

Pacific Rim Mining Corp.

merger

future cash flow

TRADING SYM

2002 ANNUAL REPORT

a new force

In April 2002, Pacific Rim Mining Corp. merged with Dayton Mining Corporation to create a new exploration and development company with ample working capital and future cash flow to aggressively move its very attractive El Dorado exploration project forward.

Pacific Rim can rely on its financial strength to continue to advance the El Dorado gold project in El Salvador. The Company believes there is significant potential to expand the current El Dorado resource, both by adding to the existing resource area and by defining additional gold mineralization in other veins.

Pacific Rim's goal is to define a high-grade, low-cost, underground gold deposit of significant size on the El Dorado project. The Company is focused on delivering returns to shareholders by finding and developing viable precious metal deposits and becoming a new force in the gold industry.

To reflect the new entity in the gold industry that we believe the merger has created, Pacific Rim now trades under the stock symbol PMU on The Toronto Stock Exchange (TSX) and the American Stock Exchange (AMEX).

LETTER TO SHAREHOLDERS

It is with great pleasure that we present the annual report and financial statements of Pacific Rim Mining Corp. for fiscal 2002.

The past year heralded a significant corporate change for Pacific Rim when the Company merged with Dayton Mining Corporation. Dayton was a junior gold producer with two primary assets of interest to Pacific Rim: its El Dorado gold project in El Salvador and a projected free cash flow of over \$10 million (at \$300/oz gold) over the next 3 years from its 49%-owned Denton-Rawhide Mine in Nevada. What Dayton was lacking was the immediate, short term cash and exploration expertise to advance the El Dorado project – a high-grade gold deposit with significant potential to become a low-cost underground operation. Having sold the Diablillos silver-gold project to Silver Standard for \$3.4 million in December 2001, Pacific Rim was able to immediately accelerate the development of El Dorado. In dovetailing with Dayton, Pacific Rim has re-emerged as a well-financed, well-managed company that has the potential to be a significant new force in the gold industry.

Pacific Rim's merger with Dayton offers three primary advantages that would not have been achievable by either company independently: the ability to conduct immediate exploration and advancement of the El Dorado gold project; the influx of

approximately \$16 million in cash, projected cash flow and receivables up to April 2005; and, the financial ability and technical expertise to take advantage of additional exploration opportunities in the gold industry.

Since completing the merger in April 2002, Pacific Rim has capitalized on each of these advantages. An aggressive exploration program on the El Dorado project commenced immediately upon completion of the merger and a 20-hole, \$1 million diamond drill program is currently underway. The results of this drill program to date are very positive with new, high-grade gold mineralization discovered both in drill core and in previously unrecorded vein exposures on surface. A recovery in the gold price during 2002 has benefited Pacific Rim's projected cash flow from the Denton-Rawhide Mine by approximately \$2 million over the next three years. In addition, \$1 million of the \$3.4 million payment for Diablillos was paid to the Company in Silver Standard shares, which Pacific Rim strategically sold on the market for over \$2 million – an additional gain of over \$1 million. Lastly, Pacific Rim has acquired the La Calera exploration project, which may have geological and logistical ties to the nearby El Dorado project, and recently added the Cerro Gaspar project to its portfolio. The Company continues to scout for additional attractive exploration opportunities.





Catherine McLeod-Seltzer,
President

Thomas C. Shrake,
Chief Executive Officer

The merger of Pacific Rim and Dayton has created a company whose position is stronger than the sum of its parts. Pacific Rim's current market capitalization of approximately \$38 million is more than 3 times that of the combined Dayton (\$5.8 million) and old Pacific Rim (\$4.5 million) market capitalization of \$10.3 million when the merger proposal was announced.

Pacific Rim benefits greatly by the experience and insight of its Board of Directors, which includes Bill Mykатыn as Chairman, Catherine McLeod-Seltzer (President), Tom Shrake (CEO), Tony Petrina, Bob Buchan and David Fagin. This is a highly-regarded group of senior, seasoned professionals that reflects Pacific Rim's position in the mining industry. Pacific Rim's Board is comprised of people who have found deposits, built and operated mines and created wealth for shareholders. Along with the Company's management, exploration team and staff, the Board of Directors are all committed to delivering exceptional shareholder value.

On behalf of the Board of Directors we would like to thank our management and employees for their continuing and unwavering focus on delivering value to the owners of the Company, you, our shareholders. We also thank you for your interest in and support of Pacific Rim and offer a welcome to previous Dayton shareholders as well as our new investors. We look forward to an exciting year ahead.

On behalf of the Board of Directors,

THOMAS C. SHRAKE,
Chief Executive Officer

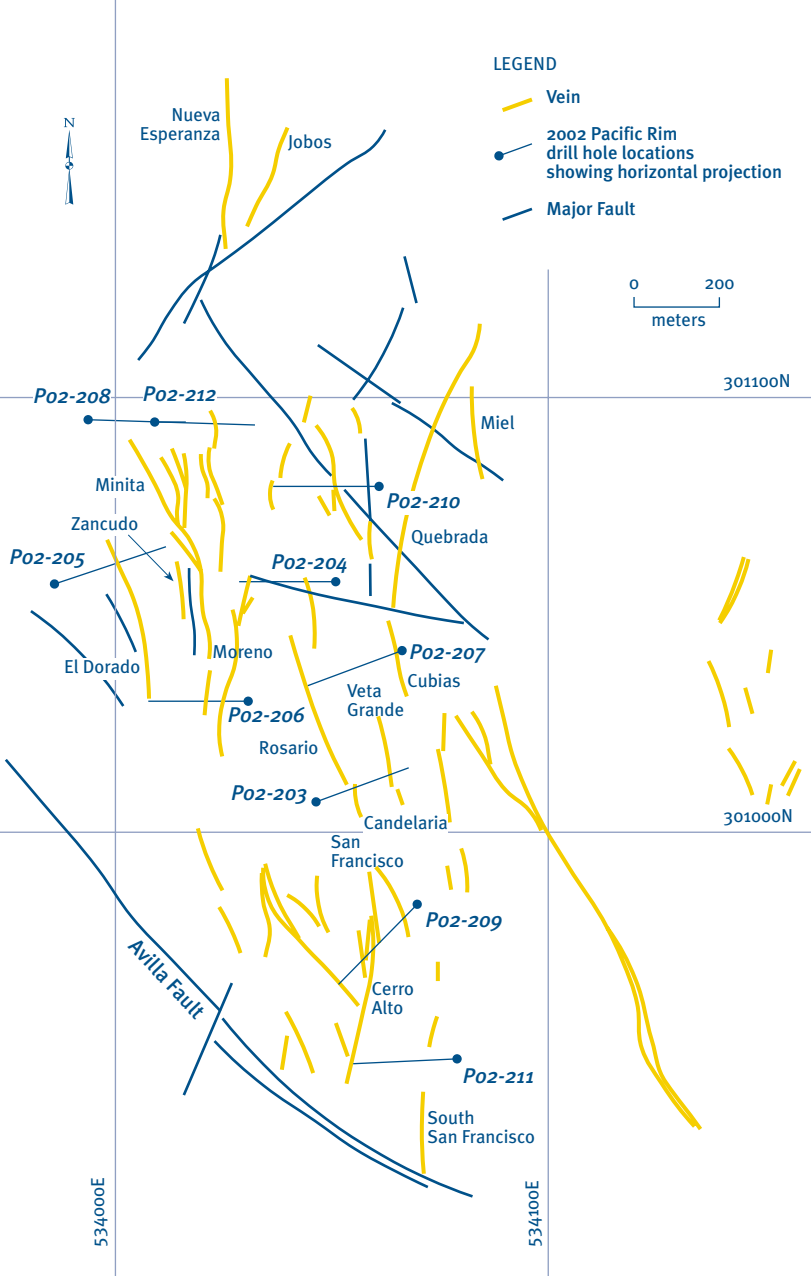
CATHERINE MCLEOD-SELTZER,
President

August 15, 2002



El Salvador's population of 6.2 million people is contained in 21,040 square kilometers, making it the smallest and most densely populated Central American country. Bordering Guatemala and Honduras, El Salvador has a tropical climate with a rainy season that runs from May to October and a dry season from November to April.

