

PROSPECTOR CONSOLIDATED RESOURCES INC.

**FINANCIAL STATEMENTS
AND
QUARTERLY REPORT
FOR
YEAR ENDED DECEMBER 31, 2007; AND
THREE MONTHS ENDED MARCH 31, 2008**

The accompanying unaudited interim financial statements of the Company have been prepared by management and approved by the Audit Committee and Board of Directors of the Company

The Company advises as required by National Instrument 51-102, Part 4, subsection 4.3(3)(a), that it's independent auditors have not performed a review of these financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements.

PROSPECTOR CONSOLIDATED RESOURCES INC.

Balance Sheet

As at March 31, 2008(unaudited) and December 31, 2007(audited)

	March 31 2008	December 31 2007
ASSETS		
<i>Current Assets</i>		
Cash and cash equivalents	\$ 72,970	\$ 206,677
Taxes recoverable	22,335	14,720
Subscriptions receivable	8,882	38,000
Prepaid expenses	<u>420</u>	<u>-</u>
	104,547	259,397
Advances receivable – Note 9	-	15,822
Property, plant and Equipment-Note 4	2,001	2,382
Resource properties – Note 5	<u>1,402,107</u>	<u>1,065,639</u>
	<u>1,404,108</u>	<u>1,083,843</u>
	<u>\$1,508,655</u>	<u>\$1,343,240</u>
LIABILITIES		
<i>Current Liabilities</i>		
Accounts payable	<u>\$ 202,912</u>	<u>\$ 198,946</u>
(CAPITAL DEFICIT) SHAREHOLDER'S EQUITY		
Capital Stock- Note 6	11,520,750	11,230,750
Contributed Surplus – Note 8	558,321	525,389
Deficit	<u>(10,773,328)</u>	<u>(10,611,845)</u>
	<u>1,305,743</u>	<u>1,144,294</u>
	<u>\$ 1,508,655</u>	<u>\$ 1,343,240</u>

Approved by the Board:

_____, Director
Joe Milbourne

_____, Director
Henry Neugebauer

See accompanying notes to the financial statements

PROSPECTOR CONSOLIDATED RESOURCES INC.

Statements of Deferred Exploration Costs

For the 3 months ended March 31, 2008 (unaudited) and year ended December 31, 2007 (audited)

	March 31 2008	December 31 2007
Expenditures		
Camp equipment and supplies	\$ -	\$ 10,666
Filings	8,960	10,689
Geological and geochemical	47,508	1,200
Project Management	<u>-</u>	<u>11,281</u>
Exploration costs incurred during the period	56,468	33,826
Deferred exploration costs, beginning of the period	23,137	87,890
Write off of deferred exploration costs	<u>-</u>	<u>(98,579)</u>
Deferred exploration costs end of period	<u>\$ 79,605</u>	<u>\$ 23,137</u>

See accompanying notes to the financial statements

PROSPECTOR CONSOLIDATED RESOURCES INC

Statements of Loss and Deficit

For the three months ended March 31, 2008 (unaudited) and 2007 (audited)

	<u>3 months ended</u> <u>March 31, 2008</u>	<u>3 months ended</u> <u>March 31, 2007</u>
Interest and miscellaneous income	<u>\$ -</u>	<u>\$ -</u>
Expenses		
Amortization	382	382
Bank Charges	132	75
Corporate Development	68,397	2,500
Filing and transfer agent fees	5,521	4,636
Insurance	-	-
Legal and accounting	26,949	9,181
Management fees	11,250	11,250
Office and miscellaneous	5,426	1,125
Professional services	-	5,453
Project expenses	-	-
Rent	1,884	1,940
Stock compensation	32,933	-
Investor relations	5,000	469
Telephone	3,609	3,815
Travel and promotion	<u>-</u>	<u>4,500</u>
Total expenses for period	<u>161,483</u>	<u>45,327</u>
Gain/loss on sale of asset	-	-
Gain/loss on investment	<u>-</u>	<u>-</u>
Net loss for period	(161,483)	(45,327)
Deficit, beginning of year	<u>(10,611,845)</u>	<u>(10,082,038)</u>
Deficit end of period	<u>\$(10,773,328)</u>	<u>\$(10,127,365)</u>

See accompanying notes to the financial statements

PROSPECTOR CONSOLIDATED RESOURCES INC.

