

PROSPECTOR CONSOLIDATED RESOURCES INC.
MANAGEMENT DISCUSSION AND ANALYSIS
March 31, 2008

The following management discussion and analysis (“MD&A”) was prepared as of June 23, 2008, and is management’s assessment of Prospector Consolidated Resources Inc.’s (“Prospector” or the “Company”) historical financial and operating results and should be read in conjunction with the audited financial statements of the Company for the quarter ended March 31, 2008 together with any accompanying notes which can be found on SEDAR at www.sedar.com

Forward-Looking Information

This document contains forward-looking statements about management’s future plans for Prospector’s business and its operations. Forward-looking statements are statements which relate to future events or to our future financial performance. In some cases, you can identify forward-looking statements by terminology such as “may”, “should”, “expects”, “plans”, “anticipates”, “believes”, “estimates”, “predicts”, “potential” or “continue” or the negative of these terms or other comparable terminology. These statements are only predictions and involve known and unknown risks, uncertainties and other factors, including the risks specifically identified in the section of this MD&A entitled “Risk Factors” beginning on page 5, and those that are inherent to the business of mineral exploration. Our actual results could differ materially from those described in these forward-looking statements.

Description of Business

Prospector Consolidated Resources Inc. (“Prospector”) is a Vancouver based junior natural resource company whose business is to seek out undervalued exploration opportunities, with a focus on precious and base metals, followed by aggressive exploration on properties identified by management as having world-class potential. The Company advances its projects through prospecting, mapping, geophysics, trenching and drilling, after which, it decides whether a property has limited exploration potential and should be abandoned or further work is justified. If further work is warranted, it will advance it to a stage where the expense of further exploration and development can be financed by way of equity or debt financing or by way of joint venture.

All financial information in this MD&A is prepared in accordance with Canadian GAAP, and all dollar amounts are expressed in Canadian dollars unless otherwise indicated. All information contained in this MD&A is current as of June 22, 2008, unless otherwise stated.

Principle Projects and Overall Performance

Beowawe Project, Nevada

In 2004, the Company entered into an option agreement with a related party (Note 10) (“Alpha option”), whereby it can acquire a 100% interest in 140 unpatented mining claims and 4 patented fee lands in north eastern Nevada by issuance of up to 1,800,000 common shares in three separate tranches (300,000 shares issued), incurring exploration costs of \$700,000 on the property, with \$350,000 to be spent by July 15, 2005 (amended to December 31, 2008) and an additional \$350,000 to be spent by July 15, 2006 (amended to December 31, 2009). Under the terms of the agreement, Alpha retains a 2% net smelter return royalty, which the Company has the right to reduce to 1% upon payment of \$1,000,000 at any time up to the third anniversary of commencement of commercial production.

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In 2007, the Company decided to focus its resources on its new properties under option and has written-down its interest in the Beowawe property to a nominal value of \$1.

Henry Neugebauer, P.Eng. President of Prospector, is the Qualified Person for the Company.

Kalzas Project, Yukon

In August 2007, subject to regulatory approval of the Kalzas 43-101 technical report, the Company entered into an option agreement with Copper Ridge Explorations Inc. ("Copper Ridge") giving it the right to acquire a 100% interest in Kalzas Property located in the Mayo Mining District, Yukon.

The 43-101 report for Kalzas can be viewed on Prospector's website at www.prospectorresources.com Payments required to exercise the option include an initial cash payment, incurring exploration expenditures on the property, issuance of shares, and issuing share purchase warrants as follows:

	Cash	Exploration	Shares
On execution of agreement (paid)	\$ 25,000	\$ -	\$ -
Upon regulatory acceptance – (issued)	-	-	500,000
On or before December 31, 2007	-	80,000	-
On or before December 31, 2008	-	750,000	500,000
On or before December 31, 2009	-	1,250,000	1,000,000
On or before December 31, 2010	-	2,000,000	1,000,000
Earlier completion of pre-feasibility study and January 1, 2012	-	-	500,000
Earlier completion of feasibility study and January 1, 2013	-	-	1,000,000
Earlier completion of feasibility study and January 1, 2014	-	-	1,500,000
Total	<u>\$ 25,000</u>	<u>\$4,080,000</u>	<u>\$6,000,000</u>

The company is also required to issue 2,000,000 share purchase warrants to Copper Ridge comprised of:

- 1,000,000 warrants upon regulatory approval, exercisable for a two-year period at \$0.25 per share in the first year and at \$0.50 per share in the second year.
- additional 1,000,000 warrants to be issued by December 31, 2010 exercisable for a two year period at an exercise price to be determined at the time of issue.