El Salvador is the most industrialized country in Central America and has one of the fastest growing economies in the region. The country recently updated its mining law, which is now one of the most favourable in the Americas. A 2% NSR is payable on all mining operations (1.5% to the federal government and 0.5% to the municipal government). With a corporate tax rate of 25%, El Salvador has created a very positive climate for foreign mining investment.



EL DORADO PROJECT

The El Dorado project is an epithermal bonanza vein district that is located 65 kilometers northeast of San Salvador, El Salvador and owned 100% by Pacific Rim. The project is well located and easily accessed, with a paved highway that runs through the claim, available electrical power, and logistical support in the town of Sensuntepeque, 12 kilometers away.

Pacific Rim's interest in the El Dorado project and its potential for growth was the critical factor in the Company's pursuit of the amalgamation with Dayton. El Dorado is an extremely large adularia-sericite epithermal system. These types of deposits can average half to over one ounce of gold per ton (15 to over 30 grams per tonne) and contain in the range of 1 to 5 million ounces of gold. Other examples of this type of mineralized system are the Midas and Sleeper mines in Nevada, the El Peñon mine in Chile and the El Limon mine in Nicaragua.

The El Dorado District typifies many of the common characteristics of classic epithermal systems. The area is dominated by volcanic rocks that have been faulted and fractured. Because the volcanics are competent, many of these faults and fractures created open conduits that now contain quartz veins. Gold is normally deposited in these veins under specific temperature and pressure conditions. This translates into a vertical range of elevations that contains the highest grade mineralization, with lower grade mineralization normally present above and below. Pacific Rim refers to this elevation range as the Productive Interval.

El Dorado Project – Central District Target Area
showing 2002 Drill Hole Locations to date.

HISTORY OF THE EL DORADO DISTRICT

Gold was discovered in the El Dorado area by the Spaniards who conducted shallow surface trenching and pitting. Limited operations were carried out during colonial times but ceased in 1894. The district remained dormant until 1942 when the New York and El Salvador Mining Company, a subsidiary of New York and Honduras Mining Company (later known as Rosario Resources Corporation), acquired the property. They commenced mining and milling in 1948. The Minita vein system was exploited with four mining levels, serviced by two vertical shafts. Total production

Thirty-five major quartz veins, totaling over 18 kilometers of strike length, have been identified on surface at the El Dorado project, and the Company continues to discover and sample new veins on the property regularly. Historical operations at the Minita vein system produced 72,000 ounces of gold at an average grade of 9.6 g/t in the mid 1900's. Modern-day drilling at the El Dorado project primarily tested selected veins at shallow depths. Dayton, however, conducted in-fill drilling at greater depths below the old Minita workings and defined a high-grade gold zone in the 3.3 meter wide Minita vein. An indicated resource of 799,200 tonnes averaging 13.7 g/t gold and 97.9 g/t silver, for a total of 352,700 ounces of gold and 2.5 million ounces of silver was delineated from this drilling*. Importantly, this high-grade resource is located between the elevation range of 100 to 250 meters above sea level. This elevation range is considered the Productive Interval at El Dorado and until now, was virtually untested elsewhere on the property.

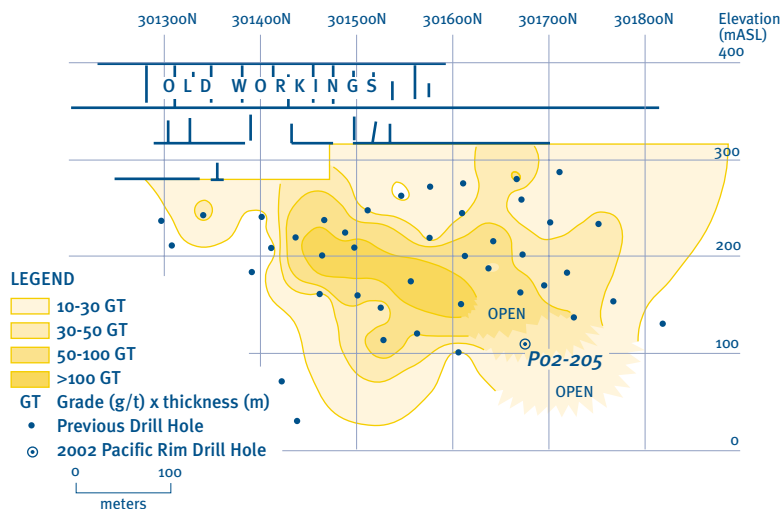
Pacific Rim commenced exploration on the El Dorado District immediately upon finalization of the amalgamation with Dayton. A program of data compilation, geological and structural mapping, trenching and sampling has led to a better understanding of the controls on gold mineralization and the discovery of numerous new, mineralized veins on surface. Pacific Rim is currently conducting a minimum 20-hole, \$1 million diamond drill program on El Dorado. This first phase program is focusing on the central part of the property and is targeting the

Surface exploration, including trenching and sampling, is resulting in the discovery of new high-grade vein targets.



for the five years that the mine was in operation was approximately 270,000 tonnes grading 9.6 g/t gold and 52 g/t silver. Roughly 72,000 ounces of gold and 355,000 ounces of silver were recovered during this period. The mine is believed to have been shut down in 1953 due to union problems, operating costs and a refocus of Rosario's efforts elsewhere. In the mid- 1970's, the property was explored by Bruneau

Mining Company, but work ceased in 1977 due to a lack of funding. El Salvador's civil war prevented any significant work between 1977 and 1993, at which time Mirage Resources, a predecessor company to Dayton Mining Corporation, optioned the property. The project has been held and explored by Mirage, then Dayton and now its successor company Pacific Rim since 1993.



El Dorado Project – Minita Vein Longitudinal Section
Showing Current Resource.

Productive Interval on veins that intersect, bend, or where a structural complication has been identified. To date, the Company has received and released assay results from the first 4 holes. Significant true-width intercepts include: 9.75 meters averaging 9.33 g/t gold and 56 g/t silver in hole Po2-205; 1.10 meters averaging 55.49 g/t gold and 159 g/t silver in hole Po2-206; 1.19 meters averaging 31.93 g/t gold and 257.0 g/t silver in hole Po2-203; and 0.25 meters averaging 26.78 g/t gold and 183 g/t silver in hole Po2-204*. These results indicate that high-grade gold mineralization is present both north and south of the existing resource in the Minita vein (which may eventually result in an expansion of the resource) as well as within other veins in the vicinity. Many high-quality vein targets remain to be drill tested and new targets are being developed regularly.

The goal of Pacific Rim's first phase drilling is to identify veins that contain high-grade mineralization. Successful holes will then be followed up with additional drilling, with the objective of expanding the current resource within the Minita vein and/or on other veins within the El Dorado district. Pacific Rim believes the El Dorado project has the potential to host a high-grade, low-cost, underground gold deposit of significant size.

**Please refer to National Instrument 43-101 Disclosure*



Minita Vein intercept in drill hole Po2-205;
9.75 metres averaging 9.33 g/t gold.

A NEW REALITY IN THE GOLD INDUSTRY

There has been a paradigm shift in the gold industry in recent years. The new reality is that extraordinary market multiples are now attributed to gold producers that are highly profitable, rather than those that produce the greatest number of ounces. To become highly profitable requires an unusual deposit that has both low operating and low capital costs, and can make money at low as well as high gold prices. This is achievable by delivering a high-grade underground deposit of significant size. Pacific Rim management believes that the El Dorado project has the potential to grow into this elite category of deposit and reward shareholders accordingly.

DENTON-RAWHIDE MINE

The Denton-Rawhide Mine, located near Fallon, Nevada, is an open pit gold-silver heap leach operation. Pacific Rim holds a 49% interest in the mine, with the operator, Kennecott Minerals, owning the remaining 51%.

Ore extraction at the mine is slated to cease in August, 2002, though residual leaching of stockpiled ore will continue for the next several years. Once active mining ceases, costs will drop dramatically. As such, the Company anticipates profits from the operation to increase substantially in the coming years.

Reclamation plans for the Denton-Rawhide Mine site are near completion. Pacific Rim maintains a trust fund established to finance its portion of the cost of reclamation and mine closure. Being situated in a closed hydrological basin, the Denton-Rawhide Mine is in an ideal location to mitigate environmental concerns related to the mine closure.