Statements of Cash Flows

For the three months ended March 31, 2008 (unaudited) and 2007 (audited)

	3 months ended March 31, 2008	3 months ended March 31, 2007
Operating activities		
Net loss for the period	\$ (161,483)	\$ (45,327)
Items not involving movement of cash		
Amortization	382	382
Stock based compensation	<u>32,933</u>	<u>-</u>
	33,315	382
Net change in non-cash working capital balances	<u>(40,929)</u>	<u>(9,767)</u>
	(87,239)	(44,945)
Investing activities		
Exploration costs (incurred) recovered	(56,468)	-
Property acquisitions	<u>-</u>	<u>-</u>
	<u>(56,468)</u>	<u>-</u>
Financing activities		
Subscriptions	-	-
Capital stock issued for cash	<u>10,000</u>	<u>46,000</u>
Increase (decrease) in cash, during the period	(133,707)	(8,712)
Cash, beginning of the period	<u>206,677</u>	<u>25,084</u>
Cash, end of the period	<u>\$ 72,970</u>	<u>\$ 16,372</u>
 Supplemental disclosure of non-cash financing activities		
Interest paid and income taxes paid	\$ -	\$ -
 Non-cash activities consist of:		
Issuance of shares as property option payment	\$ 280,000	\$ -
Issuance of shares to settle payable	\$ -	\$ -
Subscription receivable	\$ -	\$ -
Management fees applied to advances receivable	\$ -	\$ -

See accompanying notes to the financial statements

PROSPECTOR CONSOLIDATED RESOURCES INC.

Notes to the Financial Statements

Three Months ending March 31, 2008 and the Year Ended December 31, 2007

1. Nature of Operations and Going Concern Uncertainty

The Company is 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.

Although the Company has taken steps to verify title to mineral properties in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements or transfers and may be affected by undetected defects.

These financial statements have been prepared using Canadian generally accepted accounting principles applicable on a going concern basis, which presumes the Company will be able to realize its assets and discharge its liabilities in the normal course of operations for the foreseeable future. As at March 31, 2008, the Company has an accumulated deficit of \$10,775,442 (December 31, 2007 - \$10,611,845) and has incurred a loss for the three-month period of \$163,597 for the previous three-month period (3 months ending March 31, 2007 - \$45,327).

The ability of the Company to continue as a going concern is in substantial doubt. The Company's continued existence as a going concern is dependent upon its ability to continue to obtain adequate financing arrangements and to achieve profitable operation. Management's plans in this regard are to obtain sufficient equity financing to enable the Company to continue its efforts towards the exploration and development of its mineral properties. These financial statements do not include adjustments to the amounts and classification of assets and liabilities that might be necessary should the Company be unable to continue as a going concern.

2. Basis of Presentation

The financial statements of the Company have been prepared by management in accordance with Canadian generally accepted accounting principles ("GAAP") with respect to the preparation of interim financial information. Accordingly, they do not include all the information and disclosures required by Canadian GAAP in the preparation of annual financial statements. Certain information and footnote disclosure normally included in financial statements prepared in accordance with GAAP have been omitted. The accounting policies, used in preparation of the accompanying unaudited interim consolidated financial statements, are the same as those described in our most recent annual financial statements. In the opinion of management, all adjustments of a normal recurring nature necessary for a fair presentation have been included. The results for interim periods are not necessarily indicative of results for the entire year. These interim financial statements should be read in conjunction with the Company's latest audited financial statements for the year ended December 31, 2007.

PROSPECTOR CONSOLIDATED RESOURCES INC.

Notes to the Financial Statements

Three Months ending March 31, 2008 and the year ending December 31, 2007

3. Significant Changes in Accounting Policies

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.

4. 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.

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.

Credit risk

The Company's credit risk is limited to trade receivables in the ordinary course of business. As the Company has no sales revenues generated from its current operations, the Company is not exposed to significant credit risk on such financial instruments. The Company's credit risk has not changed significantly from the prior year.

PROSPECTOR CONSOLIDATED RESOURCES INC.

Notes to the Financial Statements

Three Months ending March 31, 2008 and the year ending December 31, 2007

4. Fair Values of Financial Instruments (Cont'd)

Liquidity risk

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.

Foreign Current risk

The Company is exposed to currency exchange risks with respect to a balance of U.S. \$86,386 included in its accounts payable at March 31, 2008 and to the extent of its U.S. dollars denominated payments required to exercise a property option (Note 6).

PROSPECTOR CONSOLIDATED RESOURCES INC.

