



**BCSC** British Columbia Securities Commission

**QUARTERLY  
REPORT**  
**BC FORM 51-901F**  
(previously Form 61)

INCORPORATED AS PART:

**X**

Schedule A

Schedule B and C

<b>ISSUER DETAILS</b>		
<i>Name of Issuer</i>	<i>For Quarter Ended</i>	<i>Date of Report YYYY/MM/DD</i>
<b>PORTAL DE ORO RESOURCES LTD (formerly Gateway Enterprises Ltd)</b>	<b>June 30, 2004</b>	<b>2004/11/09</b>
<i>Issuer's Address</i>	<i>Issuer's Fax No.</i>	<i>Issuer's Telephone No.</i>
#750-625 Howe Street, Vancouver BC V6C 2T6	<b>(604) 629-1930</b>	<b>(604) 629-1929</b>
<i>Contact Person</i>	<i>Contact's Position</i>	<i>Contact's Telephone No</i>
Bruce Winfield	President	(604) 629-1929
<i>Contact Email Address</i>		<i>Web Site Address</i>
bwinfield@portalresources.net		www.portalresources.net
<b>CERTIFICATE</b>		
The three schedules required to complete this Report are attached and the disclosures contained herein has been approved by the Board of Directors. A copy of this Report will be provided to any shareholder who requests it.		
<i>Director's Signature</i>	<i>Print Full Name</i>	<i>Date Signed YYYY/MM/DD</i>
<b>"Bruce Winfield"</b>	Bruce Winfield	<b>2004/11/09</b>
<i>Director's Signature</i>	<i>Print Full Name</i>	<i>Date Signed YYYY/MM/DD</i>
<b>"Mark T. Brown"</b>	Mark T. Brown	<b>2004/11/09</b>

**PORTAL DE ORO RESOURCES LTD.**

**(formerly Gateway Enterprises Ltd.)**

**Financial Statements**

**June 30, 2004 and 2003**

## **MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING**

The consolidated financial statements and the information contained in the management discussion and analysis have been prepared by the management of the Company. The financial statements have been prepared in accordance with Canadian generally accepted accounting principles and, where appropriate, reflect management's best estimates based on currently available information. A system of internal accounting control is maintained to provide reasonable assurance that financial information is accurate and reliable.

The Company's independent auditors, DeVisser Gray, who have been appointed by the shareholders, conduct an audit in accordance with generally accepted auditing standards in Canada to allow them to express an opinion on the financial statements.

The Audit Committee of the Board of Directors meets periodically with management and the independent auditors to review the scope and results of the annual audit, and to review the financial statements and related reporting matters prior to submission to the Board.

*"Bruce Winfield"*

Bruce Winfield,  
President & Chief Executive Officer  
Vancouver, Canada  
November 2, 2004

### **DE VISSER GRAY CHARTERED ACCOUNTANTS**

401 - 905 West Pender Street  
Vancouver, BC Canada  
V6C 1L6

Tel: (604) 687-5447  
Fax: (604) 687-6737

### **AUDITORS' REPORT**

To the Shareholders of Portal de Oro Resources Ltd. (formerly Gateway Enterprises Ltd.)

We have audited the balance sheets of Portal de Oro Resources Ltd. as at June 30, 2004 and 2003 and the statements of operations and deficit and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at June 30, 2004 and 2003 and the results of its operations and cash flows for the years then ended.

*"DeVisser Gray"*

### **CHARTERED ACCOUNTANTS**

Vancouver, British Columbia  
November 2, 2004

**PORTAL DE ORO RESOURCES LTD.**  
(formerly Gateway Enterprises Ltd.)

**CONSOLIDATED BALANCE SHEETS**

As at June 30

	2004	2003
<b>ASSETS</b>		
<b>Current</b>		
Cash and cash equivalents	\$ 599,027	\$ 164,673
Accounts receivable	14,374	849
Prepaid expenses	6,063	1,275
	619,464	166,797
Equipment and software (Note 4)	8,172	-
Mineral properties (Note 5)	576,033	-
	\$ 1,203,669	\$ 166,797
<b>LIABILITIES</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	\$ 44,100	\$ 4,722
Due to related parties (Note 7)	31,890	249
	75,990	4,971
<b>SHAREHOLDERS' EQUITY</b>		
Share capital (Note 6)	1,358,097	245,748
Contributed surplus (Note 6)	78,808	-
Deficit	(309,226)	(83,922)
	1,127,679	161,826
	\$ 1,203,669	\$ 166,797