OTHER PROJECTS

While El Dorado and Denton-Rawhide are Pacific Rim's primary assets, the Company holds interests in numerous other projects of merit.

In recent months, Pacific Rim has signed option agreements on two new projects in El Salvador; the La Calera project, located approximately 8 kilometers west of the El Dorado District and the Cerro Gaspar project, located approximately 100 kilometers east of El Dorado. Both projects host bonanza-type epithermal vein systems with high-grade mineralization on surface. Pacific Rim has conducted confirmation sampling at La Calera and intends to commence additional exploration leading to the definition of drill targets on La Calera, Cerro Gaspar and the Company's El Paisnal project (which was acquired through the amalgamation) in the coming months.

The Company's Andacollo gold Mine in Chile ceased operations in December 2000, though leaching of residual precious metals is continuing at present. Closure and reclamation of the Andacollo Mine is progressing on schedule.



MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION

GENERAL

This Management Discussion and Analysis of Financial Condition and Results of Operation should be read in conjunction with and is qualified by the audited financial statements and the related notes that have been prepared in accordance with accounting principals generally accepted in Canada. Reference should be made to Note 15 of such financial statements for reconciliation of Canadian and United States generally accepted accounting principles.

Unless otherwise identified, all dollar amounts reported and included in this document are in the currency of the United States of America.

The Company was formed on April 11, 2002 by the amalgamation of Dayton Mining Corporation (“Dayton”) and Pacific Rim Mining Corp. (“PacRim”) as approved by the shareholders of both Dayton and PacRim on April 3, 2002 and by the Supreme Court of British Columbia on April 10, 2002. Each Dayton shareholder received 1.76 common shares of the Company in exchange for each Dayton common share held and each PacRim shareholder received one common share of the Company in exchange for each PacRim common share held. The financial year end of Dayton was December 31 and the financial year end of PacRim was April 30. The year end of the Company is April 30. Reference should be made to Note 1b. of the financial statements for details on how the amalgamation has been accounted for.

OVERVIEW

The Company’s principal operating asset is its 49% ownership of the Denton-Rawhide Mine. The Denton-Rawhide Mine is a heap leach gold and silver mine located near Fallon, Nevada. The mine has a nominal crushing capacity of approximately 6 million tonnes of ore per year. Open pit mining activities will cease in late 2002 and future metal production will come from leaching of stock piles and on-going re-leach activities. The Company’s 49% share of metal production between 2002 and closure in 2006 is forecast to be a total of 109,000 ounces of gold and 979,000 ounces of silver. Reference is made to Note 8 of the financial statements for information on the closure fund and loan payable to a related party.

The Company’s principal exploration and development property is the El Dorado gold and silver property located in the country of El Salvador which has an indicated resource of 799,200 tonnes averaging 13.7 g/t gold and 97.9 g/t silver, for a total of 352,700 ounces of gold and 2.5 million ounces of silver*. Over 35 known quartz veins have been identified and these veins have a total strike length of over 18 kilometers. Diamond drilling by previous workers identified a range of elevations containing bonanza gold grades (the “Productive Interval”).

At the time of the amalgamation, only two veins had been systematically drill-tested in the Productive Interval. The Company is currently conducting an approximately 20-hole, 7,000 meter, \$1 million diamond drill program on the El Dorado gold project in El Salvador to explore the high-grade gold potential in the central part of the district.

The Company’s Chilean operating subsidiary, Compañía Minera Dayton Limitada, (“CMD”) is subject to a creditors’ plan (the “Plan”) and no longer under control of the Company. CMD owns the Andacollo Gold Mine located near the town of Andacollo in central Chile. This mine was permanently shut down in December of 2000 and CMD is in the process of disposing of its assets and settling its outstanding liabilities under the Plan. Reference is made to Note 1c. of the financial statements.

The financial performance of the Company is largely dependent upon the price of gold and its ability to advance the El Dorado property in El Salvador. The Company has limited financial resources and there is no assurance that operating cash flow from Denton-Rawhide will be sufficient or that additional funding will be available to it for further exploration or acquisitions. Gold prices improved significantly during the four months ended April 30, 2002 from \$ 278 per ounce at the beginning of the period to \$ 308 per ounce at April 30, 2002. In 2001 the London P.M. price fixing averaged \$ 271 per ounce. The Company does not plan to hedge the price of any significant amount of its future gold production and therefore its financial performance is directly related to changes in the gold and silver price and also, to the cost of production of these metals at Denton-Rawhide.

GOLD AND SILVER PRODUCTION

Production in the four months ended April 30, 2002 totaled 14,605 ounces of gold and 126,615 ounces of silver. This includes four months of operations at Denton-Rawhide. In the 2001 fiscal year the Company’s share of Denton-Rawhide’s production was 49,366 ounces of gold and 356,277 ounces of silver.

Consolidated cash production costs for the four months ended April 30, 2002 were \$230 per ounce of gold produced compared to \$247 per ounce in 2001. During the 2002 period, minesite operating costs at Denton-Rawhide declined as compared to 2001 levels. Staffing reductions and a greater emphasis on cost control were responsible for the cost reductions.

NET INCOME AND ITS COMPONENTS

The net loss for the four months ended April 30, 2002 was \$1.6 million (\$0.03 per share), compared to a loss of \$3.4 million (\$0.11 per share) for the year ending December 31, 2001 and a loss of \$31.4 million (\$1.17 per

share) for the year ended December 31, 2000. The results for 2000 included a write down of \$22.7 million relating to Andacollo. The loss before unusual items in 2000 was \$8.7 million (\$0.32 per share).

Improved operating results in the four months ended April 30, 2002 as a result of improved gold prices were offset by one-time severance and amalgamation costs related to the PacRim – Dayton amalgamation which totaled \$0.6 and \$0.1 respectively in the period.

Net sales revenue, including hedging gains, royalty and selling expenses in the four months ended April 30, 2002 totaled \$5.3 million versus \$14.9 million for 2001 and \$34.9 million for 2000. The average price of gold received was \$287 per ounce for the four months ended April 30, 2002 versus \$271 per ounce in 2001 and \$279 per ounce in 2000. In the four months ended April 30, 2002 the Company sold 16,500 ounces of gold versus 49,300 ounces for the twelve months of 2001 and 121,734 ounces for 2000. Operating costs for the four months ended April 30, 2002 totaled \$4.5 million versus \$13.5 and \$33.7 million in 2001 and 2000 respectively. The decrease in costs from 2000 to 2001 was due to the inclusion of the Andacollo operations for eleven months in 2000. On a comparative basis, costs at Denton-Rawhide were largely unchanged.

Depreciation, depletion and amortization for the four months ended April 30, 2002 and the years 2001 and 2000 was \$1.2 million, \$3.0 million and \$6.5 million respectively. The decrease from 2000 to 2001 was due to production only coming from Denton-Rawhide in 2001. These charges for the four month period ended April 30, 2002 are proportionately higher than for the year 2001 due to increased non cash charges related to the amortization of estimated reclamation liabilities.

The operating loss for the four months ended April 30, 2002 was \$1.6 million versus a loss of \$3.4 million in 2001 and a \$31.4 million in 2000. In 2001 other expenses totaled \$1.8 million for the 12 month period compared with \$1.3 million for the current four month reporting period. General and administrative costs for the four month period ended April 30, 2002 were proportionally higher than for the year 2001 due to the inclusion of one-time severances and amalgamation costs related to the PacRim – Dayton amalgamation as stated above.

LIQUIDITY, CAPITAL RESOURCES AND CONDITION

The assets and liabilities of the Company consist of its investment in the Denton-Rawhide Mine, the El Salvador properties and the assets and liabilities of the parent company.

The Company is owed \$1.8 million by CMD. However, while the Company believes this amount, or more will be recovered from the sale of remaining assets, tax losses and water rights, owned by CMD, the eventual recovery of such amounts is uncertain and therefore has not been recorded as a receivable of the Company as at April 30, 2002.

As of April 30, 2002 the Company's debts were comprised of normal course trade payables and a loan obligation to an affiliate company that is repayable out of a percentage of the cash flow from the Denton-Rawhide Mine. In January 2002, Dayton was released from all material guarantee obligations of CMD.

