

**UNITED BOLERO DEVELOPMENT CORP.**  
**Management Discussion and Analysis**  
**For The Three Months Ended March 31, 2006**

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**May 25, 2006**

The following discussion and analysis should be read in conjunction with the unaudited financial statements for three months ended March 31, 2006 and the year end audited statements for 2005. All monetary amounts, unless otherwise indicated, are expressed in Canadian dollars. Additional regulatory filings for the Company can be found on the SEDAR website at [www.sedar.com](http://www.sedar.com). The Company's website can be found at [www.unitedbolero.com](http://www.unitedbolero.com)

## **Forward-Looking Statements**

Certain statements contained in this document constitute "forward-looking statements". When used in this document, the words "may", "would", "could", "will", "intend", "plan", "propose", "anticipate", "believe", "forecast", "estimate", "expect" and similar expressions, as they relate to the Company or its management, are intended to identify forward-looking statements. Such statements reflect the Company's current views with respect to future events and are subject to certain risks, uncertainties and assumptions. Many factors could cause the Company's actual results, performance or achievements to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements. Given these risks and uncertainties, readers are cautioned not to place undue reliance on such forward-looking statements. The Company does not intend, and does not assume any obligation, to update any such factors or to publicly announce the result of any revisions to any of the forward-looking statements contained herein to reflect future results, events or developments.

## **Overview**

United Bolero Development Corp. ("United Bolero" or the "Company") is a junior natural resource company focused on the acquisition and exploration of natural resource properties in precious metals, and base metals. United Bolero was incorporated under the British Columbia Company Act on August 13, 1985 and as an extra provincial corporation on February 13, 2004 in the province of Ontario.

The Company is a reporting issuer in British Columbia and Alberta and is listed on the TSX Venture Exchange under the symbol "UNB."

The Company listed on the Frankfurt Exchange and began trading on October 12, 2005 under the symbol "U7N". The Company felt it was important to be listed in Europe due to their keen understanding of the mining markets, particularly molybdenum. In addition, the Company is moving forward with a listing in the United States.

Prior to 2005, Company had been able to integrate oil and gas exploration into its core operations to become both a mineral and oil and gas exploration company. By the end of 2005, the Company's interests in oil and gas properties had been written down to a nominal amount. United Bolero intends to focus on its core competencies of being a junior mineral exploration and development company.

Our long-term goals for United Bolero include:

- acquiring and developing cash producing assets;
- building and strengthening our core operations in natural resource exploration and development; and
- increasing return on investment for our shareholders.

## **Overall Performance**

During the three months ended 2006 the Company incurred a net loss of \$309,008 \$(0.01) per share. While this loss is a 19% increase over prior year, the Company had significantly more activity in the first three months of 2006. The Company completed two private placement financings for net proceeds after issue costs of \$1,109,546, staked claims on a new property in Montana, entered into an investor relations agreement with a German based company, and incurred expenditures of \$1,451,438 related to the acquisition and exploration of its properties.

## **Management Changes**

During the three months ended March 31, 2006, the Company's Board of Directors significantly changed. In February 2006, Mr. Robert C. Gardner, Q.C. joined the Board and was appointed its Chairman. Mr. Gardner, the principal of the British Columbia based law firm, Gardner & Associates, has served on the boards of several public mining companies. Presently, he is a director and Chairman of Genco Resources Ltd. Mr. Gardner brings strong leadership in mining and corporate governance to the Board.

In March 2006, Mr Brian R.D. Smith, QC was appointed to the Board of Directors of the Company. Mr. Smith is currently working as a public policy advisor with the Toronto office of Gowling Lafleur Henderson LLP. Mr. Smith has served as Chair of BC Hydro and Executive Chair of Canadian National Railways. Mr. Smith's corporate experience is complemented by more than 20 years in public service including such positions as Minister of Energy & Mines and Attorney General of British Columbia. Mr. Smith brings extensive experience in corporate development and repositioning to the Board.

Also in March 2006, Mr. R. Stuart (Tookie) Angus, LLB was appointed to the Board of the Company. Mr. Angus is an independent senior business advisor to the mining industry. For over 25 years, Mr. Angus has focused on significant international exploration, development and mining ventures and all aspects of their structuring and finance. Mr. Angus is presently a director of Nevsun Resources Ltd., Bema Gold Corporation and Plutonic Power Corporation. Mr. Angus brings industry strength and experience to the Board.

The new directors replaced Mr. Mike England, Mr. Marvin Mitchell and Mr. Gerard Mercer.

