

**PROSPECTOR CONSOLIDATED RESOURCES INC.**  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
**June 30, 2007**

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The following management discussion and analysis (“MD&A”) was prepared as of August 28, 2007, 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 year ended December 31, 2006, together with any accompanying notes which can be found on SEDAR at [www.sedar.com](http://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.

**Principle Projects and Overall Performance**

**Beowawe Project**

In July, 2004, the Company announced that it had optioned Atna Resources’s Beowawe property (“the Atna property”) and that it had acquired Alpha Oil’s interests in the surrounding 2,500 acres at Beowawe (“the Alpha property”). The Company had the right to earn a 60% interest in the Atna property with the possibility of earning up to a 70% interest if taken to feasibility, and a 100% interest in the Alpha property subject to a 2% net smelter return royalty. One half of the NSR can be purchased for \$1 million. These agreements consolidated the Atna property and the Alpha property (“the Beowawe properties”).

The initial Phase I drill program, as recommended in the NI 43-101 Report, dated July 20, 2004 was terminated after four holes had been drilled to assess the results up to that point. High-grade holes which had been reported in the Journal of Economic Geology, were tested in the near surface and the

follow up work showed that no anomalous gold values were present. One drill hole, (PBR-002) which was drilled on the north side of the ENE trending Malpais fault (near the Balaclava drill hole #41) showed anomalous gold values in the down-dropped north side of the Malpais graben. Four additional holes, drilled to shallow depths by previous land owners, are spaced over a distance of 1,500 meters, and all of them contain anomalous gold values and together generate a very prospective follow up target.

Notwithstanding the foregoing the Company felt at the time that the property did not have the necessary status to compete for investor support in the current market and consequently terminated its option agreement with Atna on July 15<sup>th</sup> 2005. However, as set-out in the agreement, the Company is required to keep the Atna property in good standing for one calendar year after giving written notice which is estimated will cost the Company approximately US \$85,000. Regarding the Alpha option, the Company has amended the agreement to defer the required Phase I expenditure of \$350,000 until December 31, 2008 and the subsequent Phase II expenditures until December 31, 2009. The gold market conditions have strengthened since 2005 and the Company is seeking interested partners to further develop the Beowawe property.

### **Indian Creek Project**

In December of 2004 the Company announced that, subject to regulatory approval, it agreed to enter into an option agreement with Nevada Eagle Resources LLC. (“Nevada Eagle”), giving Prospector the right to acquire a 100% interest in the Indian Creek Property in Nevada. The Indian Creek Property is made up of twenty claims located immediately North of Placer Dome’s Pipeline, Horse Canyon, Gold Acres and Pediment deposits in Lander County, Nevada. The Company made a payment of \$10,000 to Nevada Eagle in 2005, as set-out in the option agreement. After further review of property data the Company concluded the Indian Creek Project did not fit-in with future strategic plans of the Company and, as a result, the Company did not pay the \$50,000 option payment required on December 31 2005 and subsequently terminated the option agreement.

### **Summary of Quarterly Results**

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

<b>Period</b>	<b>Revenues</b>	<b>Net Income (loss)</b>	<b>Basic per share Net Income(loss)</b>	<b>Diluted Loss per Share Net Income (loss)</b>
2 <sup>nd</sup> Quarter 2007	Nil	(27,074)	(0.004)	(0.004)
1 <sup>st</sup> Quarter 2007	Nil	(45,327)	(0.004)	(0.004)
4 <sup>th</sup> Quarter 2006	Nil	(89,093)	(0.004)	(0.004)
3 <sup>rd</sup> Quarter 2006	Nil	(22,575)	(0.001)	(0.001)
2 <sup>nd</sup> Quarter 2006	Nil	(66,694)	(0.003)	(0.003)
1 <sup>st</sup> Quarter 2006	Nil	(26,821)	(0.001)	(0.001)
4 <sup>th</sup> Quarter 2005	Nil	(492,183)	(0.003)	(0.003)
3 <sup>rd</sup> Quarter 2005	Nil	(8,542)	(0.001)	(0.001)
2 <sup>nd</sup> Quarter 2005	Nil	(84,273)	(0.01)	(0.01)
1 <sup>st</sup> Quarter 2005	Nil	(93,894)	(0.01)	(0.01)
4 <sup>th</sup> Quarter 2004	Nil	(370,791)	(0.03)	(0.03)
3 <sup>rd</sup> Quarter 2004	Nil	(67,622)	(0.01)	(0.01)