Approved by the Board of Directors:

*"Mark T. Brown"*

Mark T. Brown

*"Bruce Winfield"*

Bruce Winfield

**PORTAL DE ORO RESOURCES LTD.**  
(formerly Gateway Enterprises Ltd.)

**CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT**  
**For the Years Ended June 30**

	2004	2003
<b>Income</b>		
Interest income	\$ 3,422	\$ 3,967
<b>Expenses</b>		
Accounting and audit	14,832	3,000
Amortization	1,581	-
Bank charges and interest	2,172	235
Consulting and management fees	3,171	5,500
Foreign exchange	4,894	-
Investor relations	13,442	-
Legal	1,075	5,396
Office and miscellaneous	17,758	2,738
Rent	8,068	3,600
Project investigation	7,470	-
Salaries and benefits	45,586	-
Stock-based compensation (Note 6)	78,808	-
Travel	2,098	-
Transfer agent and filing fees	15,692	7,056
Write-off of mineral property expenses	12,079	-
Write-off of non-refundable deposit	-	25,000
	228,726	52,525
Net loss for the year	(225,304)	(48,558)
Deficit - beginning of year	(83,922)	(35,364)
Deficit - end of year	(309,226)	(83,922)
Loss per share (Note 2)	\$ (0.05)	\$ (0.02)
Weighted average number of common shares outstanding	4,386,667	2,320,000

See notes to the financial statements

**PORTAL DE ORO RESOURCES LTD.**  
(formerly Gateway Enterprises Ltd.)

**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
For the Years Ended June 30

	2004	2003
<b>CASH FLOWS PROVIDED BY (USED FOR):</b>		
<b>Operating Activities</b>		
Net profit (loss) for the year	\$ (225,304)	\$ (48,558)
Items not affecting cash		
Stock-based compensation	78,808	-
Write-down of mineral properties	12,079	-
Amortization	1,581	-
	(132,836)	(48,558)
Changes in non-cash working capital items:		
Accounts receivable	(13,525)	(277)
Prepaid expenses	(4,788)	(250)
Accounts payable and accrued liabilities	39,378	1,227
Due to related parties	(41,899)	(1,035)
	(153,670)	(48,893)
<b>Investing Activities</b>		
Equipment and software	(9,753)	-
Expenditures on mineral properties	(192,235)	-
Acquisition of Portal de Oro (B.V.I.) Ltd. (Note 3)	(122,337)	-
	(324,325)	-
<b>Financing Activities</b>		
Shares issued for cash	947,900	-
Share issue costs	(35,551)	-
	912,349	-
Net cash used during the year	434,354	(48,893)
Cash and cash equivalents– beginning of year	164,673	213,566
Cash and cash equivalents- end of year	\$ 599,027	\$ 164,673
Supplementary non-cash investing activity information:		
	<u>Number of shares</u>	<u>Amount</u>
Shares issued to acquire Portal de Oro (B.V.I.) Ltd.	2,000,000	\$ 200,000

See notes to the financial statements

**PORTAL DE ORO RESOURCES LTD.**  
**(formerly Gateway Enterprises Ltd.)**  
Notes to the Financial Statements  
June 30, 2004

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**1. NATURE OF OPERATIONS**

Portal de Oro Resources Ltd. ("Portal" or "the Company", formerly 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 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.

These 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.

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.

**Financial Instruments**

The Company's financial instruments consist of accounts receivable and accounts payable and accrued liabilities. The fair values of these financial instruments approximate their carrying values due to the short-term nature of the items.

**Cash Equivalents**

Cash equivalents consist of highly liquid investments with maturity dates of less than one year that are readily convertible into known amounts of cash. Interest earned is recognized immediately in operations.

**Use of Estimates**

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

**PORTAL DE ORO RESOURCES LTD.**  
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Notes to the Financial Statements  
June 30, 2004

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**2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Mineral properties and deferred exploration costs**

The cost of mineral properties and related exploration expenditures are deferred until the properties are placed into production, sold or abandoned. These deferred costs will be amortized over the estimated useful lives of the properties following the commencement of production or written-off if the properties are sold, allowed to lapse, or abandoned. Cost includes the cash consideration and the fair market value of shares issued for the acquisition of mineral properties.