## **Operating Activities**

### **The Bald Butte Agreement**

The Company entered into an option agreement dated February 18, 2005 whereby the Company can acquire a 100% interest in the Bald Butte Property in Southwestern Montana. The option agreement includes a total of 22 patented claims, comprising approximately 350 acres, and an area of interest with a radius of 0.5 miles from the property boundaries. The Company has acquired through staking, an additional 10 claims (contiguous to the property and included in the area of interest) to cover possible extensions of significant mineralization.

Bald Butte is a quartz vein stockwork hosted molybdenite deposit, located approximately three miles south west of the historic Marysville gold mining district of Montana. Bald Butte is accessible by existing roads and a rail siding is within eight miles. The Butte-Mullan power line crosses a portion of the property and two existing flotation mills, MRI (53,000 tonnes per day) and Phillipsburg (3,000 tonnes per day) are both within 80 miles.

To acquire the option, the Company is required to make certain cash payments and issue treasury shares. Details of the contractual requirements are disclosed in the notes to the year end financial statements.

The Company was granted access to the extensive files, reports and drawings that had been generated by Gulf Mineral Resources and donated to the Montana Bureau of Mines & Geology. A detailed study of these records by management has been on-going. Results of drilling programs completed by Gulf in the

early 1980's revealed the possibility that a deposit of molybdenum ("Mo") mineralization grading greater than 0.1% Mo existed close to surface on Bald Butte Mountain in the vicinity of Gulf's Diamond Drill Hole # GGB-34. On June 28<sup>th</sup> 2005 on behalf of the Company, Madison Mining Corporation submitted a drilling and reclamation plan to the Montana Department of Environmental Quality ("DEQ"). The plan involved the drilling of 50 percussion holes to test the existence of the theorized near-surface deposit.

A permit to drill was granted and a drill program was undertaken whereby 50 holes were drilled, cuttings were collected, split and sent for assay. A report, dated November 22, 2005 and amended December 15, 2005, authored by John Thompson, P.Eng. and Michael Sandidge, P.Geo., incorporating the results of the 50 hole percussion drill program, was completed in compliance with National Instrument 43-101. Mr. Thompson, P.Eng. calculated an "Indicated Mineral Resource" of 390,000 short tons grading 0.13% molybdenum.

A mining plan of operations (based on a small quarry at 1000 tonnes per day) was submitted by the Company to the Montana DEQ and was subsequently accepted. A Small Miner's Exclusion Statement ("SMES") as provided for in the provisions of the Montana Metal Mines Reclamation Act was completed by the Company and also submitted to the DEQ. The Company is excluded from the permitting requirements of the Act by the SMES submission. Permission to commence mining on the Bald Butte project has been granted subject to a surface disturbance limit of 5 acres. The Company has been tentatively given approval by MDEQ to disturb an additional 5 acres, pending submittal of documents. This additional 5 acres will be used by the Company to remove overburden which will enable clearer access to mineralized zones.

Metallurgical testing of Bald Butte mineralized drill cuttings from the reject portion of split samples has been conducted at the metallurgical labs of Hazen Research, Golden, Colorado and Dawson Labs, Salt Lake City, Utah. Discussions with the owners of the Contact Mill (an operating, custom flotation mill with capacity of 1000 tonnes per day) located in Phillipsburg, Montana (80 road miles from the Bald Butte deposit) resulted in the signing of a milling contract for 5000 tons in January 2006. Larry Hoffman, P.E., of Butte, Montana who was retained as the Company's metallurgical consultant, designed a flow sheet for the mill operation based on parameters developed during the metallurgical test work.

Subsequent to March 31, 2006, Bruce Parker, PE assumed responsibility for all of United Bolero's Montana mineral properties as Head Project Manager. Mr. Parker, a registered professional engineer in Montana, Idaho, Nevada and New Mexico, has extensive engineering and management experience in the mining industry in Montana. He is the Qualified Person on the Bald Butte project for purposes of NI 43-101. As Head Project Manager, he is not an independent person as defined by NI 43-101.

### **Montana Molybdenum Corporation**

In the fourth quarter of 2005, the Company incorporated a wholly owned Montana subsidiary, Montana Molybdenum Corporation ("MT Moly"). The Company's SMES (small miner's exclusion) for the Bald Butte quarry project was assigned to Montana Molybdenum Corporation as the operating entity. MT Moly commenced operations on November 1, 2005 on the Bald Butte project. A mining crew, complete with experienced supervision, was recruited, Mine Safety & Health Act (MSHA) training programs were established, equipment was mobilized to the site and a program of extensive road building/upgrading was undertaken.