As of March 31, 2008, the company has incurred exploration costs \$72,646 which is below the required \$80,000 of exploration costs to be incurred prior to the end of December 31, 2007.

Management expects to make up this difference before the end of 2008.

There is an underlying net smelter returns royalty of 2% on the claims, that the company has the right to reduce by 1% upon payment of an additional \$500,000.

Aurum Geological services will supervise the drill program and Kluane Drilling of Whitehorse will commence drilling 2400 m in August, 2008.

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Candamena Mining District, Mexico

In August 2007, subject to regulatory approval of the 43-101 technical report for Candamena (received March 2008), the Company entered into an option agreement with First Majestic Silver Corp. ("First Majestic") to acquire First Majestic's rights and interests in underlying option agreements for the acquisition of a 100% interest in assets and mineral concessions located in Chihuahua State, Mexico. Payments required to fully exercise the option include a cash payment of \$50,000 and issuance of 2,000,000 shares to First Majestic and payments to the property vendors totalling US\$6,375,000, plus VAT. Subject to regulatory approval, the Company has also agreed to issue an additional 50,000 shares to an individual who assisted in the property acquisition. Total payments to be made are as follows:

	U.S. \$	Shares
On execution of the agreement (paid)	\$ 50,000	-
On regulatory approval of the agreement (issued 2,000,000 in March 2008)	-	2,000,000
August 29, 2007 (paid October 17, 2007)	150,000	-
November 29, 2007 (paid)	675,000	-
February 29, 2008	600,000	-
May 29, 2008	1,575,000	-
November 29, 2008	3,375,000	-
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	\$6,425,000	2,000,000

In February of 2008, the Company announced it had submitted its National Instrument 43-101 to the Exchange as a requirement to receive approval from the Exchange for the Candamena Mining agreement. As a result of the acceptance of the 43-101, the company issued 2,000,000 shares to First Majestic in March 2008.

The Company is in the process of negotiating amendments to all payments to be made subsequent to January 1, 2008. The Company does not currently intend to proceed with the Candamena project in Mexico unless it is able to renegotiate the terms of the agreements with the two owners of the properties making up that project and obtain additional financing. The Company has not made the 2008 payments required under those agreements and has commenced discussions towards a renegotiation of those agreements. There can be no assurance that such negotiations will be successful or that the Company will receive the financing required to pursue the two option agreements at Candamena.

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Summary of Quarterly Results

The following table sets out selected quarterly financial information and is derived from quarterly financial statements prepared by management.

Period	Revenues	Net Income (loss)	Basic per share Net Income(loss)	Diluted Loss per Share Net Income (loss)
1 st Quarter 2008	Nil	(161,483)	(0.005)	(0.005)
4 th Quarter 2007	Nil	(414,841)	(0.02)	(0.02)
3 rd Quarter 2007	Nil	(42,565)	(0.004)	(0.004)
2 nd Quarter 2007	Nil	(27,074)	(0.004)	(0.004)
1 st Quarter 2007	Nil	(45,327)	(0.004)	(0.004)
4 th Quarter 2006	Nil	(89,093)	(0.004)	(0.004)
3 rd Quarter 2006	Nil	(22,575)	(0.001)	(0.001)
2 nd Quarter 2006	Nil	(66,694)	(0.003)	(0.003)
1 st Quarter 2006	Nil	(26,821)	(0.001)	(0.001)
4 th Quarter 2005	Nil	(492,183)	(0.003)	(0.003)
3 rd Quarter 2005	Nil	(8,542)	(0.001)	(0.001)
2 nd Quarter 2005	Nil	(84,273)	(0.01)	(0.01)
1 st Quarter 2005	Nil	(93,894)	(0.01)	(0.01)
4 th Quarter 2004	Nil	(370,791)	(0.03)	(0.03)

Selected Annual Information

The consolidated financial statements for the year ended December 31, 2007, have been prepared in conformity with generally accepted accounting principles applicable to a going concern.