## **Selected Annual Information**

The consolidated financial statements for the year ended December 31, 2006, 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, 2006, 2005, 2004 and 2003:

Years ended December 31 (Cdn \$)	2006	2005	2004	2003
Net sales or total revenue	\$0	\$40	\$153	\$8,730
Net Income (loss)	(\$205,183)	(\$678,892)	(\$670,524)	(\$515,759)
Basic per share	(\$0.01)	(\$0.04)	(\$0.06)	(\$0.07)
Diluted per share	(\$0.01)	(\$0.04)	(\$0.06)	(\$0.07)
Total assets	\$253,944	\$195,039	\$495,210	\$254,307

## **Results of Operations**

### **Three month period ended June 30, 2007 compared to the three month period ended June 30, 2006**

The Company incurred a net loss of \$27,074 for the three months ended March 31, 2007, compared with a net loss of \$38,872 for the same period in the previous year. Significant changes include a decrease in Legal and accounting expenditures of \$8,706 in the three month period ended June 30, 2007, compared to the same period in the previous year. Project expenses were \$Nil for the three months ended June 30, 2007 as compared to \$2,668 in the same period in the previous year. Expenditures for Professional services were \$Nil in the three month period ended June 30, 2007, compared to \$5,000 for the same period in the previous year.

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.

## **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 raised \$200,000 via a Private Placement on May 17, 2006. The Company is investigating the possibility of forming a joint-venture on one or more of its resource properties. The Company granted options for 1,150,000 shares of common stock in the Company on August 8, 2006.

## Capital Resources

At June 30, 2007, the Company had paid up capital of \$9,770,589 representing 23,469,768 common shares without par value, contributed surplus of \$442,064 and a deficit of \$10,154,48 resulting in shareholders' equity (or net assets) of \$58,215.

## Outstanding Share Data

Prospector's authorized capital is 50,000,000 common shares without par value. As at June 30, 2007, there were 23,469,768 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 3,219,950 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:

	2006		2005	
	Number of	Weighted	Number of	Weighted
	Options	Average	Options	Average
		Exercise		Exercise
		Price		Price
<i>Balance, beginning of year</i>	1,830,750	\$ 0.10	1,830,750	\$ 0.12
Granted	1,150,000	\$ 0.15	-	-
Exercised	-	-	-	-
Cancelled	<u>(653,000)</u>	<u>\$ 0.12</u>	-	-
<i>Balance, end of period</i>	<u>2,327,750</u>	<u>\$ 0.13</u>	<u>1,830,750</u>	<u>\$ 0.12</u>

Stock options outstanding and exercisable at December 31, 2006 are shown in the following table:

Number	Weighted Average Exercise Price	Expiry Date
77,750	0.15	March 11, 2009
1,100,000	0.10	July 9, 2009
<u>1,150,000</u>	<u>0.15</u>	August 8, 2011
<u>2,327,750</u>	<u>0.13</u>	

## Share Purchase Warrants

On November 17, 2005, 5,262,500 warrants with an exercise price of \$0.15 expired unexercised. 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. The Company also has 2,590,000 warrants outstanding with an exercise price of \$0.10 with an expiry date of September 22, 2007.

## Transactions with Related Parties

Management fees of \$10,000 (June 30, 2006 - \$15,000) were earned by a Director for their services during the year.

During the 2004 year, the Company entered into a 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 (Note 5). That agreement was amended in 2006 (see Note 5).

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.

## Company Risks

### *Financing Risks*

The development of the Company's properties will depend upon the Company's ability to obtain financing through the joint venturing of projects, private placement financing, public financing or other means. There is no assurance that the Company will be successful in obtaining any required financing.

### *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.

### *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.

### *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.

### *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.