Notes to the Financial Statements

Three Months ending March 31, 2008 and the year ending December 31, 2007

5. Property, Plant and Equipment

	2008		2007	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Computer hardware and software	\$ 6,244	\$ (4,459)	\$ 1,785	\$ 2,148
Office equipment	3,044	(2,829)	215	215
Land	<u>1</u>	<u>-</u>	<u>1</u>	<u>1</u>
	<u>\$ 9,289</u>	<u>\$ (7,288)</u>	<u>\$ 2,001</u>	<u>\$ 2,382</u>

6. Resource Properties

	Kalzas	Candamena	Beowawe	Total
Acquisition Costs				
<i>Bal at Jan 1, 2007</i>	-	-	111,579	111,579
Cost incurred	26,800	1,015,701	-	1,042,501
Write-off	<u>-</u>	<u>-</u>	<u>(111,578)</u>	<u>(111,578)</u>
<i>Bal at Dec 31, 2007</i>	26,800	1,015,701	1	1,042,502
Cost incurred	<u>-</u>	<u>280,000</u>	<u>-</u>	<u>280,000</u>
<i>Bal at March 31, 2008</i>	<u>26,800</u>	<u>1,295,701</u>	<u>1</u>	<u>1,322,502</u>
Deferred Exploration Costs				
<i>Bal at Jan 1, 2007</i>	-	-	87,890	87,890
Costs incurred	23,137	-	10,689	33,826
Write-off	<u>-</u>	<u>-</u>	<u>(98,579)</u>	<u>(98,579)</u>
<i>Bal at Dec 31, 2007</i>	23,137	-	-	23,137
Costs incurred	22,709	33,759	-	56,468
Write-off	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Bal at March 31, 2008</i>	<u>45,842</u>	<u>33,759</u>	<u>-</u>	<u>79,605</u>
Total	<u>72,646</u>	<u>1,329,460</u>	<u>1</u>	<u>1,402,107</u>

PROSPECTOR CONSOLIDATED RESOURCES INC.**Notes to the Financial Statements****Three Months ending March 31, 2008 and the year ending December 31, 2007**

6. Resource Properties - cont'd*Beowawe Property (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.

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.

Kalzas Property (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. 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 – (Note 14)	-	-	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.

PROSPECTOR CONSOLIDATED RESOURCES INC.

Notes to the Financial Statements

Three Months ending March 31, 2008 and the year ended December 31, 2007

6. Resource Properties - cont'd

Kalzas Property (Yukon) – cont'd

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.

Candamena Property (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	-
	<hr/>	
	\$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.

PROSPECTOR CONSOLIDATED RESOURCES INC.**Notes to the Financial Statements****Three Months ending March 31, 2008 and the year ended December 31, 2007****7. Capital Stock**

Authorized: 50,000,000 common shares without par value

	Three months ended March 31, 2008		Year ended December 31, 2007	
	Number of shares	Amount	Number of shares	Amount
Issued and outstanding:				
Beginning balance	29,426,655	\$11,230,750	21,349,768	\$9,677,089
Issued for cash:				
Private placement	-	-	3,406,887	1,022,066
Exercise of warrants	-	-	3,900,000	452,500
Share issue costs	-	-	-	(18,205)
Issued for debt:				
Exercise of warrants (Note 10)	-	-	400,000	45,000
Subscriptions receivable:				
Warrants exercised	-	-	200,000	25,000
Stock options exercised	100,000	10,000	130,000	13,000
Issued for Property payment:				
Candamena (Note 6)	2,000,000	280,000	400,000	45,000
Fair value of options exercised	-	-	-	14,300
Shares issued in error, to be cancelled	-	-	40,000	-
Issued during the period	2,100,000	290,000	8,076,887	1,553,661
	31,526,655	11,520,750	29,426,655	\$11,230,750

Private Placements

In November 2007, the Company completed a non-brokered private placement for proceeds of \$1,022,066. The private placement was comprised of a first tranche of 3,346,887 units at a price of \$0.30 per unit plus an additional 60,000 units of a second tranche at \$0.30 per unit in 2007. Each unit consists of one common share and one-half (1/2) share purchase warrant exercisable at \$0.60 per share for a one year period. Finders fees of \$18,205 were incurred in connection with the private placement in 2007.

In May 2006, the Company completed a non-brokered private placement for proceeds of \$200,000. The private placement was comprised of 2,000,000 units at a price of \$0.10 per unit. Each unit consisted of one common share and one common share purchase warrant exercisable until May 17, 2007 at the exercise price of \$0.15 per share.

