fees (Notes 9 (c) and (d))	96,988	125,676
Shareholder communications and promotion	24,802	121,847
Stock-based compensation (Note 10)	285,302	392,414
Transfer agent and filing fees	36,653	22,542
Travel and accommodation	6,023	8,019
Loss before other items	603,883	955,942
OTHER ITEMS		
Foreign exchange loss (gain)	(21,120)	37,417
Interest expense	6,126	13,019
Write off of mineral property costs (Note 6)	7,130,391	-
Write off of property investigation costs	-	35,086
	7,115,397	85,522
Loss from operations	7,719,280	1,041,464
Future income tax recovery (Note 12(a))	(312,500)	-
Net loss and comprehensive loss for the year	7,406,780	1,041,464
Deficit, beginning of year	9,604,608	8,563,144
Deficit, end of year	\$ 17,011,388	\$ 9,604,608
Basic and diluted loss per common share (i)	\$ 0.75	\$ 0.14
Weighted average number of common shares outstanding	9,926,989	7,235,491

(i) After considering the effect of the consolidation of the Company's shares on a 10:1 basis (See Note 10)

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

	2009	2008
CASH FLOW FROM OPERATING ACTIVITIES		
Loss for the period	\$ (7,406,780)	\$ (1,041,464)
Items not affecting cash:		
Amortization	4,527	6,208
Unrealized foreign exchange (gain)	(8,697)	-
Tax recovery	(312,500)	-
Write off of mineral property costs	7,130,391	-
Write off of property investigation costs	-	35,086
Stock-based compensation	285,302	392,414
	(307,757)	(607,756)
Change in non-cash working capital items:		
Decrease in receivables	307	204,736
(Increase)/decrease in prepaid expenses	(3,082)	6,344
(Decrease) in accounts payable and accrued liabilities	(23,342)	(106,926)
Net cash flows from operating activities	(333,874)	(503,602)
CASH FLOWS FROM FINANCING ACTIVITIES		
Exercise of options and warrants	-	162,500
Proceeds from issuance of private placement units	2,317,500	-
Share issue costs	(153,574)	-
Net cash flows from financing activities	2,163,926	162,500
CASH FLOWS FROM INVESTING ACTIVITIES		
Mineral property expenditures	(351,470)	(880,510)
Property investigation costs	-	(89,803)
Drilling and reclamation deposits	-	(45,938)
Net cash flows from investing activities	(351,470)	(1,016,251)
Increase (decrease) in cash during the year	1,478,582	(1,357,353)
Cash, beginning of year	29,690	1,387,043
Cash, end of year	\$ 1,508,272	\$ 29,690
Cash paid for interest during the year	6,126	-
Cash paid for taxes during the year	-	-

Supplemental disclosure with respect to cash flows (Note 11)

See accompanying notes to the consolidated financial statements.

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, 2009, the Company had working capital of \$1,314,033 and an accumulated deficit of \$17,011,388 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. These consolidated financial statements do not include the adjustments that would be necessary should the Company be unable to continue as a going concern. Such adjustments could be material.

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 where 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. The Company did not have any cash equivalents as at December 31, 2009 and 2008.

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.

As at December 31, 2009 and 2008, asset retirement obligations were not discounted as management was not able to estimate the timing of payments. Management does not believe the effect is material on the overall financial statement presentation.

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 enacted or 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 operations 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 and included in contributed surplus. When options are exercised, consideration paid for the shares on the exercise of stock options and the amount in contributed surplus 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. See Note 10 for potentially dilutive options and warrants. The outstanding options and warrants to purchase common shares were not included in the computation of the diluted loss per share because the effect would be anti-dilutive.

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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 properties, 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, classified as held-for-trading, are measured at fair value with changes in those fair values recognized in net income. Receivables and drilling and reclamation deposits, 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, 2009 and 2008, other comprehensive loss was equal to net loss.

New accounting changes

Fair value hierarchy and liquidity risk disclosure

In June 2009, the Canadian Accounting Standards Board issued an amendment to CICA Section 3862, "Financial Instruments Disclosures" in an effort to make Section 3862 consistent with IFRS Section 7 - Disclosures ("IFRS 7"). The purpose was to establish a framework for measuring fair value in Canadian GAAP and expand disclosures about fair value measurements. To make the disclosures an entity shall classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy shall have the following levels: (a) quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1); (b) inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices) (Level 2); and (c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3). The adoption of the new standard resulted in additional disclosures in the notes to the consolidated financial statements. At December 31, 2009, the Company's financial instruments that are carried at fair value, consisting of cash, have been classified as Level 1 within the fair value hierarchy.

