

**PORTAL RESOURCES LTD.**

**(formerly Portal de Oro Resources Ltd.)**

**Financial Statements**

**September 30, 2005 and**

**June 30, 2005**

**NOTICE OF NO AUDITOR REVIEW**

Under National Instrument 51-102, Part 4, subsection 4.3 (3) (a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited interim consolidated financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

Portal Resources Ltd.  
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Trading Symbol: PDO  
Telephone: 604-629-1929  
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**PORTAL RESOURCES LTD.**  
(formerly Portal de Oro Resources Ltd.)

**CONSOLIDATED BALANCE SHEETS**

	<b>As at September 30, 2005 (Unaudited)</b>	<b>As at June 30, 2005</b>
<b>ASSETS</b>		
<b>Current</b>		
Cash and cash equivalents	\$ 250,335	\$ 740,098
Accounts receivable	7,873	4,432
Prepaid expenses	<u>28,067</u>	<u>16,520</u>
	<u>286,275</u>	<u>761,050</u>
 Equipment and software (Note 4)	 37,747	 41,969
 Mineral properties and deferred exploration costs (Note 5)	 <u>1,755,961</u>	 <u>1,544,183</u>
	<u>\$ 2,079,983</u>	<u>\$ 2,347,202</u>
<b>LIABILITIES</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	\$ 117,669	\$ 231,480
Due to related parties (Note 7)	<u>6,106</u>	<u>10,532</u>
	<u>123,775</u>	<u>242,012</u>
<b>SHAREHOLDERS' EQUITY</b>		
Share capital (Note 6)	2,988,798	2,969,461
Contributed surplus (Note 6)	222,896	180,493
Deficit	<u>(1,255,486)</u>	<u>(1,044,764)</u>
	<u>1,956,208</u>	<u>2,105,190</u>
	<u>\$ 2,079,983</u>	<u>\$ 2,347,202</u>

Approved by the Board of Directors:

"Gary Nordin"

"Bruce Winfield"

\_\_\_\_\_  
Gary Nordin

\_\_\_\_\_  
Bruce Winfield

**PORTAL RESOURCES LTD.**  
**(formerly Portal de Oro Resources Ltd.)**

**CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT**  
**For the three months ended September 30**  
**(Unaudited)**

	2005	2004
Income		
Interest income	\$ 923	\$ 345
Expenses		
Accounting and audit	12,798	7,491
Amortization	4,222	881
Bank charges and interest	3,601	1,321
Consulting and management fees	8,917	171
Foreign exchange	(768)	4,023
Investor relations	34,668	9,877
Legal	1,474	5,492
Office and miscellaneous	15,018	6,426
Rent	4,936	4,936
Salaries and benefits	45,212	60,717
Stock-based compensation (Note 6)	46,238	34,804
Travel	4,009	7,990
Transfer agent and filing fees	1,828	2,188
Valuation allowance for foreign value added tax credit (IVA)	29,492	-
	211,645	146,317
Net loss for the period	(210,722)	(145,972)
Deficit – beginning of period	(1,044,764)	(309,226)
Deficit – end of period	\$ (1,255,486)	\$ (455,198)
Loss per share (Note 2)	\$ (0.02)	\$ (0.02)
Weighted average number of common shares outstanding	10,811,443	8,542,000

See notes to the financial statements

**PORTAL RESOURCES LTD.**  
**(formerly Portal de Oro Resources Ltd.)**

**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**For the three months ended September 30**  
**(Unaudited)**

	2005	2004
<b>CASH FLOWS PROVIDED BY (USED FOR):</b>		
<b>Operating Activities</b>		
Net loss for the period	\$ (210,722)	\$ (145,972)
Items not affecting cash		
Stock-based compensation	46,238	34,804
Amortization	4,222	881
	(160,262)	(110,287)
Changes in non-cash working capital items:		
Accounts receivable	(3,441)	(6,789)
Prepaid expenses	(11,547)	(8,632)
Accounts payable and accrued liabilities	(113,811)	(7,395)
Due to related parties	(4,426)	(28,897)
	(293,487)	(162,000)
<b>Investing Activities</b>		
Equipment and software	-	(2,405)
Expenditures on mineral properties	(211,778)	(85,365)
	(211,778)	(87,770)
<b>Financing Activities</b>		
Shares issued on option exercise	15,502	7,920
	15,502	7,920
Net cash increase (decrease) during the period	(489,763)	(241,850)
Cash and cash equivalents– beginning of year	740,098	599,027
Cash and cash equivalents- end of year	\$ 250,335	\$ 357,177

See notes to the financial statements

**PORTAL RESOURCES LTD.**  
**(formerly Portal de Oro Resources Ltd.)**  
Notes to the Consolidated Financial Statements  
September 30, 2005  
(Unaudited)

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**1. NATURE OF OPERATIONS**

Portal Resources Ltd. ("Portal" or "the Company", formerly Portal de Oro Resources Ltd. and Gateway Enterprises Ltd.) was incorporated on August 14, 2000 under the Company Act of the Province of British Columbia. The Company was called for trading on the TSX Venture Exchange ("the Exchange") as a "Capital Pool Company" in May 2001.

