BOLERO RESOURCES CORP.

Management Discussion and Analysis
For The Six Months Ended June 30, 2012

August 15, 2012

The following discussion and analysis should be read in conjunction with the unaudited condensed interim financial statements for the three and six months ended June 30, 2012 and 2011 and the audited consolidated financial statements for the years ended December 31, 2011 and 2010 and related notes included therein. 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. The Company's website can be found at www.boleroresources.ca.

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

Bolero Resources Corp. ("Bolero" or the "Company") is a junior natural resource company focused on the acquisition and exploration of natural resource properties. Bolero was incorporated under the British Columbia Company Act on August 13, 1985, and was continued under the laws of the Province of Ontario on September 19, 2007. The Company is a reporting issuer in British Columbia, Alberta and Ontario and is listed on the TSX Venture Exchange under the symbol "BRU." The Company is also listed on the Frankfurt Exchange under the symbol "U7N".

Our long-term goals for 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

The Company incurred a net loss for the three months ended June 30, 2012 of $297,004 compared with a net loss of $248,633 in the prior year. The Company incurred a net loss of $407,927 for the six months ended June 30, 2012 compared with a net loss of $586,555 in the prior year.

At the beginning of 2012, the Company dissolved its wholly owned subsidiary Montana Molybdenum Corporation, which had been inactive for a number of years.

During the first quarter of 2012, the Company's focused on planning exploration programs for its Red Chris South, rare earth and White gold district claims.

In May 2012, the Company acquired 38 prospective, large-flake Graphite mineral claims contiguous to, and completely surrounding, Northern Graphite Corporation's "Bissett Creek" Graphite deposit which recently reported high recovery levels of large-flake, high-purity graphite, consistent across its entire resource and overall recovery rates at approximately 97%.

Also in May 2012, the Company announced the appointment of Paul Ogilvie as Chief Executive Officer ("CEO"). Paul Ogilvie brings a wealth of knowledge in the graphite sector. Mr. Ogilvie has been instrumental in building two of the top players in the graphite space: Mega Graphite and Northern Graphite and will now focus his efforts on developing the enormous potential within Bolero Resources.

With the announcement of Mr. Ogilvie as the new CEO of Bolero, Mr. Duncan has resigned as President and CEO and has been appointed Executive Chairman of the Company.

In June 2012, the Company entered into an Exclusive Distribution Agreement with GEC (ASIA) Industry Co., Ltd in China. The agreement gives Bolero the exclusive rights to manufacture, market, distribute and sell any and all products in the territory of Canada, United States and Mexico for a period of ten years with an option to renew for two additional ten-year periods. The agreement gives Bolero exclusive distribution rights for 6,000 metric tonnes annually of the highest quality graphite.

The Company entered into consulting agreements with six individuals or companies controlled by individuals with previous graphite experience. These individuals will perform duties and services including, project management, operations, engineering, research and development, corporate communications and legal counsel.

In August 2012, the Company entered into a non-binding term sheet with Uragold Bay Resources Inc. ("Uragold" or "UBR") to negotiate a definitive agreement for the purchase of UBR's Asbury mining claims. Under the Term Sheet, Bolero is required to make an initial contribution of $30,000 (paid) to UBR and a second cash payment of $70,000 within thirty days of the signed Term Sheet. Subject to completion of final due diligence, Bolero and UBR will enter into a definitive agreement for the acquisition of the Asbury mining claims. On completion of the transaction, as consideration for the transfer and sale of the claims and related assets, Bolero will pay $200,000 and issue 5,000,000 common shares to Uragold. In addition, the Company will pay a yearly royalty of 0.75% on the net production cost for a period of 10 years after the start of graphite production. The transaction is subject to regulatory approval.

The Company is proposing to change its name to Canada Carbon Inc. so that the Company name is more reflective of the Company's key focus. The proposed name change will be subject to shareholder approval at the next annual general meeting.

The Company will require additional funding to fund its 2012 work programs and operations. Management is confident that it will be successful in raising the necessary funds. Given the Company's limited current

Overall Performance (Continued)

funds and its focus on graphite, planned work programs for Red Chris South, Rare Earth and White gold district claims have been deferred.

Operating Activities- Exploration Properties

Maria Township Graphite Claims, Ontario. Canada

In May 2012, the Company acquired 38 prospective, large-flake Graphite mineral claims contiguous to, and completely surrounding, Northern Graphite Corporation's "Bissett Creek" Graphite deposit which recently reported high recovery levels of large-flake, high-purity graphite, consistent across its entire resource and overall recovery rates at approximately 97%. The claims are located in the Maria Township, approximately 17 kilometres from the TransCanada Highway between the cities of Ottawa and North Bay, Ontario. The claims cover an estimated area of 4,990 hectares (12,335 acres). The terms of the agreement are disclosed in the notes to the financial statements.

An extensive work program is currently being planned to commence shortly on these graphite claims.

As of June 30, 2012, the Company had incurred $251,702 in acquisition costs on the Maria Township claims.

Red Chris South, British Columbia, Canada

In December 2009, the Company purchased a 100% interest in twelve strategic claims in the Red Chris area of north-western British Columbia. The claims are contiguous with the Red Chris copper-gold property where Imperial Metals Corp. announced assay results from its 2009 drilling program and are developing a copper-gold mine. The terms of the agreement are disclosed in the notes to the year end financial statements.

The 2009 results from Imperial Metals Corp.'s Deep East Zone as reported on December 10th, 2009 are as follows:

"Drill hole RC09-350 previously reported the highest grade intercepted at Red Chris to date (NR Nov 09/09: RC09-350 returned 152.5 metres grading 4.12% copper and 8.83 g/t gold starting at a depth of 540.0 metres). The higher grade material extends to 962.5 metres and averages 2.00% copper and 3.80 g/t gold over 432.5 metres. With all intervals assayed, drill hole RC09-349 intercepted 625.3 metres of 0.82% copper and 0.93 g/t gold starting at 390.0 metres depth."