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. The adoption of this standard had no impact on these consolidated financial statements.

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 were required on adoption.

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2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 has determined the differences between Canadian GAAP and IFRS and is working through its implementation plan for the 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 and is currently assessing the impact of this standard.

(iii) Consolidations and non-controlling interests

CICA Handbook Section 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 these standards on January 1, 2011 and is currently assessing the impact of these standards.

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, 2009. Neither the Company nor its subsidiary is subject to externally imposed capital requirements.

4. FINANCIAL RISK FACTORS

There have been no changes in the risks, objectives, policies and procedures from the previous year. 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 relate to 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, 2009, the Company had a cash balance of \$1,508,272 to settle current liabilities of \$209,892. All of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms. The Company has sufficient cash to meet its current short term funding requirements but will require additional equity financing to meet mid to long term operational needs.

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, 2009 the Company had drilling and reclamation deposits of US\$121,842, a bank overdraft of US\$(37,362), payables of US\$2,344 and asset retirement obligations of US\$180,000. A 1% change in foreign exchange rates between the Canadian and US dollar at December 31, 2009 would result in a \$1,026 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.

BOLERO RESOURCES CORP.
(A Development Stage Company)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008

5. EQUIPMENT

	2009			2008		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Office equipment	\$ 5,329	\$ 3,329	\$ 2,000	\$ 5,329	\$ 2,829	\$ 2,500
Machinery and other equipment	9,887	5,977	3,910	9,887	5,006	4,881
Vehicles	3,125	2,390	735	3,125	2,075	1,050
Computer equipment	31,151	24,755	6,396	31,151	22,014	9,137
	\$ 49,492	\$ 36,451	\$ 13,041	\$ 49,492	\$ 31,924	\$ 17,568

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BOLERO RESOURCES CORP.
(A Development Stage Company)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008

6. MINERAL PROPERTIES

At December 31, 2009, expenditures incurred on mineral properties were as follows:

	Cannivan Gulch Project, Montana	Bald Butte Project, Montana	Copper Star, Montana	Arcadia Bay, Nunavut	Barkerville, British Columbia	Red Chris, British Columbia	Year ended December 31, 2009
Acquisition costs:							
Balance, beginning of year	\$ 480,939	\$ 947,378	\$ -	\$ 49,500	\$ -	\$ -	\$ 1,477,817
Claim staking	-	-	-	-	-	-	-
Additions during the year	<u>78,158</u>	<u>120,000</u>	-	-	<u>967,650</u>	<u>139,494</u>	<u>1,305,302</u>
	559,097	1,067,378	-	49,500	967,650	139,494	2,783,119
Less: write offs	-	<u>(1,067,378)</u>	-	<u>(49,500)</u>	-	-	<u>(1,116,878)</u>
Balance, end of year	<u>559,097</u>	-	-	-	<u>967,650</u>	<u>139,494</u>	<u>1,666,241</u>
Deferred exploration costs:							
Balance, beginning of year	581,286	5,230,542	8,600	752,599	-	-	6,573,027
Assays	-	-	-	-	-	-	-
Metallurgical & water sampling	-	-	-	-	-	-	-
Excavation, drilling and transportation	5,626	13,828	-	-	-	-	19,454
Field supplies	-	-	-	-	-	-	-
Geologists and other labour	80	222	-	-	-	-	302
Licences, permits and maintenance fees	6,927	7,722	-	-	-	-	14,649
Reports, drafting, maps	-	-	-	-	-	-	-
Travel, meals & accommodation	-	-	-	-	-	-	-
Field admin and other expenses	-	-	-	-	-	-	-
Reclassification of advances	-	-	-	-	-	-	-
Balance, end of year	<u>593,919</u>	<u>5,252,314</u>	<u>8,600</u>	<u>752,599</u>	-	-	<u>6,607,432</u>
Less: write offs	-	<u>(5,252,314)</u>	<u>(8,600)</u>	<u>(752,599)</u>	-	-	<u>(6,013,513)</u>
Total	\$ 1,153,016	\$ -	\$ -	\$ -	\$ 967,650	\$ 139,494	\$ 2,260,160