On March 15, 2004 the Company completed its Qualifying Transaction ("QT") under the Capital Pool Company rules of the Exchange when it acquired all of the outstanding shares of Portal de Oro (B.V.I.) Ltd. ("Portal (BVI)"), which through its wholly owned subsidiary El Portal de Oro S.A ("Portal S.A.") has a 100% interest in the Arroyo Verde project in Argentina, in consideration for the issuance of 2,000,000 common shares of the Company at a deemed price of \$0.10 per share. All of the consideration shares are subject to a three-year value escrow agreement.

Pursuant to a Special Resolution passed by shareholders January 6, 2004, the Company changed its name from Gateway Enterprises Ltd. to Portal de Oro Resources Ltd. Pursuant to a Special Resolution passed by the shareholders on December 10, 2004, the Company changed its name from Portal de Oro Resources Ltd. to Portal Resources Ltd.

These consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern, which presumes the Company's ongoing capacity to realize its assets and discharge of liabilities in the normal course of business for the foreseeable future. The Company has experienced operating losses and net cash outflows from operations since incorporation.

**2. SIGNIFICANT ACCOUNTING POLICIES**

**Basis of presentation and principles of consolidation**

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles. These interim consolidated financial statements do not include in all respects the annual disclosure requirements of generally accepted accounting principles and should be read in conjunction with the most recent annual consolidated statements.

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries Portal (B.V.I.) and Portal S.A. All significant inter-company transactions and balances have been eliminated.

**Loss per share**

Loss per share has been calculated using the weighted-average number of common shares outstanding during the period. Fully diluted loss per share amounts are not presented, as they are anti-dilutive.

**PORTAL RESOURCES LTD.**  
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(Unaudited)

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**3. ACQUISITION OF PORTAL DE ORO (B.V.I.) LTD.**

On March 15, 2004 the Company acquired all of the outstanding shares of Portal de Oro (B.V.I.) Ltd. ("Portal BVI") whereby the Company acquired 100% of the Arroyo Verde project in Argentina, beneficially owned by El Portal de Oro S.A, a wholly owned subsidiary of Portal BVI. Under the purchase agreement, the Company acquired Portal BVI for 2,000,000 common shares of the Company with a deemed value of \$0.10 per share. The Company incurred acquisition costs of \$122,372. The acquisition has been accounted for using the purchase method. The allocation of the purchase price is summarized as follows:

Purchase price:	
Shares issued	\$ 200,000
Acquisition costs	<u>122,372</u>
	<u>\$ 322,372</u>
Assets acquired:	
Cash	\$ 35
Mineral property	<u>395,877</u>
	395,912
Liabilities assumed:	
Current liabilities	<u>(73,540)</u>
Net assets acquired	<u>\$ 322,372</u>

**4. EQUIPMENT AND SOFTWARE**

	<u>Cost</u>	<u>Accumulated amortization</u>	<u>Net</u>
Computer equipment	\$ 10,980	\$ 4,220	\$ 6,760
Computer software	17,796	5,038	12,758
Furniture & fixtures	1,701	170	1,531
Vehicles	<u>23,244</u>	<u>2,324</u>	<u>20,920</u>
Balance as at June 30, 2005	<u>\$ 53,721</u>	<u>\$ 11,752</u>	<u>\$ 41,969</u>
Computer equipment	\$ 10,980	\$ 5,043	\$ 5,937
Computer software	17,796	7,189	10,607
Furniture & fixtures	1,701	255	1,446
Vehicles	<u>23,244</u>	<u>3,487</u>	<u>19,757</u>
Balance as at September 30, 2005	<u>\$ 53,721</u>	<u>\$ 15,974</u>	<u>\$ 37,747</u>

**PORTAL RESOURCES LTD.**  
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**5. MINERAL PROPERTIES AND DEFERRED EXPLORATION COSTS**

The Company's mineral properties are all located in Argentina and the amounts shown represent costs incurred to date, and do not necessarily represent present or future values as they are entirely independent from the economic recovery of current or future ore reserves. A breakdown of carrying values by property and significant expenditure category is as follows:

	Project			Total
	Arroyo Verde	San Rafael	Investigation	
Total as at June 30, 2004	\$ 447,680	\$ 81,002	\$ 47,351	\$ 576,033
Land acquisition & holding costs	48,083	120,421	1,739	170,243
Environmental	-	11,830	-	11,830
Geology	307,124	64,159	14,434	385,717
Geophysics	175,255	-	-	175,255
Surface geochemistry	24,649	4,319	101	29,069
Drilling	196,036	-	-	196,036
Total expenditures	751,147	200,729	16,274	968,150
Total as at June 30, 2005	1,198,827	281,731	63,625	1,544,183
Land acquisition & holding costs	1,691	21	-	1,712
Geology	92,801	882	1,581	95,264
Surface geochemistry	28,527	-	-	28,527
Drilling	86,275	-	-	86,275
Total expenditures	209,294	903	1,581	211,778
Total as at September 30, 2005	\$ 1,408,121	\$ 282,634	\$ 65,206	\$ 1,755,961