The Company's working capital at April 30, 2002 was \$8.6 million compared to \$7.7 million at December 31, 2001. The improved working capital position is a result of the Dayton – PacRim amalgamation.

Cash flow from operating activities for the four months ended April 30, 2002 was negative \$0.6 million or (\$0.01) per share versus a negative \$2.4 million (\$0.07 per share) in 2001. Cash flow from operations activities improved during the four months ended April 30, 2002 primarily due to improvements in gold prices received and continued curtailment of administrative costs. The Company did not pay any dividends in 2002 (to April 30), 2001 or 2000 and does not plan on paying any dividends in the year ended April 30, 2003.

REGULATORY, ENVIRONMENTAL AND OTHER RISK FACTORS AND OUTLOOK

The Company is committed to constructing and operating its mines and exploration projects to minimize the effects of its activities on the environment. The reclamation plan at the Andacollo Gold Mine in Chile will conform to North American practices. As part of the closure plan, CMD has deposited funds into a trust to provide funding for the estimated closure costs totaling \$1.6 million at April 30, 2002. These funds are derived in part from the revenue generated from the sale of re-leach gold production and from the sale of the assets of the mine. With respect to the post closure costs at Denton-Rawhide, the Company recognized the then entire estimated obligation at the time of the acquisition. This amount has now been increased to approximately \$4.8 million with the remaining obligation being accrued on a unit of production basis. The Company has established a closure fund for Denton-Rawhide with a market value of \$3.4 million as at April 30, 2002 to fund its share of the joint venture closure costs. Current reclamation work is being funded from operating cash flows. \$2.0 million is anticipated to be spent on reclamation at Denton-Rawhide in the year ended April 2003 with no further trust funding required.

The Company has implemented extensive health and safety programs for its employees in Chile, Canada, The United States of America (together with its joint venture partner) and El Salvador. The Company believes it is in compliance with laws and regulations in all of the countries in which it operates and is not aware of any changes to these laws or regulations that would have a material impact on the financial condition of the Company.

The Company's sole operating asset is a 49% interest in the Denton-Rawhide Mine in Nevada. Its profitability and ability to generate positive cash flow is directly related to the prevailing market price for gold and silver, the Company's share of production from this operation and the ability of the Manager of the Denton-Rawhide Mine to control the costs of production.

The published level of reserves and resources are estimated using a gold price of \$300 per ounce and such reserve estimates are made within normal engineering standards employed by such professionals. For the year ended April 30, 2003 the Company anticipates its share of gold production at Denton-Rawhide will be 42,400 ounces of gold and 379,600 ounces of silver at a cash operating cost of \$177 per ounce of gold produced (net of silver credits). After funding the reclamation planned for the year ended April 30, 2003, it is forecast that Denton-Rawhide will generate positive cash flow of \$1.3 million. By employing these price, reserve and cost estimates, the carrying value of the Company's assets as stated is believed to be reasonable. Any adverse change in these estimates could affect the future carrying value of such assets.

During the year ended April 30, 2003 the Company is planning to invest considerable amounts of money to advance the El Dorado project, including the ongoing \$1 million 20-hole drill program. The Company's financial ability to advance this project has been enhanced by the PacRim – Dayton amalgamation that resulted in an increase in working capital for the amalgamated entity and the improvement of gold prices which should provide positive cash flow from the Rawhide joint venture. The results of the current drill program may warrant additional expenditures and there can be no assurance that the Company will be able to obtain adequate financing in the future or that the terms of such financing will be favorable. Failure to obtain such additional financing could result in delay or indefinite postponement of further exploration and development of its projects.

** Please refer to National Instrument 43-101 Disclosure*

“SAFE HARBOR” STATEMENT

The statements, which are not historical facts contained in this document, are forward-looking statements that involve risks and uncertainties that could cause actual results to differ materially from targeted results. These risks and uncertainties include but are not limited to precious metals prices; currency fluctuations; production costs; differences in ore grades, recovery rates, and tonnes mined from those expected; changes in mining, or heap leaching rates from currently planned rates; the results of current exploration activities and new opportunities; and other factors detailed in the Company's filings with the U.S. Securities and Exchange Commission.

NATIONAL INSTRUMENT 43-101 DISCLOSURE

National Instrument 43-101 ('NI 43-101') is a rule developed by the Canadian Securities Administrators (an umbrella group of Canada's provincial and territorial securities regulators) that governs public disclosure by mining and mineral exploration issuers. The rule establishes certain standards for all public disclosure of scientific and technical information concerning mineral projects.

Pacific Rim has been adhering to NI 43-101 in all of its disclosure since the rule was enacted in 2001. This document contains technical information identified by an asterisk (*) that has been previously issued and properly disclosed in news releases by the Company. NI 43-101 disclosure related to this information is as follows.

Details of the Minita resource estimate and a summary of the geology of the El Dorado project are presented in a technical report prepared for Dayton Mining Corporation (a predecessor company of Pacific Rim Mining Corp.) by Mr. P. LaCroix, P.Eng (a Qualified Person as defined in National Instrument 43-101) entitled "Resource Update Nueva Esperanza & El Dorado Mine Area – El Dorado Project – El Salvador", dated February 8, 2002. The report is summarized in Dayton's Annual Information Form, dated February 26, 2002, available on SEDAR.

Pacific Rim's exploration work on the El Dorado project is being supervised by William Gehlen a Certified Professional Geologist with the AIPG (No. 10626), an employee of Pacific Rim and a Qualified Person as defined in NI 43-101. Mr. Gehlen has verified that the drill results presented in this document have been accurately summarized from the official assay certificates provided to the Company. Pacific Rim's drill sampling procedures follow the Exploration Best Practices Guidelines outlined by the Mining Standards Task Force and adopted by The Toronto Stock Exchange. This includes splitting the drill core, collecting one half for assay and retaining the other half for future reference, uniquely labelling and bagging each sample, limiting access to drill core and samples, storing samples in a secure environment and promptly shipping samples to a North American laboratory. Samples have been assayed using fire assay with a gravimetric finish on a 30-gram split. Quality control measures are being implemented. Samples were assayed by Inspectorate America Corporation in Reno, Nevada USA, an ISO 9002 certified laboratory, independent of Pacific Rim Mining Corp.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

TO THE SHAREHOLDERS OF PACIFIC RIM MINING CORP.

The accompanying consolidated financial statements of the Company were prepared by management in accordance with accounting principles generally accepted in Canada, and within the framework of the summary of significant accounting policies noted in these consolidated financial statements. Management is responsible for all information in the annual report. All financial and operating data in the annual report is consistent, where appropriate, with that contained in the consolidated financial statements.

A system of internal accounting control is maintained in order to provide reasonable assurance that assets are safeguarded and that transactions are properly recorded and executed in accordance with management's authorization. This system includes established policies and procedures, the selection and training of qualified personnel and an organization providing for appropriate delegation of authority and segregation of responsibilities.

The Board of Directors discharges its responsibilities for the consolidated financial statements primarily through activities of its Audit Committee composed of three directors, none of whom are members of management. This Committee meets with management to assure that it is performing its responsibility to maintain financial controls and systems and to approve the annual audited consolidated financial statements of the Company. The Audit Committee also meets with the independent auditors to discuss the scope and the results of their audit and audit report prior to submitting the consolidated financial statements to the Board of Directors for approval.

The consolidated financial statements have been audited on behalf of the shareholders by the Company's independent auditors, Staley, Okada, Chandler & Scott, in accordance with Canadian and United States generally accepted auditing standards. The auditors' report outlines the scope of their audit and their opinion on the consolidated financial statements.



CATHERINE MCLEOD-SELTZER
President



THOMAS C. SHRAKE
Chief Executive Officer

INDEPENDENT AUDITORS' REPORT

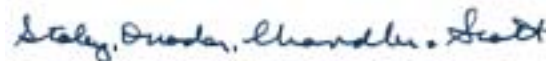
TO THE SHAREHOLDERS OF PACIFIC RIM MINING CORP.:

We have audited the consolidated balance sheet of Pacific Rim Mining Corp. (formerly Dayton Mining Corporation) as at April 30, 2002 and the consolidated statements of loss, shareholders' equity and cash flows for the four months ended April 30, 2002. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in Canada and the United States. 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 consolidated financial statements present fairly, in all material respects, the financial position of the Company as at April 30, 2002 and the results of its operations and its cash flows for the four months then ended in accordance with Canadian generally accepted accounting principles. As required by the B.C. Company Act, we report that, in our opinion, these principles have been applied on a basis consistent with that of the preceding year.