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>299,480</u>
Balance, end of year	<u>480,939</u>	<u>947,378</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	-	<u>(1,352)</u>	-	<u>(500,000)</u>	<u>(501,352)</u>
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

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BOLERO RESOURCES CORP.
(A Development Stage Company)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 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 issued 33,333 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 - \$64,500)	10,000 (issued, valued at \$18,375)
On or before December 31, 2005	US\$50,000 (paid - \$58,000)	10,000 (issued, valued at \$25,000)
On or before December 31, 2006	US\$50,000 (paid - \$58,500)	10,000 (issued, valued at \$28,000)
On or before each anniversary date from December 31, 2007 to December 31, 2008	US\$75,000 (paid - \$73,647) for 2007	10,000 (issued, valued at \$26,000) for 2007
On or before December 31, 2009	US\$75,000 (paid - \$78,158)	-
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 150,000 common shares of the Company. The shares were issued in January 2009 for a value of \$60,000 and were reflected as shares to be issued as at December 31, 2008.

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 issued 12,196 common shares valued at \$22,410 as a finder’s fee during the year ended December 31, 2005.

To complete the option, the Company was 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 - \$98,392)	12,000 (issued, valued at \$22,050)
On or before February 18, 2006	US\$100,000 (paid - \$114,850)	12,000 (issued, valued at \$30,000)
On or before each anniversary date from February 18, 2007 to February, 2010	US\$200,000 (paid - \$232,900) for 2007 US\$200,000 (paid - \$199,480) for 2008	12,000 (issued, valued at \$34,800) for 2007 12,000 (issued 2,000 in 2007 valued at \$5,200 and 10,000 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 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 400,000 common shares of the Company. The shares were issued in February 2009 for a value of \$120,000.

Subsequent to year end, the Company decided to terminate the Bald Butte option agreement and the capitalized costs were written off accordingly.

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. The Company incurred expenditures to maintain its claims.

In August 2009, the Company decided to no longer pursue the Copper Star mineral claims and the capitalized costs were written off accordingly.

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 7,500 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.

While the Company continues to retain its joint venture ownership of the Arcadia property, it does not anticipate any exploration activity on the property in the foreseeable future and accordingly the acquisition and deferred exploration costs have been written off.

The following amounts are included in the consolidated financial statements and represents the Company's proportionate share of the assets, operations and cash flows of the joint venture.

	2009	2008
	\$	\$
Current assets	-	-
Mineral properties	-	802,099
Current liabilities	-	-
Revenues	-	-
Write-off of mineral property costs	802,099	-
Cash flows from operating activities	-	-
Cash flows from financing activities	-	-
Cash flows from investing activities	(65,321)	(152,599)

Continued...

6. MINERAL PROPERTIES (Continued)

Barkerville Property, British Columbia, Canada

In October 2009, the Company entered into an agreement to acquire 11 mining claims in British Columbia, Canada. The initial terms of the agreement were a cash payment of \$35,000 (paid), the issuance of 1,500,000 shares of the Company (issued for value of \$870,000) upon TSX Venture Exchange approval, 1,500,000 shares six months after the date of the agreement plus a 1% NSR. The Company was also committed to spend \$50,000 on exploration prior to July 1, 2010. A finder's fee of 100,000 common shares (issued for value of \$58,000) was paid in relation to this agreement. This transaction has received regulatory approval.

In January 2010, the property agreement was amended to reduce the number of the Company's shares to be issued to the vendors by an aggregate of 1,000,000 shares. In addition, the vendors of the claims have waived the requirement for Bolero to expend \$50,000 on exploration on the claims by July 1, 2010. As consideration for the amendment, the Company issued 500,000 shares valued at \$255,000 as the final instalment of shares owing on the 11 mining claims.

Red Chris Property, Vancouver, Canada

In December 2009, the Company entered into an agreement to purchase a 100% interest in twelve strategic claims in the Red Chris area of north-western British Columbia. As consideration for the agreement, the Company is to make a cash payment of \$20,000 (paid) and issue 175,000 common shares (issued for value of \$105,000). A finder's fee of 15,000 common shares (issued for value of \$9,000) was paid in relation to this agreement. The transaction has received regulatory approval.