**Arroyo Verde**

On November 27, 2003, Portal S.A. signed an option to acquire a 100% interest in a series of mining rights in Chubut province of Argentina. Under the terms of the agreement the Company's payment requirements are as follows:

	<u>US\$</u>
Within 60 days of reviewing technical data	\$ 1,000 (paid)
On signing of the agreement	\$ 4,000 (paid)
On or before June 1, 2004	\$ 5,000 (paid)
On or before December 1, 2004	\$ 20,000 (paid)
On or before December 1, 2005	\$ 40,000
On or before December 1, 2006	\$ 60,000
On or before December 1, 2007	\$ 80,000

On or before December 1, 2008 or upon receipt of a feasibility study, the Company must pay an advance royalty payment of US\$1 for each ounce of gold equivalent in the measured and indicated resources with a minimum of US\$100,000 and a maximum of US\$250,000. This advance royalty can be applied against subsequent royalty obligations. The vendor retains a 2% net smelter royalty that the Company can purchase 1% of, at any time, for US\$1,000,000.

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**5. MINERAL PROPERTIES AND DEFERRED EXPLORATION COSTS, (Continued)**

**San Rafael**

The properties in the San Rafael project have been acquired through two separate option agreements.

**San Pedro**

On June 18, 2004, Portal S.A. signed an option to acquire a 100% interest in a series of mining rights in Mendoza province of Argentina. Under the terms of the agreement the Company's payment requirements to exercise the option are as follows:

	<u>US\$</u>
On signing of the agreement	\$ 30,000 (paid)
On or before June 18, 2005	\$ 20,000 (paid)
On or before June 18, 2006	\$ 30,000
On or before June 18, 2007	\$ 40,000
On or before June 18, 2008	\$ 50,000
On or before June 18, 2009	\$ 60,000
On or before June 18, 2010	\$200,000
On or before June 18, 2011	\$200,000
On or before June 18, 2012	\$200,000

**Rio de la Plata**

On June 18, 2004, Portal S.A. signed an option to acquire a 100% interest in a series of mining rights in Mendoza province of Argentina. Under the terms of the agreement the Company's payment requirements to exercise the option are as follows:

	<u>US\$</u>
On signing of the agreement	\$ 15,000 (paid)
On or before April 9, 2005	\$ 15,000 (paid)
On or before April 9, 2006	\$ 15,000
On or before April 9, 2007	\$ 50,000
On or before April 9, 2008	\$ 70,000
On or before April 9, 2009	\$100,000

The Company is obligated to make the initial three annual payments of \$15,000. Should the Company wish to develop any of the four areas defined in the agreement, during the term of the option, it must pay the sum of US\$50,000 for each area so designated. The Company would then form a new 100% owned subsidiary to which the mining rights in that designated area would be transferred. The new subsidiary would be subject to a 15% to 20% net profit interest to the owner. The Company has the right to purchase 10% of the net profits interest at any time for the sum of US\$1,000,000.

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**6. SHARE CAPITAL**

**Authorized**

100,000,000 Common Shares without par value  
100,000,000 Preferred shares issuable in series

**Issued**

	<u>Number</u>	<u>Amount</u>
Balance – June 30, 2004	8,520,000	\$ 1,358,097
Private placement	1,456,000	1,092,000
Private placement	768,943	576,707
On exercise of options	54,000	10,420
Transfer upon exercise of options	-	1,341
Share issue costs	-	<u>(69,104)</u>
Balance – June 30, 2005	10,798,943	2,969,461
On exercise of options	75,000	15,502
Transfer upon exercise of options	-	<u>3,835</u>
Balance – September 30, 2005	<u>10,873,943</u>	<u>\$ 2,988,798</u>

**Escrowed Shares**

A total of 3,690,000 common shares issued were placed in escrow and their release from escrow is subject to the terms of an agreement between the Company, its stock transfer agent and the beneficial owners of the escrowed shares. These shares are to be released in stages within three years of the completion date of the Qualifying Transaction. On March 15, 2004, 369,000 of the escrowed shares were released, on September 15, 2004, 553,500 were released, on March 15, 2005, 553,500 were released and on September 15, 2005, 553,500 were released. As at September 30, 2005, there are 1,660,500 common shares remaining in escrow.

**Stock Options**

The Company has a stock option plan as described in the most recent annual financial statements of the Company. The Company accounts for its grants in accordance with the fair value method of accounting for stock-based compensation. For the quarter ended September 30, 2005, the Company recognized \$46,238 (2004 - \$34,804) in stock-based compensation for employees, directors and consultants.