The significant intervals encountered in holes RC09-349 and RC09-350 of Red Chris East Zone are shown below. (Imperial Metals Corp, December 10, 2009)

Drill Hole	Zone	Total Length (m)	Interval From (m)	Interval To (m)	Interval Length (m)	Copper %	Gold g/t	Silver g/t
RC09-349	East	1150.6	390.0	1015.3	625.3	0.82	0.93	1.11
		including	545.0	582.5	37.5	1.51	1.89	1.54
			866.6	919.9	53.3	1.83	2.62	2.60
RC09-350	East	1477.4	420.0	1067.5	647.5	1.50	2.68	3.22
		including	530.0	962.5	432.5	2.00	3.80	4.42
			540.0	692.5	152.5	4.12	8.83	10.46
			692.5	962.5	270.0	0.83	1.02	1.12

Operating Activities (Continued)

Red Chris South, British Columbia, Canada (Continued)

There is no assurance that similar mineralization will be discovered on the Bolero property.

The acquisition agreement gives Bolero a 10,914.9 acre property package immediately adjacent to the southwest side of the Red Chris property. The newly acquired tenures are underlain by Upper Triassic Stuhini volcanic and sedimentary formations that are the principal host rocks for the Red Chris copper-gold deposit. The Bolero property border is approximately 5.5 km southwest of the Red Chris East Zone discovery.

Work had previously been conducted on the property. In 1998 Homestake Canada Inc., conducted geological mapping, geochemical sampling and outlined stratigraphy that is prospective for Eskay Creek-style mineralization. Nearby intrusions have alteration and other characteristics similar to those observed at the Red Chris deposit.

In 2010, the Company retained Terracad Geosciences Services Ltd. ("Terracad") to initiate the planned work program on the property. This program focussed its efforts on the Eskay Creek- style mineralization and intrusion and alterations discovered in 1998 by Homestake Canada Inc that might represent Red Chris-style mineralization.

This initial work program consisted of property reconnaissance, permitting, prospecting, geological reconnaissance, grid preparation, geochemical soil sampling and/or MMI (mobile metal ion) soil sampling, magnetometer survey, an Induced Polarization survey, and rock chip sampling of mineral zones.

In July 2010, the Company entered into an option agreement with an arms-length vendor to acquire two strategic claims contiguous to the claims acquired in December 2009. In September 2010, the Company acquired a 100% interest in 4 additional strategic claims covering over 3,337 acres.

In September 2010, the Company announced that the work program conducted by Terracad identified significant anomalies using a 55 line km induced polarization "IP" survey and 560 MMI soil samples. Bolero's survey was designed to identify deep potentially sulphide-bearing targets that could represent Red Chris-type mineralization. The survey detected a relatively strong chargeability anomaly near the eastern portion of the property that appears to lie at a depth starting at about 300 metres and is open to depth. Its apparent width is in the order of 350 metres and the target was detected on two lines spaced 200 metres apart.

Additional interpretation of the geophysical survey data has revealed two distinct faults on the Red Chris South property; one of which appears to be the extension of a south side-down normal bounding fault that lies between the Bowser Lake Group sedimentary rocks and the "Red" Stock that hosts the Red Chris-Imperial Metals Deposit. This fault extends through the same sedimentary rocks on Red Chris South property. A second, semi-parallel fault passes through the identified IP anomaly.

The MMI soil survey results for gold and copper confirm and coincide with the extensions of the east-west elongated IP anomaly. The reconnaissance MMI grid overlaid the geophysical anomaly and includes the highest values for copper and gold of the total Phase 1 geochemical survey of 2010. The geophysical/geochemical anomaly is interpreted to have the characteristics of a mineralized intrusive at depth and warrants further exploration.

At least two other IP chargeability and geochemical anomalies have been identified within the boundaries of the IP survey.

Operating Activities (Continued)

Red Chris South, British Columbia, Canada (Continued)

In May 2011, the Company retained Discovery Consultants of Vernon, B.C., to run the 2011 work programs. The Company received its drill permits and commenced initial ground work in early July 2011. Initial work focused on geological mapping and geochemical sampling in the western portion of the claims that were not covered during the 2010 program.

Falcon Drilling of Prince George, B.C. began the drill program on July 12, 2011. The objective of the drill program was to test the anomalies identified during the 2010 geophysical survey. Discovery Consultants supervised the drilling, logging and splitting of the core, and maintained sample integrity until the material was shipped to the analytical lab.

The 2011 drilling program consisted of four core holes totaling 1,396.36 meters, two holes each in the eastern and western IP anomalies. Visual observations of the core from holes RCS-1 and 1A (536.21 meters) do not indicate an apparent reason for the eastern IP anomaly. The rocks encountered were unaltered Bowser Lake Group sediments. Holes RCS-2 and 3 (860.15 meters) tested the western IP anomaly. Both holes encountered Stuhini Group sedimentary rocks, and a weakly altered intrusive (hole 2). Hydrothermal alteration of the sedimentary rocks is scattered through the two holes with some intervals of pyrite and traces of chalcopyrite. Mineralization was encountered in hole 3 with the highest copper value showing 75 ppm copper and the highest gold value showing 8 ppb. Holes RCS11-02 and RCS11-03 encountered alteration and pyrite, with minor chalcopyrite in hole 2. Hole 2 also encountered an altered intrusive. The pyrite in holes 2 and 3 is probably the source for the western IP anomaly. The lack of mineralization in hole 1 which tested the eastern IP anomaly leaves a question as to the source of the geophysical anomaly.