In addition to the agreement, the Company paid \$5,000 for an option for a period of 35 days, to acquire two additional property packages from the same vendor for \$15,000 and 150,000 common shares. The option expired subsequent to year end without being exercised.

7. DRILLING AND RECLAMATION DEPOSITS

The Company has issued bonds in the amount of \$127,861 (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 \$190,497 (US\$180,000). The Company has assigned certain certificates of deposit to the DEQ for the restoration in these areas (see Note 7). The restoration of the Bald Butte property of \$178,497 will occur in 2010 however, management is not able to estimate the timing of payments related to the Cannivan Gulch asset retirement obligations of \$12,000 and accordingly, the value of the asset retirement obligation has not been discounted. The discounted amount would not be material to the consolidated financial statement presentation.

The following is an analysis of the asset retirement obligation:

Balance, December 31, 2007	\$ 168,811
Additions	10,000
Foreign exchange	<u>41,510</u>
Balance, December 31, 2008	220,321
Additions	-
Foreign exchange	<u>(29,824)</u>
Balance, December 31, 2009	<u>\$ 190,497</u>

Continued...

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9. RELATED PARTY TRANSACTIONS

During the year ended December 31, 2009, the Company entered into the following transactions with related parties:

- a) Paid management fees of \$120,000 (2008 - \$150,000) to a former director who was also an officer of the Company and a corporation controlled by a director who is also an officer of the Company.
- b) Paid consulting fees of \$Nil (2008 - \$9,166) to a director of the Company.
- c) Paid professional fees of \$60,000 (2008 - \$60,500) to a current officer of the Company
- d) Paid or accrued legal fees of \$37,078 (2008 - \$31,653) to a current officer of the Company of which \$8,936 (2008 - \$3,812) was included in accounts payable as at December 31, 2009. This amount is unsecured, non-interest bearing with no fixed terms of repayment.

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.

During fiscal 2009, pursuant to the April private placement described in Note 10, a director and an officer of the Company subscribed for a total of 74,000 units for gross proceeds of \$22,200. In addition, pursuant to the October private placement, directors and officers of the Company subscribed for a total of 723,333 units for gross proceeds of \$108,500.

10. CAPITAL STOCK, STOCK OPTIONS AND WARRANTS

	Number of Shares (i)	Capital Stock	Warrants	Contributed Surplus
Authorized Unlimited common shares without par value				
Common shares				
Balance as at December 31, 2007	7,156,847	\$ 14,079,392	\$ 1,175,654	\$ 1,385,673
Exercise of warrants	65,000	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)	10,000	30,000	-	-
Shares issued for debt repayment	400,000	60,000	-	-
Stock-based compensation	-	-	-	392,414
Balance as at December 31, 2008	7,631,847	\$ 14,380,447	\$ -	\$ 2,905,186
Issued pursuant to private placements	9,593,425	1,694,753	701,457	-
Acquisition of mineral properties (Note 6)	2,225,000	1,155,000	-	-
Finder's fees on mineral property acquisitions (Note 6)	115,000	67,000	-	-
Stock-based compensation	-	-	-	285,302
Issue costs cash	-	(117,083)	(45,077)	-
Issue costs-non cash	-	(72,246)	72,246	-
Balance as at December 31, 2009	19,565,272	\$ 17,107,871	\$ 728,626	\$ 3,190,488

(i) All share figures have been adjusted to reflect the 10:1 consolidation.

Continued...

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

In January 2009, the Company issued 150,000 common shares valued at \$60,000 pursuant to the amended Cannivan Gulch 2008 property payment. (See Note 6)

In February 2009, the Company issued 400,000 common shares valued at \$120,000 pursuant to the amended Bald Butte 2009 cash and common share property payment. (See Note 6)

On April 6, 2009, the Company closed a non-brokered private placement. The Company issued 320,700 units at a price of \$0.30 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 \$0.50 per share for a period of one year and \$1.00 per share for the second year. Finders' fees of \$2,400 cash and 10,000 broker warrants valued at \$3,485 were issued. Each broker warrant is exercisable into one unit at a price of \$0.30 per unit for a two-year period. Each unit consisted of a common share and one half of one common share purchase warrant, with each whole warrant exercisable at \$0.50 in the first year and \$1.00 in the second year. Total cash issue costs were \$5,552 of which \$1,499 was allocated to warrants. An officer of the Company subscribed for 10,000 units and a director subscribed for 64,000 units.