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**6. SHARE CAPITAL, (Continued)**

A summary of changes to stock options outstanding is as follows:

	<b>For the three months ended September 30, 2005</b>		<b>For the year ended June 30, 2005</b>	
	Number of options	Weighted- Average Exercise Price	Number of options	Weighted- Average Exercise Price
Outstanding at beginning of period	1,103,000	\$ 0.43	960,000	\$ 0.32
Granted under plan	80,000	\$ 0.68	347,000	\$ 0.84
Exercised	(75,000)	\$ 0.21	(54,000)	\$ 0.19
Forfeited or cancelled			(150,000)	\$ 0.79
Outstanding at end of period	1,108,000	\$ 0.46	1,103,000	\$ 0.43
Options vested and exercisable at September 30, 2005	840,250	\$ 0.35	841,000	\$ 0.29

On August 17, 2005, the Company entered into an agreement for investor relations and marketing services. Under the terms of the agreement, the Company issued 50,000 stock options at an exercise price of \$0.70. These options have a term of 1 year and vest in equal amounts every three months for 1 year. The fair value of these options was estimated at \$0.14 per option at grant date.

On September 15, 2005, the Company granted an employee 30,000 shares purchase options with an exercise price of \$0.64. These options have a term of 5 years and vest in equal amounts every three months for 1 year. The fair value of these options was estimated at approximately \$0.28 per option at grant date.

The fair value of these options has been calculated using the Black-Scholes option-pricing model, based on the following assumptions:

	Update
Risk free interest rate	3.4%
Expected life	1 - 3 years
Expected volatility	49 - 62%
Dividend yield rate	nil

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

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(Unaudited)

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**6. SHARE CAPITAL, (Continued)**

Stock options outstanding as at September 30, 2005 are as follows:

<u>Number</u>	<u>Exercise Price</u>	<u>Expiry Date</u>
48,800	\$ 0.18	May 28, 2006
632,200	\$ 0.25	March 15, 2009
50,000	\$ 0.75	June 18, 2009
70,000	\$ 0.77	December 23, 2009
227,000	\$ 0.86	April 14, 2010
50,000	\$ 0.70	August 26, 2006
<u>30,000</u>	\$ 0.64	September 15, 2010
<u>1,108,000</u>		

**Warrants**

Share purchase warrants outstanding at September 30, 2005 were as follows:

<u>Number</u>	<u>Exercise Price</u>	<u>Expiry Date</u>
728,000	\$ 0.90	December 20, 2005
<u>384,471</u>	\$ 0.90	May 5, 2006
<u>1,112,471</u>		

**7. RELATED PARTY TRANSACTIONS**

During the three months ended September 30, 2005, the Company paid or accrued to pay another public company related by certain common directors \$18,711 (2004 - \$18,945) for the shared rent of office space and services and expense reimbursements and as at September 30, 2005 owes this company an aggregate of \$5,571 (June 30, 2005 - \$5,423).

During the three months ended September 30, 2005, the Company paid or accrued to pay a private company with a director in common with the Company an aggregate of \$535 (2004 - \$54) for fees and expense reimbursements and as at September 30, 2005 owes this company an aggregate of \$535 (June 30, 2005 - \$803).

As at September 30, 2005, the Company owes certain directors an aggregate of \$Nil (June 30, 2005 - \$5,108) for expense reimbursements.

# **PORTAL RESOURCES LTD.**

(formerly Portal de Oro Resources Ltd.)

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

### **Note to Reader**

Management's Discussion and Analysis ("MD&A") is intended to help the reader understand Portal Resources Ltd. ("Portal" or the "Company"), its history, business environment, strategies, performance and risk factors from the viewpoint of management. The information provided should be read in conjunction with the Company's audited consolidated financial statements and notes for the years ended June 30, 2005 and 2004, and the Company's unaudited consolidated financial statements and notes for the quarters ended September 30, 2005 and 2004. The Company's consolidated financial statements and related notes have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") and all amounts are presented in Canadian dollars unless otherwise noted.

The following comments may contain management estimates of anticipated future trends, activities or results; these are not a guarantee of future performance, since actual results could change based on other factors and variables beyond management control.

Management is responsible for the preparation and integrity of the consolidated financial statements, including the maintenance of appropriate information systems, procedures and internal controls, and to ensure that information used internally or disclosed externally, including the consolidated financial statements and MD&A, is complete and reliable.

The Company's board of directors follows recommended corporate governance guidelines for public companies to ensure transparency and accountability to shareholders. The board's audit committee meets with management regularly to review financial statement results, including the MD&A and to discuss other financial, operating and internal control matters.

The reader is encouraged to review Company statutory filings on [www.sedar.com](http://www.sedar.com) and to review general information, including maps on the Company's website at [www.portalresources.net](http://www.portalresources.net).

#### **1.1 Date**

This MD&A is prepared as of November 21, 2005. All dollar figures stated herein are expressed in Canadian dollars unless otherwise specified.

#### **1.2 Description of Business and Overview**

Portal Resources Ltd. is a growth oriented junior natural resource company focused primarily on the exploration and development of high potential gold-silver and copper-gold projects in Argentina and Chile. The Company is concentrating on identifying early stage mineral properties that have exceptional potential for discovery of large deposits as well as acquiring more advanced projects that with further development have good production potential.