The prior years figures, which are presented for comparative purposes, were audited by another firm of Chartered Accountants, who issued an unqualified audit opinion dated January 11, 2002.



Langley, B.C.
June 28, 2002

STALEY, OKADA, CHANDLER & SCOTT
CHARTERED ACCOUNTANTS

CONSOLIDATED BALANCE SHEET

STATEMENT 1

In thousands of U.S. dollars

	AS AT APRIL 30, 2002	AS AT DECEMBER 31, 2001
ASSETS		
Current assets		
Cash and cash equivalents	\$ 2,564	\$ 1,537
Investments in marketable securities (Note 4)	818	76
Receivables	76	234
Inventories (Note 5)	9,155	9,011
	12,613	10,858
Property, plant and equipment (Note 6)	9,450	10,465
Closure fund (Note 8)	3,267	3,217
	\$ 25,330	\$ 24,540
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	\$ 1,394	\$ 1,869
Due to related parties (Note 14)	653	197
Accrued closure costs – current portion	1,950	1,109
	3,997	3,175
Loan payable to a related party (Note 8)	1,849	1,849
Accrued closure costs	1,755	2,518
	7,601	7,542
SHAREHOLDERS' EQUITY		
Share capital – Statement 3 (Note 9)		
Authorized:		
1,000,000,000 common shares without par value		
Issued and fully paid:		
78,408,794 (2001 – 31,123,974) shares outstanding	56,142	53,810
Deficit – Statement 3	(38,413)	(36,812)
	17,729	16,998
	\$ 25,330	\$ 24,540

12

APPROVED BY THE BOARD OF DIRECTORS:



Director



Director

See accompanying notes to the financial statements.

CONSOLIDATED STATEMENTS OF LOSS

STATEMENT 2

In thousands of U.S. dollars

	FOUR MONTHS ENDED APRIL 30, 2002	YEAR ENDED DECEMBER 31, 2001	YEAR ENDED DECEMBER 31, 2000
Revenue			
Sales	\$ 5,303	\$ 14,913	\$ 34,926
Cost of sales			
Operating costs	4,454	13,545	33,720
Depreciation, depletion and amortization	1,196	2,980	6,479
	5,650	16,525	40,199
	(347)	(1,612)	(5,273)
Expenses			
Amalgamation costs	683	–	–
Exploration	250	700	1,766
Foreign exchange	(29)	66	(324)
General and administrative	437	1,131	1,546
Interest expense	28	15	930
Interest income	(115)	(223)	(525)
Write-down of marketable securities	–	70	–
	1,254	1,759	3,393
Net loss before unusual item	(1,601)	(3,371)	(8,666)
Unusual item (Note 1c)	–	–	(22,722)
Net loss for the period	\$ (1,601)	\$ (3,371)	\$ (31,388)
Basic and diluted loss per share	\$ (0.03)	\$ (0.11)	\$ (1.17)

See accompanying notes to the financial statements.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

STATEMENT 3

In thousands of U.S. dollars

	SHARE CAPITAL		ACCUMULATED	TOTAL
	NUMBER	AMOUNT	DEFICIT	
Balance – December 31, 1999	351,356,779	\$ 31,932	\$ (2,053)	\$ 29,879
Common shares issued for cash	255,000	21	–	21
Common shares issued for acquisitions	189,049,606	16,036	–	16,036
Share consolidation 1 for 20	(513,628,316)	–	–	–
Common shares issued for special warrants	4,090,905	5,821	–	5,821
Net loss for the year	–	–	(31,388)	(31,388)
Balance – December 31, 2000	31,123,974	53,810	(33,441)	20,369
Net loss for the year	–	–	(3,371)	–
Balance – December 31, 2001	31,123,974	53,810	(36,812)	16,998
Common shares issued for amalgamation conversion for Dayton shareholders (1.76 for 1) (Note 1b)	23,654,220	–	–	–
Common shares issued for acquisition of PRMC (Note 1b)	23,498,600	2,287	–	2,287
Common shares issued for cash	132,000	45	–	45
Net loss for the four months ended April 30, 2002	–	–	(1,601)	(1,601)
Balance – April 30, 2002	78,408,794	\$ 56,142	\$ (38,413)	\$ 17,729

See accompanying notes to the financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOW

STATEMENT 4

In thousands of U.S. dollars

	FOUR MONTHS ENDED APRIL 30, 2002	YEAR ENDED DECEMBER 31, 2001	YEAR ENDED DECEMBER 31, 2000
Operating activities			
Net loss for the period	\$ (1,601)	\$ (3,371)	\$ (31,388)
Adjustment to reconcile net loss to cash flow provided by operations: depletion, depreciation and amortization	1,196	2,980	6,479
Accrued closure costs	161	(22)	567
Foreign exchange	(29)	59	(82)
Net interest earned on sinking fund	(50)	(153)	(40)
Adjustment of sinking fund value	-	57	-
Amortization of other assets	-	-	30
Write-off of investment in subsidiary (Note 1c)	-	-	22,722
General and administration costs covered by issuance of shares	-	-	21
Gain on sale of marketable securities	(59)	-	-
Write-down of marketable securities	-	70	-
	(382)	(380)	(1,691)
Accounts payable and accrued liabilities	(572)	(709)	(1,203)
Bullion settlements receivable	-	-	1,143
Cash lost on deconsolidation	-	-	(103)
Closure cost expenditures	(83)	(118)	(1,149)
Due to related parties	456	197	-
Inventories	(144)	(1,335)	72
Receivables	163	(28)	705
Cash flow used for operating activities	(562)	(2,373)	(2,226)
Investing activities			
Capitalized acquisition costs	-	-	(617)
Cash acquired on amalgamation	1,483	-	-
Deferred stripping	-	-	(750)
Purchases of property, plant and equipment	(138)	(104)	(390)
Reclamation sinking fund contributions	-	(352)	(470)
Cash flow provided by (used for) investing activities	1,345	(456)	(2,227)
Financing activities			
Capital lease obligation repayments	-	-	(1,122)
Issuance of share capital	45	-	5,821
Operating line of credit	-	-	399
Principal repayments of bank loan	-	-	(1,667)
Proceeds on sale of marketable securities	170	29	-
Restricted cash released	-	-	1,667
Cash flow provided by financing activities	215	29	5,098
Foreign exchange	29	(59)	82
Net increase (decrease) in cash and cash equivalents	1,027	(2,859)	727
Cash and cash equivalents, beginning of period	1,537	4,396	3,669
Cash and cash equivalents, end of period	\$ 2,564	\$ 1,537	\$ 4,396
Interest paid during the year	\$ -	\$ 141	\$ 789
Supplementary Schedule of Non-cash Transactions:			
Shares issued for business combination	\$ 2,287	\$ -	\$ 16,036
Shares issued for general and administrative expenses	\$ -	\$ -	\$ 21
Loans from related parties	\$ -	\$ -	\$ 1,849

See accompanying notes to the financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

April 30, 2002 and December 31, 2001

In thousands of U.S. dollars

1. NATURE OF OPERATIONS AND BASIS OF PRESENTATION

The Company is involved in the exploration, development and operation of gold properties. The Company owns a 49% interest in the Denton-Rawhide Mine, located near Fallon, Nevada, U.S.A. and a 100% interest in certain exploration license areas known as El Dorado, El Paisnal and Potonico located in El Salvador.

Basis of presentation

The consolidated financial statements are presented in accordance with generally accepted accounting principles (“GAAP”) applicable in Canada and have been reconciled as to significant differences in measurement to generally accepted accounting principles applicable in the United States as disclosed in Note 15.