Surface work consisted of additional geological mapping and rock chip geochemical sampling in the central part of the claims, and an extensive soil sampling grid in the north-central portion of the claims. A reconnaissance soil survey, comprising 818 samples, on a grid with line spacing at 200 metres (“m”) and sample spacing along the line at 50m intervals, was carried out in the northern portion of the property to follow up historic anomalous copper and gold values in stream sediments draining northerly from the property. Of exploration significance is a coincident copper-gold-arsenic-antimony anomaly along the north-central boundary of the property. This anomaly exists on two grid lines (2200 N and 2400 N) and extends on both lines for 300 metres on a northeast slope. Copper values are up to 114 parts per million (“ppm”), gold to 132 parts per billion (“ppb”), arsenic to 93 ppm and antimony to 10 ppm. Anomalous copper and gold values also occur on line 2000 N, southwest of the main anomaly described above. Multi-sample anomalous gold ±copper values also occur on the northern three lines in the area of grid 3500 to 3700 E.

The Company was planning to conduct another drill program at Red Chris South to test the soil geochemical anomaly in the northern part of the property and to follow-up on the mineralization in the intrusive encountered in RCS11-02. Given the Company’s limited cash position and its focus on graphite, the exploration program has been deferred.

Dr. Roger C. Steininger CPG is the Qualified Person for this project as defined by National Instrument 43-101, and a director of the Company.

As of June 30, 2012, the Company had incurred $229,160 in acquisition costs and $1,215,304 towards deferred development costs for the Red Chris property.

Operating Activities (Continued)

Carbonatite Syndicate Rare Earth Claims, British Columbia, Canada

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 reported “Wicheeda” rare earth discovery. The Carbonatite Syndicate Claim Group is 80 km northeast of Prince George, BC and comprises 43 mineral claims covering approximately 39,715.5 acres. The terms of the agreement are disclosed in the notes to the year-end financial statements.

Highlights from Spectrum’s neighboring property included a 48.64 metre interval which averaged 3.55% rare earth elements ("REE"), a 72.0 metre interval that averaged 2.92% REE, and a 144 metre interval which averaged 2.20% REE in three separate drill holes. In 2009, eleven NTW diamond drill holes totaling 1835 metres were drilled in the "Main Zone" from two new drilling platforms on Wicheeda. All 11 drill holes intersected significant rare earth mineralization and the Wicheeda deposit remains open in all directions. (5th Annual Minerals South Conference)

World recognized carbonatite-rare earth specialist Dr. Anthony Mariano has examined drill core samples as well as rock samples. He concluded that the Wicheeda mineralization is mainly monazite and a bastnaesite-synchisite mineral. A heavy liquid and magnetic separation study on a composite sample of Wicheeda drill core was able to produce a high grade REE concentrate that contained 56.09 wt. % REE. The test indicated that the Wicheeda rare earth mineralization could produce a marketable concentrate. It was noted that applying a flotation circuit should produce a 60% LREE concentrate from Wicheeda that would exceed the concentrate grade of Molycorp’s Mountain Pass which for over 40 years was the largest domestic supplier of rare earth concentrates in the world. (5th Annual Minerals South Conference).

REEs are critical components in many high-tech applications. Although demand for REEs is growing rapidly, over 90 percent of global production is controlled by China, which has recently imposed restrictions on their exports. With insatiable consumer demand for high tech electronics, clean energy mandates from countries around the globe and increasing military spending, it seems likely that demand will rise as supplies are compromised and uses increase.

In May 2010, the Company entered into an option agreement with an arm’s length vendor to acquire a 100% interest in 16,264.8 acres adjoining the Carbonatite Syndicate Rare Earth Claim Group it had acquired in March. With these additional claim blocks, Bolero’s land package surrounds Spectrum’s property on the southern, eastern, and western sides. The acquisition gave the Company a total of 57 mineral claims covering approximately 55,980.3 acres.

The Company retained Mackevoy Geosciences Ltd. ("Mackevoy") to initiate an extensive 90 day work and drill program on the Rare Earth Claim Group. Mackevoy is a geological consulting company that specializes in "high-tech" progressive mineral exploration and detailed mineralogical, geochemical, and petrogenetic investigations of geological systems.

Mackevoy began the work program in May 2010. By the end of June 2010, they conducted exploration on 24 of the 57 claims including visual reconnaissance work and sampling on many of the satellite anomalies. Mackevoy recorded multiple scintillometer anomalies on the NE claim group and commenced further ground exploration in those areas. A total of 70 line kilometers of magnetometer and 90 line kilometers of scintillometer data were collected by the end of June.

In July 2010, the Company announced that it had received initial analytical results from ALS Global Labs ("ALS") for silt and soil samples taken during the work program conducted by Mackevoy. The soil and silt sampling was effective at generating significant local and regional REE geochemical targets. In total, data from 152 silt and 181 soil samples have been returned from ALS. Geological mapping, prospecting, and

Operating Activities (Continued)

Carbonatite Syndicate Rare Earth Claims, British Columbia, Canada (Continued)

scintillometer surveys were being carried out in conjunction with silt and soil sampling to build a framework for defining additional prospective areas and for understanding geochemical anomalies in this underexplored region.

By mid-July 2010, four soil grids were completed: two tight grids (using 25 metre line spacing, 25 metre sample spacing) were placed to assess geophysical anomalies while the two larger grids (300 metre line spacing, 100 metre sample spacing & 200 metre line spacing, 50 metre sample spacing) were placed to assess regional trends. Numerous soil samples from the tight soil grids show REE enrichment with elevated pathfinder elements.

Concentrations for Cerium (Ce) and Lanthanum (La) ran up to 631 ppm and 377 ppm respectively, with 20 samples showing total REE contents above 1000 ppm from the two tight grids. Pathfinder elements such as Niobium (Nb) and Barium (Ba) also show distinct elevated concentrations against background, proving their applicability for local exploration.

Several targets have been identified from the regional silt sampling. In particular, total REE values from silts are elevated in the region where the tight soil grids were carried out, further prioritizing this area for additional work. The northeast flank of the main ridge, along which carbonatite and alkaline intrusive related mineralization is known to occur intermittently over a 6 km strike length, also shows elevated pathfinder elements and REEs.