The Company was incorporated on August 14, 2000 under the Company Act of the Province of British Columbia. The Company was called for trading on the TSX Venture Exchange ("the Exchange") as a "Capital Pool Company" in May 2001. On March 15, 2004 the Company completed its Qualifying Transaction ("QT") under the Capital Pool Company rules of the Exchange when it acquired all of the outstanding shares of Portal de Oro (B.V.I.) Ltd. ("Portal (BVI)"), which through its wholly owned subsidiary El Portal de Oro S.A ("Portal S.A.") has a 100% interest in the Arroyo Verde project, consisting of three exploration-stage mineral concessions totaling 5,378 hectares located in the Patagonia region of Argentina. The consideration was 2,000,000 common shares of the Company at a deemed price of \$0.10 per share. All of the consideration shares are subject to a three-year value escrow agreement. On March 17, 2004, the Company resumed trading upon completion of its Qualifying Transaction.

Pursuant to a Special Resolution passed by shareholders December 10, 2004, the Company changed its name from Portal de Oro Resources Ltd. to Portal Resources Ltd.

## **Developments during the three months ended September 30, 2005**

### **ARROYO VERDE PROJECT**

The Arroyo Verde project is located in the Patagonia region of Argentina in the eastern part of Chubut province. Infrastructure is excellent with access from the major paved coastal highway and power and water readily available in the area. The climate is arid with the possibility of working year round. The property consists of exploration concessions totaling approximately 40,000 hectares (155 square miles).

The property lies within the eastern part of the Somun Cura Massif in which recent exploration has resulted in discovery of both the large Navidad silver-lead deposit and Calcatreu gold-silver deposit.

Gold-silver mineralization at Arroyo Verde is hosted by epithermal veins within an outcropping rhyolite dome complex approximately 1 kilometre in diameter surrounded by gravels and younger volcanics. Detailed mapping and sampling by Portal of the gold-silver veining in the outcropping dome, successfully defined on the Principal Vein a 400 metre long zone grading 10.0 g/t gold equivalent over a 2 metre width (calculated using a silver:gold ratio of 60:1).

Extensive induced polarization surveys (IP) geophysical surveys by Portal, greatly expanded the size of the Arroyo Verde dome complex to 4 kilometres by five kilometres in size under the younger cover. They also defined a large 3 kilometre long by 1.5 kilometre wide zone of high resistivity and chargeability under gravel cover approximately 500 metres south of the exposed dome (South Dome anomaly) with the same geophysical signature as that of the known veins in the exposed dome, however an order of magnitude greater in size. Additionally the very large 2 kilometre wide by 4 kilometre long El Refugio-El Porvenir anomaly with its chargeability high-resistivity low signature indicative of a disseminated porphyry or sulphide rich breccia system was outlined 8 kilometres south of the main rhyolite dome. Mapping and sampling in the area has defined coincident phyllic to argillic alteration haloes and geochemical anomalies in lead-barium-molybdenum and silver further indicating a large buried mineralized system.

During the quarter, Portal completed the program of 17 holes totaling 2944 metres of both reverse circulation and diamond drilling to test the known mineralized veins as well as the large South Dome anomaly. Seven holes drilled on the Principal Vein intersected a strong continuous gold-silver vein along a 600 metre strike length and to a depth of 100 to 150 metres below surface defining two mineralized gold-silver "shoots". The western mineralized "shoot" is defined along a 350 metre strike and is open to the west and to depth. Drill intercepts range from 1 - 4 metres in width grading from 8.02 to 85 grams per tonne gold equivalent with a weighted average of 15 grams per tonne gold equivalent over a true width of 1.75 metres (15.7 to 119 gram metres; width in metres x grade in grams per tonne). The eastern mineralized "shoot" has been outlined along a 200 metre strike and is open to the east and to depth. The drill intercepts range from 2 - 4 metres in width grading from 5.65 to 7.86 grams per tonne gold equivalent with a weighted average of 6.69 grams per tonne gold equivalent over a true width of 2 metres (10.2 to 15.8 gram metres). A single drill hole initially tested the eastern mineralized "shoot" of the Principal vein 100 metres along strike to the east of drill hole PO48 where the vein has been mapped for an additional 300 metres but intersected only low grade mineralization.

Three holes were drilled as an initial test in the South Dome area, to investigate the large resistivity high-chargeability high anomaly located 500 metres to the south of the Principal Vein. The holes drilled to depths of 170-220 metres on Section Line 4125 E at a 250-300 metre spacing, identified altered and weakly mineralized rhyolite interpreted to be a second rhyolite dome similar to that hosting the Principal Vein.

Portal is very encouraged by the exploration results to date from the Arroyo Verde program. A Phase II program of drilling is planned to follow up on the excellent results of the drilling on the Principal Zone, as well as to further test both the South Dome anomaly, and the as yet untested El Refugio-El Porvenir anomaly.

Portal is currently compiling the final results of this work prior to initiating a Phase II program of drilling planned for the first quarter of 2006 to further test the South Dome area as well as the very large porphyry anomaly to the south.

## **SAN RAFAEL PROJECT**

The San Rafael Project in central Mendoza province Argentina, consists of a large district sized group of claims in an area measuring 150 kilometres north–south by 10 to 40 kilometres east-west totaling in excess of 181,353 hectares (700 sq. miles). Infrastructure is excellent with access via a system of good paved and gravel roads with power and water in the area. San Rafael, a fully serviced town of over 200,000 inhabitants is conveniently located approximately 20 kilometres northeast of the project area. Topography is moderate with elevations in the range of 2,000 metres with isolated volcanic centres rising to 4,000 metres. With the predominantly dry climate and mild winters, exploration is possible throughout the year.