The following table sets forth a summary of our financial results for the years ended December 31, 2007, 2006, 2005 and 2004:

Years ended December 31 (Cdn \$)	2007	2006	2005	2004
Net sales or total revenue	\$0	\$0	\$40	\$153
Net Income (loss)	(\$529,807)	(\$205,183)	(\$678,892)	(\$670,524)
Basic per share	(\$0.02)	(\$0.01)	(\$0.04)	(\$0.06)
Diluted per share	(\$0.02)	(\$0.01)	(\$0.04)	(\$0.06)
Total assets	\$1,343,240	\$253,944	\$195,039	\$495,210

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Results of Operations

Three month period ended March 31, 2008 compared to the three month period ended March 31, 2007

The Company incurred a net loss of \$161,483 for the three months ended March 31, 2008, compared with a net loss of \$45,327 for the same period in the previous year. Significant variances in expenditures for the three months ending March 31, 2008 compared to the same period in the prior year includes increases in Corporate Development expenditures (\$65,897), Legal & accounting (\$17,768) and stock compensation (\$32,933), offset by decreases in professional services (\$5,453) and travel and promotion (\$4,500).

Prospector's ability to continue as a going concern in the short term is dependent upon its ability to obtain financing. The Company currently has no operating revenues and depends on the equity markets as its sole source of operating working capital. Its capital resources are largely determined by the strength of the junior resource markets and by the status of the Company's projects in relation to these markets and its ability to compete for investor support of its projects. Additionally, management is concentrating on its accounting and reporting functions to comply with TSX and BCSC regulations and to better serve our shareholders.

Liquidity

Prospector has no history of profitable operations and its mineral projects are at an early stage. It is still in the process of exploring its interests in resource properties and has not yet determined whether these properties contain reserves that are economically recoverable. The recoverability of amounts shown for resource properties and related deferred costs is dependent upon the existence of economically recoverable reserves, confirmation of the Company's interest in the underlying claims, the ability of the Company to obtain necessary financing to complete the development, and upon future profitable production or proceeds from the disposition thereof.

Prospector recently had a working capital deficiency and required additional financing to provide sufficient working capital to fund ongoing operations and to retain its interests in its resource properties. The Company is currently raising \$1.25 million via flow through financing for the Kalzas tungsten project drill program. In October of 2007, the Company raised an additional \$1.0m via a private placement in order to retain its interests in its resource properties.

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Outstanding Share Data

Prospector's authorized capital is 50,000,000 common shares without par value. As at March 31, 2008, there were 31,526,655 common shares issued and outstanding.

The Company has a stock option plan for directors, officers and certain consultants. Under the plan, the Company may grant options for up to 6,305,331 shares of common stock (or a maximum of 20% of the outstanding number of shares of common stock). Changes to the stock options are shown in the following table:

Changes to the stock options are shown in the following table:

	March 31, 2008		December 31, 2007	
	Number of Options	Average Exercise Price	Number of Options	Weighted Average Exercise Price
<i>Balance, beginning of year</i>	2,820,000	\$0.13	2,327,750	\$ 0.12
Granted	225,000	\$0.25	700,000	0.15
Exercised	(100,000)	\$0.10	(130,000)	-
Expired	-	-	(77,750)	0.12
<i>Balance, end of period</i>	<u>2,925,000</u>	<u>\$0.13</u>	<u>2,820,000</u>	<u>\$ 0.13</u>

In January 2008, the Company agreed to pay \$1,450 per month for an 18 month period for investor relations services and to grant stock options exercisable for 167,000 shares of the Company for a three year period at an exercise price to be determined based on market prices at the date of grant. As of March 31, 2008, no stock options have been issued under this arrangement.

Stock options outstanding and exercisable at March 31, 2008 are shown in the following table:

Number	Weighted Average Exercise Price	Expiry Date
225,000	\$ 0.25	February 5, 2013
500,000	0.15	August 27, 2012
100,000	0.16	August 14, 2012
100,000	0.15	July 31, 2012
1,150,000	0.15	August 8, 2011
870,000	0.10	July 9, 2009
<u>2,945,000</u>	<u>\$ 0.12</u>	

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For the three months ended March 31, 2008, the compensation expense recorded for stock options granted was \$32,392 (December 31, 2007 - \$97,625). The weighted average fair value of options granted during 2008 was \$0.25 (2007 - \$0.12).