In July 2009, the Company's 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 has also been approved by the TSX Venture Exchange. The Consolidation became effective with the opening of markets on July 27, 2009. The Company's trading symbol remains the same. All references to common shares, options, warrants and per share amounts have been restated to reflect this 10:1 consolidation.

In October 2009, the Company completed a non-brokered private placement. The Company issued 7,000,000 units at \$0.15 per unit for gross proceeds of \$1,050,000 of which \$381,536 was allocated to warrants. Each unit consisted of one common share and one common share purchase warrant. Each warrant is exercisable at \$0.30 for a period of 24 months. Finders' fees of \$35,000 and 291,667 compensation warrants valued at \$18,984 were issued. Each compensation warrant is exercisable at a price of \$0.15 per common share for a period of 24 months. Total cash issue costs were \$54,197 of which \$19,511 was allocated to warrants. Two directors of the Company subscribed for 723,333 units.

In November 2009, the Company issued 1,500,000 shares valued at \$870,000 pursuant to the Barkerville property agreement and 100,000 shares valued at \$58,000 for related finder's fees.

In December 2009, the Company completed a non-brokered flow-through private placement. The Company issued 2,272,725 units priced at \$0.55 per unit for gross proceeds of \$1,250,000 of which \$294,296 was allocated to warrants. Each unit consisted of one common share and one half of one common share purchase warrant. Each whole warrant is exercisable at \$0.80 for 24 months. Cash costs of \$87,575 and 181,818 compensation warrants valued at \$75,232 were issued. Each compensation warrant is exercisable into one unit for a price of \$0.55. Each unit consisted of one common share and one half warrant with each whole warrant exercisable at \$0.80 for 24 months. Total cash issue costs were \$102,411 of which \$24,067 was allocated to warrants.

In December 2009, the Company issued 175,000 shares valued at \$105,000 pursuant to the Red Chris property agreement and 15,000 shares valued at \$9,000 for related finder's fees.

In December 2008, the Company issued 400,000 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 65,000 common shares for \$162,500 pursuant to the exercise of warrants.

Continued...

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

Share purchase warrants

At December 31, 2009, warrants were outstanding enabling holders to acquire shares as follows:

Number of Shares (i)	Exercise Price (i)	Expiry Date
10,000	0.30	April 6, 2011(ii)
160,350	0.50	April 6, 2010
	then	1.00
7,000,000	0.30	April 6, 2011
291,667	0.15	October 28, 2011
1,136,362	0.80	October 28, 2011
181,818	0.55	December 18, 2011
<u>8,780,197</u>		December 18, 2011(iii)

(i) The number of shares and exercise price have been adjusted to reflect the 10:1 consolidation.

(ii) Exercisable into one unit at a price of \$0.30 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 \$0.50 in the first year and \$1.00 in the second year.

(iii) Exercisable into one unit at a price of \$0.55 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 \$0.80 for a two-year period.

Share purchase warrant transactions and the number of share purchase warrants outstanding are summarized as follows:

	Number of Warrants (i)	Weighted Average Exercise Price (i)
As at December 31, 2007	1,074,578	\$ 3.90
Warrants expired	(1,009,578)	4.00
Warrants exercised	<u>(65,000)</u>	2.50
As at December 31, 2008	-	-
Warrants issued pursuant to private placements	8,296,712	0.37
Warrants issued to brokers pursuant to private placements	<u>483,485</u>	0.38
As at December 31, 2009	8,780,197	\$ 0.37
Warrants currently exercisable	<u>175,350</u>	\$ 0.49

(i)The number of shares and exercise price have been adjusted to reflect the 10:1 consolidation.

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

Share purchase warrants (Continued)

The weighted average grant date fair value of the warrants of \$0.09 (2008 - \$Nil) was estimated based on the following weighted average assumptions used in the Black-Scholes valuation during the year:

	2009
Risk-free interest rate	1.39%
Expected dividend yield	0.00%
Expected stock volatility	157%
Expected warrant life in years	2.0 years

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, 2009, the following incentive stock options were outstanding:

Number of Options Granted (i)	Exercise Price (i)	Expiry Date
20,000	1.70	December 21, 2010
25,000	3.20	February 17, 2011
210,000	2.50	September 19, 2011
30,000	3.50	January 24, 2012
70,000	5.00	March 29, 2012
195,000	3.00	March 7, 2013
10,000	2.00	May 9, 2013
347,000	0.25	July 30, 2014
<u>907,000</u>		

(i) The number of options and exercise price have been adjusted to reflect the 10:1 consolidation.