The project area is underlain by a sequence of volcanics and sediments, crosscut by a series of major northwest trending structures with associated copper-gold mineralization such as Portal's Anchoris project. The area also hosts gold-silver epithermal vein style mineralization associated with altered felsic volcanic centres such as the La Cabeza gold-silver project of Exeter Resources Ltd. located just 15 kilometres to the south of the Company's project area.

Portal's initial assessment of the area using new generation satellite imagery processed to highlight alteration assemblages, found that the epithermal and copper-gold porphyry systems have distinctive alteration signatures. Portal has identified over 40 altered and potentially mineralized target areas based on these guidelines combined with compilation of regional government sampling.

The Company plans to continue the program of systematic geological mapping and sampling that it initiated in early 2005 to identify priority targets for further trenching and geophysical surveys which is on going.

## **ANCHORIS PROJECT**

The Anchoris Project, a large copper-gold porphyry system in the San Rafael group of claims in the south-central Mendoza Province, Argentina, is located approximately 300 kilometres south of Mendoza, the provincial capital. San Rafael, a fully serviced town of over 200,000 inhabitants is conveniently located approximately 80 kilometres northeast of the project area. Topography is moderate with elevations in the range of 2000 metres. With a predominantly dry climate and mild winters, exploration is possible throughout the year. Infrastructure is excellent with a series of state maintained paved and gravel roads providing easy access. Power and water are also available in the project area.

Historically, Anchoris has been partially explored by Argentina Mineral Development (AMD), BHP-Billiton and Rio Tinto Zinc using satellite imagery interpretation, structural studies, geological reconnaissance, and geophysical surveys, and limited drilling. This work led to the partial definition of the five porphyry copper zones at La Tortora, Julia, San Pedro, San Pedro North and La Chilca-Los Buitres along a clearly defined structural trend approximately 15 kilometres long. Alteration associated with these mineralized zones is widespread with an outer carbonate zone in excess of 4 kilometres in diameter. Within this extensive outer alteration halo, zones of strong argillic and well developed potassic alteration with sheeted quartz veinlets are associated with the more intense mineralization consisting of copper sulfides with associated gold. Mineralization is most intense within the La Totor zone where previous work by AMD and BHP Billiton defined copper-gold mineralization both in outcrop (45m of 0.6% copper and 0.35 g/t gold) as well as in drill holes (average results of all drill holes is 0.30% copper and 0.17 g/t gold including 16m of 0.47% copper and 0.5% g/t gold in AN06).

Portal has carried out a program of mapping, hand trenching and sampling on the La Totor zone. Results to date include two trenches confirming the extension to the Totor zone 150 metres to the southeast as follows:

Trench 1	0.46% copper and 0.06 g/t gold over 10 metres
Trench 2	0.31% copper and 0.06 g/t gold over 9 metres

Trenching across the main footwall zone resulted in 37.7 metres grading 1.00% copper and 0.14 g/t gold.

Subsequent to the end of the quarter, Portal announced a continuing program of mapping, sampling, and geophysical surveys to further define the five zones of porphyry copper-gold mineralization prior to drilling which is planned for the first quarter of 2006.

### 1.3 Selected Annual Information

For the years ended June 30th

	2005	2004	2003
Total revenues	\$ 3,391	\$ 3,422	\$ 3,967
Net income (loss)	\$ (735,538)	\$ (225,304)	\$ (48,558)
Basic and diluted EPS	\$ (0.08)	\$ (0.05)	\$ (0.02)
Total assets	\$ 2,347,202	\$ 1,203,669	\$ 166,797
Total long-term liabilities	Nil	Nil	Nil
Cash dividends declared	Nil	Nil	Nil

### 1.4 Results of Operations for the three months ended September 30, 2005 and 2004

This review of the Results of Operations should be read in conjunction with the unaudited Consolidated Financial Statements of the Company for the three months ended September 30, 2005 and 2004.

#### **Financial Results**

##### Loss for the period

For the three months ended September 30, 2005 the Company incurred a net loss of \$210,722 (\$0.02 per share) compared to a net loss of \$145,972 (\$0.02 per share) for the three months ended September 30, 2004. The increase in the net loss from fiscal 2005 to fiscal 2006 of \$65,328 is primarily due to increases in expenditures on investor relations activities of \$24,791, additional stock based compensation charges of \$11,424 and a valuation allowance for foreign value added tax credits (IVA) of \$29,492.

##### Revenue

The Company's sole source of revenue is interest income on cash and cash equivalents. The change in the Company's revenues during the three months ended June 30, 2005 as compared to the year ended June 30, 2004 was not significant.

##### Expenses

General and administrative costs were \$211,645 for the three months ended September 30, 2004, an increase of \$65,328 as compared to \$146,317 for the prior year. The four largest expense items for this fiscal period were salaries and benefits of \$45,212 (2004 - \$60,717), stock-based compensation of \$46,238 (2004 - \$34,804), investor relations of \$34,668 (2004 - \$9,877) and a valuation allowance foreign value added tax credits of \$29,492 (2004 - \$nil). These four items accounted for approximately 73% of the Company's total general and administrative expenses for the period.