In addition to these two high priority targets, the headwaters of Captain Creek at the southern end of the claim group also show elevated values of indicator elements, including Niobium (Nb). Two Ba-Mo±U±Zn anomalies exist within the MINA claim grouping and at the SE base of Mt. Beauregard in the CarboWest7 claim.

In August 2010, the Company retained Aeroquest Ltd. to undertake state-of-the-art AeroTEM and Radiometric airborne geophysical surveys on the claims. The AeroTEM system is the HTEM system of choice in British Columbia for its superior ability to contour in rugged terrain. The airborne geophysical and radiometric surveys consisted of over 400 line kilometres flown at 200-metre line spacing. Aeroquest Ltd. completed the surveys at the end of September 2010.

In October 2010, the Company announced additional analytical results of soil samples taken from the summer work program that substantially increased previously reported REE values. New analyses have increased maximum concentrations of Cerium (Ce) and Lanthanum (La) to as high as 1205 ppm and 663 ppm respectively, far exceeding previous numbers. Thirty of 228 soil samples returned total “REE+Y” contents above 1000 ppm and show elevated levels of “pathfinder elements” such as Niobium (Nb) and Barium (Ba).

In October 2010, the Company also acquired 13 mineral claims covering over 11,620 acres of lands previously owned by Spectrum. The new claims are contiguous to Bolero’s existing claim blocks and cover extensions to airborne radiometric anomalies identified from the Aeroquest airborne survey. An additional 136 mineral claims covering over 149,487 acres of land were acquired in November.

In December 2010, the Company acquired an 80% interest in 5 mineral claims covering over 5,327 acres contiguous to its existing claim group. The claims are referred to as the Cougar claims. The Company earned 80% immediately with a right of first refusal (ROFR) for the final 20%.

Operating Activities (Continued)

Carbonatite Syndicate Rare Earth Claims, British Columbia, Canada (Continued)

The Company received permits from the B.C. Ministry of Energy, Mines and Petroleum Resources to conduct a diamond drill program on its Carbonatite Syndicate Rare Earth prospect. Results from the August 2010 airborne AeroTEM and Radiometric survey were correlated with positive soil samples and existing field radiometric anomalies to establish priority REE drill targets on the property. Given the significant number of claim acquisitions completed in the later part of 2010, the Company hired Aeroquest to conduct additional airborne surveys on the newly acquired claims. Aeroquest began the airborne surveys at the end of June 2011. The survey was completed in August with a total of 4,006.8 line km flown.

The Company hired Discovery Consultants to run the 2011 work program. Seven core holes totaling 1,395.07 meters were drilled by Falcon Drilling of Prince George, B.C. to test geochemical and geophysical anomalies. These holes intersected weakly altered phyllite with traces of pyrite. Since there was no significant alteration or mineralization encountered no analyses were conducted on the drill core. Surface work consisted of additional geological mapping and geochemical sampling. Late in the season, exposures of carbonatites and other intrusives south of the drilled area were located however, given the permitting process, it was too late in the season to drill this area.

A total of 83 soil samples were collected to extend anomalous results identified in soil grids sampled in 2010. These soils returned lower levels of REE than detected during 2010.

Approximately 4,000 kilometres of airborne Total Magnetic Intensity, eTH and eU survey was flown by Aeroquest Airborne of Mississauga, Ontario.

A future exploration program at Wicheeda is required to follow-up geochemical sampling in areas outlined from the airborne survey and to drill in the area of the carbonatite; however, given the Company's limited cash position and its focus on graphite, the exploration program has been deferred.

Dr. Roger C. Steininger CPG is the Qualified Person for this project as defined by National Instrument 43-101, and a director of the Company.

As at June 30, 2012, the Company had incurred $789,393 in acquisition costs and $2,202,205 towards deferred development expenditures related to the rare earth claims.

Charge Property, British Columbia, Canada

In February 2011, the Company acquired a 100% interest in the Charge prospect located in northern British Columba, approximately 50 kilometres southeast of the Kemess Mine operated by Northgate Minerals Corporation (NGX – TSX). The "Charge" REE prospect currently contains the highest Lanthanum (La) (1146 ppm), Yttrium (Y) (647 ppm), and second highest Cerium (Ce) (1247 ppm) samples in the province of British Columbia's Regional Geochemical Survey (BCRGS) database, with over 7000 samples recently taken from the region. The terms of the acquisition are disclosed in the notes to the year-end financial statements.

The 2011 work program was limited to initial silt sampling of the southern portion of the property. A total of fifty samples were collected and analyzed. Total REE were only slightly anomalous, but there were significant occurrences of anomalous gold. A further work program is required to perform follow-up sampling of the anomalous REE and gold anomalies, and for initial reconnaissance sampling in the northern half of the property.

Operating Activities (Continued)

Charge Property, British Columbia, Canada (Continued)

Dr. Roger C. Steininger CPG is the Qualified Person for this project as defined by National Instrument 43-101, and a director of the Company.

As at June 30, 2012, the Company had incurred $83,306 in acquisition costs and $167,542 towards deferred development expenditures related to the Charge property.

White Gold District Claims (Nicolas and Lucas claims), Yukon, Canada

In September 2010, the Company acquired a 100% interest in 128 quartz claims, covering over 6,500 acres, in two separate claim blocks in the White Gold District/Stewart River Area of the Yukon. The claim blocks are referred to as the Nicolas and Lucas claim blocks. These claims are in close proximity to announced discoveries by Kaminak Gold Corporation (KAM – TSX.V) at their “Coffee” property (August 24^{th} 2010 news release) and by Underworld Resources Inc. that agreed to a friendly takeover by Kinross Gold Corp (June 30^{th} 2010 news release). Bolero’s claims are underlain by the same quartz-muscovite and chlorite-muscovite schist of the Nasina Assemblage that hosts the deposits on the White Gold property, presenting an attractive exploration target. The terms of the acquisition are disclosed in the notes to the year-end financial statements.