The road program, providing haul truck access to State/Interstate highways, through the town of Marysville was complete by year end. Actual mining operations commenced on December 5, 2005 with the removal of waste rock overlying the deposit. Enough molybdenite material was uncovered to truck an initial 5,000 tons to the mill by the end of March 2006. Actual processing of the material in the mill started on April 11, 2006. Initial start-up of the mill involves many adjustments, stops and starts. The Company plans to ramp up production as quickly as possible.

Subsequent to March 31, 2006, the Company drilled a 100 foot exploratory hole which yielded 14 feet of 0.611% MoS<sub>2</sub> and 8 feet of 0.686% MoS<sub>2</sub>. These results are the highest numbers historically achieved on Bald Butte.

For the three months ended March 31, 2006, the Company issued 120,000 common shares valued at \$30,000 and paid \$114,850 (US\$100,000) pursuant to the terms of the property agreements. In addition the Company incurred \$978,671 towards deferred development costs.

As at March 31, 2006, the Company has incurred in \$571,040 in acquisition costs and \$1,572,421 toward deferred development costs on the Bald Butte mineral property.

### **Cannivan Gulch Mining Exploration and Option Agreement**

On December 30<sup>th</sup>, 2004, United Bolero entered into the Cannivan Gulch Mining Exploration and Option Agreement ("MEOA") to acquire a 100% interest in the Cannivan Gulch molybdenum project. The property was acquired from MKM Enterprises and Verde Ltd. (the "vendors") based out of Missoula, Montana. In order to earn a 100% interest in the property, net of a 2% Net Smelter Royalty (NSR), United Bolero is required to make specific cash and share payments. These requirements are disclosed in the notes to the financial statements.

United Bolero will have the opportunity to purchase 1% of the 2% NSR upon the third anniversary of the agreement for a purchase price of US \$600,000. This option to purchase is offered only on the third anniversary of the agreement and at no other time

Mr. Bruce Parker, P.E., is project manager for the Cannivan Gulch project. Mr. Parker will spearhead the permitting and further development of the property.

For the three months ended March 31, 2006, the Company issued 100,000 common shares valued at \$25,000 and paid \$58,000 (US\$50,000) pursuant to the terms of the Cannivan Gulch mineral property agreement. In addition, the Company issued 66,666 common shares valued at \$16,667 as finder's fees.

As at March 31, 2006, the Company has incurred \$224,792 in acquisition costs and \$65,485 toward deferred development costs on the Cannivan Gulch property.

### **South Baird Property – Red Lake, Ontario**

On November 3<sup>rd</sup>, 2003, United Bolero signed the South Baird Property agreement to acquire a 50% interest in three patented claims units (KRL 1244608, KRL 1244612, and KRL 1244620) located in Baird Township in the Red Lake mining district.

On January 20, 2006, the Company announced that the South Baird agreement had been renegotiated without penalty. Under the new agreement, which received TSX Venture Exchange approval, the Company can earn up to 75% of the interest in the three patented claim units subject to the payment of \$45,000 cash, the issuance of 350,000 shares and the commitment to spent \$750,000 in exploration and development expenditures over a 3 year time period. The contractual commitments of the contract are disclosed in the notes to the financial statements.

In the first quarter of 2006, the Company and its joint venture partner Solitaire Mineral Corp. completed 10 diamond drill holes on the South Baird Property. Anomalous, but sub-economic gold intersections were encountered. The Company is awaiting recommendations for further work from their consultants, Clark Exploration Consulting of Thunder Bay, Ontario.

For the three months ended March 31, 2006, the Company issued 150,000 common shares valued at \$90,000 and paid \$10,000 pursuant to the terms of the South Baird property agreement. The Company also incurred deferred development costs of \$130,950 related to the 10 hole drilling program.

As at March 31, 2006, the Company has incurred acquisition costs of \$129,000 and paid \$172,851 towards deferred development costs on the South Baird property.

### **Chong Molybdenum Property, Ontario**

On November 15, 2005, the Company entered into an agreement with John and Marie Brady (the optionors) whereby United Bolero Development Corp may acquire a 100-percent interest in the Chong Property in the Fraleck Township, Sudbury mining District.

Consideration payable to the optionors is \$100,000 and 300,000 common shares of the Company. The optionors will retain a 2-per-cent NSR.

A preliminary exploration program on the Chong molybdenum property, located in Fraleck Township, near Sudbury, Ontario was initiated. Prospecting, mechanical stripping, pressure washing, channel cutting and geological mapping activities were conducted in the vicinity of old pits bearing molybdenite mineralization. Assay results from a prospecting, stripping and channel saw-cutting program in October and November showed the presence of economically significant values in several widespread locations.