Continued...

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

Stock options (Continued)

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

	Number Of Options (i)	Weighted Average Exercise Price (i)
Balance, December 31, 2007	515,000	\$ 2.40
Options granted	305,000	2.90
Options expired	<u>(159,567)</u>	3.00
Balance, December 31, 2008	660,433	3.00
Options expired	(65,517)	2.80
Options forfeited	(34,916)	2.49
Options granted	<u>347,000</u>	0.25
Balance December 31, 2009	907,000	1.97
Options currently exercisable	657,604	\$ 2.62

(i) The number of shares and exercise price have been adjusted to reflect the 10:1 consolidation.

The weighted average grant date fair value of options granted during fiscal 2009 was \$0.28 (2008 - \$2.20).

The weighted average remaining contractual life of the options outstanding and exercisable at December 31, 2009 was 3.17 years (2008 - 3.33 years) and 2.63 years (2008 - 2.94 years), respectively.

Stock based compensation

For the year ended December 31, 2009, the Company granted 347,000 (2008 – 305,000) stock options to directors, consultants and employees with a grant date fair value of \$98,551 (2008- \$657,994) and vest over eighteen months. Compensation costs expensed in the period totaled \$285,302 (2008- \$392,414) with a corresponding amount recorded as contributed surplus. \$38,701 (2008 - \$164,100) of stock options was granted to non-employees and \$246,601 (2008 - \$228,314) was granted to employees.

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

	2009	2008
Risk-free interest rate	2.70%	3.0%
Expected dividend yield	0.00%	0.00%
Expected stock volatility	147%	110%
Expected option life in years	5.0 years	5.0 years

Continued...

11. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

Significant non-cash transactions for the year ended December 31, 2009 consisted of:

- a) The issuance of 150,000 common shares of the Company valued at \$60,000 pursuant to the Cannivan Gulch amended 2008 mineral property option payment.
- b) The issuance of 400,000 common shares of the Company valued at \$120,000 pursuant to the Bald Butte amended 2009 mineral property option payment.
- c) The issuance of 1,600,000 common shares of the Company valued at \$928,000 pursuant to the Barkerville mineral property agreement.
- d) The issuance of 190,000 common shares of the Company valued at \$114,000 pursuant to the Red Chris mineral property agreement.
- e) The net decrease in accrued mineral property expenditures of \$173,763.
- f) The decrease in asset retirement obligations of \$29,824.
- g) The increase in accrued share issuance costs of \$8,586.
- h) \$78,710 or 424,033 common shares and 373,683 share purchase warrants were issued to offset payables.
- i) \$8,586 of share issue costs were accrued.
- j) A total of 483,485 broker compensation warrants were issued for \$97,701.

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

- a) The issuance of 10,000 common shares of the Company valued at \$30,000 pursuant to the Bald Butte mineral property option agreement.
- b) The issuance of 400,000 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

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12. INCOME TAXES

a) A reconciliation of income taxes at the statutory rate of 33.0% (2008 – 33.5%) is as follows:

	2009	2008
(Loss) for the year before tax	\$ (7,719,280)	\$ (1,041,464)
Expected income tax (recovery)	\$ (2,547,400)	\$ (348,900)
Other	(1,600)	(3,600)
Change in foreign exchange rate	4,500	(6,100)
Share issue costs	(40,500)	-
Change in expected tax rate	794,200	27,500
Expenses not deductible for income tax purposes	74,800	146,100
Non-capital loss expiry	19,000	2,000
Change in valuation allowance	1,384,500	183,000
Total future income tax (recovery)	\$ (312,500)	\$ -

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

	2009	2008
Future income tax assets:		
Resource properties	\$ 2,299,600	\$ 505,900
Non-capital loss carry-forwards	910,700	996,500
Other assets	66,700	77,600
	3,277,000	1,580,000
Valuation allowance	(2,964,500)	(1,580,000)
Net future income tax assets	\$ 312,500	\$ -

The Company has available for deduction against future taxable income, Canadian non-capital losses of approximately \$3,479,000 and U.S. non-capital losses of approximately \$83,000 (US\$78,000). Subject to certain restrictions, the Company also has resource expenditures of approximately \$11,458,659 available to reduce taxable income in Canada in future years.