In September 2010, Equity Exploration Consultants Ltd. was engaged to carry out a comprehensive work program throughout the “Nicolas” claim block. The objective of the work program was to assist in establishing drill targets and areas of high priority for further exploration. As a result of sampling conducted by Equity Exploration Consultants Ltd., a significant multi-element soil anomaly was discovered on the Nicolas claim block.

Soil samples were taken at 100m spacing along contour and ridge lines and were analyzed by ALS Chemex, North Vancouver, for gold by fire assay, and a multi-element suite by Inductively Coupled Plasma Atomic Emission Spectrometry. The soil anomaly was identified using two long contour lines, the results of which confirmed a significant multi-element anomaly in the area. The southeastern end of theanomaly contains the largest sustained gold anomaly on the property, with values above 10 ppb for over 1 km of contour line, with maximum gold values of 42 and 45 ppb. The anomaly continues for several kilometres to the northwest, with scattered samples yielding gold values among the highest encountered during the program. Particularly at the eastern end, these are accompanied by elevated As, Sb and Mo values.

Equity Exploration Consultants Ltd. recommended a follow-up work program which began in August 2011. A total of 235 soil samples were collected along 400 meter spaced grid lines with 100 meter sampling intervals. This grid was designed to infill the sampling conducted in 2010.

The 2011 program consisted of additional soil sampling to enhance the gold-arsenic anomaly detected in 2010. The 2011 program consisted of a soil sampling grid that was oriented at 140^{0}. Soil sampling lines were spaced 400 meters apart with samples collected at 100 meter spacing along the lines. A total of 235 samples were collected in 2011 from the B horizon, where permafrost permitted. There is a significant gold-arsenic anomaly in the east-central part of the claims that warrants following up, and has sufficient size to be an attractive target. Gold values in soil range from below detection limit to a maximum of 121 ppb. The geology of the property seems to be similar to that of the Kinross Gold Corporation’s nearby Golden Saddle gold deposit.

Additional exploration had been planned for 2012 and would have included geological mapping, additional sampling, trenching and potentially some initial drilling of some of the better anomalies;

Operating Activities (Continued)

White Gold District Claims (Nicolas and Lucas claims), Yukon, Canada (Continued)

however, given the Company's limited cash position and its focus on graphite, the exploration program has been deferred.

Dr. Roger C. Steininger CPG is the Qualified Person for this project as defined by National Instrument 43-101, and a director of the Company.

As at June 30, 2012, the Company had incurred $211,515 in acquisition costs and $76,257 toward deferred development expenditures related to the Yukon claims.

Arcadia

In 2007, the Company entered into an Option and Joint Venture Agreement to acquire a 50% interest in the Arcadia property, a 1,280 hectare area of Inuit-owned land located in Canada's Nunavut territory from Alix Resources Corp. (formerly "NPN Investment Group Inc."). The obligations under the Option and Joint Venture Agreement were fulfilled in 2008.

The Arcadia property represents an Archean lode-gold deposit located on the Arctic Ocean in Canada's Nunavut territory. A historic resource estimate of 640,650 tonnes averaging 7.2 g/t gold (containing about 148,000 oz. gold) in the North Central Vein and 139,524 tonnes averaging 8.6 g/t gold (or 38,600 contained oz. gold) in the Fred Vein have been reported for the property. These resource estimates were completed prior to 2001 and are not NI 43-101 compliant and therefore, cannot be relied upon.

Apex Geoscience Ltd. was retained to manage the work program on Arcadia. The required permits for drilling were obtained, and drilling began at the end of May 2008. The goals of the 2008 drilling at the Arcadia Bay GH Zone were to test the southern extent of D3 veins and to extend the zone of high grade mineralization intersected in G88-3 to the north and to the south along strike.

Five drill holes were collared. A total of 263 split core samples were taken for assay and geochemical analysis, comprising approximately 60% of the total core drilled. All of the analysis for the 2008 Arcadia Bay drilling was carried out by TSL labs in Saskatoon. All samples were fire assayed for Au using a 50g aliquot. Trace element ICP analysis was also carried out.

Gold fire assay results for the 2008 drill holes yielded some encouraging intersections, which are summarized in the table below.

Hole Id	From	To	Interval (m)	Au (g/t)
08ARC-02	95.50	97.00	1.50	4.73
08ARC-03	90.00	102.00	12.00	4.00
	90.98	97.83	6.85	6.70
	94.00	95.25	1.25	15.67
08ARC-04	92.50	98.50	6.00	1.24
08ARC-05	70.00	74.50	4.50	0.86
	106.89	107.63	0.74	20.44

Most of the quartz vein intervals were intersected at approximately 45 degrees to the core angle so therefore true widths will be approximately 0.7 times the "interval" widths.

A total of 16 historic drill holes have tested the GH Zone. The most significant drill intersection occurs at the north end of the GH Zone within drill hole G88-3, at a depth of 88.7 metres the hole intersected 12.0

Operating Activities (Continued)

Arcadia (Continued)

g/t Au over 13.0 metres. During 1989 a four-hole fan (G89-7, 8, 9, 10) was drilled perpendicular to hole G88-3 and provided a second high grade intersection of the same mineralized zone. At a depth of 88.25 metres drill hole G89-7 (hole bearing 212 degrees azimuth/-70 inclination) intersected 23.4 ppm Au over 5.6 metres. The steepest of the four drill holes, G89-10, intersected significant mineralization near surface at a depth of 9.53 metres which returned assays of 47.6 ppm Au over 1.27 metres (no cutoff, interval consists of 3 samples containing greater than 31 g/t Au). A second mineralized intersection at depth within G89-10 returned 7.2 ppm Au over 5.45 metres, and is interpreted to correspond with high grade intersections within G88-3 and G89-7.

The assay results from the 2008 drill program confirmed that the high grade zone intersected in historic holes G88-3, G89-07,08,10 is continuous over at least 100m on a northeast-southwest trend, and is still open to the north.