**Equipment and software**

Equipment and software are recorded at cost. Amortization is provided for using the straight-line method at the following annual rates:

Computer equipment	30%
Computer software	50%

**Stock Option Plan**

Effective July 1, 2003, the Company has early adopted the recommendation of the Canadian Institute of Chartered Accountants in accounting for employee stock option plans. Options granted to employees and non-employees are accounted for using the fair value method where compensation expense is calculated using the Black-Scholes options pricing model.

**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.

**Income taxes**

The Company follows the liability method based on the accounting recommendations for income taxes issued by the Canadian Institute of Chartered Accountants. Under the liability method future income tax assets and liabilities are computed based on differences between the carrying amount of assets and liabilities on the balance sheet and their corresponding tax values, using tax rates anticipated to apply in the periods when the differences between the carrying amounts and tax values are expected to reverse. Future income tax assets can also result from unused loss carry-forwards and other deductions. The valuation of any future income tax assets is reviewed annually and adjusted, if necessary, by use of a valuation allowance to reflect the estimated realizable amount.

**Comparative figures**

Certain comparative figures have been reclassified to conform with the presentation adopted in the current period.

**PORTAL DE ORO RESOURCES LTD.**  
**(formerly Gateway Enterprises Ltd.)**  
Notes to the Financial Statements  
June 30, 2004

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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	\$ 8,575	\$ 1,286	\$ 7,289
Computer software	<u>1,178</u>	<u>295</u>	<u>883</u>
Balance as at June 30, 2004	<u>\$ 9,753</u>	<u>\$ 1,581</u>	<u>\$ 8,172</u>

**PORTAL DE ORO RESOURCES LTD.**  
**(formerly Gateway Enterprises Ltd.)**  
Notes to the Financial Statements  
June 30, 2004

**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 upon the economic recovery of current or future ore reserves. A breakdown of carrying values by property and significant expenditure category is as follows:

	Arroyo Verde	San Rafael	Project Investigation	Total
Total as at June 30, 2003	\$ -	\$ -	\$ -	\$ -
Land acquisition & holding costs	399,079	63,018	4,989	467,086
Environmental	2,172	-	-	2,172
Geology	43,535	17,984	44,262	105,781
Surface geochemistry	2,894	-	3,300	6,194
Other	49	5,873	957	6,879
Total expenditures	447,729	86,875	53,508	588,112
Property write-offs	(49)	(5,873)	(6,157)	(12,079)
Total as at June 30, 2004	447,680	81,002	47,351	576,033

**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>USD</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
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.

**PORTAL DE ORO RESOURCES LTD.**  
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Notes to the Financial Statements  
June 30, 2004

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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>USD</u>
On signing of the agreement	\$ 30,000 (paid)
On or before June 18, 2005	\$ 20,000
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>USD</u>
On signing of the agreement	\$ 15,000 (paid)
On or before April 9, 2005	\$ 15,000
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.

**PORTAL DE ORO RESOURCES LTD.**  
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Notes to the Financial Statements  
June 30, 2004

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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>Price per share</u>	<u>Amount</u>
Private placement	1,120,000	\$ 0.09	\$ 100,800
Public offering	1,200,000	0.18	216,000
Share issue costs	<u>-</u>		<u>(71,052)</u>
Balance – June 30, 2003	2,320,000		245,748
Private placement	1,000,000	0.15	150,000
Private placement	3,170,000	0.25	792,500
On exercise of options	30,000	0.18	5,400
On acquisition of Portal BVI	2,000,000		200,000
Share issue costs	<u>-</u>		<u>(35,551)</u>
Balance – June 30, 2004	<u>8,520,000</u>		<u>\$ 1,358,097</u>

On March 15, 2004, the Company completed two offerings by way of private placement of 1,000,000 common shares at a price of \$0.15 per share and 3,170,000 common shares at a price of \$0.25 per share, respectively. On March 15, 2004, the Company issued 2,000,000 common shares with a deemed value of \$0.10 in relation to the acquisition of Portal BVI.

**Escrowed Shares**

A total of 3,690,000 common shares issued have been 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, 10% of the escrowed shares were released so that at June 30, 2004 3,321,000 common shares remain in escrow.