As at March 31, 2006, the Company had incurred acquisition costs of \$5,000 and paid \$34,613 towards deferred development costs. Subsequent to March 31, 2006, the Company issued 50,000 shares valued at \$18,250 in accordance with the property option agreement.

### **Copper Star Group of Claims**

In the first quarter of 2006, the Company acquired prospective property in the Silver Star mining district, in Madison County, Montana. Four claims were staked on the property. The property is adjacent to and on strike with, a property being explored by Coronado Resources Ltd called Madison property. Coronado had reported assay results of one of its drill holes of 41.05% copper over a core length of 27 feet within a larger intercept of 64 feet grading 19.24% copper. Additionally, Coronado reported gold assays further down the hole of 54.4 feet of 0.354 ounces of gold per ton. United Bolero staked its 4 claims within 24 hours of the announcement of Coronado's discovery.

During the staking operation, oxidized gossan as well as copper stained (malachite and azurite) material were found on the surface (float) of the properties acquired. To date, no exploration activity has occurred on the property. The Company is reviewing all of the geological material on the four claims and will be preparing a work program which it anticipates commencing in the second quarter of 2006.

### **Results of Operations**

The results of operations reflect the overhead costs incurred for mineral property acquisitions and exploration expenses incurred by the Company to maintain good standing with the various regulatory authorities and to provide an administrative infrastructure to manage the acquisition, exploration, and financing activities of the Company. General and administrative costs can be expected to increase or decrease in relation to the changes in activity required as property acquisitions and exploration continues. As at March 31, 2006, the Company had not recorded any significant revenues from its projects in either oil and gas, or mineral exploration and development.

## Revenues

Due to the Company's status as an exploration and development stage mineral resource company, and a lack of commercial production from its properties, the Company currently does not have significant revenues from its operations. Minor revenues have been obtained from the Company's involvement in oil and gas exploration and development in Montana and Wyoming.

## General and Administrative Expenses

General and administrative expenses for the three months ended March 31, 2006 were \$374,781 compared to \$261,155 for the same period in 2005. The major contributors to this \$113,626 net change are:

- A decrease of \$17,564 in consulting fees as a result of less consulting services obtained.
- An increase of \$14,041 in management and administration fees predominantly as a result of an increase in fees to existing management and the addition of one incremental management position.
- A decrease of \$23,719 in professional fees represents a decrease in legal fees of \$43,982 and an increase in professional accounting fees of \$20,263. In 2005, legal expenses were higher because the Company utilized the services of legal counsel to assist it in its regulatory and reporting requirements during the period of time when the CFO was terminally ill and could not fulfill these responsibilities. In 2006, the Company hired an accountant to assist in the year end process, assist in regulatory and reporting requirements and to transition the Company to a new accounting service provider.
- An increase of \$95,453 in shareholder communications and promotions. This increase is predominantly the result of \$92,955 (US\$80,000) paid pursuant to an investor relations contract with a German based company.
- An increase of \$53,248 in stock based compensation. In the first quarter of 2005, the Company did not record any stock based compensation expense.
- An increase of \$11,848 in transfer agent and filing fees which relates largely to the applicable regulatory filings in connection with financing activities as well as the granting of the stock options to employees and Directors of the Company.
- A decrease of \$18,770 in travel and accommodation. There was a reduction in travel activity in the first quarter.

The general and administrative expenses are offset by a tax benefit renounced on flow-through shares of \$61,200 (2005- Nil).

## Summary of Quarterly Results

The following table sets out selected consolidated quarterly information for the last eight quarters of 2006 2005 and 2004:

<b>Three Months Ended</b>	<b>March 31, 2006</b>	<b>December 31, 2005</b>	<b>September 30, 2005</b>	<b>June 30, 2005</b>
	\$	\$	\$	\$
Revenue	Nil	Nil	Nil	Nil
Loss	309,008	400,220	172,696	297,300
Loss per Common Share	(0.01)	(0.01)	(0.01)	(0.01)
Net Loss	309,008	639,593	172,696	297,300
Net Loss per Common Share	(0.01)	(0.01)	(0.01)	(0.01)
<b>Three Months Ended</b>	<b>March 31, 2005</b>	<b>December 31, 2004</b>	<b>September 30, 2004</b>	<b>June 30, 2004</b>
Revenue	Nil	Nil	Nil	Nil
Loss	260,610	48,263	142,622	186,568
Loss per Common Share	(0.02)	(0.02)	(0.01)	(0.01)
Net Loss	260,610	248,176	137,217	186,568
Net Loss per Common Share	(0.02)	(0.02)	(0.01)	(0.01)