Robert McLeod, P Geo., Vice President Exploration, for Full Metal Minerals Ltd., was the qualified person for this project as defined by NI 43-101.

While the Company has retained its interest in the Arcadia property, it does not anticipate performing any additional exploratory work for the foreseeable future and accordingly in fiscal 2009 wrote off the capitalized costs incurred on the property.

The Company has incurred $14,100 in each of 2011 and 2012 for the maintenance of the claims. These costs are reflected in the statement of loss and comprehensive loss as the write off of exploration and evaluation expenditures.

Operating Activities- Graphite Distribution

In June 2012, the Company entered into an Exclusive Distribution Agreement with GEC (ASIA) Industry Co., Ltd in China. The agreement gives Bolero the exclusive rights to manufacture, market, distribute and sell any and all products in the territory of Canada, United States and Mexico. The term of the Agreement is ten years with an option to renew for two additional ten-year periods. This will give Bolero exclusive distribution rights for 6,000 metric tonnes annually of the highest quality graphite. The majority of the graphite is +35 to +50 mesh, which represents the higher end of the price scale as this material sells at a premium.

GEC Group was established in 1998 with more than 10 years in the graphite industry. GEC consists of 3 Graphite mines in China located in Tiazhuang, Pingdu, Qingdao. These mines provide an annual production capacity of 40,000 tonnes, with around 500 grades of natural flake graphite. These graphite products include; natural, high purity, expandable and micro powder flake graphite. Other products include; graphite sheets, electrodes, rings, rolls and packing.

GEC (ASIA) Industry Co., Ltd. was established in 2005 mainly for the international business market. Customer distribution is comprised of a 40% selling volume in the domestic Chinese market (mainly for refractory, pencil, battery, friction material applications) and 60% volume exporting globally outside the Chinese market.

Bolero has engaged the services of an individual that will act in the capacity of Director of Sales and will be responsible for generating sales.

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 June 30, 2012, the Company had not recorded any significant revenues from its projects.

The Company incurred a net loss for the three months ended June 30, 2012 of $297,004 compared with a net loss of $248,633 in the prior year. Explanations for significant variances are provided below:

- an increase of $50,000 in management fees relates to the payment of $25,000 per month for the services of the new CEO.

- an increase of $20,579 in professional fees is attributable to an increase in legal fees related to consulting contracts and graphite claims acquisitions.

- an increase of $19,466 in property investigation costs relates to the expenses incurred in evaluating certain mineral claim acquisition opportunities for the quality and quantity of potential graphite and the “fit” for Bolero’s strategy and technological approach.

- a decrease of $13,203 in shareholder communication and promotion costs relates to a reduction in the number and nature of external communications to investors and shareholders. In 2011, the Company paid $7,500 per month for investor relations services. These services were terminated in the later quarter of 2011. These cost reductions were offset by website and logo development costs and the cost of a corporate communications consultant for $5,000 per month.

- a decrease of $8,586 in travel and accommodation. All travel for the period was related to property investigation activities therefore, costs have been included in property investigation costs.

- a decrease of $5,298 in office, rent and miscellaneous costs predominantly relates to a reduction in accrued Part XII.6 tax on flow through expenditures. Part XII.6 tax is payable on unspent flow through funds. In 2011, the Company was required to spend approximately $2,700,000 while the Company is only required to spend approximately $320,000 in 2012.

- a decrease of $9,634 in investment income is due to lower interest generating cash balances in 2012 and a reduction of the monthly dividend from investments from $2,000 to $2,700 per month in 2011 to $1,000 per month in 2012.

- an income tax recovery of $22,272 in 2012 relates to the tax impact of expired warrants. There was no similar tax recovery recognized in 2011.

Results of Operations (Continued)

The Company incurred a net loss for the six months ended June 30, 2012 of $407,927 compared with a net loss of $586,555 in the prior year. Explanations for significant variances are provided below:

- a decrease in of $155,678 in share based compensation relates to the timing of the amortization and the fair value of granted options. In the first quarter of 2011, the amortization of the fair value of 1,100,000 options that were granted on December 29, 2010 began. Amortization is greater at the beginning of the vesting period. While 2,750,000 options were granted in 2012, they were granted in May and June 2012 therefore amortization did not commence until the end of the second quarter of 2012. In addition, the fair value of the 2012 option grants are significantly lower than the December 2010 option grants predominantly due to the decrease in the Company's stock price.

- an increase of $9,263 in professional fees is attributable to an increase in legal fees in 2012 related to consulting contracts and graphite claims acquisitions however this increase was partially offset by a decrease in audit fees. In the first six months of 2011, the Company recorded an additional $11,500 for underaccrued audit fees.

- a decrease of $14,220 in office, rent and miscellaneous costs predominantly relate to decreases in accrued Part XII.6 tax on flow through expenditures and a reduction in telephone and fax charges.

The explanations for the increases of $50,000 in management fees, $19,466 in property investigation costs and $35,772 in income tax recovery are the same as discussed under the variances for the three months ended June 30, 2012.

The explanations for the decreases of $59,105 in shareholder communication and promotion, $15,961 in investment income and $16,025 in travel and accommodation are the same as discussed under the variances for the three months ended June 30, 2012.

Summary of Quarterly Results

The following table sets out selected quarterly information for the last eight quarters.

Three Months Ended	**June 30, 2012**	**March 31, 2012**	**December 31, 2011**	**September 30, 2011**
	$	$	$	$
Revenue (investment income)	3,866	4,031	7,322	12,320
Net Income (Loss)	(297,004)	(110,923)	(712,784)	(669,211)
Net Income (Loss) per common share	(0.01)	(0.00)	(0.02)	(0.02)
Three Months Ended	**June 30, 2011**	**March 31, 2011**	**December 31, 2010**	**September 30, 2010**
	$	$	$	$
Revenue	13,500	10,358	8,100	8,104
Net Income (Loss)	(248,633)	(337,922)	(244,564)	(1,348,135)
Net Income (Loss) per common share	(0.01)	(0.01)	(0.00)	(0.06)

Liquidity and Capital Resources

The Company's cash and cash equivalent position at June 30, 2012 was $376,685 compared with a cash and cash equivalent position of $856,723 at December 31, 2011.