**PORTAL DE ORO RESOURCES LTD.**  
**(formerly Gateway Enterprises Ltd.)**  
Notes to the Financial Statements  
June 30, 2004

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

**Stock Options**

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

	<b>2004</b>		<b>2003</b>	
	# of shares	Weighted-Average Exercise Price	# of shares	Weighted-Average Exercise Price
Outstanding at beginning of year	232,000	\$ 0.18	232,000	\$ 0.18
Granted under plan	820,800	\$ 0.34	-	-
Exercised	(30,000)	\$ 0.18	-	-
Forfeited or cancelled	(62,800)	\$ 0.18	-	-
Outstanding at end of year	<u>960,000</u>	<u>\$ 0.32</u>	<u>232,000</u>	<u>\$ 0.18</u>
Options vested and exercisable at year-end	<u>344,400</u>	<u>\$ 0.28</u>	<u>232,000</u>	<u>\$ 0.18</u>

Stock options outstanding as at June 30, 2004 are as follows:

<u>Number</u>	<u>Exercise Price</u>	<u>Expiry Date</u>
139,200	\$ 0.18	May 28, 2006
670,800	\$ 0.25	March 15, 2009
<u>150,000</u>	\$ 0.75	June 18, 2009
<u>960,000</u>		

The Company applies the fair value method in accounting for options granted to employees and non-employees and accordingly, stock-based compensation of \$78,808 (2003 - \$nil) was recognized during the year.

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

Risk free interest rate of 4% per annum  
Expected life of 3 years  
Expected volatility of 79.18%  
Dividend yield rate of 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.

**PORTAL DE ORO RESOURCES LTD.**  
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Notes to the Financial Statements  
June 30, 2004

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**7. RELATED PARTY TRANSACTIONS**

The Company paid another public company related by certain common directors \$20,750 (2003 - \$3,600) for the shared rent of office space and services and as at June 30, 2004 owes this company an aggregate of \$18,504 (June 30, 2003 - \$nil).

The Company paid or accrued to pay a private company with a director in common with the Company an aggregate of \$4,759 (2003 - \$1,775) for fees and expense reimbursements and \$5,350 for deferred acquisition costs and as at June 30, 2004 owes this company an aggregate of \$nil (June 30, 2003 - \$11).

As at June 30, 2004 the Company owes certain directors an aggregate of \$13,386 (June 30, 2003 - \$238) for expense reimbursements.

**8. INCOME TAXES**

A reconciliation of income taxes at statutory rates with reported taxes is as follow:

	<u>2004</u>	<u>2003</u>
Loss before income taxes	\$ (225,304)	\$ (48,558)
Expected income taxes (recovery)	\$ (84,759)	\$ (19,229)
Non-deductible (deductible) expenses for tax purposes	(7,923)	(5,627)
Unrecognized benefit on non-capital losses	<u>92,682</u>	<u>24,856</u>
Total income taxes (recovery)	<u>\$ -</u>	<u>\$ -</u>

The significant components of the Company's future income tax assets for Canadian purposes are as follows:

	<u>2004</u>	<u>2003</u>
Future income tax assets		
Non-capital loss carryforwards	\$ 372,917	\$ 126,552
Share issue costs	42,652	28,422
Equipment	<u>1,851</u>	<u>-</u>
Future income tax assets before valuation allowance	417,420	154,974
Less: valuation allowance	<u>(417,420)</u>	<u>(154,974)</u>
Net future income tax assets	<u>\$ -</u>	<u>\$ -</u>

**PORTAL DE ORO RESOURCES LTD.**  
**(formerly Gateway Enterprises Ltd.)**  
Notes to the Financial Statements  
June 30, 2004

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**8. INCOME TAXES, (Continued)**

The Company has incurred losses for Canadian income tax purposes of approximately \$334,459, which can be carried forward to reduce taxable income in future years: These losses will expire as follows:

2007	\$ 37,865
2008	25,919
2009	62,768
2010	<u>246,365</u>
	<u>\$ 372,917</u>

In addition, the Company has non-capital loss carry forwards and related resource property expenditures that are available to reduce income in future years in Argentina. The benefits of these future tax assets have not been recorded in the accounts of the Company.

**9. SUBSEQUENT EVENTS**

**Escrow release**

On September 15, 2004 there was an escrow release of 553,500 common shares of the Company so that the balance remaining in escrow is 2,767,500 common shares.