These consolidated financial statements include the accounts of the Company’s wholly-owned subsidiaries, Dayton Mining (US) Inc., DMC Cayman Inc., Andacollo Gold Inc., La Serena Inc., Dayton Chile Exploraciones Mineras Limitada, Compañía Minera Dayton (to December 1, 2000), Dayton Acquisition Inc., 449200 B.C. Ltd., Kinross El Salvador S.A. De C.V. and Recursos Salvador Enos S.A. de C.V. Also included in these consolidated financial statements are the Company’s wholly-owned subsidiaries, Pac Rim Cayman, Pac Rim Caribe III and International Pacific Rim S.A. from the date of acquisition of April 11, 2002.

The 49% joint venture interest in Denton-Rawhide is accounted for on a proportionate consolidation basis.

a) Reporting currency

The United States dollar is the Company’s principal reporting currency and the currency of measurement for all financial transactions reported in these consolidated financial statements.

b) Amalgamation of Dayton Mining Corporation and Pacific Rim Mining Corp.

On April 11, 2002 statutory approval was received from the Province of British Columbia Registrar of Companies for the amalgamation of Dayton Mining Corporation (“Dayton”) and Pacific Rim Mining Corp. (“PRMC”) under the name Pacific Rim Mining Corp. (“Company”) as approved by the shareholders of each of the amalgamated companies on April 3, 2002. Dayton shareholders received 1.76 common shares of the Company in exchange for each common share of Dayton held and PRMC shareholders received 1.0 common shares of the Company in exchange for each common share of PRMC held, resulting in Dayton and PRMC shareholders comprising 70% and 30% respectively of the Company. The amalgamation has been accounted for as a reverse takeover using the purchase method of accounting with Dayton identified as the acquirer. For financial statement purposes the Company is a continuation of Dayton. The shares issued as consideration by Dayton to acquire PRMC are recorded at the fair value of the net assets of PRMC, which has been determined to be the net book value of PRMC. The comparative balance sheet as at December 31, 2001 reports only Dayton assets and liabilities while the April 30, 2002 balance sheet reflects total assets and liabilities of the Company. The April 30, 2002 statements of loss and cash flows reflect amalgamated results from April 11, 2002 to April 30, 2002 with results for the period from January 1, 2002 to April 10, 2002 being solely Dayton results. The comparative figures are solely Dayton. The new year-end of the Company is April 30.

Details of the net book value of PRMC as at April 11, 2002 are as follows:

Cash, short-term investments and receivables	\$	2,341
Property, plant and equipment		43
Accounts payable and accruals		(97)
Net Assets Acquired	\$	2,287
Value attributed to common shares issued	\$	2,287

c) Shut down of Andacollo Mine

The carrying values of the assets and liabilities of the Chilean operating subsidiary that owned the Andacollo Mine have been written off effective December 1, 2000 with a corresponding charge to income (under unusual item) to reflect permanent closure of this mine, the court approved creditors plan and the estimated realizable value of capital assets after all liabilities have been liquidated.

The statements of loss and cash flows for the year ended December 31, 2000 reflect the operating results of the Andacollo Mine for the 11 months of operation prior to closure while all assets and liabilities have been deconsolidated from the December 31, 2000 balance sheet.

2. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING CHANGES

Cash and Cash Equivalents

Cash and cash equivalents includes cash on hand, demand deposits, and short term highly liquid investments with a term to maturity of less than three months from inception which are readily convertible to known amounts of cash and which, in the opinion of management, are subject to an insignificant risk of changes in values.

Marketable Securities

Marketable securities are carried at the lower of cost and estimated fair market value.

Inventories

Inventories, comprising of ore on leach pads and gold in process, bullion at the refiners and mine operating supplies are valued at the lower of cost and net realizable value.

Property, Plant and Equipment

Property, plant and equipment is stated at estimated fair value as at the date of acquisition less accumulated depreciation and accumulated write-downs. Mining property, plant and equipment is depreciated using the unit of production method over estimated recoverable ounces.

Annually, reviews are undertaken to evaluate the carrying values of operating mines and development properties. If it is determined that the estimated net recoverable amount is significantly less than the carrying value and the impairment in value is likely to be permanent, a write-down to the net recoverable amount is made by a charge to earnings.

All exploration expenditures are expensed as incurred. Significant property acquisition payments for active exploration properties are capitalized. If no mineable ore body is discovered, previously capitalized costs are expensed in the period the property is abandoned. Expenditures for the development of new mines, to define further mineralization in existing ore bodies, and to expand the capacity of operating mines, are capitalized and amortized on a units of production basis over estimated recoverable ounces.

Environmental Expenditures and Closure Costs

The operations of the Company may in the future be affected from time to time by changes in environmental regulations, including those for future removal and site restoration costs. Both the likelihood of new regulations and their overall effect upon the Company vary greatly and are not predictable. The Company's policy is to meet standards set by relevant legislation, by application of technically proven and economically feasible measures.

Environmental expenditures that relate to ongoing environmental and reclamation programs are charged against earnings as incurred or capitalized and amortized depending on their future economic benefits. Estimated future removal and site restoration costs, when the ultimate liability is reasonably determinable, are charged against earnings over the estimated remaining life of the operation, net of expected recoveries.

The Company's share of estimated closure costs associated with the Denton-Rawhide Mine at the time of acquisition was recognized in full as part of the acquisition cost. Increases in estimates of closure liabilities subsequent to the acquisition of Denton-Rawhide are accrued on a unit of production basis over expected future recoverable ounces of production.

Income Taxes

The Company uses the asset and liability method to account for income taxes. Under this method, current income taxes are recognized for the estimated income taxes payable for the current period. Future income tax assets and liabilities are recognized for temporary differences between the tax and accounting basis of assets and liabilities as well as for the benefit of losses available to be carried forward to future years for tax purposes that are likely to be realized.

Share Capital

- i) The proceeds from the exercise of stock options, warrants and escrow shares are recorded as share capital in the amount for which the option, warrant or escrow share enabled the holder to purchase a share in the Company.
- ii) Share capital issued for non-monetary consideration is recorded at an amount based on fair market value reduced by an estimate of transaction costs normally incurred when issuing shares for cash, as determined by the board of directors of the Company.

2. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING CHANGES, *Continued*

Stock-based Compensation Plan

The Company has adopted the new recommendations of CICA Handbook Section 3870, Stock-based compensation and other stock-based payments. It is applied on a prospective basis and applies to all awards granted on or after January 1, 2002. This Section establishes standards for the recognition, measurement and disclosure of stock-based compensation and other stock-based payments made in exchange for goods and services.

i) Non-employees

The standard requires that all stock-based awards made to non-employees be measured and recognized using a fair value based method.

ii) Employees

The standard encourages the use of a fair value based method for all awards granted to employees, but only requires the use of a fair value based method for direct awards of stock, stock appreciation rights, and awards that call for settlement in cash or other assets. Awards that a company has the ability to settle in stock are recorded as equity, whereas awards that the entity is required to or has a practice of settling in cash are recorded as liabilities. The company has elected to account for employee stock options by measuring compensation cost for options as the excess, if any, of the quoted market price of the Company's common shares at the date of grant over the amount an employee must pay to acquire the common shares. As required for the employee stock options, the Company will disclose pro-forma income (loss) and pro-forma earnings (loss) per share using a fair value based method.

Revenue Recognition

Revenues from the sale of all precious metal bullion are recognized when title to the bullion passes to the buyer.

Loss per Share

Basic earnings per share is computed by dividing income available to common shareholders by the weighted average number of common shares outstanding during the period. The computation of diluted earnings per share assumes the conversion, exercise or contingent issuance of securities only when such conversion, exercise or issuances would have a dilutive effect on earnings per share. The dilutive effect of convertible securities is reflected in diluted earnings per share by application of the "if converted" method. The dilutive effect of outstanding options and warrants and their equivalents is reflected in diluted earnings per share by application of the treasury stock method.

Derivative Transactions

The Company may enter into gold hedging contracts to manage its exposure to fluctuations in the market price of gold and to establish minimum prices for certain of its future production. Gains or losses on these contracts are included in sales revenue when product is delivered against the contract.

Foreign Exchange

Transaction amounts denominated in other currencies are translated into their United States dollar equivalents at exchange rates prevailing at the transaction date. Carrying values of monetary assets and liabilities are adjusted at each balance sheet date to reflect exchange rates prevailing at that date. Gains and losses arising from restatement of foreign currency monetary assets and liabilities at each year-end are included in earnings.