Salaries and benefits of \$45,212 (2004 - \$60,717) accounted for 21% (2004 - 41%) of general and administrative costs for the three months ended September 30, 2005. For the majority of the three-month period there was one less full time employee.

Stock-based compensation of \$46,238 (2004 - \$34,804) accounted for 22% (2004 - 24%) of general and administrative costs for the three months ended September 30, 2005. The stock-based compensation reflects the fair market value of employee and non-employee share purchase options, which vested within the period.

Investor relations activities accounted for \$34,668 (2004 - \$9,877) or approximately 16% (2004 - 7%) of total general and administrative costs. The increase is a result of increased attendance at conferences, news dissemination and costs associated with printed materials supplied to investors and potential investors as well as fees paid to Coal Harbor Communications Inc. for investor relations services.

The valuation allowance for foreign value added tax credits (IVA) of \$29,492 (2004 - \$nil) accounted for 14% (2004 - nil) of total general and administrative costs. The increase is due to the additional exploration and support costs in Argentina and the Company does not believe that the refundable tax credits will be available to the Company in the near future.

## Total assets

The total assets of the Company decreased during the quarter by \$267,219 from \$2,347,202 at June 30, 2005 to \$2,079,983 at September 30, 2005. Of the total decrease \$489,763 is the decrease in cash during the period, which is offset by the increase in the deferred property and exploration costs of \$211,778. The remaining change is due to an increase in accounts receivable and prepaid expenses of \$14,988 and amortization of equipment and software of \$4,222.

## **1.5 Summary of Quarterly Results**

	Three Months Ended			
	September 30	June 30	March 31	December 31
	2005	2005	2005	2004
	\$	\$	\$	\$
Income	923	1,397	819	830
General & Administration (excluding property write-offs)	211,645	282,031	134,419	176,162
Property write-offs	Nil	Nil	Nil	Nil
Net loss	211,645	280,634	133,600	175,332
Net loss per share	0.02	0.03	0.01	0.02

	Three Months Ended			
	September 30	June 30	March 31	December 31
	2004	2004	2004	2003
	\$	\$	\$	\$
Income	345	625	1,217	616
General & Administration (excluding property write-offs)	146,317	153,883	45,564	13,646
Property write-offs	Nil	12,079	Nil	Nil
Net loss	145,972	165,337	44,347	13,030
Net loss per share	0.02	0.03	0.01	0.01

## **1.6 Liquidity**

### Working Capital

The Company had working capital of \$ 162,500 as of September 30, 2005 (June 30, 2005: \$ 519,038), which should be adequate to meet the immediate requirements of the Company. The decrease is primarily due to expenditures on mineral properties of \$211,778 and a reduction of current liabilities of \$118,237. The ability of the Company to continue as a going concern is primarily dependent upon the Company obtaining proceeds raised from equity financing.

### Debt and Other Obligations

The Company does not have any long-term liabilities.

## **1.7 Capital Resources**

As at September 30, 2005, the Company's Capital Stock was \$2,988,798 representing 10,873,943 common shares without par value (June 30, 2005 - \$2,969,461 representing 10,798,943 common shares without par value).

During the three months ended September 30, 2005, 75,000 common shares were issued on the exercise of stock options with a value of \$19,337, of which \$15,502 was received in cash and \$3,835 was the fair value of the options at grant that has been allocated to share capital from the contributed surplus account.

As at September 30, 2005, Contributed Surplus totaled \$222,896 (June 30, 2005 - \$180,493). During the quarter the Company recognized \$46,238 in stock-based compensation expense for share purchase options that vested during the period and \$3,835 was allocated to share capital on the exercise of stock options. During the quarter the Company granted to employees 30,000 share purchase options with an exercise price of \$0.64 and an estimated fair market value of \$0.28 per option and granted to consultants 50,000 share purchase options with an exercise price of \$0.70 and a fair market value of \$0.14 per option.

At September 30, 2005 the Company had 1,108,000 (June 30, 2005 – 1,103,000) outstanding share purchase options, which, if exercised, would increase the Company's available cash by \$507,654. In addition, the Company had 1,112,470 (June 30, 2005 – 1,112,470) outstanding warrants, which, if exercised would increase the Company's available cash by \$1,001,224.

The Company relies on equity financings to fund its exploration activities and corporate overhead expenses. There is no guarantee that the Company will be able to secure additional financing in the future at terms that are favourable. To date, the Company has not used debt or other means of financing to further its exploration programs, and the Company has no plans to use debt financing at the present time.

### **1.8 Off-Balance Sheet Arrangements**

The Company did not have any off-balance sheet arrangements either at September 30, 2005 or at the date of this report.

### **1.9 Transactions with Related Parties**

During the three months ended September 30, 2005 the Company paid or accrued to pay another public company related by certain common directors \$18,711 (2004 - \$18,945) for the shared rent of office space and services and expenses reimbursements and as at September 30, 2005 owes this company an aggregate of \$5,571 (June 30, 2005 - \$5,423).