**Private placement**

On October 20, 2004, the Company announced that it has negotiated a non-brokered private placement consisting of 2,500,000 units at \$0.75 per unit. Each unit is to consist of once common share and one half-share purchase warrant. Each whole share purchase warrant will be exercisable for one common share at a price of \$0.90 for a period of 12 months. The Company's officers and directors will purchase a portion of the private placement.

The proceeds are planned to be used to advance exploration on the Company's gold/silver and copper/gold exploration projects in Argentina and for general working capital purposes. A five percent finder's fee will be paid on a portion of the placement.



**PORTAL DE ORO RESOURCES LTD.**  
**(formerly Gateway Enterprises Ltd.)**

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June 30, 2004

SCHEDULE B: SUPPLEMENTARY INFORMATION

For the current fiscal year-to-date:

1. (a) Deferred exploration costs – refer to Note 4 in the Consolidated Financial Statements.
- (b) General and administrative expenses – see Consolidated Statements of Operations and Deficit in the Consolidated Financial Statements.

Items over 20% of the total expenditures are broken down further as follows:

Stock based compensation:

Employees	\$ 16,040
Directors	<u>62,768</u>
	<u>\$ 78,808</u>

2. Related party transactions

The Company paid another public company related by certain common directors \$20,750 (2003 - \$3,600) for the shared rent of office space and services and as at June 30, 2004 owes this company an aggregate of \$18,504 (June 30, 2003 - \$nil).

The Company paid or accrued to pay a private company with a director in common with the Company an aggregate of \$4,759 (2003 - \$1,775) for fees and expense reimbursements and \$5,350 for deferred acquisition costs and as at June 30, 2004 owes this company an aggregate of \$nil (June 30, 2003 - \$11).

As at June 30, 2004 the Company owes certain directors an aggregate of \$13,386 (June 30, 2003 - \$238) for expense reimbursements.

3. Summary of securities issued and options granted during the period:

- a) Summary of securities issued during the period:

<u>Date</u>	<u># of Common Shares</u>	<u>Type of Issue</u>	<u>Consideration</u>	<u>Issue price</u>
March 15, 2004	1,000,000	Private Placement	Cash	\$ 0.15
March 15, 2004	3,170,000	Private Placement	Cash	\$ 0.25
March 15, 2004	2,000,000	Acquisition	Property	\$ 0.10
March 15, 2004	<u>30,000</u>	Option Exercise	Cash	\$ 0.18
	<u>6,200,000</u>			

On March 15, 2004, the Company completed two offerings by way of private placement of 1,000,000 common shares at a price of \$0.15 per share and 3,170,000 common shares at a price of \$0.25 per share, respectively. On March 15, 2004, the Company issued 2,000,000 common shares with a deemed value of \$0.10 in relation to the acquisition of Portal BVI.

**PORTAL DE ORO RESOURCES LTD.**  
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SCHEDULE B: SUPPLEMENTARY INFORMATION (Continued)

b) Summary of options granted during the period:

<u>Issue Date</u>	<u>Issued To</u>	<u>Number</u>	<u>Exercise Price</u>	<u>Expiry Date</u>
March 15, 2004	Mark T. Brown	28,600	\$0.25	Mar. 15, 2009
March 15, 2004	David Hottman	153,600	\$0.25	Mar. 15, 2009
March 15, 2004	Gary Nordin	200,000	\$0.25	Mar. 15, 2009
March 15, 2004	Bruce Winfield	200,000	\$0.25	Mar. 15, 2009
March 15, 2004	Fontaine Wong	28,600	\$0.25	Mar. 15, 2009
March 15, 2004	Frank Wheatley	50,000	\$0.25	Mar. 15, 2009
March 15, 2004	Employees	10,000	\$0.25	Mar. 15, 2009
June 18, 2004	Employees	<u>150,000</u>	\$0.75	Jun. 18, 2009
		<u>820,800</u>		

4. Summary of securities as at June 30, 2004:

- a) Authorized share capital: 100,000,000 common shares without par value  
100,000,000 preferred shares issuable in series
- b) Shares issued and outstanding: 8,520,000 common shares with a recorded value of \$1,358,097.
- c) Summary of options, warrants and convertible securities outstanding:

<b>Stock Options Issued</b>	<u>Number</u>	<u>Price</u>	<u>Expiry Date</u>
Directors	139,200	\$0.18	May 28, 2006
Directors	660,800	\$0.25	March 15, 2009
Employees	<u>160,000</u>	\$0.25	March 15, 2009
	960,000		

There are no outstanding warrants or convertible securities.