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 assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

3. FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash and cash equivalents, investments in marketable securities, receivables, closure fund, accounts payable, amounts due to related parties and accrued closure costs. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from the financial instruments. The fair value of these financial instruments approximates their carrying value due to their short-term maturity or capacity of prompt liquidation.

4. INVESTMENTS IN MARKETABLE SECURITIES

	APRIL 30, 2002	DECEMBER 31, 2001
Carrying value	\$ 818	\$ 76
Market value	\$ 890	\$ 119

Included in the carrying value is \$816,000 (2001 – \$NIL) relating to shares of Silver Standard Resources Inc. (Note 7c) which has a director in common with the Company. These shares were sold subsequent to year-end for total proceeds of \$1,824,000 resulting in a total gain of \$1,008,000.

5. INVENTORIES

	APRIL 30, 2002	DECEMBER 31, 2001
Production inventory	\$ 8,191	\$ 7,516
Unsold bullion at refiners	204	710
Supplies inventory	760	785
	\$ 9,155	\$ 9,011

6. PROPERTY, PLANT AND EQUIPMENT

	APRIL 30, 2002	DECEMBER 31, 2001
Cost	\$ 12,409	\$ 12,931
Accumulated depreciation and write-downs	(2,959)	(2,466)
	\$ 9,450	\$ 10,465

7. MINERAL PROPERTIES

a) El Salvador Properties

The Company holds a 100% interest in four exploration license areas in El Salvador, known as El Dorado (two licenses), Potonico and El Paisnal. Annual advance minimum royalty payments are required on the El Dorado property, which is the greater of \$50,000 per year or a 3% net smelter return royalty ("NSR"). The Company has the right to purchase the NSR for \$4,000,000 (\$1,000,000 for 1.5% and \$3,000,000 for the remainder) provided that the royalty is at least partially acquired within six months of commercial production.

All licenses are subject to a 2% NSR by the government of El Salvador.

The Company owns a 49% interest in the Denton-Rawhide Mine.

b) Denton-Rawhide Joint Venture

The Company's interest in the joint venture is summarized as follows:

	APRIL 30, 2002	DECEMBER 31, 2001
Cash and other non-cash working capital	\$ 9,036	\$ 8,651
Property, plant and equipment	5,213	6,262
Closure fund	3,267	3,217
Current liabilities	(2,164)	(2,681)
Long-term liabilities	(2,596)	(2,518)
Net assets	\$ 12,756	\$ 12,931
Sales	\$ 5,303	\$ 14,913
Costs and expenses	(5,763)	(16,639)
Net loss before taxes	\$ (460)	\$ (1,726)

c) Agreement with Silver Standard Resources Inc. ("SSO")

By agreement dated December 14, 2001, PRMC agreed to sell its 100% interest in certain subsidiaries that held the Diablillos mineral property located in Argentina. Under the terms of the agreement, SSO will pay, at its option, a total of \$3,400,000 consisting of staged payments totalling \$1,500,000 in cash on or before December 31, 2001 (received) and \$1,900,000 in cash or common shares, at SSO's election, on or before December 31, 2003. Prior to the amalgamation date of April 11, 2002, PRMC received 383,025 common shares of SSO, which had a fair market value of \$1,000,000. These shares have a four month hold expiring May 19, 2002. All amounts received from SSO are treated as a recovery of acquisition and deferred exploration costs on the Diablillos property and any recovery over the cost has been treated as a gain, once received. To April 30, 2002 the amount of the gain recorded has been \$8,000. Subsequent to year-end, the Company received 142,970 shares of SSO, which had a fair market value of \$900,000, thus completing the terms of the agreement. These shares have a four month hold expiring October 29, 2002.

8. CLOSURE FUND AND LOAN PAYABLE TO A RELATED PARTY

The Company, as part of the Denton-Rawhide acquisition, agreed to reimburse Kinross Gold Corporation ("Kinross"), who is a major shareholder of the Company and has a director in common, a principal amount of \$2.118 million for Kinross' interest in the reclamation and severance trust funds ("Closure Fund") held for the benefit of the Denton-Rawhide operation. The principal amount is repayable to Kinross, on an annual basis, from 25% of the net internal cash flow from the Denton-Rawhide Mine. Interest is payable annually at rates equivalent to those earned by the Closure Fund trust accounts. As a result of adjustments to working capital accounts at the time of purchase, the principal amount owing to Kinross was reduced to the current outstanding amount of \$1.849 million.

As at April 30, 2002, interest payable to Kinross was \$27,640 (2001 - \$30,707).

The funds are held in a trust managed by a Trustee that is a large North American banking institution. The trust funds are invested in mutual funds composed of U.S. Government guaranteed fixed income securities with maturities of one to five years. The fair market value of the funds at April 30, 2002 totalled \$3.4 million (2001 - \$3.35 million).

9. SHARE CAPITAL

Stock Options

Under the Company's Option plan, the Company may grant options to a maximum number yet to be recommended by the directors and approved by shareholders (at the next shareholders' meeting) to directors, employees, or consultants to purchase common shares of the Company. The option price equals the market price of the Company's common shares on the date of the grant, and the term of the options is a maximum of five years. One third of the options granted under this plan vest immediately, another third vest on the first anniversary date of the grant, and the remainder vest on the second anniversary date of the grant.

Under this plan, the Company may also issue common shares of the Company to directors, employees, or consultants as a stock bonus for past services performed for the Company. No shares have been issued under this bonus plan.

	NUMBER	WEIGHTED AVERAGE EXERCISE PRICE, CDN \$	EXPIRY
Options as at December 31, 2001	2,008,300	\$ 1.67	2002 – 2005
Options converted from PRMC due to the amalgamation	3,656,580	\$ 0.72	2002 – 2006
Expired during the period	(176,000)	\$ 1.08	2002
Exercised during period	(132,000)	\$ 0.54	2002
Options outstanding as at April 30, 2002	5,356,880	\$ 0.71	2003 – 2006
Vested as at April 30, 2002	4,040,480	\$ 0.86	2003 – 2006

The following table summarizes information about stock options outstanding to directors, former directors, employees or consultants as at April 30, 2002.

EXPIRY DATE	EXERCISE PRICE CDN \$	NUMBER OUTSTANDING	NUMBER VESTED
April 10, 2003	0.29	114,000	114,000
April 10, 2003	0.54	246,400	246,400
April 10, 2003	0.88	60,000	60,000
April 10, 2003	1.36	176,000	176,000
November 4, 2003	0.88	574,000	574,000
February 4, 2004	1.49	4,000	4,000
April 27, 2004	1.36	1,188,000	1,188,000
June 29, 2004	1.06	330,000	330,000
June 29, 2004	1.36	36,080	36,080
September 24, 2004	1.30	29,000	29,000
May 28, 2005	0.54	1,249,600	833,067
July 4, 2006	0.29	1,349,800	449,933
		5,356,880	4,040,480

During the period, 2,325,000 stock options at an exercise price of \$0.62 per share and expiring 18 April 2007, have been granted but require approval by the Company's shareholders, along with the new stock option plan. No stock compensation expense has been recorded in the financial statements as the stock options do not vest until approved.

10. GOLD SALES CONTRACTS

At April 30, 2002, the Company's gold hedging program consisted of 10,000 (2001 – 6,000) ounces of forward sales contracts at an average price of \$292.16 (\$280.25) per ounce, maturing at various dates from May 2002 to September 2002 (2001 – January 2002 to March 2002). The estimated fair value of these contracts at the April 30, 2002 spot prices of gold of approximately \$308 (2001 – \$278) per ounce was (\$165,000) (2001 – \$10,000) which represents the cost to the Company on the balance sheet date if it were to settle these instruments prior to their maturity.

The credit risk exposure related to the Company's gold hedging activities is limited to the unrealized gains on outstanding contracts based on current market prices. The Company's gold hedging contract counter parties are large international credit-worthy institutions.

11. INCOME TAXES

The Company has incurred certain mineral property related expenditures of approximately \$7,214,000 in Canada and \$1,782,000 in Argentina. For tax purposes, these expenditures may be carried forward indefinitely to reduce prescribed taxable income in future years.