Share Purchase Warrants

At the three month period ended March 31, 2006, the Company had 2,000,000 warrants outstanding with an exercise price of \$0.15 with an expiry date of May 17, 2007, of which 550,000 warrants expired unexercised. During the three month period ended September 30, 2007, the Company had all of the remaining 2,590,000 warrants, with an expiry date of September 22 2007, exercised at an exercise price of \$0.10. During the three-month period ended December 31, 2007, in which the Company closed a \$1,000,000 financing, there were 1,703,444 warrants issued at an exercise price of \$0.60.

The following table summarizes the number of fully exercisable warrant transactions during 2008 and 2007:

	Number of Warrants	Weighted Average Exercise Price
Balance January 1, 2006	5,050,000	\$ 0.12
Issued	1,703,444	\$ 0.60
Exercised	(4,500,000)	\$ 0.12
Expired	(550,000)	\$ 0.15
Balance December 31, 2007	1,703,444	\$ 0.60
Issued	25,000	\$ 0.60
Exercised	-	\$ -
Expired	-	\$ -
Balance March 31, 2008	1,728,444	\$ 0.60

Warrants outstanding at March 31, 2008 entitles the holders to purchase up to 1,728,444 common shares of the Company at \$0.60 per share until October 24, 2008

Transactions with Related Parties

Consulting and management fees of \$11,250 (2007 - \$11,250) were earned by directors for their services for the three months ended March 31. Included in the accounts payable at March 31, 2008 is \$22,879 for fees and expenses due to a director.

During the three month period ended March 31, 2008, the Company recorded expense reimbursements of \$14,215 to directors.

The Company has an option agreement ("Alpha option") with a director and a company controlled by him to acquire a 100% interest in a resource property located in Nevada. This agreement was amended in 2006.

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Transactions with related parties noted above were in the normal course of business and were measured at the exchange rate which was the amount of consideration established and agreed to by the related parties.

Subsequent Events

As of May 14, 2008, the shares of the company have been halted for trading by the TSX - Venture Exchange as a result of a cease trade order issued by the British Columbia Securities Commission (the "BCSC"). The cease trade order occurred because the Company did not file its audited financial statements and corresponding MD&A for 2007 on time. The reason for this delay was administrative and all outstanding issues with regards to completing the 2007 audited financial statements have now been resolved. As of May 29, 2008, the audit committee had its final meeting with the auditors of the Company and all required materials have been prepared for filing. Subsequent to these delays, Terry King, the Corporate Secretary resigned on June 4, 2008.

In April of 2008, the Company announced it had submitted its National Instrument 43-101 to the Exchange as a requirement to receive approval from the Exchange for the Kalzas agreement. The report has since been accepted and the Company has issued 500,000 common shares of the company and 1,000,000 share warrants to Copper Ridge. Copper Ridge is aware that the 2007 expenditure for Kalzas is \$7,354 less than the required \$80,000 work commitment but has agreed that the deficiency can be made up in 2008. Please refer to Note 6 for additional information.

Charlie Morgan, Director, resigned from the Board effective June 14, 2008; he is a significant shareholder and plans to continue to work with Prospector.

Critical accounting policies

The preparation of financial statements in conformity with generally accepted accounting principles in Canada requires companies to establish accounting policies and to make estimates that affect both the amount and timing of the recording of assets, liabilities, revenues and expenses. Some of these estimates require judgments about matters that are inherently uncertain.

All of the Company's significant accounting policies and the estimates derived therefrom are included in Note 2 to the annual consolidated financial statements for period ended March 31, 2008. While all of the significant accounting policies are important to the Company's consolidated financial statements, the following accounting policies, and the estimates derived therefrom, have been identified as being critical:

Carrying Values of Resource Property Interests

The Company reviews and evaluates its mineral properties for impairment at least annually or when events and changes in circumstances indicate that the related carrying amounts may not be recoverable. Impairment is considered to exist if the total estimated future undiscounted cash flows are less than the carrying amount of the assets. Estimated undiscounted future net cash flows for properties in which a mineral resource has been identified are calculated using estimated future production, commodity prices, operating and capital costs and reclamation and closure costs. Undiscounted future cash flows for exploration stage mineral properties are estimated by reference to the timing of exploration and/or development work, work programs

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proposed, the exploration results achieved to date and the likely proceeds receivable if the Company sold specific properties to third parties. If it is determined that the future net cash flows from a property are less than the carrying value, then an impairment loss is recorded with a charge to operations, to the extent the carrying value exceeds discounted estimated future cash flows.