- d) Number of common shares held in escrow: 3,321,000

Number of common shares subject to pooling: NIL

2. Directors: David N. Hottman  
Fontaine Wong  
Mark T. Brown  
Bruce Winfield  
Gary Nordin  
Frank Wheatley
- Officers: Bruce Winfield – President and CEO  
Mark T. Brown - Secretary and CFO  
Gary Nordin – VP Exploration

**PORTAL DE ORO RESOURCES LTD.**  
**(formerly Gateway Enterprises Ltd.)**  
Quarterly Report  
June 30, 2004

**SCHEDULE C: MANAGEMENT DISCUSSION**

**Summary and Analysis of Financial Operations**

**This discussion and analysis of the operating results and financial position of the Company should be read in conjunction with the consolidated financial statements (Schedule A) filed separately.**

**OVERVIEW**

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 January 6, 2004, the Company changed its name from Gateway Enterprises Ltd. to Portal de Oro Resources Ltd. effective March 12, 2004.

Portal de Oro 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.

**EXPENDITURES ON MINERAL PROPERTIES**

During the year ended June 30, 2004, the Company spent \$588,122 (2003 – Nil) on acquisition and exploration expenditures on its exploration properties, inclusive of the \$395,877 allocated to the Arroyo Verde project on the acquisition of Portal (BVI). The major expenditures are acquisition and land holding costs of \$467,086 (2003 – Nil), geology costs of \$105,781 (2003 – Nil) and surface geochemistry costs of \$6,194 (2003 – Nil). During the year the Company wrote off \$12,079 in deferred exploration expenses, primarily relating to travel expenses.

**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 5,378 hectares (20.7 square miles).

The property lies within the eastern part of the Somun Cura Massif which is directly analogous to the Deseado Massif to the South where several significant deposits have been discovered in recent years including the Cerro Vanguardia deposit of Anglo Gold. Recent exploration in the Somun Cura has resulted in discovery of both the large Navidad silver-copper-lead deposit and Calcatreu gold-silver deposits.

Gold-silver mineralization at Arroyo Verde is hosted by epithermal veins within an outcropping rhyolite dome complex approximately 1 kilometer in diameter.

Previous exploration including geologic mapping, trenching, geophysical surveys and drilling defined three epithermal gold-silver bearing vein systems that were only partially tested to a maximum vertical depth of fifty meters.

Portal has initiated an exploration program of further mapping, trenching, and geophysical surveys. Geophysical results include an expansion of the outcropping rhyolite dome complex under surrounding shallow gravel cover with large resistivity high targets up to three kilometers in length. Additional resistivity and chargeability anomalies to the south suggest the presence of a buried rhyolite dome complex as well as potential for "Navidad style" lead-zinc-silver mineralization in a zone of stockworking. Detailed mapping and sampling in the outcropping dome, has better defined the gold-silver veining encountering bonanza grades of up to 186 g/t (5.4 oz/ton) gold and 1834 g/t (53 oz/ton) silver over widths varying from 0.3 to 1.25 meters.

Portal is continuing with a program of mapping, trenching, and follow up geophysical surveys to better define both the known veins as well as the southern geophysical anomalies prior to a drill program in the first quarter of 2005.

### **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 kilometers north-south by 10 to 40 kilometers east-west totalling 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 km northeast of the project area. Topography is moderate with elevations in the range of 2,000 meters with isolated volcanic centers rising to 4,000 meters. 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 and gold-silver mineralization. Previous exploration from 1993-1998 lead to the discovery of both Portal's large Anchoris copper-gold porphyry system, as well as the La Cabeza gold-silver project of Exeter Resources Ltd. located just 15 kilometers to the south of Portal's project area.

Portal has completed an initial assessment of the area using new generation satellite imagery processed to highlight alteration assemblages associated with the two types of mineralization in the area. This work has shown that the epithermal and copper-gold porphyry systems have distinctive alteration signatures. Using these as guidelines combined with compilation of regional government sampling, Portal has identified over 40 altered and potentially mineralized target areas. These anomalous areas are currently being assessed through a systematic program of initial geological mapping and sampling, with trenching and geophysical programs to prioritize targets.