At June 30, 2012, the Company had working capital of $263,847 compared to working capital of $754,504 at December 31, 2011. For the six months ended June 30, 2012, the Company utilized $231,074 for operating activities, $6,167 for financing activities and $243,824 for mineral property expenditures and reclamation expenditures. The Company received $930 from the sale of equipment.

There were no material credit facilities in place as at June 30, 2012.

The Company will require additional funding to fund its 2012 work programs and operations.

Any commitments to pay cash or issue shares are disclosed in the notes to the financial statements.

Related Party Transactions

During the six months ended June 30, 2012, the Company entered into the following transactions with related parties:

a) Incurred management fees of $60,000 (2011- $60,000*)* to West Oak Capital Partners Inc., a company controlled by R. Bruce Duncan (former President & CEO and current Chairman of the Board). Mr. Duncan resigned as President and CEO effective May 23, 2012.

b) Incurred management fees of $50,000 (2011 - $Nil) to O2 Ltd., a company controlled by Paul Ogilvie, CEO of the Company. Paul assumed the role of CEO on May 23, 2012.

c) Incurred professional fees of $30,000 (2011 - $30,000) to Olga Nikitovic (CFO).

d) Incurred geological consulting fees charged to exploration and evaluation expenditures of $18,238 (2011- $2,915) to Roger Steininger (Director).

e) Incurred legal fees of $22,106 (2011 – $9,895) to Tom Fenton of Aird & Berlis LLP, (Corporate Secretary).

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.

The compensation for key management personnel is identified above in (a), (b) and (c). The Company does not pay any health or post employment benefits. The fair value of options granted to key management during the six months ended June 30, 2012 was $94,906.

Off Balance Sheet Arrangements

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

Changes in Accounting Policies

Current Accounting Changes

Please refer to Note 4 of the financial statements for a complete description of accounting policy changes.

Future Accounting Changes

IFRS 9 Financial Instruments: Classification and Measurement ("IFRS 9"), effective for annual periods beginning on or after January 1, 2015, with early adoption permitted, introduces new requirements for the classification and measurement of financial instruments. Management anticipates that this standard will be adopted in the Company's financial statements for the period beginning January 1, 2015, and has not yet considered the potential impact of the adoption of IFRS 9.

IFRS 10 Consolidated Financial Statements ("IFRS 10") provides a single model to be applied in the control analysis for all investees, including entities that currently are special purpose entities in the scope of SIC 12. In addition, the consolidation procedures are carried forward substantially unmodified from IAS 27 Consolidated and Separate Financial Statements. The Company intends to adopt IFRS 10 in its financial statements for the annual period beginning on January 1, 2013. The Company has not yet determined the impact of the amendments to IFRS 10 on its financial statements.

IFRS 11 Joint Arrangements ("IFRS 11") replaces the guidance in IAS 31 *Interests in Joint Ventures*. Under IFRS 11, joint arrangements are classified as either joint operations or joint ventures. IFRS 11 essentially carves out of previous jointly controlled entities, those arrangements which although structured through a separate vehicle, such separation is ineffective and the parties to the arrangement have rights to the assets and obligations for the liabilities and are accounted for as joint operations in a fashion consistent with jointly controlled assets/operations under IAS 31. In addition, under IFRS 11 joint ventures are stripped of the free choice of equity accounting or proportionate consolidation; these entities must now use the equity method.

Upon application of IFRS 11, entities which had previously accounted for joint ventures using proportionate consolidation shall collapse the proportionately consolidated net asset value (including any allocation of goodwill) into a single investment balance at the beginning of the earliest period presented. The investment's opening balance is tested for impairment in accordance with IAS 28 *Investments in Associates* and IAS 36 *Impairment of Assets*. Any impairment losses are recognized as an adjustment to opening retained earnings at the beginning of the earliest period presented. The Company intends to adopt IFRS 11 in its financial statements for the annual period beginning on January 1, 2013. The Company has not yet determined the impact of the amendments to IFRS 11 on its financial statements.

IFRS 12 Disclosure of Interests in Other Entities ("IFRS 12") sets out the disclosure requirements for entities reporting under IFRS 10 and IFRS 11, and effective for years beginning on or after January 1, 2013, replaces the disclosure requirements currently found in IAS 28 Investments in Associates ("IAS 28"). The objective of IFRS 12 is to require the disclosure of information that enables users of financial statements to evaluate: (a) the nature of, and risks associated with, its interests in other entities; and (b) the effects of those interests on its financial position, financial performance and cash flows. The Company is currently evaluating the impact the introduction of IFRS 12 will have on its financial statements.

IFRS 13 Fair Value Measurement ("IFRS 13") converges IFRS and US GAAP on how to measure fair value and the related fair value disclosures. The new standard creates a single source of guidance for fair value measurements, where fair value is required or permitted under IFRS, by not changing how fair value is used but how it is measured. The focus will be on an exit price. IFRS 13 is effective for annual periods beginning on or after January 1, 2013, with early adoption permitted. The Company has not yet determined the impact of the amendments to IFRS 13 on its financial statements.

Changes in Accounting Policies (Continued)

Future Accounting Changes (Continued)

IAS 1 Presentation of Financial Statements ("IAS 1") was amended by the IASB in June 2011 in order to align the presentation of items in other comprehensive income with US GAAP standards. Items in other comprehensive income will be required to be presented in two categories: items that will be reclassified into profit or loss and those that will not be reclassified. The flexibility to present a statement of comprehensive income as one statement or two separate statements of profit and loss and other comprehensive income remains unchanged. The amendments to IAS 1 are effective for annual periods beginning on or after July 1, 2012. The Company has not yet determined the impact of the amendments on its financial statements.

