

**PORTAL DE ORO RESOURCES LTD.**

**(formerly Gateway Enterprises Ltd.)**

**Financial Statements**

**September 30, 2004 and**

**June 30, 2004**

**NOTICE TO READER**

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

**CONSOLIDATED BALANCE SHEETS**

	<u>As at September 30, 2004 (Unaudited)</u>	<u>As at June 30, 2004</u>
<b>ASSETS</b>		
<b>Current</b>		
Cash and cash equivalents	\$ 357,177	\$ 599,027
Accounts receivable	21,163	14,374
Prepaid expenses	14,695	6,063
	<u>393,035</u>	<u>619,464</u>
Equipment and software (Note 4)	9,696	8,172
Mineral properties and deferred exploration costs (Note 5)	<u>661,398</u>	<u>576,033</u>
	<u>\$ 1,064,129</u>	<u>\$ 1,203,669</u>
<b>LIABILITIES</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	\$ 36,705	\$ 44,100
Due to related parties (Note 7)	2,993	31,890
	<u>39,698</u>	<u>75,990</u>
<b>SHAREHOLDERS' EQUITY</b>		
Share capital (Note 6)	1,366,017	1,358,097
Contributed surplus (Note 6)	113,612	78,808
Deficit	(455,198)	(309,226)
	<u>1,024,431</u>	<u>1,127,679</u>
	<u>\$ 1,064,129</u>	<u>\$ 1,203,669</u>

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 three months ended September 30**  
**(Unaudited)**

	2004	2003
<b>Income</b>		
Interest income	<b>\$ 345</b>	<b>\$ 964</b>
<b>Expenses</b>		
Accounting and audit	7,491	-
Amortization	881	-
Bank charges and interest	1,321	78
Consulting and management fees	171	1,500
Foreign exchange	4,023	-
Investor relations	9,877	-
Legal	5,492	-
Office and miscellaneous	6,426	11
Rent	4,936	900
Salaries and benefits	60,717	-
Stock-based compensation (Note 6)	34,804	-
Travel	7,990	-
Transfer agent and filing fees	2,188	1,065
	<b>146,317</b>	<b>3,554</b>
Net loss for the period	<b>(145,972)</b>	<b>(2,590)</b>
Deficit – beginning of period	<b>(309,226)</b>	<b>(83,922)</b>
Deficit – end of period	<b>\$ (455,198)</b>	<b>\$ (86,512)</b>
Loss per share (Note 2)	<b>\$ (0.02)</b>	<b>\$ (0.00)</b>
Weighted average number of common shares outstanding	<b>8,542,000</b>	<b>2,320,000</b>

See notes to the financial statements

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

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

	2004	2003
<b>CASH FLOWS PROVIDED BY (USED FOR):</b>		
<b>Operating Activities</b>		
Net loss for the period	\$ (145,972)	\$ (2,590)
Items not affecting cash		
Stock-based compensation	34,804	-
Amortization	881	-
	(110,287)	(2,590)
Changes in non-cash working capital items:		
Accounts receivable	(6,789)	(1,672)
Prepaid expenses	(8,632)	(9,362)
Accounts payable and accrued liabilities	(7,395)	3,159
Due to related parties	(28,897)	(238)
	(162,000)	(10,703)
<b>Investing Activities</b>		
Equipment and software	(2,405)	-
Expenditures on mineral properties	(85,365)	-
Deferred acquisition costs	-	(10,338)
	(87,770)	(10,338)
<b>Financing Activities</b>		
Shares issued for cash	7,920	-
	7,920	-
Net cash used during the period	241,850	(21,041)
Cash and cash equivalents- beginning of period	599,027	164,673
Cash and cash equivalents- end of period	\$ 357,177	\$ 143,632

See notes to the financial statements

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

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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 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.

**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.

**PORTAL DE ORO RESOURCES LTD.**  
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**2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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.

**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.

**Comparative figures**

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

**PORTAL DE ORO 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	\$ 2,020	\$ 8,960
Computer software	<u>1,178</u>	<u>442</u>	<u>736</u>
Balance as at September 30, 2004	<u>\$ 12,158</u>	<u>\$ 2,462</u>	<u>\$ 9,696</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.**  
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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 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
Land acquisition & holding costs	264	23,215	-	23,479
Environmental	-	11,829	-	11,829
Geology	26,326	23,112	-	49,438
Surface geochemistry	619	-	-	619
Total expenditures	27,209	58,156	-	85,365
Total as at September 30, 2004	\$ 474,889	\$ 139,158	\$ 47,351	\$ 661,398

**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:

	US\$
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.

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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
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
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>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	0.10	200,000
Share issue costs	<u>-</u>		<u>(35,551)</u>
Balance – June 30, 2004	8,520,000		1,358,097
On exercise of options	<u>44,000</u>	0.18	<u>7,920</u>
Balance – September 30, 2004	<u>8,564,000</u>		<u>\$ 1,366,017</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 and on September 15, 2004 an additional 553,500 were released. As at September 30, 2004, there are 2,767,500 common shares remaining in escrow.