During the three months ended September 30, 2005 the Company paid or accrued to pay a private company with a director in common with the Company an aggregate of \$535 (2004 - \$54) for fees and expense reimbursements and as at September 30, 2005 owes this company an aggregate of \$535 (June 30, 2005 - \$803).

As at September 30, 2005 the Company owes certain directors an aggregate of \$Nil (June 30, 2005 - \$5,108) for expense reimbursements.

### **1.10 Fourth Quarter**

Not applicable

### **1.11 Proposed Transactions**

As at September 30, 2005 and at the date of this report, the Company does not have any proposed transactions.

### **1.12 Critical Accounting Estimates**

None.

### **1.13 Changes in Accounting Policies including Initial Adoption**

None.

### **1.14 Financial Instruments and Other Instruments**

None.

## **1.15 Other MD&A Requirements**

### **Additional Information**

Additional information about the Company is available on SEDAR at [www.sedar.com](http://www.sedar.com).

### **Outstanding Share Data**

As at November 21, 2005 the Company had the following items issued and outstanding:

- 10,873,943 common shares, of which 1,660,500 are held in escrow
- 1,108,000 common share purchase options with a weighted average exercise price of \$0.46 expiring at various dates until September 15, 2010.
- 1,112,471 common share purchase warrants with a weighted average exercise price of \$0.90 expiring at various dates until May 5, 2006

### **Investor Relations**

On August 17, 2005, the Company entered into an agreement with Coal Harbor Communications Inc. ("Coal Harbor") for investor relations and marketing services. Under the terms of the agreement, Coal Harbor will receive a fee of \$5,000 per month for a one year term and 50,000 share purchase options of the Company. On August 26, 2005, the Company issued the 50,000 share purchase options at an exercise price of \$0.70. These options have a term of 1 year and vest in equal amounts every three months for 1 year.

### **Commitments and Contingencies**

On June 18, 2004, the Company signed an option to acquire a 100% interest in a series of mining rights in Mendoza province of Argentina. Under the terms of the agreements the Company is obligated to make three initial annual payments of \$15,000. The first two payments have been made with the third due on April 9, 2006.

### **Risk Factors**

The Company's financial success will be dependent upon the extent to which it can discover mineralization or acquire mineral properties and the economic viability of developing its properties.

The Company competes with many companies possessing greater financial resources and technical facilities than itself. The market price of minerals and/or metals is volatile and cannot be controlled. There is no assurance that the Company's mineral exploration and development activities will be successful. The development of mineral resources involves many risks that even a combination of experience, knowledge and careful evaluation may not be able to overcome.

The development of mineral resources in Argentina are subject to a comprehensive review, approval and permitting process that involves various federal and regional agencies. There can be no assurance given that the required approvals and permits for a mining project, if technically and economically warranted, on the Company's claims can be obtained in a timely or cost effective manner.

All of the Company's short to medium term operating and cash flow must be derived from external financing. Actual funding may vary from what is planned due to a number of factors including the progress of exploration and development on its current properties. Should changes in equity market conditions prevent the Company from obtaining additional external financing, the Company will need to review its exploration property holdings to prioritise project expenditures based on funding availability.

The Company competes with larger and better financed companies for exploration personnel, contractors and equipment. Increased exploration activity has increased the demand for equipment and services. There can be no assurance that the Company can obtain required equipment and services in a timely or cost effective manner.

The Company's operations in Argentina and financing activities in Canada make it subject to foreign currency fluctuations and such fluctuations may materially affect its financial position and results.

## **Outlook**

The Company has planned exploration activities for its Arroyo Verde and San Rafael projects, which will assist in determining the value of these projects. At the Arroyo Verde property, a Phase II program of drilling is planned to follow up on the excellent results of the drilling on the Principal Zone, as well as to further test both the South Dome anomaly, and the as yet untested El Refugio-El Porvenir anomaly. At the San Rafael project the Company plans to continue the program of systematic geological mapping and sampling that it initiated in early 2005 to identify priority targets for further trenching and geophysical surveys which is on going. At the Anchoris property, within the San Rafael project, exploration is continuing with additional mapping, trenching and sampling, as well as geophysical surveys to better define targets for drilling.

## **Forward Looking Statements**

Certain information set forth in this report contains forward-looking statements. By their nature, forward-looking statements are subject to numerous risks and uncertainties including: the results of current operation and exploration activities; market reaction to future operation and exploration activities; significant changes in metal prices; currency fluctuations; general market and industry conditions; and other factors detailed in the Company's public filings.

Readers are cautioned that the assumptions used in the preparation of such information, although considered reasonable at the time of preparation, may prove to be imprecise and, as such, undue reliance should not be placed on forward-looking statements. Portal Resources Ltd.'s actual results, programs and financial position could differ materially from those expressed in or implied by these forward-looking statements, and accordingly, no assurance can be given that the events anticipated by the forward-looking statements will transpire or occur, or if any of them do so, what benefits Portal Resources Ltd. will derive therefrom. Portal Resources Ltd. disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.