Critical Accounting Estimates

The preparation of these financial statements 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. The impact of these estimates are pervasive throughout the financial statements and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. Estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Significant estimates made by the Company include factors affecting the recoverability of exploration and evaluation expenditures, valuation of restoration, rehabilitation and environmental obligations, inputs used for share based payment transactions, inputs used for valuation of warrants and deferred tax assets and liabilities. Actual results could differ from those estimates.

The areas which require management to make significant judgments, estimates and assumptions in determining carrying values include, but are not limited to:

Assets' carrying values and impairment charges
In the determination of carrying values and impairment charges, management looks at the higher of recoverable amount or fair value less costs to sell in the case of assets and at objective evidence, significant or prolonged decline of fair value on financial assets indicating impairment. These determinations and their individual assumptions require that management make a decision based on the best available information at each reporting period.

Capitalization of exploration and evaluation costs
Management has determined that exploration and evaluation costs incurred during the year have future economic benefits and are economically recoverable. In making this judgement, management has assessed various sources of information including but not limited to the geologic and metallurgic information, proximity of operating facilities, operating management expertise and existing permits.

Impairment of exploration and evaluation assets
While assessing whether any indications of impairment exist for exploration and evaluation assets, consideration is given to both external and internal sources of information. Information the Company considers includes changes in the market, economic and legal environment in which the Company operates that are not within its control that could affect the recoverable amount of exploration and evaluation assets. Internal sources of information include the manner in which exploration and evaluation assets are being used or are expected to be used and indications of expected economic performance of the assets. Estimates include but are not limited to estimates of the discounted future after-tax cash flows expected to be derived from the Company's mining properties, costs to sell the properties and the

Critical Accounting Estimates (Continued)

Impairment of exploration and evaluation assets (Continued)
appropriate discount rate. Reductions in metal price forecasts, increases in estimated future costs of production, increases in estimated future capital costs, reductions in the amount of recoverable mineral reserves and mineral resources and/or adverse current economics can result in a write-down of the carrying amounts of the Company's exploration and evaluation assets.

Estimation of decommissioning and restoration costs and the timing of expenditure
The cost estimates are updated annually to reflect known developments, (e.g. revisions to cost estimates and to the estimated lives of operations), and are subject to review at regular intervals. Decommissioning, restoration and similar liabilities are estimated based on the Company's interpretation of current regulatory requirements, constructive obligations and are measured at fair value. Fair value is determined based on the net present value of estimated future cash expenditures for the settlement of decommissioning, restoration or similar liabilities that may occur upon decommissioning of the mine. Such estimates are subject to change based on changes in laws and regulations and negotiations with regulatory authorities.

Income taxes and recoverability of potential deferred tax assets
In assessing the probability of realizing income tax assets recognized, management makes estimates related to expectations of future taxable income, applicable tax planning opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified. Estimates of future taxable income are based on forecasted cash flows from operations and the application of existing tax laws in each jurisdiction. Where applicable tax laws and regulations are either unclear or subject to ongoing varying interpretations, it is reasonably possible that changes in these estimates can occur that materially affect the amounts of income tax assets recognized. Also, future changes in tax laws could limit the Company from realizing the tax benefits from the deferred tax assets. The Company reassesses unrecognized income tax assets at each reporting period.

Share-based payments
Management determines costs for share-based payments using market-based valuation techniques. The fair value of the market-based and performance-based share awards are determined at the date of grant using generally accepted valuation techniques. Assumptions are made and judgment used in applying valuation techniques. These assumptions and judgments include estimating the future volatility of the stock price, expected dividend yield, future employee turnover rates and future employee stock option exercise behaviors and corporate performance. Such judgments and assumptions are inherently uncertain. Changes in these assumptions affect the fair value estimates.

Financial Instruments

Canadian generally accepted accounting principles require that the Company disclose information about the fair value of its financial assets and liabilities. Fair value estimates are made at the statement of financial position date, based on relevant market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties in significant matters of judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect these estimates.

The carrying amounts of cash, receivables and accounts payable and accrued liabilities on the consolidated statement of financial position approximate fair market value because of the limited term of these instruments. The Company's investments classified as available for sale and its cash equivalents classified as held-for trading are carried at fair value. The fair value is determined by reference to quoted prices in active markets for identical assets or inputs other than quoted prices that are observable either directly or indirectly.

Financial Instruments (Continued)

The Company does not believe it is exposed to significant interest, currency or credit risk arising from these financial instruments.

Proposed Transactions

The Company continues to review and assess possible transactions.

Contingencies

The Company does not have any contingencies or commitments other than those disclosed in the notes to the financial statements.

Subsequent Events

There are no material subsequent events other than those disclosed in the notes to the financial statements.

Management's Responsibility for Financial Statements

The information provided in this report, including the financial statements, is the responsibility of management. In the preparation of these statements, estimates are sometimes necessary to make a determination of future values for certain assets or liabilities. Management believes such estimates have been based on careful judgements and have been properly reflected in the financial statements.

Other MD&A Requirements

As at August 15, 2012 the Company has 39,604,558 shares outstanding, or 56,938,558 shares on a fully diluted basis. If the Company were to issue 4,457,000 shares upon the conversion of all of its outstanding stock options, and 12,627,000 upon conversion of all of its outstanding warrants, it would raise $6,130,700.

BOLERO RESOURCES CORP.

CORPORATE DATA

August 15, 2012

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Paul Ogilvie	CEO
Roger Steininger, Ph.D	Director
Greg Lipton	Director
Olga Nikitovic	CFO
Thomas A. Fenton	Corporate Secretary

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CAPITALIZATION

Authorized:	Unlimited
Issued:	39,604,558
Escrow:	Nil

LISTINGS

TSX Venture Exchange
Trading Symbol: BRU

Frankfurt Exchange
Trading Symbol: U7N