The estimates used by management are subject to various risks and uncertainties. It is reasonably possible that changes in estimates could occur which may affect the expected recoverability of the Company's investments in mining projects and other mineral property interests.

Changes in Accounting Policies including initial adoption

Capital Disclosures and Financial Instruments Disclosures and Presentation

During the quarter, the Company adopted four new presentation and disclosure standards that were issued by the Canadian Institute of Chartered Accountants: Handbook Section 1535, Capital Disclosures ("Section 1535"), Handbook Section 3862, Financial Instruments – Disclosures ("Section 3862"), Handbook Section 3863, Financial Instruments – Presentation ("Section 3863") and Handbook Section 1400 – General Standards of Financial Statements related to Going Concern.

Section 1535 requires the disclosure of both qualitative and quantitative information that enables users of financial statement to evaluate (i) an entity's objectives, policies and processes for managing capital; (ii) quantitative data about what the entity regards as capital; (iii) whether the entity has complied with any capital requirements; and (iv) if it has not complied, the consequences of such non-compliance.

Sections 3862 and 3863 replace Handbook Section 3861, Financial Instruments – Disclosure and Presentation, revising and enhancing its disclosure requirements and carrying forward unchanged its presentation requirements for financial Instruments. Sections 3862 and 3863 place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the entity manages those risks.

Fair Values of Financial Instruments

The Company thoroughly examines the various financial instrument risks to which it is exposed and assesses the impact and likelihood of those risks. These risks may include credit risk, liquidity risk, currency risk, interest rate risk and other price risks. Where material, these risks are reviewed and monitored by the Board of Directors.

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Capital Risk Management

The Company's objective when managing capital is to safeguard its accumulated capital in order to provide an adequate return to shareholders by maintaining a sufficient level of funds, 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.

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 funds as needed. The Company will continue to assess new properties and seek to acquire additional properties, if it feels there is sufficient geologic or economic potential, and if it has adequate financial resources to do so.

The capital structure of the Company consists solely of equity attributable to common shareholders, comprising of issued capital, contributed surplus, and retained earnings (deficit). The Company has no externally imposed debt requirement or debt covenants.

Company Risks

Financing Risks

The Company's objective is to ensure that there are sufficient committed financial resources to meet its short-term business requirements for a minimum of twelve months. The Company has no credit facilities at this time and given the Company's current stage of development, it is not expected that such credit facilities would be available to the Company.

Future exploration, development, mining, and processing of minerals from the Company's properties will require substantial additional financing. The only current sources of funds available to the Company are the sale of additional equity capital, which if available, may result in substantial dilution to existing shareholders. There is no assurance that such funding will be available to the Company, or that it will be obtained on terms favorable to the Company. Failure to obtain sufficient financing may result in delaying or indefinite postponement of exploration, development, or production on any or all of the Company's properties, or even a loss of property interests. The Company's overall liquidity risk has not changed significantly from the prior year.

Cash Flow

The Company's properties are currently being assessed for exploration and as a result, the Company has no source of operating cash flow. Failure to obtain additional financing could result in delay or indefinite postponement of further exploration.

There can be no assurance that the Company will be able to obtain adequate financing in the future or that the terms of such financing will be favourable. Failure to obtain such additional financing could result in delay or indefinite postponement of further exploration and development of its projects with the possible loss of such properties. The Company will require new capital to continue to operate its business and to continue exploration on its mineral properties, and there is no assurance that capital will be available when needed, if at all.

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Conflicts of Interest

Certain of the Company's directors and officers serve as directors or officers of other companies or have significant shareholdings in other companies and, to the extent that such other companies may participate in ventures in which the Company may participate, the directors of the Company may have a conflict of interest in negotiating and concluding terms respecting the extent of such participation. In the event that such a conflict of interest arises at a meeting of the Company's directors, a director who has such a conflict will abstain from voting for or against the approval of such participation or such terms. From time to time several companies may participate in the acquisition, exploration and development of natural resource properties thereby allowing for their participation in larger programs, permitting involvement in a greater number of programs and reducing financial exposure in respect of any one program. It may also occur that a particular company will assign all or a portion of its

Interest in a particular program to another of these companies due to the financial position of the company making the assignment. Under the laws of the Province of British Columbia, the directors of the Company are required to act honestly, in good faith and in the best interests of the Company. In determining whether or not the Company will participate in a particular program and the interest therein to be acquired by it, the directors will primarily consider the degree of risk to which the Company may be exposed and its financial position at that time.