The Anchoris Project, the most prominent of the anomalous areas within the San Rafael claim group, is a large copper-gold porphyry system identified during previous exploration by AMD (Argentina Mineral Development) and BHP-Billiton. This work, including structural studies, mapping, sampling, geophysical surveys and limited drilling by BHP-Billiton and Rio Tinto Zinc in the Anchoris and San Pedro zones respectively, lead to the discovery of copper-gold mineralization at Anchoris.

The copper-gold mineralization at Anchoris is hosted within a prominent northwest structural zone that is approximately 400 m wide and over 10 km along strike that has been the focus for the intrusion of a series of dacitic plugs and stocks. Alteration associated with these intrusive bodies is widespread with an outer carbonate zone in excess of 4 km 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 Totorá 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 Resources is currently carrying out a program of mapping, hand trenching and sampling on the La Totorá zone. Results to date include two trenches confirming the extension to the Totorá zone 150 meters to the southeast as follows:

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

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

Exploration is continuing with additional mapping and tractor trenching as well as geophysical surveys to better define the mineralized zones prior to drilling scheduled for the first quarter of 2005.

## **LIQUIDITY**

On March 15, 2004 the Company completed two offerings by way of private placement of 1,000,000 common shares at a price of \$0.15 per share and 3,170,000 common shares at a price of \$0.25 per share, respectively. Shares issued under both placements were subject to a hold period and were not e traded until July 16, 2004. At the closing of the private placements, the Company had 8,520,000 common shares issued and outstanding of which 3,690,000 were subject to escrow or pooling restrictions.

The Company had working capital of \$695,454 as of June 30, 2004, which is sufficient to complete the planned exploration program on the Arroyo Verde project and Anchoris project.

On October 20, 2004, the Company announced that it has negotiated a non-brokered private placement consisting of 2,500,000 units at \$0.75 per unit. Each unit is to consist of once common share and one half-share purchase warrant. Each whole share purchase warrant will be exercisable for one common share at a price of \$0.90 for a period of 12 months. The Company's officers and directors will purchase a portion of the private placement.

The proceeds are planned to be used to advance exploration on the Company's gold/silver and copper/gold exploration projects in Argentina and for general working capital purposes. A five percent finder's fee will be paid on a portion of the placement.

## **RESULTS OF OPERATIONS**

All expenditures incurred in respect of incorporation and the acquisition of a listing on the Exchange were classified as "organization costs" and offset against share capital. Since inception the Company has issued a total of 8,520,000 common shares for gross proceeds of \$1,464,700, of which \$106,603 has been used in incorporating, obtaining the public exchange listing and financing expenses, \$122,890 was spent to maintain the Company in good standing and \$25,000 was advanced and subsequently written-off as a non-refundable deposit as per the terms of a potential QT which did not proceed, and \$395,877, has been spent developing and acquiring the completed Qualifying Transaction. Since completion of the qualifying transaction, the Company has spent \$192,235 on acquisition and further development of mineral properties. From completion of the qualifying transaction to June 30, 2004, there was an additional \$48,650 spent on Phase I of the exploration plan for Arroyo Verde.

This was primarily spent on trenching, sampling and mapping. The Company spent \$86,875 on the acquisition and initial development of the San Rafael project and \$60,978 on project investigation relating to potential acquisition.

General and administrative expenses increase for the twelve months ended June 30, 2004, as compared to the previous year, which reflects the overall increased activity of the Company due to the acquisition of Portal (BVI). Significant increases in general and administrative costs are related to the adoption of the fair value method of accounting for stock options, the addition of salaried employees, increased audit, accounting fees and transfer agent fees as well as increased travel, project investigation and investor relations activities.

### **INVESTOR RELATIONS**

There are no investor relations' arrangements at this time. The Company manages investor relations through dissemination of information and direct management contact with shareholder and investors.

### **RISKS AND UNCERTAINTIES**

The Company is engaged in the exploration for mineral deposits, which is inherently risky. The Company's mining and exploration activities are subject to various federal, provincial and state laws and regulations governing the protection of the environment. The Company conducts its operations so as to protect public health and the environment and believes its operations are materially in compliance with all applicable laws and regulations.

The skills and experience of the Company's staff in mineral exploration, operations and finance mitigate these risks.

### **SUBSEQUENT EVENTS**

Escrow release

On September 15, 2004 there was an escrow release of 553,500 common shares of the Company so that the balance remaining in escrow as of the report date is 2,767,500 common shares.