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

**Stock Options**

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

	<b>For the three months ended September 30, 2004</b>		<b>For the year ended June 30, 2004</b>	
	Number of shares	Weighted- Average Exercise Price	Number of shares	Weighted- Average Exercise Price
Outstanding at beginning of period	960,000	\$ 0.32	232,000	\$ 0.18
Granted under plan	-	-	820,800	\$ 0.34
Exercised	(44,000)	\$ 0.18	(30,000)	\$ 0.18
Forfeited or cancelled	-	-	(62,800)	\$ 0.18
Outstanding at end of period	<u>916,000</u>	<u>\$ 0.32</u>	<u>960,000</u>	<u>\$ 0.32</u>

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

<u>Number</u>	<u>Exercise Price</u>	<u>Expiry Date</u>
95,200	\$ 0.18	May 28, 2006
670,800	\$ 0.25	March 15, 2009
<u>150,000</u>	\$ 0.75	June 18, 2009
<u>916,000</u>		

**7. RELATED PARTY TRANSACTIONS**

During the three months ended September 30, 2004 the Company paid another public company related by certain common directors \$18,945 (2003 - \$900) for the shared rent of office space and services and expenses reimbursements and as at September 30, 2004 owes this company an aggregate of \$2,939 (June 30, 2004 - \$18,504).

During the three months ended September 30, 2004 the Company paid or accrued to pay a private company with a director in common with the Company an aggregate of \$54 (2003 - \$65) for fees and expense reimbursements and as at September 30, 2004 owes this company an aggregate of \$54 (June 30, 2004 - Nil).

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

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**8. SUBSEQUENT EVENTS**

**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 one 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.)

## **Management's Discussion and Analysis of Financial Position and Results of Operations**

*This discussion and analysis of the financial position and results of has been prepared as at November 25, 2004 and should be read in conjunction with the unaudited quarterly consolidated financial statements of Portal de Oro Resources Ltd. ("Portal" or "the Company", formerly Gateway Enterprises Ltd.) as at September 30, 2004 and the audited annual financial statements as at June 30, 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.*

### **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.

### **REVIEW OF OPERATIONS**

#### ***EXPENDITURES ON MINERAL PROPERTIES***

During the three months ended September 30, 2004, the Company spent \$85,365 (2003 – Nil) on acquisition and exploration expenditures on its projects. The major expenditures are acquisition and land holding costs of \$23,479 (2003 – Nil), geology costs of \$49,438 (2003 – Nil) and environmental costs of \$11,829 (2003 – Nil).

#### ***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, which have been expanded during the quarter from 5,378 hectares (20.7 square miles) to approximately 40,000 hectares (155 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 Totora 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 Totora zone. Results to date include two trenches confirming the extension to the Totora 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.

## SELECTED ANNUAL INFORMATION

For the years ended June 30

	2004	2003	2002
Income	\$ 3,422	\$ 3,967	\$ 5,943
Net income (loss)	\$ (225,304)	\$ (48,558)	\$ (11,709)
Basic and diluted EPS	\$ (0.05)	\$ (0.02)	\$ (0.01)
Total assets	\$ 1,203,669	\$ 166,797	\$ 215,163
Total long-term liabilities	Nil	Nil	Nil
Cash dividends declared	Nil	Nil	Nil

The increase in the net loss from fiscal 2003 to fiscal 2004 is largely the result of increased human resource costs to support the Company's expanding operations, due to the completion of the Company's qualifying transaction through the acquisition of the Portal de Oro (B.V.I.) Ltd., and increased business development costs associated with new project evaluations and investor relations activities. Effective July 1, 2003, the Company 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. This resulted in \$78,808 in compensation expense for the year.

The increase in the net loss from fiscal 2002 to 2003 results primarily from the write-off of a \$25,000 non-refundable deposit relating to the proposed acquisition of Foodterminal.com Ltd. which did not proceed.

## SUMMARY OF QUARTERLY RESULTS

For the quarter ended September 30, 2004 and year ended June 30, 2004

	Q1 2005	Q4 2004	Q3 2004	Q2 2004	Q1 2004
Income	\$ 345	\$ 625	\$ 1,217	\$ 616	\$ 964
Net income (loss)	\$ (145,972)	\$ (165,337)	\$ (44,347)	\$ (13,030)	\$ (2,590)
Basic and diluted EPS	\$ (0.02)	\$ (0.03)	\$ (0.01)	\$ (0.01)	\$ (0.00)
Total assets	\$ 1,064,129	\$ 1,203,669	\$ 1,264,889	\$ 184,811	\$ 167,128
Total long-term liabilities	Nil	Nil	Nil	Nil	Nil
Cash dividends declared	Nil	Nil	Nil	Nil	Nil

For the year ended June 30, 2003

Q4 2003	Q3 2003	Q2 2003	Q1 2003
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Income	\$ 1,678	\$ 715	\$ 754	\$ 820
Net income (loss)	\$ (8,271)	\$ (2,312)	\$ (32,304)	\$ (5,671)
Basic and diluted EPS	\$ (0.01)	\$ (0.00)	\$ (0.01)	\$ (0.00)
Total assets	\$ 166,797	\$ 170,830	\$ 173,668	\$ 209,912
Total long-term liabilities	Nil	Nil	Nil	Nil
Cash dividends declared	Nil	Nil	Nil	Nil

The loss during the quarter ended September 30, 2004 included \$60,717 in salaries and benefits (2003: Nil), stock-based compensation expense of \$34,804 (2003: Nil) and \$9,877 in investor relations activities (2003: Nil). The other general and administrative expenses were consistent with Q4 of fiscal 2004.