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12. INCOME TAXES (Continued)

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>
2010	\$ 212,000	US\$ -
2014	253,000	-
2015	666,000	-
2025	-	24,000
2026	849,000	54,000
2027	669,000	-
2028	605,000	-
2029	225,000	-
	<u>\$ 3,479,000</u>	<u>US\$ 78,000</u>

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:

<u>As at December 31, 2009</u>	<u>Total Assets</u>	<u>Mineral Properties</u>	<u>Oil and Gas Properties</u>	<u>Other Assets</u>
Assets				
Canada	\$ 2,953,572	\$ 1,107,144	\$ -	\$ 1,846,428
United States	1,283,917	1,153,016	2	130,899
	<u>\$ 4,237,489</u>	<u>\$ 2,260,160</u>	<u>\$ 2</u>	<u>\$ 1,977,327</u>

<u>As at December 31, 2008</u>	<u>Total Assets</u>	<u>Mineral Properties</u>	<u>Oil and Gas Properties</u>	<u>Other Assets</u>
Assets				
Canada	\$ 857,861	\$ 802,099	\$ -	\$ 55,762
United States	7,402,109	7,248,745	2	153,362
	<u>\$ 8,259,970</u>	<u>\$ 8,050,844</u>	<u>\$ 2</u>	<u>\$ 209,124</u>

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

The Company is obligated to spend \$1,250,000 on Canadian exploration costs by December 31, 2010 as part of the flow-through funding agreement for shares issued in December 2009. The flow-through agreement requires the Company to renounce certain tax deductions for Canadian exploration expenditures incurred on the Company's mineral properties to flow through participants. The Company has indemnified the subscribers for any related tax amounts that become payable by the subscribers as a result of the Company not meeting its expenditure commitments. None of the flow-through funds were expended as at December 31, 2009.

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 per annum with respect to these contracts.

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.

The Company's mining and exploration activities are subject to various federal, provincial and international 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.

16. SUBSEQUENT EVENTS

- i) In January 2010, the Company allowed the option on additional claims from the Red Chris vendor to expire.
- ii) In January 2010, the Company entered into an amendment with the vendors of the Barkerville claims. The amendment reduced the number of Bolero shares to be issued in connection with the purchase of these claims by an aggregate of 1,000,000 shares. In addition, the vendors of the claims waived the requirement for Bolero to expend \$50,000 in exploration on the claims prior to July 1, 2010. In consideration for such amendment, the Company issued an aggregate of 500,000 shares as a final installment of shares owing for the 11 mining claims. (See Note 6)
- iii) In February 2010, the Company decided to terminate the Bald Butte property option agreement and all capitalized costs as of December 31, 2009 were written off during the year ended December 31, 2009.
- iv) In March 2010, the Company entered into an option agreement to acquire 100% interest in the Carbonatite Syndicate Rare Earth Claim Group, surrounding Spectrum Mining Corporation's recently reported "Wicheeda" rare earth discovery. As consideration for the option, the Company will issue 1,500,000 common shares and 500,000 purchase warrants for common stock of the Company. The warrants are exercisable for a period of two years at a price of \$0.50. The vendors will retain a 1% net smelter return (NSR) royalty under standard industry terms with a 0.5% buyout for \$500,000. Bolero will pay a finder's fee in accordance with the policies of the TSX Venture Exchange.
- v) In March 2010, the Company entered into an agreement with Ethos Consulting ("Ethos") whereby Ethos would provide investor relations services to the Company until September 30, 2010 for a consideration of \$45,000 cash and 200,000 options exercisable at \$0.20 for a period of two years.
- vi) In April 2010, the Company closed two non-brokered private placements in which the Company issued 1,289,286 units for a price of \$0.35 per unit for gross proceeds of \$451,250. Each unit consists of a flow-through common share and one non-flow-through common share purchase warrant exercisable at \$0.50 for two years. A finder's fee of 5% of the cash proceeds was paid and 64,464 warrants were issued exercisable at \$0.35 per warrant, expiring two years from the date of issuance. The securities issued pursuant to these private placements are subject to a trading restriction of four months, with the securities released in August 2010.