Subscription Receivable

	Warrants	Stock Options	Total
Due from other individuals	\$ -	\$ 8,882	\$ 8,882

PROSPECTOR CONSOLIDATED RESOURCES INC.**Notes to the Financial Statements****Three Months ending March 31, 2008 and the year ended December 31, 2007**

7. Capital Stock – cont'd*Share issued in Error, to be Cancelled*

A total of 40,000 shares were issued in error in excess of amount of warrants and private placement subscriptions available and were returned to the transfer agent for cancellation during Q1 2008. As of the reporting date, the returned shares have not been cancelled by the transfer agent and as a result are still outstanding as of March 31, 2008.

Warrants

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.

PROSPECTOR CONSOLIDATED RESOURCES INC.**Notes to the Financial Statements****Three Months ending March 31, 2008 and the year ended December 31, 2007****8. Stock Options**

The Company has stock option plan for directors, officers and certain consultants. Under the plan, the Company may grant options for up to a maximum of 20% of the issued shares of the Company at the time of the granting of the stock options.

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>\$ 0.13</u>	

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).

PROSPECTOR CONSOLIDATED RESOURCES INC.**Notes to the Financial Statements****Three Months ending March 31, 2008 and the year ended December 31, 2007**

8. Stock Options (Cont'd)*Stock-Based Compensation*

The fair value of the options granted was estimated on the date of grant using the Black-Scholes option-pricing model with the following assumptions:

	Q1 2008	2007
Risk-free interest rate	3.40%	4.32%
Expected life of options (years)	5	5
Dividend yield	-	-
Volatility	81%	78%

Option pricing models require the input of highly subjective assumptions including the expected price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore the existing models do not necessarily provide a reliable single measure of the fair value of the Company's stock options.

9. Contributed Surplus

<i>Balance at January 1, 2007</i>	442,064
Stock based compensation expense - 2007	97,625
Transfer to share capital on exercise of options	<u>(14,300)</u>
<i>Balance at December 31, 2007</i>	525,389
Stock based compensation	
Stock based compensation expense – Q1 2008	<u>32,392</u>
<i>Balance at March 31, 2008</i>	<u>\$ 558,321</u>

10. Related Party Transactions

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 (Note 6).

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.

PROSPECTOR CONSOLIDATED RESOURCES INC.**Notes to the Financial Statements****Three Months ending March 31, 2008 and the year ended December 31, 2007**

11. Commitments

The Company has agreed to pay \$45,000 per year to a director for management services.

The Company has agreed to pay \$1,450 per month for an 18-month period for investor relations services. See Note 8 for additional information.

Future payments for lease of office space

2008	\$ 7,538
2009	7,068
Thereafter	-
	<u>\$ 14,606</u>

12. Income Taxes

Details of the components of income taxes are as follows:

	<u>2007</u>	<u>2006</u>
Loss before income taxes	\$ (529,807)	\$ (205,183)
Expected income tax recovery at statutory rate 34.12%	180,770	70,008
Adjustment in income taxes resulting from:		
Items not deductible for tax purposes	(97,896)	(20,031)
Unrecognized benefit of non-capital losses	(82,540)	(50,892)
Other items	(334)	915
Total income taxes	<u>\$ -</u>	<u>\$ -</u>

Future Income Taxes

Future income taxes result primarily from differences in the recognition of certain revenue and expense items for financial and income tax reporting purposes. The temporary differences that give rise to future tax assets and liabilities at December 31, 2007 and 2006 are as follows:

	<u>2007</u>	<u>2006</u>
Future tax assets (liabilities)		
Non-capital losses carried forward	\$ 648,400	\$ 679,400
Resource related deductions	1,983,400	1,780,000
Property and equipment	24,500	256,200
	<u>2,656,300</u>	<u>2,485,600</u>
Less: valuation allowance	<u>(2,656,300)</u>	<u>(2,485,600)</u>
Net future income tax assets	<u>\$ -</u>	<u>\$ -</u>

PROSPECTOR CONSOLIDATED RESOURCES INC.

Notes to the Financial Statements

Three Months ending March 31, 2008 and the year ending December 31, 2007

12. Income Tax (Cont'd)

The Company has experienced non-capital losses totaling approximately \$2,059,000 which are deductible against future taxes payable and expire in various years from 2008 to 2027, and has resource and tax pools available to reduce future taxable income that aggregate approximately \$6,297,000 at December 31, 2007.

13. Segmented Information

The Company has one operating segment, the acquisition, exploration and development of resource properties.

Geographic segmentation of total assets is as follows:

	2007	2006
Canada	\$ 327,538	\$ 54,475
United States	1	199,469
Mexico	1,015,701	-
	<u>\$ 1,343,240</u>	<u>\$ 253,944</u>

14. 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.