## Liquidity and Capital Resources

The Company's cash position was \$1,626,672 at March 31, 2006 compared to \$833,674 at December 31, 2005. For the three months ended March 31, 2006, the Company completed two private placement financings to fund their mining endeavours. The funds from the financings, net of issue costs, were \$1,109,546. In addition, the Company received \$1,335,739 from the exercise of warrants and options. The Company expects that additional cash may be available through the exercise of options and warrants throughout 2006. While the Company believes it will have adequate working capital to fund its minimum operations over the short term, it shall endeavour to raise additional capital as and when required to meet its obligations.

At March 31, 2006, the Company had working capital of \$1,576,642 compared to \$735,577 at December 31, 2005. For the three months ended March 31, 2006 the Company obtained \$2,445,285 from various private placement financings and the exercise of options and warrants, and utilized \$361,175 for operating activities and \$1,291,112 for mineral property expenditures and equipment.

The Company has no long-term debt and no material credit facilities in place as at March 31, 2006.

Any commitments to pay cash or issue shares pursuant to mineral property option agreements are disclosed in the notes to the annual financial statements.

## **Related Party Transactions**

During the three months ended March 31, 2006, the Company entered into the following transactions with related parties:

- a) Paid or accrued management fees of \$76,847 (2005 - \$64,279). \$42,500 was paid to Bruce Duncan (president), \$15,000 to Robert Gardner (Chairman of the Board), \$12,000 to Blair Naughty (former president), \$11,065 to Mike England (former director), and a write off of a prior year payable to Stacey Matthes (former officer) for \$3,718.
- b) Paid or accrued consulting fees of \$5,000 (2005 - \$ 6,000) to Marvin Mitchell (former director).
- c) Paid or accrued professional fees of \$19,050 (2005-\$Nil) to West Oak Capital, a company owned by Bruce Duncan for accounting services provided.
- d) Paid or accrued salary included in Geologists and other labour in deferred development costs of \$38,544 (2005- \$Nil) to Joe Bardswich (former director).

Included in prepaid expenses at March 31, 2006 is \$7,500 (2005 - \$Nil) for prepaid management fees to Robert Gardner (Chairman of the Board).

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

## **Off Balance Sheet Arrangements**

The Company is not a party to any off balance sheet arrangements or transactions.

## **Critical Accounting Estimates**

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from management's estimates.

## **Financial Instruments**

The Company's financial instruments consist of cash, receivables, reclamation deposit, accounts payable and accrued liabilities, and asset retirement obligations. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest or credit risks arising from these financial instruments. The fair value of these financial instruments approximates their carrying value, unless otherwise noted.

The Company is exposed to financial risk arising from fluctuations in foreign exchange rates and the degree of volatility of those rates. The Company does not use derivative instruments to reduce its exposure to foreign currency risk.

## **Proposed Transactions**

The Company does not have any transactions under consideration.

## **Subsequent Events**

Subsequent to the three months ended March 31, 2006, the Company:

- a) Issued 50,000 common shares of the Company valued at \$18,250 pursuant to the terms of the Chong Molybdenum mineral property agreement.
- b) Issued 293,216 common shares of the Company for \$39,322 pursuant to the exercise of stock options.
- c) Issued 1,653,450 common shares of the Company for \$340,328 pursuant to the exercise of warrants. Additionally, 62,500 warrants exercisable to April 5, 2006 and 10,000 warrants exercisable to April 29, 2006 expired.

## **Other MD&A Requirements**

As at May 25, 2006, the Company has 51,744,050 shares outstanding, or 65,423,548 shares on a fully diluted basis. If the Company were to issue 11,024,168 shares upon the conversion of all of its outstanding warrants and 2,655,330 shares upon the conversion of all of its outstanding stock options, it would raise \$3,069,378.

**UNITED BOLERO DEVELOPMENT CORP.**

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**CORPORATE DATA**

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**May 25, 2006**

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**CORPORATE SECRETARY**

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**DIRECTORS AND OFFICERS**

R. Bruce Duncan	President & CEO, CFO, Director
Robert C. Gardner, Q.C.	Chairman, Director
Brian R.D. Smith, Q.C.	Director
R. Stuart Angus, LLB	Director

**CAPITALIZATION**

Authorized:	Unlimited
Issued:	51,744,050
Escrow:	Nil

**SOLICITOR**

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**LISTINGS**

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Cusip No.: 90962L

Frankfurt Exchange  
Trading Symbol: "U7N"