Industry Risks

Exploration and Development Risks

The business of exploring for minerals and mining involves a high degree of risk. There is no assurance the Company's mineral exploration activities will be successful. Few properties that are explored are ultimately developed into producing mines. At present, none of the Company's properties has a known body of commercial ore and the proposed exploration program is an exploratory search for ore. In exploring and developing its mineral deposits the Company will be subjected to an array of complex economic factors and technical considerations. Delays in obtaining governmental approvals, inability to obtain financing or other factors could cause delays in exploring and developing properties. Such delays could materially adversely affect the financial performance of the Company. Unusual or unexpected formations, formation pressures, power outages, labour disruptions, flooding, explosions, cave-ins, landslides, environmental hazards, the discharge of toxic chemicals and the inability to obtain suitable or adequate machinery, equipment or labour are other risks involved in the operation of mines and the conduct of exploration programs. The Company has limited experience in the development and operation of mines and in the construction of facilities required to bring mines into production. The Company has relied and may continue to rely upon consultants and others for operating expertise. Depending on the price of minerals produced, the Company may determine that it is impractical to commence or continue commercial production.

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Title Matters

The mining claims in which the Company has an interest have not been surveyed and, accordingly, the precise location of the boundaries of the claims and ownership of mineral rights on specific tracts of land comprising the claims may be in doubt. Such claims have not been converted to lease and tenure, and are, accordingly, subject to annual compliance with assessment work requirement. Other parties may dispute the Company's title to its mining properties. While the Company has diligently investigated title to all mineral claims and, to the best of its knowledge, title to all properties is in good standing; this should not be construed as a guarantee of title. The properties may be subject to prior unregistered agreements or transfers or land claims and title may be affected by undetected defects.

Competition

There is aggressive competition within the mining industry for the discovery and acquisition of properties considered to have commercial potential. The Company competes with other mining companies, many of which have greater financial resources than the Company, for the acquisition of mineral claims, leases and other mineral interests as well as for the recruitment and retention of qualified employees and other personnel.

Mineral Prices

The market price of precious metals and other minerals is volatile and cannot be controlled. If the price of precious metals and other minerals should drop significantly, the economic prospects of the projects which the Company has an interest in could be significantly reduced or rendered uneconomic. There is no assurance that, even if commercial quantities of ore are discovered, a profitable market may exist for the sale of same. Factors beyond the control of the Company may affect the marketability of any minerals discovered. Mineral prices have fluctuated widely, particularly in recent years. The marketability of minerals is also affected by numerous other factors beyond the control of the Company, including government regulations relating to royalties, allowable production and importing and exporting of minerals, the effect of which cannot be accurately predicted.

Environmental and Other Regulatory Requirements

Existing and possible future environmental legislation, regulations and actions could cause additional expense, capital expenditures, restrictions and delays in the activities of the Company, the extent of which cannot be predicted. Before production can commence on any properties the Company must obtain regulatory approval and there is no assurance that such approvals will be obtained. Although the Company believes its mineral and exploration activities are currently carried out in accordance with all applicable rules and regulations, no assurance can be given that new rules and regulations will not be enacted or that existing rules and regulations will not be applied in a manner which could limit or curtail production or development.

Uninsured Risks

The Company may become subject to liability for cave-ins, pollution or other hazards against which it cannot insure or against which it may elect not to insure because of high premium costs or other reasons. The payment of such liabilities would reduce the funds available for exploration and mining activities. In particular, the Company is not insured for environmental liability or earthquake damage.

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Operating Hazards and Risks

Mineral exploration involves many risks, which even a combination of experience, knowledge and careful evaluation may not be able to overcome. Operations in which the Company has a direct or indirect interest will be subject to all the hazards and risks normally incidental to exploration, development and production of base metals, any of which could result in work stoppages, damage to property, and possible environmental damage. The Company currently does not maintain liability insurance against such liabilities. Although the Company currently intends to obtain insurance when it commences operations of reasonable significance, the nature of these risks is such that liabilities might exceed policy limits, the liabilities and hazards might not be insurable, or the Company might not elect to insure itself against such liabilities due to high premium costs or other reasons, in which event the Company could incur significant costs that could have a materially adverse effect upon its financial condition.