The net loss for first two quarters during fiscal 2004 remained consistent with the previous fiscal year. The acquisition of Portal de Oro Resources Ltd. was completed in Q3 of 2004 and the increase in the net loss for that quarter was largely a result of the overall increased activity of the Company, the commencement of salaries, travel expenses and project investigation expenses. The increase in Q4 was a result of \$78,808 on stock-based compensation expense and increased salary, office and investor relations expenses

The net loss for the quarters during fiscal 2003 remained relatively consistent with the exception of Q2, when there was a write-off of a \$25,000 non-refundable deposit relating to the proposed acquisition of Foodterminal.com Ltd. which did not proceed.

## 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 8,564,000 common shares for gross proceeds of \$1,472,620, 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 qualifying transaction 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 \$277,600 to September 30, 2004 on acquisition and further development of mineral properties. From completion of the qualifying transaction to September 30, 2004, there was \$79,012 spent, net off write-offs, on Phase I of the exploration plan for Arroyo Verde. This was primarily spent on trenching, sampling and mapping. During the same period, the Company spent \$139,058, net of write-offs, on the acquisition and initial development of the San Rafael project and \$47,351, net of write-offs, on project investigation relating to potential acquisitions.

General and administrative expenses increased for the three months ended September 30, 2004, as compared to the previous year, from \$3,554 to \$146,317, which reflects the overall increased activity of the Company due to the acquisition of Portal (BVI). Salaries and benefits of \$60,717 accounted for 42% of total expenses compared to \$nil for the prior year. Stock-based compensation expense of \$ 34,804 accounted for 24% of total expenses as compared to \$nil for the prior year. Increases in general and administrative costs are also related to audit and accounting fees, transfer agent fees increased travel, project investigation and investor relations activities. There are no investor relations arrangements at this time. The Company manages investor relations through dissemination of information and direct management contact with shareholders and investors.

## LIQUIDITY AND CAPITAL RESOURCES

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. During the quarter ended September 30, 2004, 44,000 stock options were exercised at \$0.18 for gross proceeds of \$7,920. As at November 25, 2004, the Company had 8,564,000 common shares issued and outstanding of which 2,767,500 were subject to escrow restrictions.

The Company had working capital of \$ 353,337 as of September 30, 2004 (June 30, 2004: \$ 543,474), which should be adequate to meet the short-term requirements of the Company. The ability of the Company to

continue as a going concern is primarily dependent upon the Company obtaining proceeds raised from equity financing. The Company has 916,000 stock options outstanding that, if exercised, would provide the Company with \$297,336 in additional capital.

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 one 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.

Upon completion of the private placement, the Company will have enough capital to complete its planned drilling on the Arroyo Verde project as well as further the exploration plans at San Rafael.

### **OUTSTANDING SHARE DATA**

As at November 25, 2004, the Company had the following items issued and outstanding:

- 8,564,000 common shares, of which 2,767,500 are held in escrow
- 916,000 stock options with a weighted average exercise price of \$0.32 expiring at various dates until June 18, 2009

More information on the terms of the stock options are set out in Note 6 of the Company's consolidated financial statements.

### **RELATED PARTY TRANSACTIONS**

During the three months ended September 30, 2004 the Company paid another public company related by certain common directors \$18,945 (2003 - \$900) for the shared rent of office space and services and expenses reimbursements and as at September 30, 2004 owes this company an aggregate of \$2,939 (June 30, 2004 - \$18,504).

During the three months ended September 30, 2004 the Company paid or accrued to pay a private company with a director in common with the Company an aggregate of \$54 (2003 - \$65) for fees and expense reimbursements and as at September 30, 2004 owes this company an aggregate of \$54 (June 30, 2004 - Nil)

### **CRITICAL ACCOUNTING ESTIMATES**

#### *Mineral properties and deferred costs*

The acquisition cost of mineral properties and related exploration and development costs, as well as directly attributable general and administrative support costs and salaries, are deferred. When a mineral property is sold, abandoned, or deemed not to contain economic reserves, all costs are written-off. The amounts shown for mineral properties represent costs to date and do not necessarily reflect present or future values.

### **RISKS AND UNCERTAINTIES**

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, 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. At the Anchoris property, within the San Rafael project, 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.

Additional information relating to the Company is available on Sedar at [www.sedar.com](http://www.sedar.com).

## **CAUTIONARY STATEMENT ON FORWARD-LOOKING INFORMATION**

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 de Oro 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 de Oro Resources Ltd. will derive therefrom. Portal de Oro 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.