The Company has non-capital losses for tax purposes of approximately \$12,882,000 which may be carried forward and expire as follows:

	USA	CANADA	ARGENTINA
2003	\$ 6	\$ 70	\$ –
2004	75	109	535
2005	150	122	115
2006	58	1,068	98
2007	241	1,690	135
2008	31	1,098	–
2009	45	654	–
2010 – 2022	6,582	–	–
	\$ 7,188	\$ 4,811	\$ 883

The Company also has Alternative Minimum Tax loss carry-forwards in the United States of \$6,276,000 expiring in various years up to 2022.

The potential future tax benefit of these expenditures and tax losses have not been recognized in these financial statements as there is sufficient uncertainty that the benefits will be realized.

12. SUBSEQUENT EVENTS

By letter of intent dated May 17, 2002, the Company agreed to acquire a 100% interest in the La Calera gold project, located near the El Dorado property. Under the letter of intent the Company, at its option, must make the following payments and exploration expenditures:

	OPTION PAYMENTS	MINIMUM EXPLORATION EXPENDITURES
Upon signing (paid)	\$ 5	\$ –
Upon completion of a two month due diligence (paid)	15	–
On or before May 17, 2003	20	25
On or before May 17, 2004	35	50
On or before May 17, 2005	75	100
On or before May 17, 2006	150	200
	\$ 300	\$ 375

The property is subject to a 0.5% NSR which can be purchased by the Company for \$200,000 if purchased within six months from the start of commercial production.

13. SEGMENTED INFORMATION

Details are as follows:

	FOUR MONTHS ENDED APRIL 30, 2002	YEAR ENDED DECEMBER 31, 2001	YEAR ENDED DECEMBER 31, 2000
Total assets			
Canada	\$ 2,682	\$ 1,064	\$ 4,231
USA	18,445	19,275	20,131
El Salvador	4,184	4,184	4,184
Chile	19	17	17
Total	\$ 25,330	\$ 24,540	\$ 28,563
Total property, plant and equipment			
Canada	\$ 11	\$ 2	\$ –
USA	5,238	6,262	9,157
El Salvador	4,184	4,184	4,184
Chile	17	17	–
Total	\$ 9,450	\$ 10,465	\$ 13,341
Revenue, excluding interest income			
Canada	\$ –	\$ –	\$ 674
USA	5,303	14,913	11,159
El Salvador	–	–	–
Chile	–	–	23,093
Total	\$ 5,303	\$ 14,913	\$ 34,926
Depreciation, depletion and amortization			
Canada	\$ 1	\$ 6	\$ –
USA	1,195	2,974	2,644
El Salvador	–	–	–
Chile	–	–	3,835
Total	\$ 1,196	\$ 2,980	\$ 6,479
Net loss			
Canada	\$ (969)	\$ (1,021)	\$ (607)
USA	(401)	(1,770)	(1,493)
El Salvador	(231)	(580)	(959)
Chile	–	–	(28,329)
Total	\$ (1,601)	\$ (3,371)	\$ (31,388)

14. RELATED PARTY TRANSACTIONS

Except as noted elsewhere in these consolidated financial statements, related party transactions are as follows:

- Amounts due to related parties are non-interest bearing and are required to be paid within 12 months and have accordingly been recorded in these financial statements as current.
- During the period, \$578,000 (2001 – \$1,217,000) of wages and benefits were paid to directors and officers, which included \$567,000 (2001 – \$221,000) of severance costs included in amalgamation costs (2001 – included in general and administrative costs).

15. UNITED STATES ACCOUNTING PRINCIPLES

The effect of the measurement differences between Canadian GAAP and US GAAP on the Company's net loss for the four months ended April 30, 2002 and the years ended December 31, 2001 and 2000 are summarized below:

Under US GAAP, securities that are available-for-sale are recorded at fair value and unrealized gains or losses are excluded from earnings and recorded as a separate component of shareholders' equity. Declines in fair value that are other than temporary are written off. Under Canadian GAAP, investments in marketable securities are carried at the lower of cost and estimated fair market value.

The significant change in the consolidated financial statements relative to US GAAP were as follows:

Statements of Loss

	FOUR MONTHS ENDED APRIL 30, 2002	YEAR ENDED DECEMBER 31, 2001	YEAR ENDED DECEMBER 31, 2000
Net loss following Canadian GAAP	\$ (1,601)	\$ (3,371)	\$ (31,388)
Loss on write-down of marketable securities	-	(62)	-
Net loss following US GAAP	\$ (1,601)	\$ (3,433)	\$ (31,388)
Unrealized holding gain on marketable securities	72	43	-
Loss on write-down of marketable securities	-	62	-
Comprehensive loss, following US GAAP	\$ (1,529)	\$ (3,328)	\$ (31,388)
Weighted average number of common shares, computed under US GAAP (thousands of shares)	58,707	31,124	26,715
Loss per share, following US GAAP	\$ (0.03)	\$ (0.11)	\$ (1.17)

Balance Sheets

	APRIL 30, 2002	DECEMBER 31, 2001
Deficit		
Adjusted deficit, beginning of period per US GAAP	\$ (36,874)	\$ (33,441)
Net loss per US GAAP	(1,601)	(3,433)
Adjusted deficit, end of period per US GAAP	\$ (38,475)	\$ (36,874)
Accumulated other comprehensive loss		
Beginning of period per US GAAP	\$ (122)	\$ (227)
Other comprehensive gain	72	43
Other comprehensive loss on write-down of marketable securities	-	62
Accumulated other comprehensive loss, end of period per US GAAP	\$ (50)	\$ (122)

Because the Company delivers gold against outstanding forward sales contracts, it has determined that there is no impact from the adoption of SFAS No. 133, Accounting For Derivative Instruments and Hedging Activities.

In June 2001, the Financial Accounting Standards Board ("FASB") issued SFAS No. 141, Business Combinations, and SFAS No. 142, Goodwill and Other Intangible Assets. The Company has adopted this effective January 1, 2002 with no material effect. These standards eliminate pooling as a method of accounting for business combinations, and feature new accounting rules for goodwill and intangible assets.

Also issued in June 2001 was SFAS No. 143, Accounting for Asset Retirement Obligations. This statement addresses financial accounting and reporting for obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs. It requires that the fair value of a liability for an asset retirement obligation be recognized in the period in which it is incurred if a reasonable estimate of fair value can be made. The associated asset retirement costs are capitalized as part of the carrying amount of the long-lived asset. The Company is analyzing the impact of SFAS No. 143 and will adopt the standard on May 1, 2003.

In August 2001, the FASB issued SFAS No. 144, Accounting for the Impairment or Disposal of Long-lived Assets. This statement addresses accounting for discontinued operations and the impairment or disposal of long-lived assets. The Company has determined that there is no impact following the adoption of SFAS No. 144 on January 1, 2002.

CORPORATE INFORMATION

DIRECTORS & OFFICERS

William H. Myckatyn – *Chairman of the Board & Director*
Catherine McLeod-Seltzer – *President & Director*
Thomas C. Shrake – *Chief Executive Officer & Director*
Anthony J. Petrina – *Director*
David K. Fagin – *Director*
Robert R. Buchan – *Director*
Kathryn Church – *Vice President, Administration & Corporate Secretary*
F. John Norman – *Controller*

CORPORATE HEADQUARTERS

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CAPITALIZATION AND LISTING

(as at April 30, 2002)

78,408,794 common shares issued and outstanding
83,765,674 fully diluted
1,000,000,000 authorized
Trading Symbol on the TSX and AMEX – PMU

LEGAL COUNSEL

Gowling, Lafleur Henderson LLP
Vancouver, British Columbia

TRANSFER AGENT

Computershare Investor Services Inc.
Vancouver, British Columbia
Toronto, Ontario, Canada
Computershare Trust Inc.
Lakewood, Colorado USA

AUDITORS

Staley, Okada, Chandler & Scott
Surrey, British Columbia

PACIFIC RIM
MINING CORP.

For additional information about Pacific Rim Mining Corp. or updates throughout the year, please visit the Company's website at: www.pacrim-mining.com

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